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The Company
Sustainability
Economy



Introduction by CEO

Despite the fact that the year 2021 continued to be characterised by the coronavirus pandemic, clear signs of improvement in airport operations and air navigation from the previous year were still evident. If we look, for example, at the last quarter of 2020, an average of 600 passengers passed through Keflavík Airport every day. During the same period last year, this average number had reached about 9,064 passengers per day, which is about 58% of the daily average in the last quarter of 2019.

At the same time, most of the airlines that flew to Keflavík Airport before the coronavirus pandemic have returned, and today, it looks like their number will be the same this summer as it was in 2019. This means that we can expect continued success from the recovery in the coming months and quarters. Part of what held back the recovery was the infection prevention measures that were in place at the Icelandic border. These measures were lifted last February, as the available data had shown that they were not justified and caused more harm than good. It is gratifying that the government has thus begun to view the overall picture in its decisions, and it is important that there is predictability in them in the future.

Isavia went on the offensive at Keflavík Airport at the beginning of last year following the Minister of Finance and Economic Affairs' decision to increase the company's share capital. This year marks one of the biggest construction years in the airport's history, and in addition, the company has provided funds for direct marketing to airlines, which has already resulted in the aforementioned recovery in the number of airlines. This offensive has played a key role in restoring the number of flight connections that existed in the years before the coronavirus pandemic. The connection hub at Keflavík Airport is the driving force when it comes to flight connections, and therefore, it must be ensured that it meets the opportunities that come with the connecting airlines

at Keflavík Airport. There is a direct correlation between the number of flight connections and economic growth, quality of life and prosperity in Iceland, so this emphasis on the connection hub is important not only for Isavia and the connecting airlines, but also for all Icelanders.

In addition to the operation of Keflavík Airport, Isavia Group includes the operation of the Duty Free Store at Keflavík Airport, the operation of the domestic airport system and the operation of air navigation services.

- The operation of the Duty Free Store has not been spared from the effects of the coronavirus pandemic, as it is highly dependent on travel to and from Keflavík Airport. On the other hand, it has been successful in adapting its operations to a changed environment, and in addition to that, the company is well equipped to meet the challenges that will accompany the recovery.
- The revenue of Isavia Regional Airports ehf. which handles the operation of domestic airports, is generated for the most part by a service agreement with the Icelandic government for their operation. The coronavirus pandemic has had a major impact on operations, but the Icelandic government, as a service buyer, simultaneously decided not to reduce the level of service in the domestic airport system, and this decision was met with special additional payments to the company to meet revenue declines from users. The status of the domestic airport system is nevertheless serious, as it has been underfunded by the Icelandic government for many years.
- Isavia's air navigation services are provided by the subsidiary Isavia ANS. The largest part of the company's revenue comes from an agreement for overflight services across the North Atlantic. This agreement provides for

the stabilisation of income and expenditure fluctuations, so that the effects of the coronavirus pandemic will largely be evened out in the coming years.

The international airports that achieve visible results in the coming years when it comes to sustainability will gain an important competitive advantage in the future. In light of this, it is especially important not to lose sight of the importance of environment and sustainability issues despite repeated challenges due to the coronavirus pandemic. In recent years, Isavia has taken large and important steps towards sustainability, and in the coming years, the steps will become even larger and more important.

Isavia has been a party to the UN Global Compact since 2016. As such, Isavia undertakes to ensure that its work practices are in accordance with the ten basic UN criteria on human rights, work issues, environmental issues and action against corruption.

At the end of last year, a new sustainability policy for the company came into force. It is accompanied by a five-year action plan in which the company's emphases, goals and criteria in the field are set out. They were selected with reference to the company's policies, comments from external stakeholders, the criteria of the UN Global Compact, the United Nations Global Goals and related government priorities.

This is Isavia's seventh Annual Report, issued according to the criteria of the Global Reporting Initiative. The report is modelled on the GRI Standards: Core along with GRI-G4 special provisions for airports. These special provisions deal specifically with the challenges and opportunities faced by airports when it comes to sustainability. Consideration is given to the company's operations and to their impact on the economy, the environment and the community. A large number of employees from all departments within the company were

involved in preparing the report, and we recruited an external consultant to review and ensure the reliability of the information. We welcome any and all comments on the content of the report, as continuous improvements are an integral part of our operations.

This Annual Report describes the operations of Isavia in 2021. The report is published as a progress report toward our goals as regards the UN Global Compact Convention (UNGC). We thereby confirm our wish to work in accordance with the Ten Principles of the UN and work towards the Global Goals. We declare our continued support of the UN Global Compact.

The last two years have been full of challenges due to the coronavirus pandemic. We here at Isavia nevertheless launched our offensive last year, as there are many opportunities when it comes to safeguarding the quality of life and prosperity in Iceland. We at the Isavia Group have a unique group of employees who have once again made us very proud and convinced that we are able to meet the great responsibility that is entrusted to us.

I would like to take this opportunity to thank all of our Isavia teammates for their contributions to get us through the challenges of recent years and no less for being ready to roll up their sleeves for the future.

Sveinbjörn Indriðason
CEO of Isavia



Address of the Chairman of the Board

The impact of the coronavirus pandemic on aviation-related operations remained significant in 2021. When calamities such as the pandemic in question strike, it is important for everyone to catch their breath and assess whether previous emphases are still valid.

Isavia's parent company operates Keflavík Airport. Last year, the Board and management of Isavia updated the company's policy with the aim of being able to launch an offensive in Keflavík after the pandemic. The vision is simple: Connect the world through Iceland. In the boom of the tourism industry in the years before the collapse of wow Air, investments were made at Keflavík Airport to compete against the rapid growth of flights to and from the country. This time around, the company wants to build up its operations before the infrastructure reaches its tolerance limit again.

In parallel with the new development plan, the company last year examined and reviewed the culture that prevails internally. It is one thing to own and operate a solid infrastructure. The other is that the human resources that take care of this infrastructure – and provide the basic services – ensure the best possible results. The aim of this emphasis on Isavia's workplace culture is to reduce waste in this complex operation and make Isavia an even better partner than before in the airport community. At the same time, efforts were made to make it easier for all the company's employees to deal with the day-to-day operations of the business in a constructive way, with an emphasis on self-development and goodwill towards each other, as well as security and sustainability in the work itself.

The vision of connecting the world through Iceland is based on the importance of flight connections in the 21st century. As a connection hub, Keflavík Airport acts as a node in a dense network of routes around the world. In this way, Icelanders are offered

easy travel opportunities far beyond what our small country could support on its own. At the same time, more visitors from abroad get easy access to our beautiful and interesting country than would otherwise. In 2018, which was the year when most planes landed and took off at Keflavík Airport, there were 57 destinations with direct flights from here all year round. Such scope is unheard of from a domestic market, which at that time numbered less than 360 thousand residents. This network also offers fast transport of goods to and from the country, various derivative development opportunities in the Suðurnes region and other initiatives that lead to increased economic growth. A strong connection hub increases the quality of life in Iceland.

But how can Isavia lay the foundation for connecting the world through Iceland for the long term? Keflavík Airport is much more than just Isavia. The airport employs a number of other companies involved in servicing aircrafts, goods and tourists. All of these chains must run smoothly and be synchronised in order to achieve the desired results.

It is precisely on the basis of these emphases that the updated objectives of Isavia's parent company was created: "We lead an airport community that increases the quality of life and prosperity in Iceland". With this, we are reminded that it is all airport operations, direct and indirect, that are the basis of the vision of connecting the world through Iceland. Isavia is the leading force in the airport community responsible for making this all happen.

Today, estimates assume around ISK 50 billion in investments over the next 5 years. We believe that this gigantic development is necessary to support the sustainable infrastructure that Isavia wants to build, the traffic we anticipate and the quality experience we want to ensure for those who use the terminal. The company's ability to undertake such development is certainly impaired after the collapse

of air travel during the pandemic. The Minister of Finance and Economic Affairs has, however, on behalf of the owner, the Icelandic state, provided the company with increased share capital, in addition to which domestic and foreign lenders consider Isavia a reliable borrower. They have therefore given the company access to economical borrowed funds to create a platform for connections for the future at Keflavík Airport.

Looking ahead, we believe that the improvements that have begun at Keflavík Airport go well with the flourishing development of recreation and facilities that is taking place in many parts of the country. Iceland will continue to be a unique tourist destination, where quality and a unique experience will be paramount.

Just as the government's support as the owner of Isavia has been the basis for vigorous development, it is important that the government as a legislator avoids imposing unnecessary financial burdens on the company. Thus, we should warn against the idea that the operations in Keflavík, which is in international competition with international airports, finance the operating deficit at the country's domestic airports. The domestic airport system is important for domestic transport, and Isavia would like to work on its development in co-operation with the government, hereafter like so far. Domestic airports, however, are not financially viable and are financed by contributions from the State Treasury. If Isavia is intended to equalise the position of Icelanders regardless of place of residence, construction work at Keflavík Airport will have to be reduced. The use of the infrastructure south by the sea, which plays a key role in the Icelandic economy, could thus exceed the tolerance limit again, precisely when the reconstruction work is to reach its peak. When the biggest peak of the development has been reached, Isavia will be in a position to start paying dividends, which is a traditional channel for the outflow of funds from companies to its owner.

The horrific war in Ukraine is beginning to take its toll on air travel and the development of airports around the world, including at Keflavík Airport. Mostly, we now feel that the supply chain for construction is starting to slow down, which could delay our development. Oil prices have also risen sharply, but so far, this has not affected the number of air passengers. The outlook for the summer is thus still promising, but the composition of passengers could change and many airlines are now considering whether to change routes and pricing. To summarise, the potential negative effects on our operations are small compared to the disasters we see every day.

I would like to thank the company's management and staff for the fine work they have done in these challenging and continuously changing circumstances. We intend to meet the responsibilities entrusted to us and have a positive impact on the quality of life in Iceland for the long term.

Orri Hauksson
Chairman of the Board of Isavia

Governance

Isavia is a public limited share company owned by the state. The company's operations are governed by Act No. 153/2009 on the Merger of the Public Limited Companies Flugstoðir and Keflavík Airport, Act No. 76/2008 on the Establishment of a Public Limited Company for the Operation of Keflavík Airport, Act No. 102/2006 on the Establishment of a Limited Share Company for Air Traffic Control Services and Airport Operation by the Civil Aviation Authority and the Aviation Act No. 60/1998.

The Structure of Governance

The company's corporate governance is prescribed by Act No. 2/1995 on Public Limited Companies, the company's Articles of Association, the Board's Rules of Procedure and the general owner's policy of the State.

The Board of the company has, in its activity, regard to guidelines on governance and observes them in all important principles, even if the company is not obligated to follow such guidelines by law. The main deviations are that the company has no Nomination Committee, as the nomination for the company's Board is with the Minister of Finance and Economic Affairs, who manages the state's share in the company. Two formal subcommittees operate under the company's Board, the Remuneration Committee and the Audit Committee.

Isavia's accounting year is the calendar year. The company's annual accounts are available at the Register of Annual Accounts and the company website.

No court rulings have been issued in which the company's operation is believed to have broken any laws or regulations. Laws concerning the company can be found on the Alþingi website, and Articles of Association and Rules of Procedure can be found on the company's website. The Guidelines of Corporate Governance can be found on the website of the Iceland Chamber of Commerce.

Board of Directors

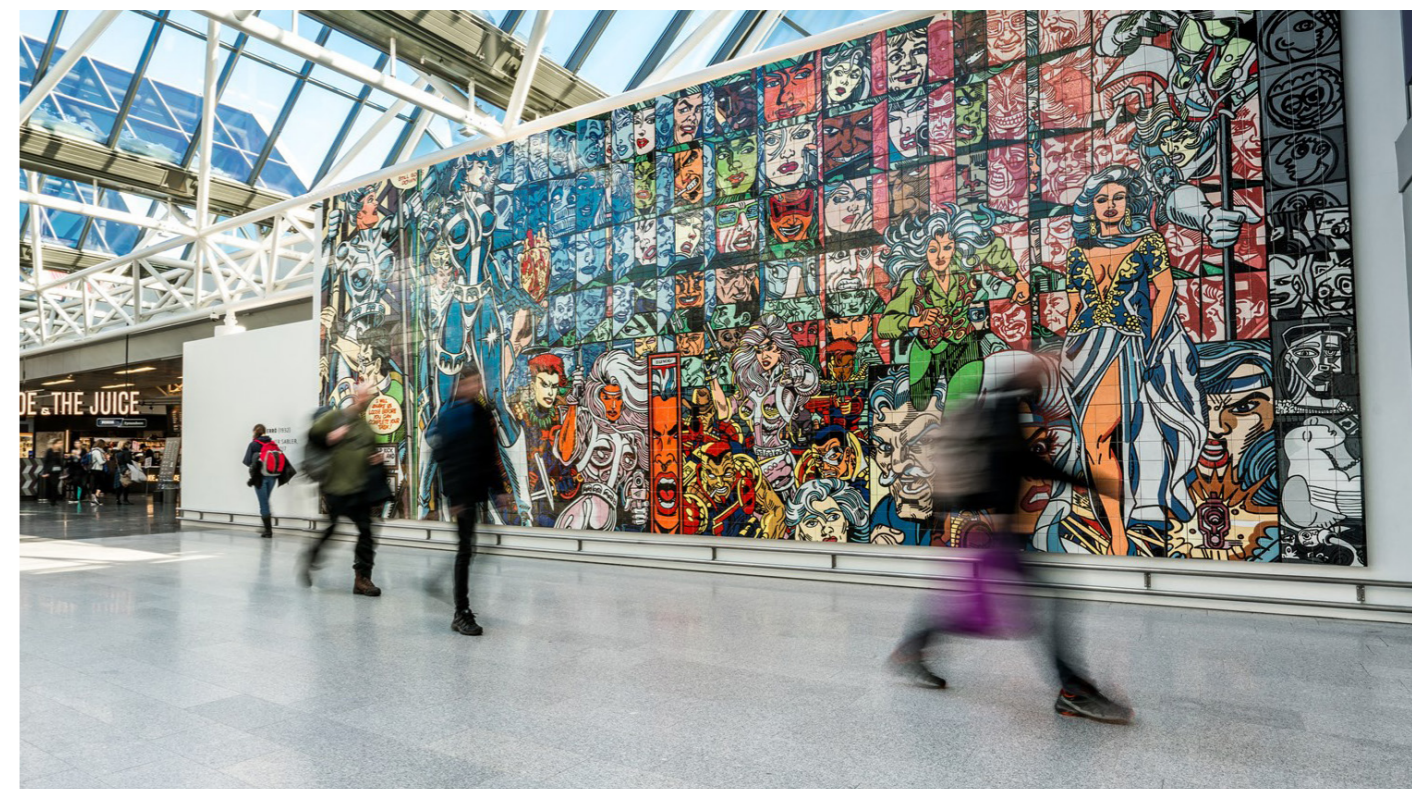
Isavia's Board of Directors is elected at the Annual General Meeting for a term of one year. It has five

members and five alternates. Board members are nominated to the Board by the Minister of Finance and Economic Affairs. The gender ratio in Isavia's Board is 40% women and 60% men. All Board members are considered independent in the sense of corporate governance guidelines and have given the Board an account of their assets in other companies which do not have an effect on their work as Isavia Board members.

Corporate Governance Statement

The Corporate Governance Statement is the Board's statement for the previous operating year. It is published together with the Annual Accounts on Isavia ohf.'s website. With this Corporate Governance Statement, the company undertakes to comply with the Guidelines on Corporate Governance

issued by the Icelandic Chamber of Commerce, the Confederation of Icelandic Employers and Nasdaq Iceland. The goals include strengthening Isavia's infrastructure and increasing transparency. Information on the members of the Board of Directors, subcommittees, shareholders' relations, the Executive Board, ethical standards and other matters relating to the Board of Directors, which must be disclosed in the Annual Report according to GRI Core, can be found in the Corporate Governance Statement. The rules of procedure of the Remuneration Committee, the remuneration policy and the rules of procedure of Isavia's Board can be found on the company's website.



ISAVIA'S BOARD 2021



Orri Hauksson
Chairman of the Board



Matthías Páll Imsland
Vice-chairman



Eva Pandóra Baldursdóttir
Member of the Board



Nanna Margrét Gunnlaugsdóttir
Member of the Board



Valdimar Halldórsson
Member of the Board

Operation

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

Isavia's Operations

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

Keflavík Airport has two core divisions: on one hand, Commercial & Airport Development, which handles airlines and route development, business and marketing, infrastructure and buildings and airport development and expansion; and on the other hand, Service & Operation, which handles aviation security, services and co-ordination, airport services, control tower operations and security management.

The company also has two support divisions. Finance & Human Resources handles accounting and settlement, legal services, procurement and economics services, as well as human resources and training. Digital Development & IT handles digital development, systems operations and user services.

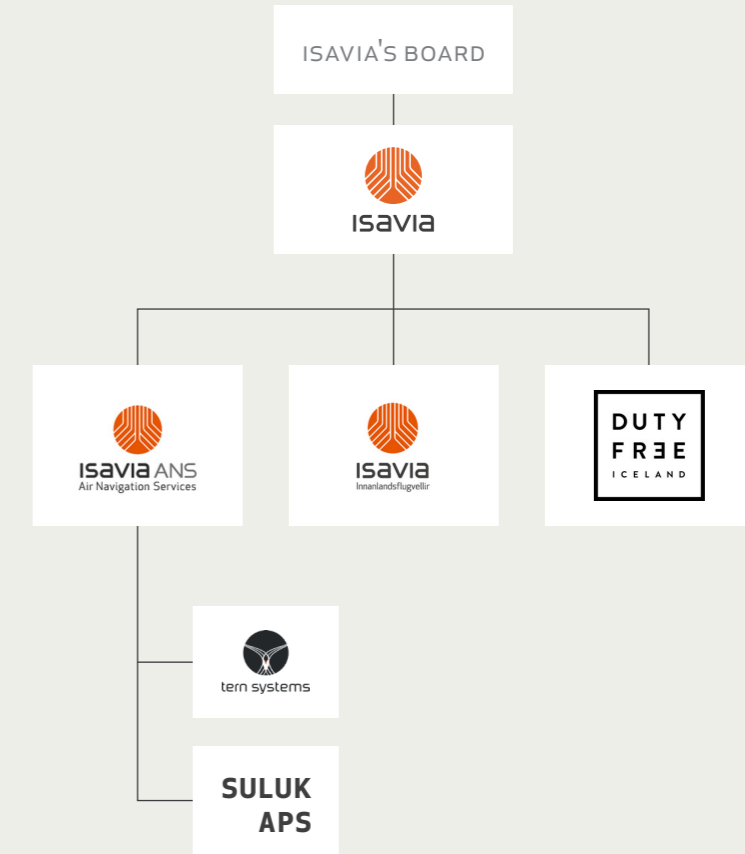
Governance, corporate strategy and sustainability, public relations and planning at Keflavík International Airport are the responsibility of the CEO's office.

The support divisions and the CEO office are a part of Keflavík International Airport operations.

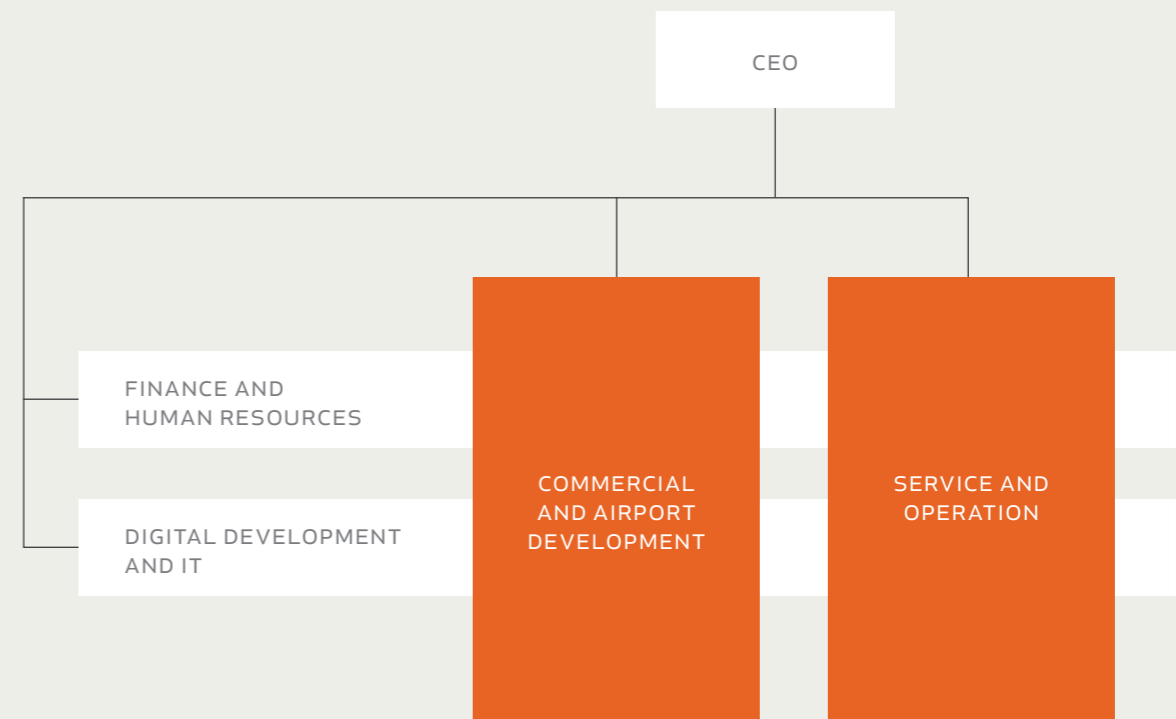
There is strong focus on all divisions of the parent company and the CEO's office working for the Isavia Group as a whole. The CEO of Isavia is Sveinbjörn Indriðason.

At the beginning of the year, Isavia ohf. moved its offices in the capital area from the tower at Reykjavík Airport to Dalshraun 3 in Hafnarfjörður. Being inside the tower was not good due to mold, so it was decided to move the parent company's operations entirely to Hafnarfjörður. At the same time, part of the office activities that had been in Hlíðarsmári in Kópavogur also moved to Dalshraun. With this, the company's offices in the capital area were merged in one place. The location in Hafnarfjörður is particularly suitable for the company due to its proximity to Keflavík Airport, where most of its operations take place. Air navigation services are still provided at Reykjavík Airport in the tower, but special measures have been taken to reduce the effects of the mold on those activities.

OPERATIONAL CHART



ORGANISATION CHART ISAVIA OHF.



ISAVIA OHF.'S EXECUTIVE BOARD



Sveinbjörn Indriðason
Chief Executive Officer



Elín Árnadóttir
Deputy Chief Executive Officer



Anna Björk Bjarnadóttir
Chief Service and Operations Officer



Bjarni Örn Kærnested
Chief Digital Development
and IT Officer



Guðmundur Daði Rúnarsson
Chief Commercial and
Airport Development Officer



Ingibjörg Arnarsdóttir
Chief Financial and
Human Resources Officer

SUBSIDIARY OPERATIONS



Kjartan Briem
Managing Director of Isavia ANS



Sigrún Björk Jakobsdóttir
Managing Director of
Isavia Regional Airports



Þorgerður Þráinsdóttir
Managing Director of
The Duty Free Store

Isavia Regional Airports

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

The company employs a cohesive group that works on a variety of projects and aims to keep Iceland afloat and to be part of a good journey. The operation handles everything from general airport services, air traffic services, aviation security, supervision of construction projects and safety and quality issues. Operations are based on a service agreement between the company and the Ministry of Transport and Local Government (now the Ministry of Infrastructure), which determines the level of service for each airport and how they are operated and maintained. This is due to the fact that the airports in question are part of the public transport system owned by the state.

Isavia ANS

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

Operations are based on international agreements with 25 countries for services and financing, based on a full cost recovery system. Almost a quarter of air traffic en route across the North Atlantic passes through the Icelandic air traffic control area, but the area has a very unique position among oceanic areas due to its flexibility, both in terms of flight routes and altitudes. The offices of Isavia ANS ehf. are at Reykjavík Airport, but aviation communications, a division within Isavia ANS, also has operations in Sóleyjarimi in Grafarvogur.

Tern Systems, which develops software for air navigation services, and Suluk, which manages the operation of air navigation services in Greenland, are both subsidiaries of Isavia ANS. Suluk ApS is located at Kangerslussuaq Airport in Kangerlussuaq, Greenland. Tern's headquarters are in Hlíðarsmári in Kópavogur, and it has offices in Budapest, Hungary.

Duty Free Store ehf.

The Duty Free Store operates four stores selling duty-free goods in the Leifur Eiríksson Air Terminal under an operating licence from its parent company, Isavia. Two are for departing passengers, one for passengers travelling to non-Schengen countries and one for arriving passengers. The emphasis is on a diverse range of high-quality Icelandic and foreign goods, focusing on traditional duty-free goods, alcohol, tobacco, sweets and cosmetics. The Duty Free Store's strategy is to offer a selection of goods and services in line with the needs of its various passenger groups, while creating a desirable workplace that returns profitable operations to the owners. The company's values are: service, value and experience. The Duty Free Store has received equal pay certification from BSI since 2019.

In addition to the above subsidiaries, Isavia ohf. also had ownership of the company Domavia, which was terminated at the beginning of last year.

Strategy



Strategy Formulation

Isavia is a publicly owned company that operates under legislation on operations and the state's ownership policy. The company's strategy is formulated by its Board of Directors and Executive Board within this framework. The parent company's strategy was revised last year and now reflects its operations better than before. The subsidiaries set their own corporate strategies but work in accordance with most of the parent company's support policies in accordance with Isavia ohf.'s ownership policy. Isavia ANS also underwent strategy formulation during the year, and the Duty Free Store has begun a review of its strategy..

Isavia's Strategy

The purpose of Isavia ohf. is to lead an airport community that increases the quality of life and prosperity in Iceland and the vision is to connect the world through Iceland.

The strategy circle is a compass for the company's priorities for the future. The aim of the Circle is to connect the different priorities together to lead us towards the vision for the future. All seven priorities reflect the company's emphases for the future.

The latest strategy priority is the emphasis on the airport community. Isavia is just one of them any companies operating at Keflavik Airport, where everyone needs to work together as one to provide passengers with efficient and good service. The company leads the airport community and makes things happen, takes the initiative to work systematically with its business partners for common results. The emphasis is on being customer centric and offer them a unique experience e.g. with smart solutions.

Keflavik Airport is one of the key infrastructure in the country and therefore emphasis is placed on building and maintaining its infrastructure in the long term and continuously improving the utilisation of resources with profitability and long-term interests in mind. At the same time, it promotes innovation and continuous development in the operations. The emphasis is on being a role model in safety and protection matters, and the company is guided by sustainability in everything it does.

Isavia has a cohesive group of employees who emphasise constructive communication and cooperation. A strong team of employees results in an improved corporate culture and greater job satisfaction. A clear strategy and vision is the key

to employees being able to link their work to the strategy and work according to it.

The Strategy Circle and the objects connected to it have been presented to employees. A five-year action plan is being developed to support progress and implement strategy execution platform.

Isavia adheres to four of the United Nations' Global Goals, in particular in its policy, i.e. Global Goals 8, 9, 13 and 17, but also works with others in its support policies, as they form one whole.

You can read more information on the company's policy on the website.

Support Policies

Isavia has set support policies in accordance with the company's corporate strategy where appropriate. In addition to which, the company works according to the Code of Ethics and the Code of Ethics of suppliers. The executive directors of each field are responsible for different support policies. Support policies are set and reviewed in accordance with formal procedures and are approved by the CEO or the Board of Directors, as appropriate.

Isavia ANS's Strategy

A strategy was formulated for Isavia ANS during the year, and it is the first strategy since Isavia ANS became a subsidiary of Isavia ohf. A number of employees took part in the work, and the role of the company was defined, as were the main goals and the priorities for the next three years. The following strategy was approved by the Board in the autumn of 2021, and the implementation of the strategy has begun.

The Duty Free Store's Strategy

The Duty Free Store's policy is currently being reviewed. The Duty Free Store's current strategy is:

To offer a selection of goods and services in line with the needs of the various customer groups of the Duty Free Store, while creating a desirable workplace that returns profitable operations to the owners.

- **Customers:** Product selection and services tailored to the needs of different target groups.
- **Employees:** A desirable workplace that attracts qualified employees – the right person in the right place.
- **Owners:** Maximise profitability with efficiency, good organisation and purposeful purchasing and product management.

ANS strategy in a nutshell

Role	Safe air lift in the north		
Strategic guidelines	ANS, a known company with a positive image	Outstanding in core activities	Happy employees – a desirable workplace
Priorities the next three years	Define boundaries between ohf. and ANS – improve service agreements	Emphasis on strengthening collaboration with Greenland	Family-friendly work environment
	Build a good and active website and use the ANS name	Strengthen managers and create a strong team	
	Emphasis on good information supply		

Material Aspects

Isavia's Annual Report is drafted in accordance with GRI (Global Reporting Initiative) Standards: Core together with special provisions GRI-G4 on airports. These special provisions deal specifically with the challenges and opportunities faced by airports when it comes to sustainability. Consideration is given to the company's operations and to their impact on the economy, the environment and the community.

The selection of important aspects takes into account the issues that the company's stakeholders consider particularly important in collaboration with Isavia, the stakeholders' expectations of the company and their assessment of co-operation with Isavia. In addition, it looks at the latest emphases of the aviation industry in this field, development and changes in the legal environment, the main criteria in community reporting and comparisons with leading companies.

Isavia focuses on extensive consultation with those stakeholders who rely on its services and who are affected by its operations. Operations have an impact throughout the country and on all its inhabitants. Isavia has analysed over a hundred stakeholders – these can be classified as customers, employees, the community, the authorities and suppliers. Isavia's communication with stakeholders takes place in a variety of ways, through traditional channels of inquiries and presentations, in meetings, through market research conducted by the company or through numerous collaborative projects between Isavia and its stakeholders.

The importance analysis of the Annual Report was originally prepared on the basis of interviews with key stakeholders. This analysis is revised annually. Prior to the publication of the 2020 Annual Report, the previous importance analysis was based on the results of surveys among B2B customers, emphases from the collaborative forum with the community in Suðurnes as well as summarising the main issues that other Isavia stakeholders have approached the company with.

This year, Gallup conducted a survey among internal and external stakeholders on the importance of certain sustainability issues. The results were compared with the results of previous years, and the importance of certain issues was changed accordingly.

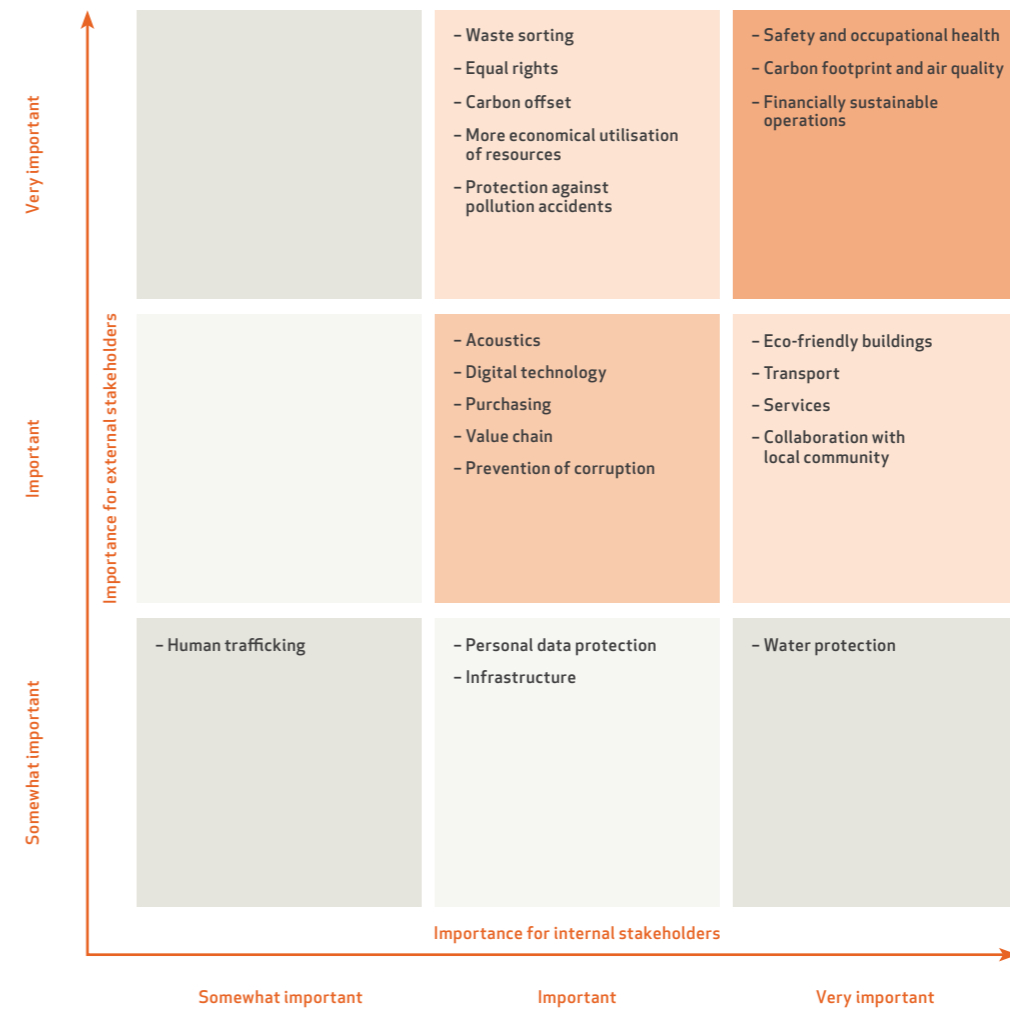
Emphasis is placed on the aspects that are considered important for Isavia and the company's stakeholders in the preparation of the report in accordance with the Reporting Principles GRI 101 Foundation standard.

About the Annual Report

The information that appears in this Annual Report comes from the company's information systems and reflects the knowledge that the company had when the report was prepared. The aim of issuing this report is to provide greater transparency and a more in-depth view of the company's activities and their effects on society. Thus, the company seeks to shine a light on both the challenges the company faces at each time and the successes that have been achieved. Isavia complies with the ISO 26000 Guideline on Corporate Social Responsibility, is certified according to ISO 14001 in the Environmental Management Standard and adheres to both of these in its sustainability work. Through its Annual Report, Isavia also provides information on its operations in accordance with Nasdaq's EGS standards.

Numerous employees from various departments within the company are involved in the preparation and information gathering for the company's Annual

Most Important Aspects



Report. The issue of the report does not imply that the company fully knows of all the effects it has on society, nor that social responsibility has been fully adopted at Isavia.

The information in the report applies to Isavia ohf. and its subsidiaries that appear in the consolidated financial statements unless otherwise stated. Information in the environmental section of the report only applies to Isavia ohf., Isavia ANS ehf., Isavia in Iceland ehf. and The Duty Free Store ehf. All information in the report applies to the 2021 calendar year.

In respect of comparative figures in the Climate Issues section, figures for 2020 have been updated from the previous edition. Figures on electricity consumption and use of hot water were based to some extent on estimates, and the update now reflects the actual consumption, which turned out to be higher than expected. Carbon emissions from electricity consumption therefore increased slightly from what was stated in the previous report.

An external consultant from Ábyrgar lausnir ehf. was recruited to examine the GRI reference table of the

report and to ensure the quality of the information. The annual financial statements of the company were audited by The National Audit Office.

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

Objectives and Improvements



Objectives and Achievements for 2021

Isavia continued to work towards the goals set out in its corporate social responsibility report in 2020. Objectives and related improvement projects were selected with reference to the nature and policies of the company, comments from external stakeholders, the UN Global Goals and related government priorities. Account was also taken of improvement opportunities linked to GRI aspects and to the company's commitments to the main rules of the UN Global Compact and an incentive programme of which Isavia is a member. In addition, the ACI (Airport Council International) has issued guidelines on sustainability paths for airports, which was taken into account.

The work on the objectives involved a team of staff representatives from all parts of the company submitting proposals for marketing initiatives based on the operations of their divisions. Proposed objectives were submitted to the CEO and Executive Board for their approval and then presented to the Board of Directors.

The objectives are linked to eight of the seventeen UN Global Goals. They fall under Global Goals 5, 7, 8, 9, 11, 12, 13 and 17.

Goals 2022 and Action Plan

In 2021, the company's social responsibility policy and the company's environmental policy were merged into one sustainability policy at the same time as the provisions on climate issues were honed. Concurrently, a five-year action plan was set, and the goals and criteria for sustainability were updated accordingly. The policy and action plan were approved by the Executive Board at the end of 2021. The company's action plan is valid from 2022–2026. It can be found on the Isavia website.

Decisions on Isavia's day-to-day operations, including issues relating to sustainability, are taken by the company's CEO and Executive Board. Isavia's Board of Directors monitors issues that relate to the field through regular presentations.

- **Continuous efforts are made to reduce the number of accidents in the workplaces of Isavia.** Accidents reported declined between years from 39 to 31, of which serious accidents (leading to absences) were four, the same number as in 2020.
- **Equal gender representation in management positions before 2025.** The proportion of men for management level one is 37% against 63% women, management level two 55% against 45% and management level three 69% against 31%.
- **Assessing the effects of climate change on the interiors of Keflavík Airport.** An analysis of the effects of climate change has begun.
- **Strengthen efficient monitoring of Isavia's purchases.** Reference is made to ethics rules and community responsibility in all tender and contract documents of the company. Moreover, work is underway to have all registered suppliers of the company sign Isavia's supplier code of ethics. Almost 60% of registered suppliers have signed.
- **The proportion of sorted waste is to be 40% in 2020, 55% in 2025 and 70% in 2030.** The proportion of sorted waste was 37% in 2021. The proportion went from 41% to 37% between years, as waste from oil and sand separators for two years was included in the figures in 2021.
- **Greenhouse gas emissions will have decreased by 40% in 2020, 50% by 2025 and 60% by 2030 from 2015.** By the end of 2021, emissions from the Isavia Group had decreased by 39% since 2015. The proportion was 34% in 2020, but the result in 2021 can be attributed to lower fuel consumption at Keflavík Airport.
- **Focused and harmonised communications with external stakeholders.** Formal collaborative projects in sustainability are being worked on with the four municipalities in Suðurnes, Kadeco and the Association of Municipalities in Suðurnes. Work is also being done within a formal collaborative forum with stakeholders at Keflavík Airport on common issues towards increased sustainability.
- **Strengthen awareness within the company of the importance of sustainability.** The Board and the management have received a presentation of the company's sustainability policy. All employees and management received environmental training.
- **Work toward ensuring a good travel experience for Keflavík Airport customers in co-operation with stakeholders.** This goal went out as a separate goal under sustainability.

Detailed information on the goals and their connection to Isavia's strategy, the Global Goals, the GRI and the UN Global Compact can be found on the Isavia website.





The Company
Sustainability
Economy

Sustainability

Sustainability Policy

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

The Sustainability Policy replaces the company's older policies on environmental issues and social responsibility, as well as meeting the requirements of the Climate Act, where state-owned companies are obliged to establish a climate policy with defined goals for reducing greenhouse gas emissions, carbon offsets and an action plan in order to obtain those goals.

The Sustainability Policy describes the balance between the environment, society and the economy. The Sustainability Square is divided into four components that are most important to Isavia, with the emphasis on the corporate strategy and the activities of the company. The environmental component was divided in two to highlight climate issues in particular, as the reduction of the carbon footprint needs special attention.



During the year, the company set the goal that Keflavík Airport would be Net Zero by 2030. Subsequently, work was done with management on an ambitious action plan for the coming years. Detailed information on Isavia's Sustainability Policy and action plan can be found on the Isavia website.

The Environment

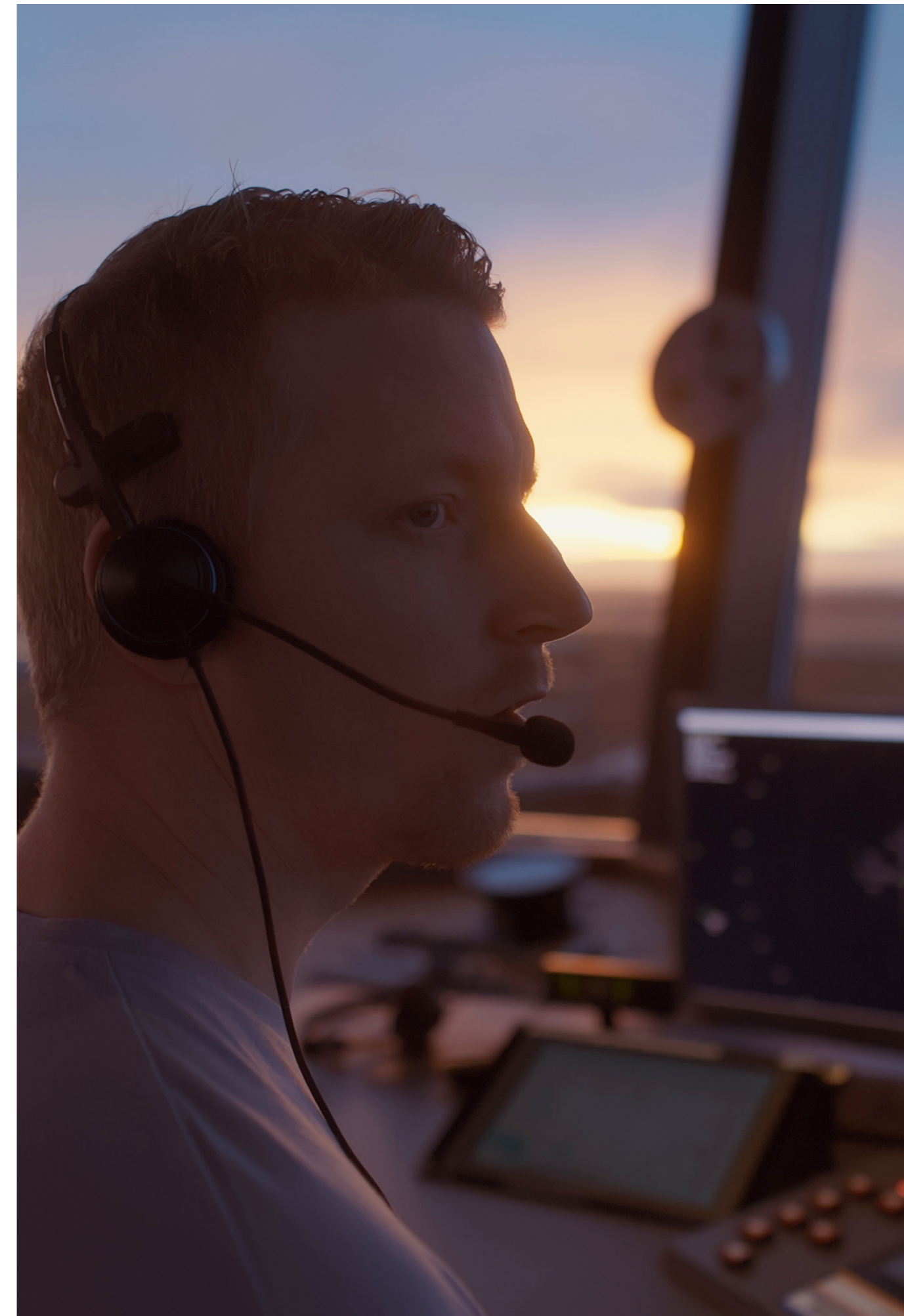
Like most other companies, Isavia has suffered considerable setbacks during the past two years. Nevertheless, the company has soldiered on and continued to carry out improvements in environmental issues.

Towards the end of the year, Isavia ohf. received certification of its environmental management system against the ISO14001 environmental management standard. Part of the implementation of the management system consisted of analysing important environmental aspects of the operation, establishing a monitoring plan, assessing environmental risk and educating staff about policy, the standard and other environmental emphases. Gufunes Flight Communications, an Isavia ANS unit, has had ISO14001 certifications since 2018.

Minor oil spills occur regularly at Keflavík Airport. These include leaks, e.g. when filling an aircraft, on asphalt or concrete that are cleaned up by airport services according to certain work procedures.

There was one major pollution spill at Keflavík Airport last year. A small plane lost power and was forced to crash right after takeoff. With that, almost 750 litres of jet fuel went into the soil at the airport. After ensuring the safety of the pilot and others, specially trained airport service staff cleaned up the soil that was exposed to the pollution and initiated the correct cleaning process.

No rulings have been made where the company was considered to have violated environment protection legislation.



Climate Issues

Direct Energy Use

Isavia's operations are energy intensive, and the most important factor is fuel use. This use is closely monitored, and work is ongoing to reduce it as much as possible. Isavia's new Sustainability Policy set new climate goals and an action plan that is valid until 2030. Isavia ohf. intends to become carbon-free by 2030, i.a. by energy switching in vehicles and technical equipment at Keflavík Airport.

Last year, attempts to add rapeseed oil to equipment at Keflavík Airport continued and were successful, although unfortunately not as much utilisation of the rapeseed oil was achieved as hoped.

The fuel use is by far is accounted for by the servicing and maintenance of the runways and operating areas of the airports. Its scope is therefore much more dependent on the weather than the number of passengers. The use can therefore fluctuate greatly between years, depending on how the winter plays out in terms of weather.

Isavia's fuel use has declined considerably since last year, despite higher passenger numbers and more air traffic. This is due to the fact that this year had much less snow than the year before.

2,872 machine hours were worked in snow clearing in 2021, which is almost two thousand hours less than the year before, despite much less activity that year due to the pandemic. The amount of snow at Keflavík Airport was a third less between years, and whiteout days were much fewer.

Indirect Energy Use

Indirect greenhouse gas emissions from energy use are linked to electricity and hot water.

Isavia's electricity use last year was slightly less than the previous year. This is due to the fact that in 2020, operations were significantly reduced due to the covid-19 pandemic. The figures for previous years have been updated in light of actual use to correct forecasts.

In the next few years, electricity use is expected to increase, both due to the expansion of Keflavík Airport and energy switching.

Isavia's use of hot water decreased from 653,032 cubic metres from 2020 to 515,785 cubic metres in 2021. The total use corresponds to the use of approximately 610 150-square-metre homes.



DIRECT ENERGY USE AND REDUCTION OF ENERGY USE

Litres	2015	2016	2017	2018	2019	2020	2021
Petrol	45.665	47.131	40.769	39.964	37.400	26.962	34.358
Diesel	751.722	714.574	819.696	893.326	853.682	759.292	483.013
Aircraft fuel	-	-	62.468	77.520	78.131	66.676	62.337
Litres per passenger	0,148	0,106	0,096	0,095	0,114	0,501	0,212

ANNUAL ELECTRICITY USE

kWh	2016	2017	2018	2019	2020	2021
Electricity use	22.843.018	29.421.110	27.602.681	26.971.297	23.031.243	23.275.863



Greenhouse Gas Emissions

Isavia's Carbon Footprint

Isavia has set itself the objective of reducing greenhouse gas emissions in its operations, thus demonstrating initiative and responsibility towards the environment and society. At Isavia, its scope is by far the largest at Keflavík Airport and is defined by three sources: first, from Isavia's operations; second, from purchased electricity and heat; and third, from emissions from other parties related to Isavia's operations. Isavia is a member of ACI Europe's NetZero commitment. Isavia ohf. intends to become carbon-free by 2030. In this context, Isavia commissioned an energy switching plan for Keflavík Airport, and preparations for its implementation are well underway. On Isavia's website, you can find a discussion on climate issues, and there, you can also find an interactive image that shows the sources of carbon emissions at the airport clearly.

Airport Carbon Accreditation (ACA) is a carbon certification system operated by the Airports Council International (ACI), tailored to the operation of airports and divided into six levels. Keflavík Airport is a participant in the project, and the goal is to complete level three plus in 2022. This calls for extensive consultation with the airport's main stakeholders and the mapping of the total carbon footprint of the airport.

Since 2018, Isavia has carbon offset all direct emissions from the operations. This year, Isavia carbon offsets all carbon emissions that are directly related to the Group's operations, i.e. due to fuel use, electricity consumption, hot water use, staff

travel and waste treatment. It was decided to use Gold Standard certified carbon units that meet ACA requirements. The projects chosen include ensuring access to clean water in Laos and teaching refugee families in Chad to create solar-powered cooking facilities.

Direct Greenhouse Gas (GHG) Emissions Through Energy Use – Scope 1

The direct emission of greenhouse gases by Isavia can be traced to Isavia's fuel use and was 1489 t CO₂e in 2021. Direct emissions are lower than last year, despite more aircraft movements and passengers. The vast majority of Isavia's carbon footprint is related to the use of the large equipment that services runways, aprons and taxiways. Therefore, these emissions are more dependent on weather conditions than traffic around the airport. 2020 had much more snow than 2021, which explains this difference in emissions between years. One of Isavia's greatest challenges is to find solutions on how to minimise the emissions of greenhouse gases from the specialised equipment used by the airport. Isavia's action plan until the year 2030 has a detailed replacement plan will be presented for all equipment that runs on fossil fuels.

Indirect Greenhouse Gas (GHG) Emissions Through Energy Use – Scope 2

All electricity purchased by Isavia is from renewable sources and free of charges due to the sale-of-origin guarantees. Indirect emissions through energy use in 2021 totalled 242 t CO₂.

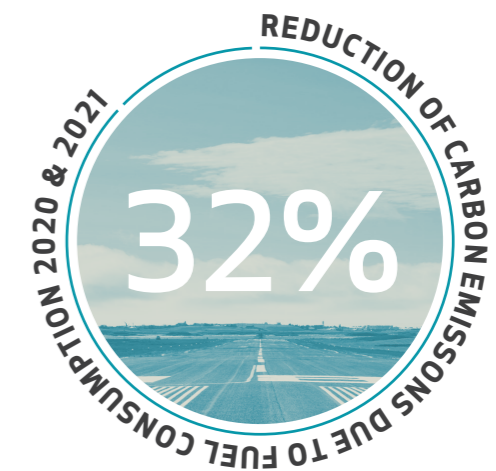
DIRECT GREENHOUSE GAS (GHG) EMISSIONS – SCOPE 1

Emissions due to energy use, CO ₂ tonnes	2016	2017	2018	2019	2020	2021
Isavia Group	2.146	2.458	2.497	2.513	2.194	1.495
Isavia ohf.	-	-	-	-	1.460	751
Isavia in Iceland	-	-	-	-	469	512
Isavia ANS	-	-	-	-	239	212
The Duty Free Store	-	-	-	-	26	20

Other Indirect Greenhouse Gas (GHG) Emissions Through Energy Use – Scope 3

Emissions in scope 3, indirect emissions from the operation, include the treatment of waste and employee travel. Emissions from incineration and landfill waste disposal by Isavia in 2021 were 130 t CO₂.

Direct emissions of greenhouse gases per passenger decreased between the years 2020 and 2021. Isavia's final goal, however, is to minimise its total emissions, irrespective of the number of passengers or number of flights. Direct GHG emissions due to fuel consumption decreased by 32% between 2020 and 2021.



REDUCTION OF GHG EMISSIONS

tCO ₂ e	2017	2018	2019	2020	2021
GHG emissions from electricity	206	338	255	242	244
GHG emissions from fuel	2.458	2.694	2.346	2.194	1.495
GHG emissions from de-icing materials	-	-	-	114	
GHG emissions from waste	59	66	94	86	122
GHG emissions from business trips	-	-	-	-	77
Carbon offset	0	2.694	2.310	2.194	2.053
Total GHG emissions	2.723	3.098	2.695	2.522	2.053
Total emissions with carbon offset	2.723	404	265	328	≈0
Emissions in kg per passenger	0,37	0,29	0,34	1,48	0,75
Emissions in kg per aircraft movement	14,0	16,0	15,6	24,3	14,8

Borealis Alliance Free Route Airspace

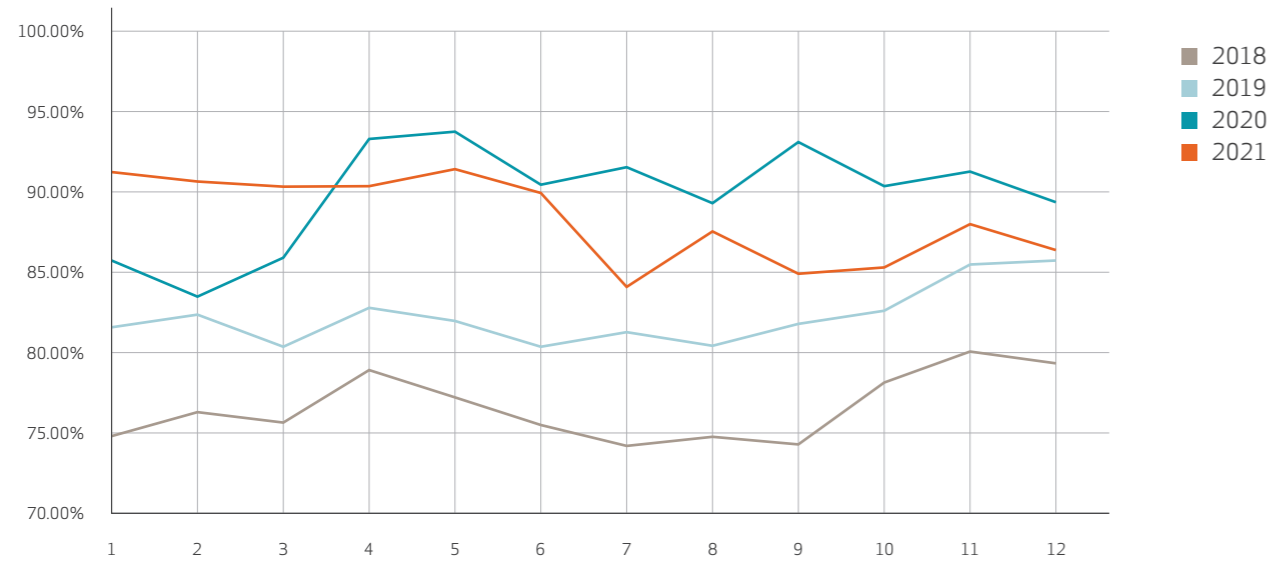
Isavia is a member of Borealis Alliance, an association of nine air navigation service providers in Northern Europe. Work is ongoing on the Free Route Airspace project, aimed at more efficient flight routes and altitudes, with the aim of decreasing fuel consumption, which will result in lower costs and less pollution. In Iceland, aircraft operators can now schedule and operate direct flights from Keflavik Airport to airports in Norway and Scotland, the nearest air traffic control areas to the south-east of Icelandic airspace.

The effects of flight altitude on the fuel consumption of aircraft are considerable. Isavia ANS has been developing several environmental performance indicators, including one that is used in the Icelandic Transport Authority's performance plan for Iceland, which is valid from 2020 to 2024. This particular performance indicator tracks the percentage of aircrafts that receive the requested altitude. It is

very important for flight operators to get the ideal flight altitude for their aircraft, as this minimises fuel combustion and therefore prevents unnecessary increases in emissions. Studies have shown that a deviation of 1,000 feet from the optimal altitude of a jumbo jet can cause a 1% increase in fuel consumption per hour, which combines with the high level of service in this field to result in lower emissions within the Icelandic air traffic control area.

The attached graph shows the percentage of flight altitude requests granted within the Icelandic air traffic control area that are granted through CPDLC (Controller-Pilot Datalink Communications). A high level of service from air navigation providers is therefore very important in terms of emissions, and one of the biggest action that air navigation providers can take to counteract unnecessary increases in greenhouse gases is to provide flight operators with the requested altitude.

FLIGHT ALTITUDE REQUESTS GRANTED



Resource Efficiency

PROPORTION OF SORTED WASTE PER PASSENGER

	2016	2017	2018	2019	2020	2021
Sorted per passenger	0,027 kg 14%	0,040 kg 20%	0,045 kg 27%	0,075 kg 41%	0,140 kg 41%	0,110 kg 39%
Unsorted per passenger	0,160 kg 86%	0,160 kg 80%	0,123 kg 73%	0,107 kg 59%	0,202 kg 59%	0,170 kg 61%
Total per passenger	0,187 kg 100%	0,200 kg 100%	0,168 kg 100%	0,182 kg 100%	0,342 kg 100%	0,280 kg 100%

Recycling Proportion and Volume of Waste

The proportion of sorted waste was almost 37% during the year, but the target for 2022 is 45%. The proportion of sorted waste per passenger decreased between years. This can be traced to the fact that sand separators at Keflavík Airport were emptied during the year, but had not been emptied in 2020. There was also considerable maintenance work, sewage treatment plant cleaning and more that is not considered traditional operational waste.

Actions Relating to Recycling Issues

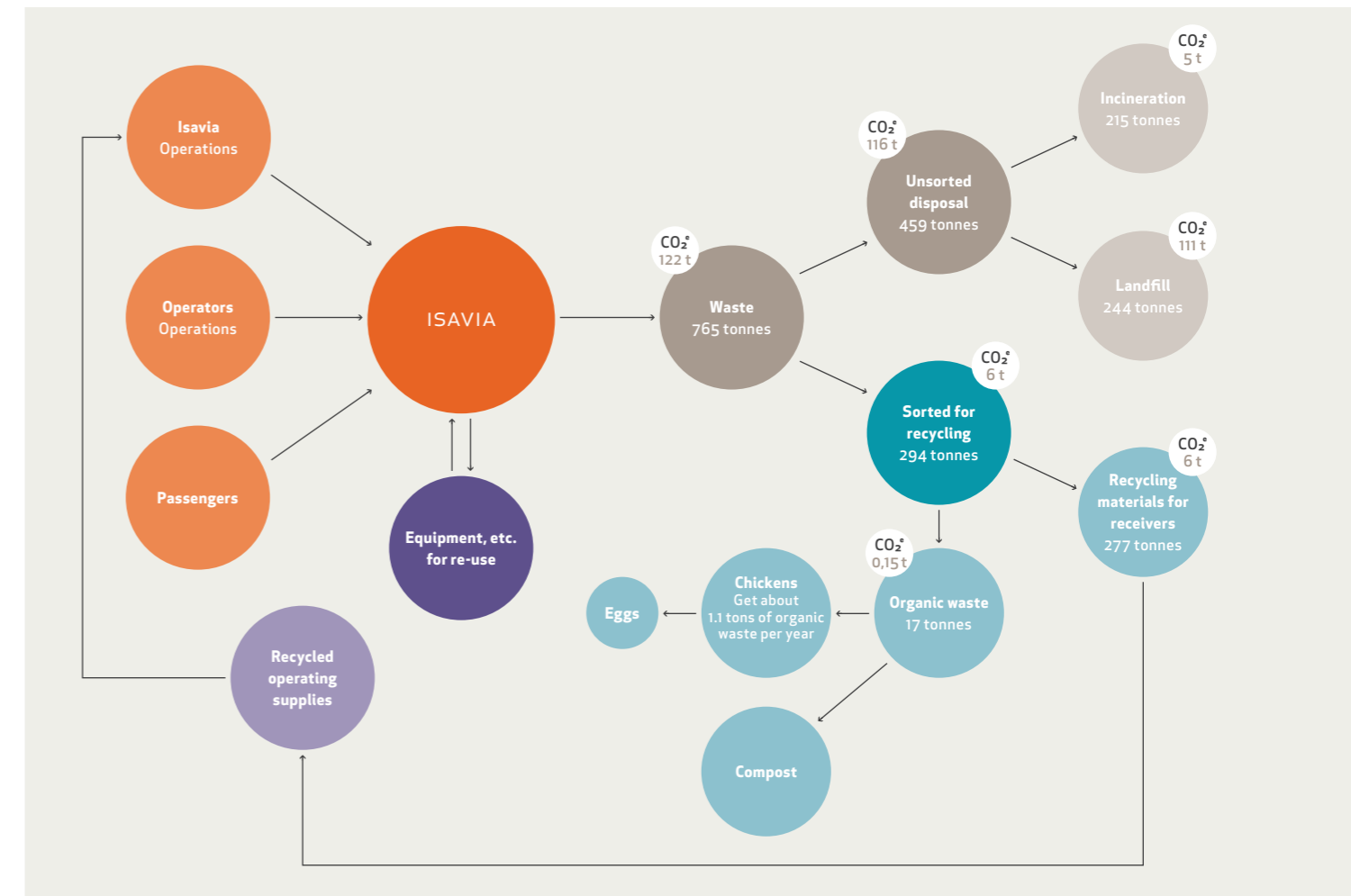
In the autumn of 2021, Isavia received the ISO 14001 environmental certification, and in that standard, the main environmental aspects of the company are monitored and measured. Waste is one of those environmental factors that are monitored and surveyed. In parallel with the ISO 14001 environmental monitoring, all Isavia's offices are implementing Green Steps.

Smart waste solutions will be implemented at Keflavik International Airport. It will work according to the PAYT model (Pay As You Throw), where users pay for the volume that they throw away. With the newly adopted sustainability policy, emphasis is placed on the cyclical economy, and therefore one of the goals was to bring certain waste categories that arise from the activities into the currents of the cyclical economy. Another goal in Isavia's action plan is to reduce food waste, and food waste will be measured in Isavia's new cafeteria at Keflavik Airport.

Unsorted waste from Isavia and its subsidiaries mostly goes to incineration in Kalka or landfill, but it depends on the territory of the operation units. The environmental impact of unsorted waste is considerable, and efforts are therefore being made to reduce its generation; there are hopes that with the introduction of smart waste solutions, better results will be achieved in reducing the generation of general waste.

QUANTITY OF DE-ICING CHEMICALS IN AIRPORTS

	2016	2017	2018	2019	2020	2021
S-Solid in tonnes	27	58	123	129	107	77
L50 in litres	54.300	79.959	216.000	438.000	219.000	188.781



Extensive construction work is planned at Keflavik Airport, and in connection with it, extensive excavations took place at Leifur Eiriksson Air Terminal during the year. It was clear in advance that there was soil pollution from the past, and actions were taken to manage that pollution. Currently, there are around 4–500 m3 of contaminated soil in treatment in the Isavia airport area, determined in consultation with consultants and Heilbrigðiseftirlit Suðurnesja. During the same construction, old aircraft wrecks were found, some of which went to a museum, some to a suitable recycling and disposal route and some wait to be treated.

Water

It is important to preserve the freshness and cleanliness of the groundwater in the surrounding area. Verkís has had overall responsibility for groundwater research at Keflavik Airport since 2017. Undesirable substances are still detected but at a low concentration. They can be traced to the activities of a third party in previous years and to a small extent to de-icing materials used on aircrafts on the apron of Keflavik Airport. Isavia will continue to take measurements and monitor the quality of groundwater in the Keflavik Airport area. Isavia obtains water from utilities at each site and

has not reused or recycled water from airport areas. Isavia operates a pump and treatment plant for Keflavik Airport's sewerage, but in other respects, Isavia uses the sewage system of the municipalities in which each operations unit is located, and the recipient is in all cases the sea, although the level of sewage cleaning may differ. Oil separators and settlement ponds receive the majority of the polluting substances in the surface water that otherwise would end up in the sewage system.

Use of Chemicals

At Keflavik Airport, de-icing granules and de-icing liquid are used on runways and aprons to prevent danger due to ice. The chemicals are certified with the eco-labels the Blue Angel and the Swan, are biodegradable and have a low toxicity effect on water. Domestic airports use sand almost exclusively, but at Akureyri Airport, around 5 thousand litres of de-icing liquid were used.

The use of de-icing chemicals decreased between years. This is largely due to the weather, as this year, we had to do much less winter service than in previous years. 2,872 machine hours were worked in snow clearing in 2021, which is a third less than the year before.

Quality of Life

Air Quality

Isavia monitors SO₂ and NO₂ concentrations levels at and around Keflavík Airport with three air quality meters. Real-time measurements can be found on the website loftgaedi.is.

Due to the volcanic eruption in Fagradalsfjall during the year, the air quality in Reykjanes was not always good. In order to monitor it better, Isavia bought more air quality meters and had them installed in Garður and Sandgerði in collaboration with Suðurnesjabær and the Environment Agency. With them, residents can closely monitor their air quality.

Air quality forecasts for up to 14.5 million passengers at Keflavík Airport have been made, in which the concentration of sulphur dioxide and nitrogen oxides is below the reference limit.

Acoustics

Continuous efforts are spent on monitoring noise levels and ensuring that the rules of the airport as regards runway use and flights over residential areas are complied with.

In recent years, Isavia has been working on several mitigation measures due to the disturbance that residents in the immediate vicinity of Keflavík Airport are experiencing due to flight movements. Among other things, new flight profiles were introduced, and the organisation of the use of runways was changed. This organisation is implemented to the greatest extent possible, with due regard to safety and environmental factors, such as wind and runway conditions. A sound measurement system was also set up where residents, stakeholders and Isavia can monitor flights and sound measurements in their immediate vicinity. You can also report nuisance noise that relates to individual aircraft movements via the system.



According to Efla's mapping of acoustics around Keflavík Airport in 2016, there is no resident that suffers noise caused by air traffic which exceeds 64 dB but around 300 who are exposed to 24-hour noise levels between 60–64 dB and 1,300 who are exposed to 24-hour noise levels of 55–59 dB. This map can be seen on the website of the Environment Agency of Iceland.

Last year, Isavia received 13 reports of noise and nuisance caused by air traffic at Keflavík Airport, most of which were linked to passenger flights directly over residential areas early or military flights.

There were 23 reports of nuisances caused by flight movements at Reykjavík Airport this year, mainly due to the aircraft start-ups and helicopters. In addition, there were two reports of nuisances caused by air traffic at landing sites in South Iceland.



Ecosystem

Isavia has closely monitored wildlife within airport areas and has analysed its immediate surroundings. The areas are extremely diverse as regards vegetation and availability of food, with the result that their attractiveness to wild animals and birds differs from place to place. Measures that reduce the likelihood of collisions between wildlife and aircraft are an important facet in the operation of airports. Methods for deterring animals and birds from runways are varied, e.g. habitat management.

Isavia's staff work hard to monitor the behavior of animals around the airports and to record the number of animals, their species and collisions with aircrafts. A great deal of knowledge about this has therefore been created with the staff involved.

Last year, 12 confirmed instances of aircraft birdstrike were registered at Keflavík Airport. There were seven at domestic airports.

TOTAL NUMBER OF AIRCRAFT BIRDSTRIKE INSTANCES IN 2021

	2018	2019	2020	2021
Total no. of flight movements	193.070	173.176	103.920	138.552
No. of birdstrikes	35	23	9	19
No. of birdstrikes per 10 thousand flight movements	1,81	1,25	0,87	1,37

Animal Species

The species of animals seen at the Isavia airport area last year are here classified according to the Icelandic Institute of Natural History's red list. In addition, information is provided on their legal status in this country as well as their status on the IUCN Red List of Threatened Species.



Species	Scientific name	Iceland	Legal status in Iceland	IUCN Red List
Great black-backed gull	Larus Marinus	At risk (EN)	Unprotected	Least concern (LC)
Arctic skua	Stercorarius Parasiticus	At risk (EN)	Protected except around protected eider nesting in the period 15 April – 14 July	Least concern (LC)
Eurasian oystercatcher	Haematopus Ostralegus	Vulnerable (VU)	Protected	Near threatened (NT)
Eider duck	Somateria Mollissima	Vulnerable (VU)	Protected	Near threatened (NT)
Common raven	Corvus Corax	Vulnerable (VU)	Unprotected	Least concern (LC)
Arctic tern	Sterna Paradisaea	Vulnerable (VU)	Protected	Least concern (LC)
Gyr falcon	Falco Rusticolus	Vulnerable (VU)	Protected	Least concern (LC)
Redshank	Tringa Totanus	Near threatened (NT)	Protected	Least concern (LC)
Ptarmigan	Lagopus Muta	Near threatened (NT)	Protected except for a few days in the autumn according to regulations	Least concern (LC)
Whooper swan	Cygnus Cygnus	Least concern (LC)	Protected	Least concern (LC)
Mallard	Anas Platyrhynchos	Least concern (LC)	Protected except in the period 1 September – 15 March	Least concern (LC)
Greylag goose	Anser Anser	Least concern (LC)	Protected except in the period 20 August – 15 March	Least concern (LC)
Pink-footed goose	Anser Brachyrhynchus	Least concern (LC)	Protected except in the period 20 August – 15 March	Least concern (LC)
European golden plover	Pluvialis Apricaria	Least concern (LC)	Protected	Least concern (LC)
Black-headed gull	Larus Ridibundus	Least concern (LC)	Protected except from 1 September – 15 March	Least concern (LC)
Arctic fox	Vulpes Lagopus	Least concern (LC)	Protected	Least concern (LC)
Redwing	Turdus Iliacus	Least concern (LC)	Protected	Least concern (LC)
Common snipe	Gallinago Gallinago	Least concern (LC)	Protected	Least concern (LC)
Eurasian whimbrel	Numenius Phaeopus	Least concern (LC)	Protected	Least concern (LC)
Ringed plover	Charadrius Hiaticula	Least concern (LC)	Protected	Least concern (LC)
Stirling	Sturnus Vulgaris	Least concern (LC)	Protected	Least concern (LC)
Barnacle goose	Branta Leucopsis	Least concern (LC)	Protected	Least concern (LC)
Lesser black-backed gull	Larus Fuscus	Data deficient (DD)	Unprotected	Least concern (LC)
Rabbit	Oryctolagus Cuniculus	Not applicable (NA)	Unprotected	Data deficient (DD)
Mink	Mustela Vision	Not applicable (NA)	Unprotected	Least concern (LC)

Stakeholders

Stakeholder Relationships

Isavia focuses on extensive consultation with those stakeholders who rely on its services and who are affected by its operations. Operations have an impact throughout the country and on all its inhabitants. Isavia has analysed over a hundred stakeholders, which can be classified into five categories: customers, staff, the community, the authorities and suppliers.

In order to find out what stakeholders consider to be the most important issues and topics as regards the company's social responsibility, Isavia has conducted various interviews and studies over recent years. This year, an electronic survey was sent out to internal and external stakeholders asking them to prioritise sustainability issues according to importance.

The operations of Keflavík International Airport are diverse, and Isavia enjoys good co-operation with the many stakeholders working in the various fields of aviation operations. The company's main

customers are: aircraft operators using airports and flight navigation areas, operators at airports (such as flight services entities, shops, restaurants, car rentals and coach service companies) and last but not least, passengers. Communication with users and operators happens first and foremost during regular meetings. Communication with passengers takes the form of direct interactions with the company's employees at airports, traditional communication means and regular customer surveys. There is particular focus on working closely with check-in agents and airlines on environmental issues at the airport and with restaurant and shop operators in the terminal to tackle the matter together.

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



Human Resources

Isavia employs a diverse group of people who strive to deliver great work every day. The company operates according to a human resources policy that focuses on promoting good work ethic, general job satisfaction, good service to colleagues, passengers, airlines and other partners.

Along with the increase in flights again after the pandemic period, the number of the company's employees began to increase again during the year. At the end of 2021, Isavia and its subsidiaries employed 1,153 people, 63% of whom were men and 37% women. The average age of employees is 42 years, and the average length of service is 8.6 years.

Despite the fact that the COVID-19 pandemic made its mark on Isavia's operations during the year, it can be said that the staff and management were able to hold on to their joy and view the challenges that came with the pandemic as an opportunity rather than a threat. High levels of infection prevention measures continued to prevail, and staff mask obligation continued to be practiced in passenger areas and in the presence of passengers. All Isavia's infection control measures were carried out with the safety

of employees in mind, as it is Isavia's goal to seek all means to protect employees against infection and at the same time protect the company's operations.

Managers and specialists did most of their work remotely at the beginning of the year, but with the rising sun and the relaxation of infection prevention measures, people began to return to their workplaces. However, employees are still permitted to take advantage of remote working in consultation with management, and most have taken advantage of this flexibility on a regular basis.

In management training, emphasis was placed on teamwork, peer management and dealing with issues in a constructive and concise manner.

A human resources manager was hired by Isavia ANS, who will be responsible for the company's human resources and will work closely with the Group's other human resources managers on the development of human resources.



EMPLOYEES

	Women	%	Men	%	Total	%
Total number of employees	431	37%	722	63%	1.153	100%
Full time	319	28%	654	57%	973	84%
Part time	112	10%	68	6%	180	16%
Temporary employment contract	23	2%	26	2%	49	4%
Permanent employment contract	408	35%	696	60%	1.104	96%

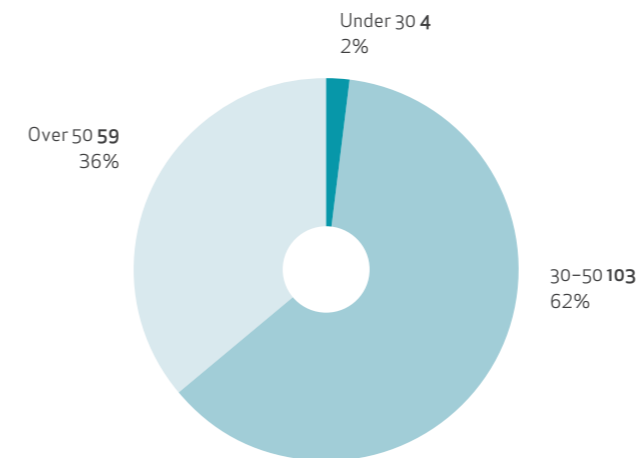
AGE DISTRIBUTION OF ALL EMPLOYEES

	Women	%	Men	%	Total	%
Under 30	98	8%	132	11%	230	20%
30-50	213	18%	360	31%	573	50%
Over 50	120	10%	230	20%	350	30%

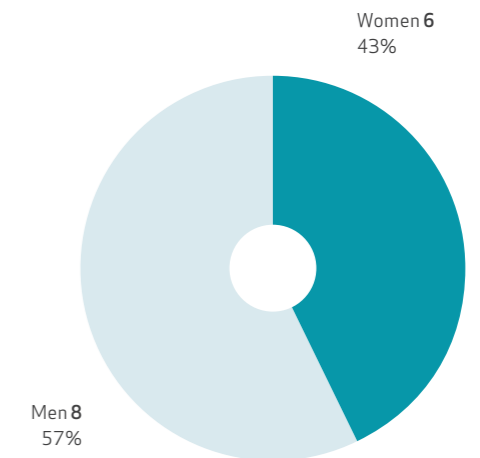
NUMBER OF MANAGERS BY GENDER AND RATIO OF ALL EMPLOYEES

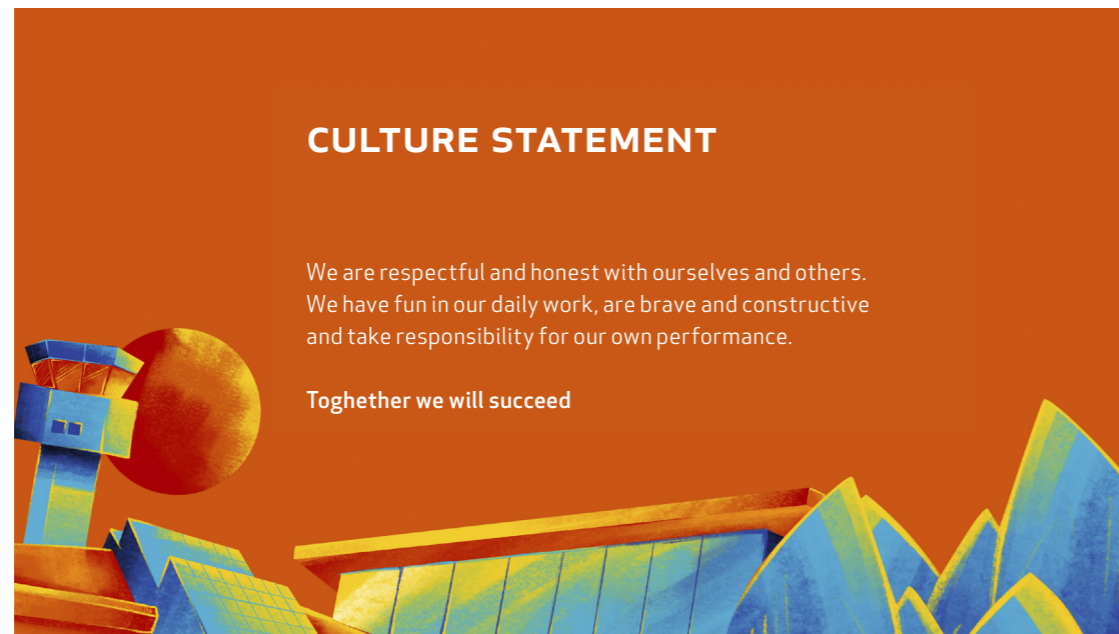
	Number	Proportion of all staff
Women	55	5%
Men	111	10%
Total	166	15%

AGE DISTRIBUTION AND PERCENTAGE IN EACH GROUP OF MANAGERS



GENDER RATIO IN BOARDS OF ISAVIA OHF, ISAVIA ANS, ISAVIA DOMESTIC AND DUTY FREE





CULTURE STATEMENT

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

Together we will succeed

Together on a New Journey

All companies within the Isavia Group have worked during the year to strengthen the working environment and workplace culture with the aim of building a good workplace where there is a culture that supports both the company's success but also ensures the safety and well-being of people at work.

During the year, Isavia began collaborating with consultants from Conscious Consulting, which specialises in helping companies to succeed when it comes to changing corporate culture. The journey has been entitled "together on a new journey" in reference to how a change in the culture of companies is a journey that has neither a beginning nor an end and will last for several years. The journey is also part of implementing Isavia's updated strategy, which was approved by the company's Board at the end of the year.

Welfare Services

Isavia entered into a service agreement with the company Heilsuvernd during the year to provide all of the company's welfare services for the coming years. Heilsuvernd will provide the company's corporate medical services as well as regular vaccinations, health check-ups and other services related to staff welfare. Services to staff were also greatly improved in terms of psychosocial aspects, but all the Group's staff can now attend 5 sessions with psychologists or other Heilsuvernd specialists free of charge. Isavia cares about the health and safety of employees, and the agreement with Heilsuvernd and the introduction of new welfare services is part of creating a safe

and good working environment at all the company's operating units.

Social Environment

At the end of the year, the Board of Isavia approved a new and updated response plan for bullying, gender-based and sexual harassment and violence (EKKO). This policy is set on the basis of Act No. 46/1980 on Working Environment, Health and Safety in Workplaces and Regulation no. 1009/2015 on bullying, sexual harassment, gender harassment and violence at work.

The plan covers all Isavia offices and subsidiaries and applies equally to employees, managers and contractors who work for the company or for other service providers at Isavia's offices.

The response plan is based on Isavia's policy that the company will not under any circumstance tolerate bullying, sexual harassment, gender-based harassment or any kind of violence. It is the company's aim to eradicate such behavior through preventive measures in the form of education and through professional procedures.

The company emphasises that when issues arise concerning the social environment of employees, all parties are supported, e.g. offered support interviews in the workplace and/or professional counselling.

Two cases arose in 2021 that concerned the company's policy and rules on social environment and psychosocial aspects. These were processed

according to company procedure and both ended with termination.

Recruitment

At Isavia, precise working methods and neutrality are always maintained in recruitment. The selection of employees takes into account skills and experience, but also the prevailing gender ratio in employee groups, with the aim of promoting diversity in human resources. The company utilises a variety of methods and data in the recruitment process, depending on the nature and scope of jobs.

Isavia aims to enable employees to develop in their work through transfers between jobs and to support job development through transfers between jobs. Efforts are made to ensure that employees receive the additional training that a new job requires. The company has established a rule to advertise all vacancies unless the CEO provides an exception for something else. Jobs are advertised on the company's internal and/or external website, on alfreð.is and on social media.

When major changes are imminent, staff are offered education to support them through the changes. An example of this was extensive transition training with the establishment of the new Hub Control Centre at Keflavík Airport this year, which required the involvement of many departments and extensive teamwork. Then all the staff of the departments attended courses on change, job satisfaction and teamwork.

Employee turnover in 2021 was 22% and decreased significantly from the previous year when the company had to reduce its operations due to covid-19. Many of the employees who left in 2020 returned to work for the company in 2021.

A total of 428 individuals were hired during the year, of which about 250 were hired for summer jobs. Women were 42% of those hired and men 58%. The average age of new recruits was 33 years. Some of those who worked summer jobs in the summer of 2021 were offered permanent jobs with the company when the summer employment ended.

End of Employment

The end of employment of Isavia's employees varies, but the company is determined to handle all retirements well. The company focuses on making the employees' experience of retirement as good as possible. When employees start thinking about retirement, they are invited to attend, along with their spouse, the course A Turning Point and an Opportunity, which deals with the changes that take place at the end of their working lives. In the spring of 2021, such a course was held in collaboration with the company Auðnast. A total of 20 individuals, staff and spouses attended the course.

Isavia's general retirement age is 67 years, unless otherwise agreed in the wage agreements.

The Labour Market

Isavia puts and emphasis good collaboration with all stakeholders in the labour market. The company operates in the general market and follows general collective wage agreements negotiated by the Confederation of Icelandic Employers with numerous unions on behalf of the company. Special collective wage agreements have been made with Landssamband slökkviliðsmanna (LSS) (firefighters), Félag flugmálastarfsmanna ríkisins (FFR) (state aviation employees) Sameyki (SFR) and Félag íslenskra flugumferðarstjóra (FÍF) (air traffic controllers). In the autumn of 2021, a two-year collective wage agreement was signed with FÍF.

Almost all employees, or 98%, are members of trade unions and follow their provisions when it comes to rights and obligations.

The notice required to terminate employment is subject to the provisions in the appropriate wage agreement and can vary according to length of service and age. The right to terminate employment is mutual, and all information is in writing as stipulated in the rules. The minimum working age at Isavia is 18 years. The company fully complies with the laws and rules that apply to the labour market at any given time.

PARENTAL LEAVE GRI 401-3

	2017	2018	2019	2020	2021
Total number of employees that took parental leave	69	91	78	119	1.153
Women	-	-	-	61	47
Men	-	-	-	58	57
Total number of employees that took parental leave	61	74	50	91	-

Equal Rights

Isavia promotes equality in all its activities and ensures that all employees have equal opportunities and opportunities to use their talents at work. The company puts emphasis on ensuring an equal gender ratio in both the group of managers and employees. Isavia emphasises that in its offices there is equality, trust and a healthy working environment.

Isavia's equality plan was updated in the middle of the year and is prepared in accordance with Act no. 150/2000 on Equal Status and Equal Rights Irrespective of Gender. The aim of the plan is to ensure the fullest possible gender equality among staff, with a view to utilising their skills, strengths and knowledge fully. The plan was approved by the company's Executive Board, which also appointed a gender equality representative to follow-up on the gender equality goals and the company's plan for the coming years. The Directorate of Equality also approved the plan as required by law and regulations. Isavia strives to create a work environment that is characterised by mutual flexibility where the needs of work and family responsibilities go hand in hand. The company attaches great importance to trying to accommodate staff requests for parental leave and to show flexibility in meeting their needs as regards returning to work once such leave has been completed.

A total of 104 employees took parental leave in 2021, 47 women and 57 men. In 2020, 119 employees took parental leave and 91 of these had returned to work 12 months later.

Human Rights

Isavia endeavours to ensure that all employees, regardless of gender, age or nationality, enjoy equal opportunities for training and education. New

recruits are informed about our equality policy and the company's Code of Ethics. All frontline staff receive training on human trafficking, its characteristics and the correct response if suspected.

In order to increase services for passengers with invisible disabilities, the so-called Sunflower Band was introduced at Keflavík airport and a digital course was prepared to inform both staff and customers. The sunflower band is a lanyard that passengers with invisible disabilities can choose to wear when passing through the terminal. If an individual is wearing the lanyard, employees know that they need to show more compassion in their communication.

Terms of Employment and Equal Pay Certification

Isavia is committed to implementing, documenting and maintaining an equal pay system in accordance with the requirements of the equal pay standard ÍST 85 and obtains an equal pay certification in accordance with Act no. 150/2000 on Equal Status and Equal Rights Irrespective of Gender. The company implemented an equal pay management system in 2018 and received an equal pay certification the same year, which was valid for three years. Last year, the company received re-certification following an audit carried out by BSI in Iceland. The equal pay management system is intended to ensure that all employees receive equal pay and enjoy equal terms of employment for the same jobs or jobs of equal value. In parallel with the certification, a wage analysis was carried out which revealed that there is no unexplained gender pay gap at Isavia.

Regular Employee Interviews

Following the company's increased operations after the pandemic, emphasis was placed on managers taking good care of the health and well-being of employees through regular interviews. The human resources department launched the "let's talk" campaign in the middle of the year, where managers were encouraged to have conversations with employees about various issues related to the work environment. Particular emphasis was placed on managers following-up with staff who had worked remotely for a long time and been away from the workplace for a long time due to COVID-19. The purpose was first and foremost to examine the well-being of employees and give them feedback on job performance.

The intention was that the conversations be informal and that the result not be recorded at this time.

The Isavia School

It is the policy of Isavia to ensure that all employees receive the requisite training and promote the skills necessary to achieve success in their work. Training should also ensure staff safety and well-being. A wide range of courses are available all year round, both mandatory courses and courses aimed at developing personal skills. We try to ensure that everybody receives appropriate training, and there is a training plan available for all job types within the Group. The content of training each year depends on the projects, objectives and challenges facing the company, with mandatory job-certification training making up the lion's share.

The Isavia School, which belongs to the department of finance and human resources at Isavia, organises and supervises training. Isavia ANS runs its own training department which trains air traffic controllers, but they also take all general training from the parent company.

Study Grants

Isavia staff are paid either a wage or a study grant when undertaking training. This also applies to training undertaken before members of staff take up their position.

All employees are entitled to apply for grants for study outside of Isavia. The most common applications are from those undertaking university study.



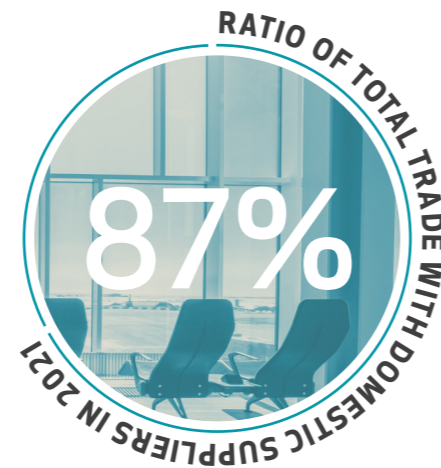
Suppliers

Responsible management of the resource chain is extremely important for Isavia's operations. Establishing and maintaining a sustainable resource chain increases the likelihood of economical transactions, reduces operational risks and improves the company's reputation. Increased demand for social responsibility encourages continuous improvements to resource chains, as the operations of the company have an effect on numerous aspects of the economy.

- Almost 1,500 suppliers were active in the company's supplier register at the end of 2021. Of these, 12% were foreign suppliers and 88% were domestic suppliers.
- The share of the group's total business with domestic suppliers was 87% and with foreign suppliers was 13%.
- The 10 highest turnover suppliers at Isavia accounted for 59% of total turnover in 2021
- The 10 highest turnover suppliers at Isavia ANS accounted for 55% of total turnover in 2021
- The 10 highest turnover suppliers at Isavia Regional Airports accounted for 64% of total turnover in 2021
- The 10 highest turnover suppliers at The Duty Free Store ehf. accounted for 53,9% of total turnover in 2021

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

The Isavia Group has issued a Code of Ethics for Suppliers, which all of the Group's suppliers are expected to adhere to. By persuading suppliers to adopt the Code, they are demonstrating social responsibility in line with the United Nations Global Goals on human rights, labour issues, the environment and anti-corruption. In order to limit as far as possible the likelihood of the use of forced, compulsory or child labour for resources and



equipment purchased in domestic and international markets, the supplier's Code of Ethics is always included in the tender documentation. All Isavia contracts contain provisions on data protection which comply with new provisions laid down in EU data protection legislation, where appropriate.

The Code of Ethics for Suppliers is attached to all of our contracts. This Code requires suppliers used by the company to adhere to the rules it contains and to ensure that their own suppliers do likewise.

By the end of 2021, 58% of the company's suppliers had agreed to the Code, of which 93% are domestic suppliers and 7% foreign suppliers.

Purchasing

Isavia's purchasing and legal departments were merged into one this summer and is located in the finance and human resources department. The department's role is to service Isavia and subsidiaries in the purchase of all kinds of resources for the operation and development of the company in a professional, efficient and lawful manner.

The Group's purchasing is governed by legal requirements on public procurement no. 120/2016 and Regulation no. 340/2017 on the procurement of parties in charge of water supply, energy supply, transport and postal services.



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

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

To ensure the cost traceability and co-ordinated payment terms, the company's business terms are always used for procurements. By the end of 2021, 52% of the company's suppliers had agreed to Isavia's business terms, of which 91% are domestic suppliers and 9% foreign suppliers.

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

Customs History Reform

With the aim of increasing transparency and efficiency, the employees of the purchasing and legal department and accounting have been working in recent months to improve the company's import and customs history. A large part of Isavia's purchases come from abroad and Isavia's employees use the Skýlið purchase order system to ensure the traceability of shipments, whether it is general purchases, online purchases or product repair.

Thus, accounting staff can trace the origin of shipments by looking up foreign orders and see what is expected to arrive in the country and trace the shipment to the relevant company, employee and departments. This minimises waste in the process, harmonises procedures and increases efficiency. A common mailbox was also set up for all cargo notifications, where employees of the accounting and purchasing and legal departments can track communication with carriers. Following this, the purchase request form was updated and a receipt option was added to the form.

Customers

Service and Collaboration

Isavia attaches great importance to service and collaboration in its operations. We work closely and systematically with airlines and business partners to promote exemplary service and improve the passenger experience.

Communication with users and operators happens first and foremost during regular meetings. Communication with passengers, information supply and inquiries take place through all the main mediums of communication. The Isavia website provides a great deal of useful information, e.g. flight and airport information, flight monitoring via Messenger, price lists, general information.

Keflavík International Airport

Keflavík International Airport faces fierce competition from airports outside Iceland. Understanding customers' needs and providing outstanding and efficient service and experiences is essential to ensure the competitiveness and uniqueness of Keflavík International Airport.

Isavia conducts regular market and service research at Keflavík International Airport and makes improvements in line with the needs of passengers and airlines. We focus on high-quality passenger and customer service and experience throughout their entire journey through the terminal and airport. We run regular courses for Isavia staff, operators and partners on how best to meet the needs of passengers travelling through the airport.

In recent years, the airport has undergone extensive building work, aimed at improving service, quality and safety and further expansions are currently being worked on that will improve the airport's capacity to meet future demand. Systematic work has been done on the planning of an expanded retail and restaurant area, as well as the organisation of the existing area in order to be as well prepared as possible with the appropriate level of service during the construction period.

Technical solutions have been introduced to make the journey through the terminal as efficient and fast as possible without inconveniencing passengers excessively. The focus has been on automation and general efficiency. In this connection, we have added a good number of automatic check-in points, automatic bag drops, automatic entry points and baggage equipment at weapons search, automatic boarding gates, as well as automatic border points for passengers travelling outside of the Schengen area.

At the beginning of the year, systematic work was done with business partners to ensure a minimum level of service and later to prepare for the return of passengers through the airport. As the year progressed, the number of passengers increased and the level of service increased accordingly. We faced a challenge in the process of arriving passengers, as an extensive screening center put a wrench in the proceedings and we worked with business partners to make the process run as smoothly as possible.

Various business development projects were also worked on. These include a development plan for the terminal's forecourt. Emphasis is placed on business perspectives in development in line with the airport's development plan.

Business Partners at Keflavík International Airport

One of the key aspects of good customer experience at Keflavík International Airport is the excellent business partners who sell their services and products to passengers, e.g. shops, restaurants, bus companies and car rentals.

In 2021, the needs of these business partners were very different to those of previous years. Their priority was to keep their business operations as healthy as possible, while providing passengers with the best possible service at a time of great uncertainty as regards to the development of external conditions. Isavia afforded its partners a great deal of flexibility, and they did their very best to keep as high a level of service as possible, both in order to provide passengers with the services they

need and generate revenue and keep their staff employed.

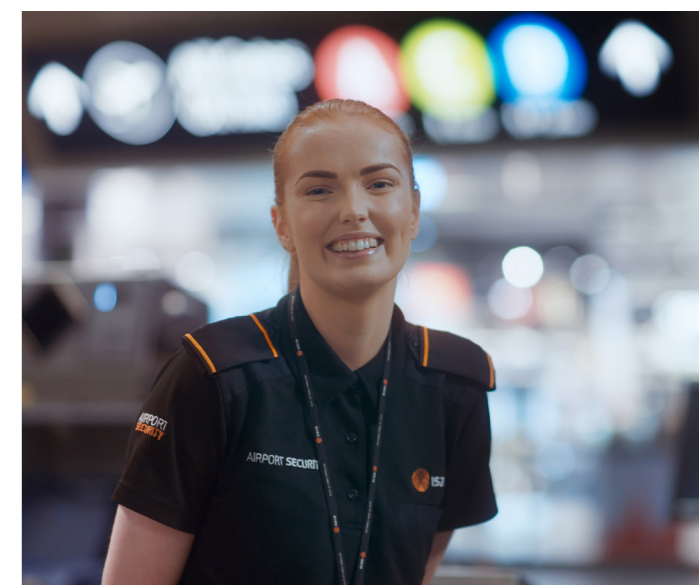
Representatives of business and marketing continued with regular information meetings with all business partners on Teams throughout the year. The aim of the meetings was to make it easier for business partners to access management, adjust the level of service, increase the flow of information and be ready for recovery when the time came. There, business partners were given regular updates on the impact of COVID-19 on the airport from the Isavia Emergency Management Agency, and information on volcanic eruptions in Fagradalsfjall was added. Information was given on expected air traffic in the short and long term and insights into how customer expectations can be expected to change after COVID-19. A dedicated information webpage was set up where Isavia's business partners at Keflavík International Airport can find the latest flight schedules, training material and useful operational information.

Handling Agents at Keflavík International Airport

Regular meetings are held to communicate with handling agents to look at how services and operations can be improved.

With the establishment of the Hub Control Centre (HCC), we aim to further enhance this collaboration. The purpose of the HCC is to achieve increased efficiency, obtain a better general overview, shorten the decision-making process and improve the flow of information, making operations more efficient operations for both Isavia and users of Keflavík International Airport. The HCC supports the vision of Keflavík International Airport as a flight hub in the North Atlantic.

The weather can seriously affect operations at Keflavík International Airport over the winter months, and a great deal of effort has been put into co-ordinating the responses of various airport users to minimise any disruption due to weather. Special weather action meetings are held as required to pass on information and draw up action plans in light of the current forecast.



ASQ Service Surveys

Standardised service surveys have been carried out at Keflavík International Airport since 2004. We use an international survey created by the Airports Council International (ACI) which measures passenger satisfaction at more than 300 airports worldwide. The survey therefore provides a good comparison with other airports around the world. Data on customer satisfaction with 34 service aspects at the airport are collected throughout the year. The results are published on a quarterly basis, allowing a swift response to service aspects that need remedial action. Passenger satisfaction is measured on a scale of 0–5. Keflavík International Airport has always been high on the European list, which contains over 90 airports throughout the continent. There have been, however, isolated periods when overall satisfaction has fallen. This can usually be traced back to disruptions due to renovations of the terminal or a heavy load due to the increased number of passengers.

Keflavík International Airport received recognition from ACI for the fourth year in a row for being among the best airports of its size category (5–15 million passengers annually) in Europe as regards service quality.

An award in the ACI service survey is one of the greatest accolades available to global airport operators and is given for exceptional service provision and customer experience.

In light of the COVID-19 pandemic, a number of questions regarding hygiene and safety measures at the airport were added to the service survey at the end of 2020 and they remained a part of the survey in 2021. These questions look at passengers' experiences of hygiene and infection prevention measures at airports. Keflavík International Airport was among European airports that won awards for hygiene and infection control measures last year.

Although passenger numbers at Keflavík International Airport have fallen sharply since the pandemic struck, managers and employees at the airport have continued to listen to the needs of its passengers and adjust to the new reality. Communication with passengers is no less important during a pandemic, and we were therefore very happy when Keflavík International Airport received the Voice of the Customer Recognition from ACI.

Airlines

We Icelanders rely on good air transport in our relations with the rest of the world. Keflavík International Airport therefore has the important role of attracting various airlines – flying to various destinations – to Iceland. We systematically work on business development of new routes and airlines to and from Keflavík International Airport. Isavia also works with existing and new customers to increase air traffic at Keflavík International Airport.

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

In addition to regular user committee meetings, there is regular communication with airlines who already fly to Keflavík International Airport and new airlines that the airport considers could be attracted to Iceland. In a normal year, such communication happens at conferences bringing together the representatives of airlines and airports.

Customers of the Duty Free Store

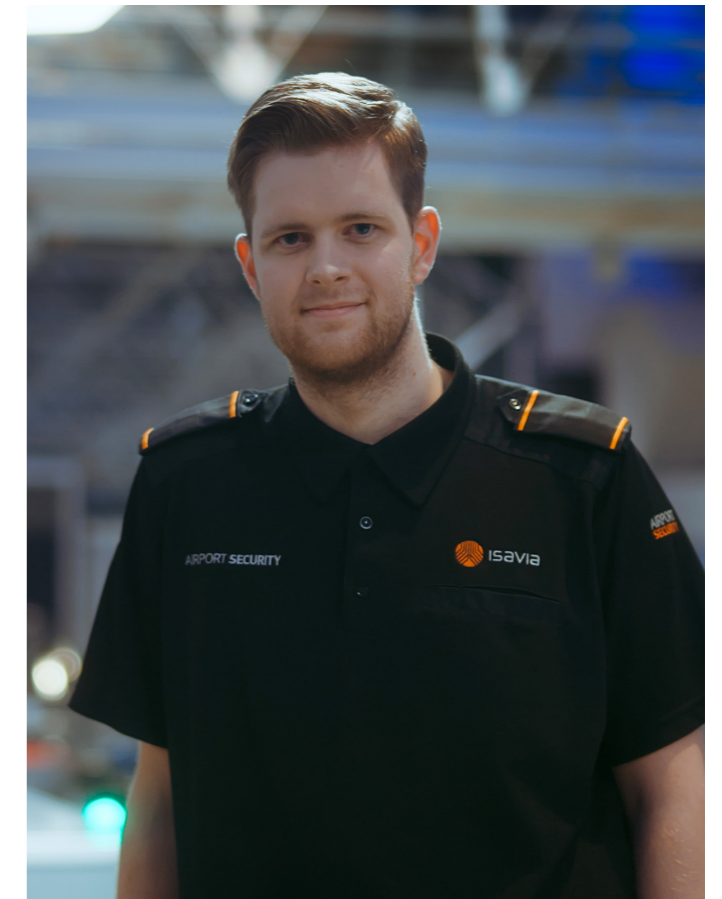
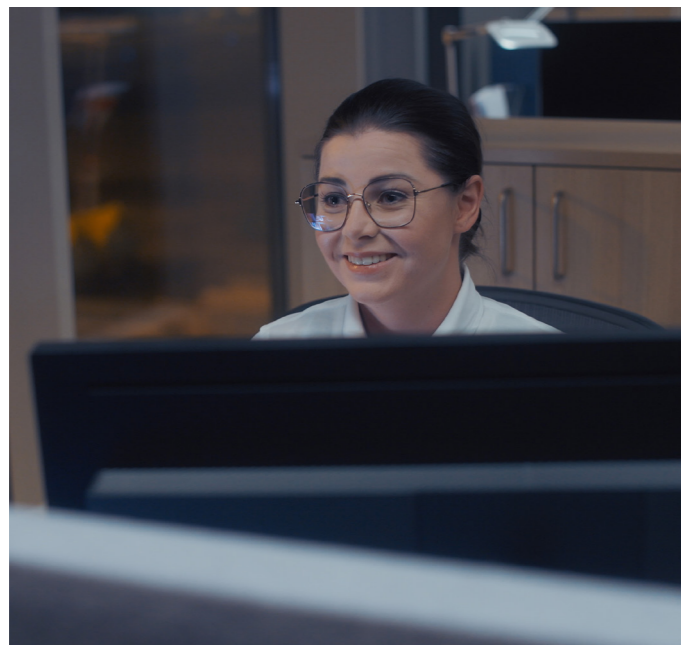
The Duty Free Store operates four outlets in the Leifur Eiríksson Air Terminal – two for departing passengers, one for passengers travelling to non-Schengen countries and one for arriving passengers. One area of focus is providing professional and excellent service, taking account of the needs and expectations of the various groups of customers. Another priority is stocking a diverse range of

high-quality Icelandic and foreign goods, focusing on traditional duty-free goods. Regular service surveys are carried out to assess quality of service.

All passengers using Keflavík International Airport are potential customers of the Duty Free Store and it is very important to reach out to them with a diverse range of high-quality products, well-organised shops and professional, impartial and agile service. The Duty Free Store's values are: service, value and experience.

Flight Navigation Services Users

Consultation meetings are held once a year with the users of the flight navigation services as regards operations and investments. Consultation meetings with users of other aspects of flight navigation services also take place under the auspices of the ICAO Planning Group (NAT-SPG) for the North Atlantic. Regular meetings are held with users, and there is communication with individual users or representatives of user groups if considered necessary. Isavia's partner, the Icelandic Meteorological Office, has a role to play in such user consultation as regards weather information and is the monitoring body as regards volcanic eruptions and other natural disasters.



The Authorities

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

The Ministry of the Interior plays a two-fold role in connection with Isavia's operations. On one hand, as the professional ministry for air traffic issues, and on the other, as a business partner of Isavia Regional Airports as regards the running of the domestic airport system. Isavia has a seat on three committees and boards operated by the Ministry; the Professional Board for Aviation Issues, the Facilitation Board and the Transport Board (permanent representative). The company has regular professional communications with the Ministry on aviation issues and close collaboration as regards the implementation of the service agreement.

Meetings are also held a few times a year with the Ministry of Culture and Business Affairs in connection with tourism issues. The Ministry has established a Flight Development Fund aimed at strengthening international flights to Akureyri and Egilsstaðir, and Isavia has a representative on the Board of the Fund. The company also has a representative on the Promote Iceland Board responsible for the 'Inspired by Iceland' and 'Iceland Naturally' marketing projects, which are intended to raise awareness of Iceland as a tourist destination. Meetings are also held with the Ministry of Foreign Affairs and the Icelandic Coast Guard in connection with defence-related operations at Keflavík Airport and the Airport's organisational issues.

Isavia has a great deal of interaction with many public bodies, owing to the diversity of the company's activities. The closest interaction is with the Icelandic Transport Authority, which issues operating permits for airports and flight controls and is responsible for the appropriate supervision of implementation and operations. Other monitoring bodies to mention

are the Construction Authority, the Administration of Occupational Safety and Health, the National Planning Agency and the Environment Agency. Many public bodies have operating units within or in close collaboration with Isavia, such as the police, the Directorate of Customs, the National Civil Protection Authorities and the Coast Guard. The municipal bodies connected to the operation of Isavia are mainly the health authorities, fire protection and fire brigades.

Isavia ANS communicates with the Ministries of Infrastructure and Foreign Affairs as well as other government agencies due to its multifaceted projects. The closest interaction is with the Icelandic Transport Authority, which issues operating permits for flight navigation and is responsible for the appropriate supervision of implementation and operations.

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

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



The Community

There is extensive communication with various parties in the community, e.g. local authorities, regional associations in the neighbourhood of the airport, other associations. The focus is on improving the way in which information is transmitted to local authorities, as the activities of the group can have a considerable impact on local communities. The main channels of communication are formal meetings with local authority staff and other stakeholders. Isavia and its subsidiaries also work extensively with stakeholders in the tourism industry, organising regular meetings where information is provided to both the tourism industry and the general public. We work closely with fire brigades and rescue services throughout Iceland and conduct annual air accident safety drills involving all response services. Isavia staff regularly speak at meetings held by other parties.

Suðurnes Discussion Forum

The Suðurnes Discussion Forum is a collaboration with the four municipalities in the Suðurnes area, Kadeco and the Association of the Suðurnes Municipalities. The aim of the collaboration is to strengthen the economy and strengthen the infrastructure, taking into account the United Nations Global Goals.

The collaboration began in 2019, but the results of the collaboration's strategy were available in June 2021. An introductory meeting was held in June 2021 in Hljómahöll where the results of two years of work were presented. At the meeting, companies in the area signed a declaration of intent to be participants in the work related to the design and development of Hringrásargarður.

Following this, tasks were divided into three project groups. Two groups started and they concern Hringrásargarður and climate issues on the one hand and education and training about sustainability in Suðurnes on the other. The projects in these two groups include examining the benefits of establishing Hringrásargarður, measuring the carbon footprint and shaping a common carbon accounts for Suðurnes, reducing the use of plastic, increasing its recycling and shaping measures against plastic pollution in the sea. Furthermore, to formulate a comprehensive education policy in the field of sustainability for all school levels in Suðurnes and increase education in that field in the community.

Working with the Tourism Industry

Isavia and its subsidiaries collaborate extensively with entities in the tourism sector such as the Travel Industry Association (SAF), the Icelandic Tourist Board, Promote Iceland. In addition, the company is a member of Iceland Tourism and Iceland Naturally. The company also has a representative on the board of the Icelandic Tourism and a representative on the project board of the marketing project "Saman í sókn", which is prepared by Promote Iceland.



Safety and Occupational Health

Occupational Safety and Health

Isavia has in place an occupational safety and health policy covering all the operations of the company based on the overall policies of Isavia. With the policy, Isavia undertakes to be a role model in safety, health and occupational issues by promoting a safe and healthy work environment for those who work in and visit the operating units of the company. The policy is part of preventing accidents, working towards good staff facilities and ensuring a healthy working environment. The CEO approves the policy and Directors are responsible for executing the policy. The occupational safety and health management system is part of Isavia's quality system.

The year 2021 marked a turning point in the company's occupational health and safety issues when a big step was taken towards increased occupational safety by extending the ISO 45001 occupational safety certification of Isavia. The certification now covers all operating units and operations of Isavia. The preparation and certification audit itself has already resulted in increased safety awareness throughout the company. The policy and responsibilities are clear and signposts in order to follow it have been implemented. It is a collaborative project that will undoubtedly result in great benefits and an even better workplace.

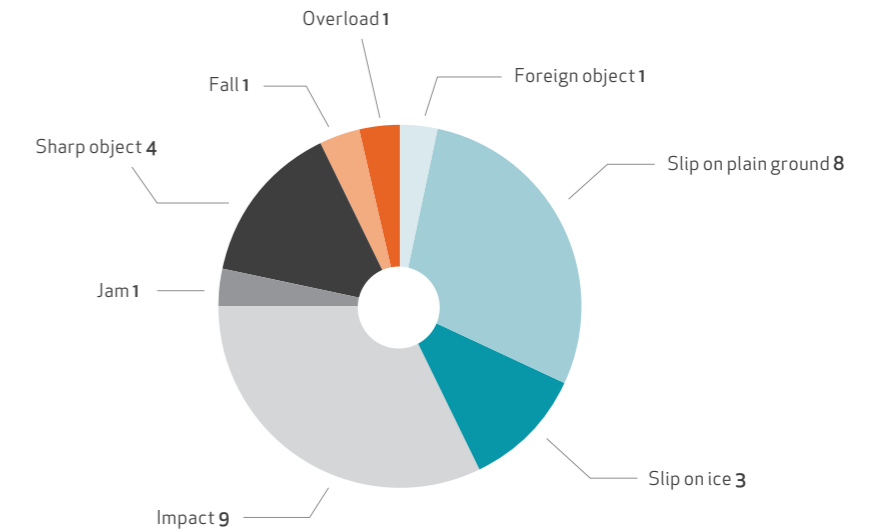
There was a strong focus on education about safety and occupational safety during the year. Numerous courses were produced and implemented for this purpose. These include general occupational safety awareness, safety courses for contractors and tradesmen, safety and quality issues as well as courses on seat belt use. Proper knowledge and proper training following an accident can save lives. All Isavia's frontline staff at Leifur Eiriksson Air Terminal receive first aid training and the courses are also available to all of the Group's staff. This year, the rule was introduced that all employees who receive an access pass to Keflavik Airport must now complete a course on Occupational Safety and Health before coming to work. (403)

Occupational health and safety are thus a guiding principle in the company's operations. A targeted effort is made to analyse risks and take preventative measures. Emphasis is placed on increasing safety awareness in the company's daily activities and mobilising employees to make the entire environment and operations safer. Training on occupational health and safety is now part of training for all employees who start working for Isavia. Employees are encouraged to notify all accidents, near misses or conditions that can cause accidents, as well as reminding everyone that we are all responsible for safety issues within the company.

2020 saw changes made to the organisation of health and safety issues, when their co-ordination and management was transferred to a single department, services and operations. This year, work was done to process the opportunities that this change created, e.g. by co-ordinating the processing of environmental, protection and operational deviations with other safety deviations in order to increase the overall overview for the entire company. In addition to safety specialists, the department employs an occupational health and safety representative who is responsible for recording accidents and incidents and for reviewing investigation reports. Psychological aspects of health and safety, however, remain within the purview of the finances and human resources department.

The number of reported work accidents decreased last year from 39 to 31. There was a decrease in serious accidents (Absence and care accidents) from 23 to 13 in 2021. The number of first aid accidents increased from 16 to 18, which is in line with the goals set for encouraging employees to report all accidents.

The scope of notifications indicates that the importance paid to employees reporting accidents and near misses has paid off. This means that it is possible to concentrate on employing preventative measures and improvements.



Continuous targeted efforts will be made to reduce the number of accidents in the workplaces of Isavia and increase safety. In 2021, work was done to coordinate accident reporting, simplify registrations and to make them more user friendly. This will simplify processing and follow-up in Isavia's safety management system, Opscom.

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

Isavia has a monitoring plan for health aspects in locations that have been considered especially sensitive after a risk assessment, and they are examined with respect to noise, air quality and vibration.

Registrations of incidents, including accidents and near misses, are done via the Isavia intranet and, for external parties, Isavia's website. The Health and Safety Management is responsible for maintaining a record of these incidents and working on improvements in collaboration with others. Incidents are classified according to severity and causal analysis performed. This is to try to find the root of the problem to make it possible to respond and prevent the incident from happening again. Isavia employees are under obligation to provide notification of any incidents, and during investigations, just culture is maintained.

Isavia uses S5 inspection database to manage all non-conformities and opportunities for improvement. Internal audits of workplace safety and occupational health are regularly performed, and an annual maintenance audit is performed by an external party to maintain ISO 45001 certification.

WORK RELATED INJURIES GRI 403-9

	2017	2018	2019	2020	2021
Total number of work related injuries	66	57	60	39	31
Number of fatalities as a result of work related injury	-	-	0	0	0
Number of high consequence work related injuries	-	-	0	0	0
Time loss injuries	-	-	19	4	0
Care injuries	-	-	3	19	13
First-aid injuries	-	-	47	16	18
Rate of recordable work related injuries per 200.000 hours	5,7	4,6	5,1	3,87	2,98

Collaboration with Stakeholders

Emphasis is placed on working on safety and occupational health issues in collaboration with other stakeholders at Keflavík International Airport. Along with increased air traffic and an increase in staff in the summer of 2021, Isavia's working group on apron safety decided to work together to increase safety and a variety of educational material was made available to stakeholders at Keflavík International Airport with the aim of increasing everyone's safety awareness. Emphasis was placed on driving equipment and vehicles, as well as driving behavior.

Isavia's Safety Week

The Isavia Safety Week was held in October 2021 with the theme "The Workplace and Me." This reflects Isavia's emphasis that we are all responsible for safety. Electronic lectures were offered on occupational health and safety, safety in the workplace and the human aspect. In addition, evacuation drills were held at Isavia's headquarters in Dalshraun and at the airport service building at Keflavík Airport. The importance of safety notifications, the participation of all staff was also emphasised and managers were encouraged to discuss safety issues at the beginning of all meetings during the Safety Week. It is important for Isavia

that everyone pay proper attention to safety issues, as incidents that occur have the potential to have extensive effects on the company.

The week began with a fun segment from different employees about "what is safety" where the concept of safety was discussed based on different criteria and how it affects us differently from day to day. The common theme, however, was that everything we do, specifications and the environment are related to safety in one way or another.

Personal Data Protection

Isavia places great importance on the protection and responsible treatment of information. This includes personal information irrespective of in what form such information may be. Isavia follows the criteria of the safety standard *IST EN ISO/IEC 27001:2017* and encourages the security of information valuables through formal procedures contained in the information security handbook and quality handbook that support continuity in operations and minimise operational risk. The protection and responsible handling of personal information, moreover, covers all information valuables from third parties that Isavia has in its possession and/or which the company has asked a third party to manage on its behalf. The

Personal Data Protection Policy was established in 2018 and approved by the CEO.

What kind of personal information is being processed and how such information should be preserved must be kept in mind in all Isavia's operations on a daily basis. Isavia and its subsidiaries practice generally accepted work practices and have adopted personal data protection into their operations to ensure that it is an integral part of daily activities. This includes maintaining a processing file, preparing processing agreements, updating and/or documenting work procedures relating to the processing of personal information, educating individuals about the processing of their personal information, notifying of security failures, performing risk assessments to assess the effects on personal data protection, acquiescing to requests from individuals as regards their rights together with educating staff about personal data protection and security.

Isavia assesses the personal data protection management system by conducting internal audits which are also a part of the company's quality system. In addition, management conducts reviews of the management systems, the results of audits and responses to security breaches at least once a year. Employees and stakeholders

have the opportunity to submit suggestions to the personal data protection representative, and full confidentiality is maintained. Suggestions are taken under consideration and used to make improvements to the management system. In addition, Isavia takes advantage of results from personal data protection monitoring bodies and sees such results as an opportunity for improvements and as a recognition for the effectiveness of the management system.

Isavia has endeavoured to limit the extent to which personal information is processed and to ensure the safety of such information across the company. There are active security measures in place to prevent security breaches from occurring. Security breaches are responded to immediately when discovered or notified and an investigation initiated. Improvements are always recommended on completion of an investigation and are implemented with the view of strengthening the company's security measures.

No violations of personal data protection were lodged with Isavia from customers or monitoring bodies as regards customer information in 2021.



Isavia in the Community

Community Participation

Isavia Group is responsible for the operation and maintenance of the infrastructure that is the basis for aviation services in Iceland, connections to the wider world and flights between three continents over a large area. Iceland's airports constitute important public-transport infrastructure. Of these airports, Keflavík Airport is the largest entry point into Iceland and is especially important for the transport of passengers and goods by air in and out of the country. Isavia's operations are therefore of considerable national interest, and its staff make every effort to conduct their work in a safe and efficient manner in harmony with the community.

Isavia's Emergency and Crisis Coordination

Isavia's Emergency and Crisis Coordination was formally launched in 2015 and has since tackled a variety of challenges, both anticipated and unforeseen events.

The role of Isavia's Emergency and Crisis Coordination is to:

- Ensure that Isavia's responses are co-ordinated and harmonised during times of risk and emergencies.
- Ensure comprehensive responses to events that threaten the operative security of the company and to mitigate their effects.
- Provide support to management and employees.
- Ensure the return of full services as soon as possible.

To achieve these goals, the Emergency Committee employs flexible and performance-driven procedures that address events in an organised manner.

COVID-19, Seismic Activity and Volcanic Eruption

The work of the Emergency and Crisis Coordination was characterised by the status of COVID-19 and infection prevention measures have been successful, as airports belong to the country's important

infrastructure system. All staff have been united in following the measures of the Chief Epidemiologist as well as the Emergency Management Agency, which has sometimes had to impose increased restrictions to protect sensitive activities, staff and operations. There have been no group infections within operating units in the airports' operations.

In addition to COVID-19, there was seismic activity across the country and a volcanic eruption began in Reykjanes. Well-defined processes are activated when an eruption is imminent or has begun, and it is Isavia ANS's Emergency Management and Air Navigation that activate and direct Isavia's eruption operations. The emergency management has therefore been active throughout the year and tackled one challenge after the other in good co-operation with the Civil Protection Agency, the Chief Epidemiologist, staff and other stakeholders within the aviation community.

The Emergency and Crisis Coordination ensured that communication channels were open and that good information supply was available. Connections were established at regular consultation meetings. Short communication channels within Isavia and with external parties have been important in the process.

Within the company, regular information flows to staff was ensured. Staff meetings were held and an information page was activated. Staff had easy access to the Emergency and Crisis Coordination team. From the beginning, you could send inquiries and get advice. Isavia's educational department was quick to issue educational material on COVID-19 and infection prevention measures that Isavia employees and other stakeholders at the airport could use to their advantage. Managers had to figure out new ways to successfully reach work groups when employees began working at home and operation units were divided into different quarantine compartments. Employees and managers deserve praise for the flexibility in their work when there were changes in the scenarios and infection prevention rules.

Civil Protection and the Strengthening of Group Accident Responses

Isavia plays an important role in the management system of the Civil Protection Department and plays a key role in response plans for search and rescue in the Icelandic air traffic control area. Response drills at the airport are an important part of Isavia's preparedness as well as the response system. As a rule, four air accident drills are held every year throughout Iceland. Participation is without fail good, with more than 1,000 people from all response units usually taking part in these drills as well as the general public. Since the company began holding regular drills at airports, the response plans of the Civil Protection Unit for multi-party accidents have developed in line with the working procedures used in airport drills. The company's drills have therefore become a consultation forum for response entities for the development of knowledge and procedures that have been codified in regulations and the Civil Protection Act.

Air Airport emergency plan exercises

The year 2021 continued to be affected by restrictions on gatherings due to COVID-19. The intention was to hold three airport emergency plan exercises, i.e. at Keflavík Airport, in the Westman Islands and at Þórshöfn. As the year progressed, it became clear that no emergency plan exercises would be held in the first half of the year, but a small space opened up as the summer progressed. In the end, an exercise was held in the Westman Islands with severe infection control restrictions. The drill at Þórshöfn was cancelled and moved to next year, but an educational course belonging to airport emergency plan exercises was held. Eventually, the long-awaited Keflavík exercise became a reality, but it had been postponed in both 2019 and 2020. The drill is the largest group accident emergency plan exercise held in the country and about 500 people took part in it, despite the fact that the exercise had to be adapted to the restrictions on gatherings.

Conventions and Collaboration

For many years, Isavia has partnered with ICE-SAR and the Red Cross in Iceland with the purpose of supporting accident equipment has been operated throughout Iceland in co-operation with partners. The equipment is available as necessary in the event of major accidents, accidents that occur in remote places or when people need to be housed in mass relief centres.

Isavia is also a party to various conventions and organisations in the field of sustainability. These include the UN Global Compact, the UN Women Gender Equality Convention, the United Nations Global Goals, the GRI – Global Reporting Initiative and the Festa – Center for Social Responsibility. Isavia has also been a signatory to the Climate Agreement of the City of Reykjavík and Festa – the Centre for Social Responsibility since 2015. For more information, see the Isavia website.





The Company
Sustainability
Economy

Economy

To assess the indirect economic impact of Isavia's operations, a project is being developed with a British consulting company to measure the impact of Keflavík International Airport's operations on society. Keflavík International Airport's activities are very extensive and have an impact on both Icelandic society and the local community in Suðurnes.

Valuation

The project analyses the broad social impact (Value to Society) and value that Isavia creates through the operation of Keflavík International Airport. The value generated by the operation of the airport can be classified into financial value creation, value related to the purchase of resources for the operation, value related to daily operations (waste sorting, food waste, etc.), value related to staff and knowledge, value to society and also natural impact of the operations of the airport. The operation of the airport can have both positive and negative effects on the aforementioned factors and the report provides information on the impact of the aforementioned factors on society.

Isavia's supply chain was also valued based on which resources were purchased and from which country with regard to positive and negative effects. The analysis was performed using Route2's Extended Multi-Regional Input Output Model, which calculates the global, economic, social and environmental

impact of production in 191 countries and between 26–500 sectors in each country. The model then measures and evaluates these effects by translating them into positive economic benefits and/or negative social and societal effects. The results provide Isavia with an assessment of the impact of its purchasing costs on both the first-tier suppliers (Isavia's closest suppliers) and the second-tier suppliers in the supply chain.

The project provides management with information and an overview of which aspects of the operations have a positive effect on one hand, and a negative effect on the sustainability of the company on the other, and sheds light on risks and opportunities to step in and communicate to stakeholders. At the same time, the company's work towards increased sustainability becomes even more purposeful.



Flight statistics

[Isavia publishes statistics on passenger numbers, flight movements, cargo transportation and traffic through Icelandic airspace for each month.](#)

Passengers

Total passenger movements through Isavia airports numbered just over 2.7 million in 2021, which is a 60.9% decrease from 2020. The number of international passengers using Icelandic scheduled-flight airports increased from just under 1.4 million to just under 2.2 million, i.e. a decrease of some 57.9% between years. There was an increase at most Icelandic airports, i.e. 12.3% in Egilsstaðir Airport, 58.1% at Keflavík Airport, around 98.5% at Reykjavík Airport but a decrease of 21% at Akureyri Airport. The number of domestic passengers increased over the same period, from just under 320,000 to just over 556,000, i.e. an increase of some 73.6%.

Flight Movements

Flight movements in all Isavia airports were just under 138,000 in 2021, or an increase of 33% from the year before. Flight movements between countries were just under 29,000, or a 50.9% increase from 2020. The biggest increase was at Reykjavík Airport, or around 58.1%, 51.2% at Keflavík Airport, around 25% at Akureyri Airport and around 13% at Egilsstaðir Airport. Flight movements within Iceland increased from more than 84,000 in 2020 to a little less than 109,000 in 2021, or approximately 29.3%.

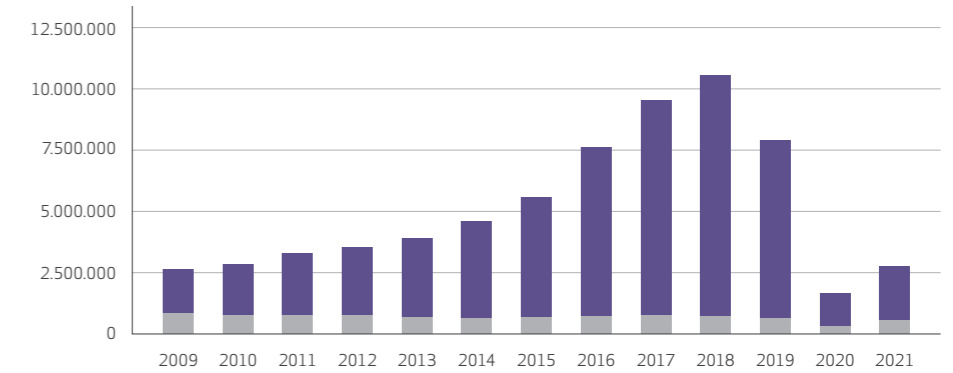
Freight Transportation

In total, almost 60,000 tonnes of goods were transported through the company's airports in 2021, an increase of nearly 21% from the previous year. Goods transportation between countries was almost 59,000 tonnes in 2021, an increase of nearly 21% between years. Goods transportation within Iceland was just over 1120 tonnes in 2021, an increase of 25% from the previous year.

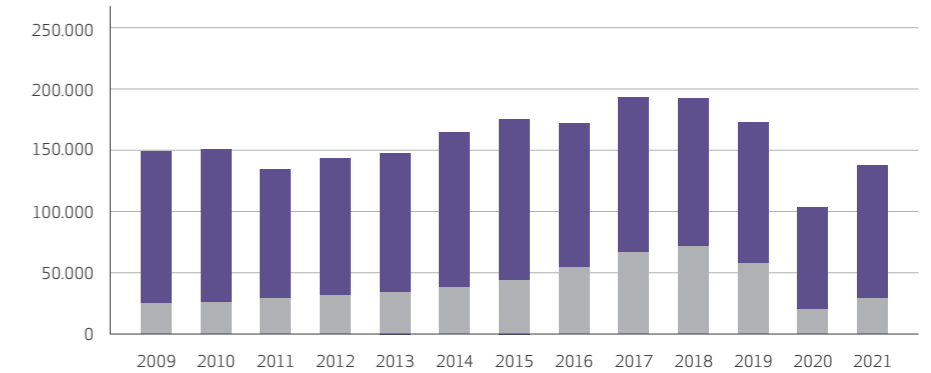
Air Traffic Control

Just over 98,000 aircrafts passed through Icelandic airspace in 2021, an increase of around 30% from 2020. A total of over 131 million kilometres were flown in the Icelandic air traffic control area, or more than 27% more than the previous year. Just over a third of all air traffic over the North Atlantic crosses the Icelandic air traffic control area, which is controlled by Isavia. The area is quite unique among oceanic areas, thanks to its flexibility as regards flight routes and altitudes.

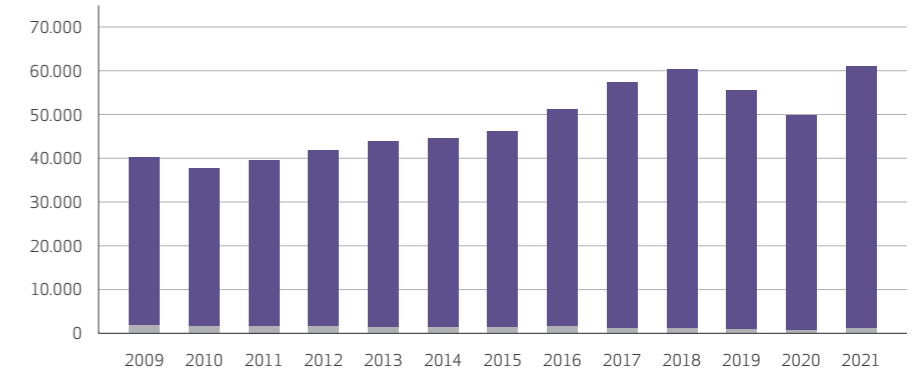
NUMBER OF PASSENGERS AT ALL ISAVIA AIRPORTS



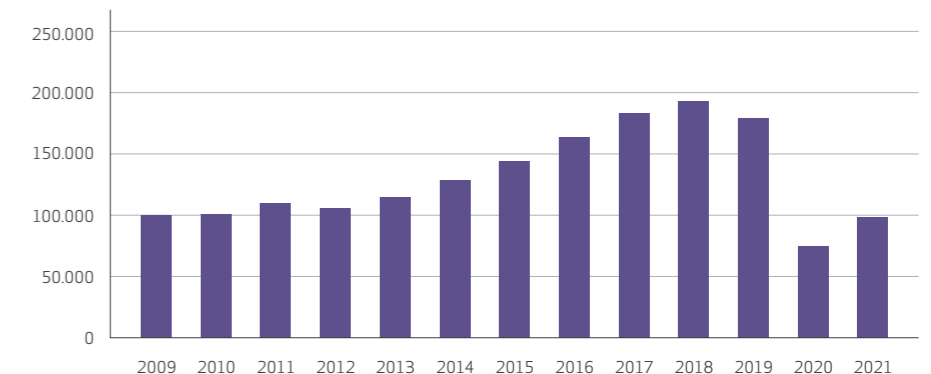
NUMBER OF FLIGHT MOVEMENTS



NUMBER OF FREIGHT TRANSPORTATIONS (TONNES)



NUMBER OF AIRCRAFTS USING THE AIRSPACE



Key Figures

Passenger movement through the airports of Isavia overall were 2.7m in 2021, an increase of 61% from 2020. The number of international passengers using Icelandic scheduled-flight airports increased from just over 1.4 million to just under 2.2 million, i.e. an increase of 58% between years. The number of domestic passengers increased over the same period, from just under 321,000 to just over 570,000, or 74%.

The operating income of the Group amounted to just under ISK 20.8bn and increased by ISK 6.1bn between years, or by around 41%. EBITDA, i.e. results before depreciation, financial items and taxes, increased by almost ISK 5bn. The total assets amounted to ISK 88.1bn at year-end 2021, an increase of ISK 7.6bn between years. The position of cash and cash equivalents continued to be strong by the end of the year. Isavia's tax footprint for 2021 was ISK 5,730m. This is the proportion that the Group pays or collects in the form of taxes and public levies, together with matching contributions to employee pension funds.

CARBON FOOTPRINT

2061 t CO₂e

DESTINATION

62

AIRLINES

21

OVERFLIGHT

69.215

REVENUE

20.843 m.kr.

PROFIT

321 m.kr.

EIGIÐ FÉ

36.578 m.kr.

INVESTMENT MOVEMENTS

6.519

RETURN OF EQUITY

1,01%

EQUITY RATIO

41,5%

TAX FOOTPRINT

5.730 m.kr.

AVERAGE NUMBER OF POSITIONS

1.022

FROM THE PROFIT AND LOSS ACCOUNT (MILLION KR.)

	2021	2020
Revenue	20.843	14.737
EBITDA	(810)	(6.137)
EBIT	(4.721)	(10.054)
Financial income/expenses	3.565	(4.875)
Profit before taxes	(1.156)	(14.929)
Operating profits	321	(13.178)

FROM THE BALANCE SHEET (MILLION KR.)

	2021	2020
Property, plant and equipment	59.637	57.194
Assets	88.107	80.477
Equity	36.579	27.259
Interest-bearing liabilities	44.818	48.104
Current ratio	2,38	2,03

FROM THE STATEMENT OF CASH FLOWS (MILLION KR.)

	2021	2020
Operating activities	3.697	(8.458)
Investment activities	(6.519)	(3.329)
Financing activities	8.377	11.556
Cash and cash equivalents at the end of period	14.683	9.372

FINANCIAL RATIOS

	2021	2020
Contribution margin	(3,89%)	(41,64%)
Profit margin	1,54%	(89,42%)
Rate of return on assets	0,25	0,18
Return of equity	1,01%	(41,36%)
Earnings per ISK of share capital	0,02	(1,38)
Equity ratio	41,52%	33,87%
Average number of positions	1.022	1.081

Scope of Operations

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

The year 2021 has been a great challenge globally, no less than in 2020, and the aviation industry has been hit hard. At the beginning of the year, there was a lot of speculation about when a vaccine was expected, and the industry predicted that it would get people's travel back on track. However, the wait was considerable at the beginning of the year and border restrictions were still in place, and Iceland was no exception.

In April, the Icelandic government announced that vaccinated passengers from countries outside the Schengen area were free to enter the country, and the country was the first in Europe to allow this. Shortly after the announcement, the prospects began to improve and two American airlines arrived with direct flights to Iceland in May, and Icelandair began to open flights to more destinations within North America. It can be said that this marked the beginning of the return of passengers to Keflavik Airport in greater numbers than had been seen for several months.

During the summer, 22 airlines came to Iceland, while in the summer of 2019 there were 26 of them, but great emphasis was placed on getting the current business partners back to begin flights. Of course it was not with the same number of seats as in 2019, but a very positive result was achieved. Overall, the summer went well and the number of passengers was 49% of the 2019 number. In August and September the ratio exceeded 50%.

There were high hopes for the winter, but there has been a considerable seasonal fluctuation in the number of passengers to the airport over the years, and it was hoped that a good summer would lead to a good winter. However, due to a new variant of the coronavirus, the number of passengers this winter



did not turn out as expected. The number of airlines this winter was 16 or one more than in the winter of 2019/20 before the coronavirus struck. It can therefore be said that the demand that was there last summer and the number of airlines that were here this winter is promising for the coming years.

The total number of passengers in 2021 was 2,172 thousand, as compared to 1,374 thousand the year before. This is an increase of about 58%. Freight transport increased by over 20% during the year, from just over 49 thousand tonnes to 59 thousand.

Four handling agents operate at Keflavik Airport: Icelandair, Airport Associates, South Air and Iceland Jet Centre.

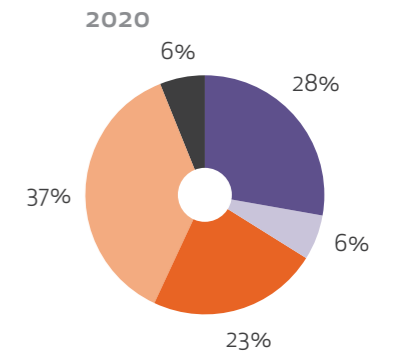
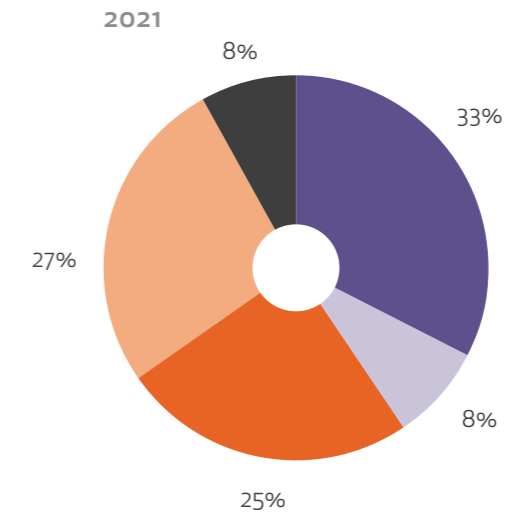
Keflavik Airport has two runways, which are 3,054 m and 3,065 m long.

Numerous passengers take advantage of Keflavik Airport as a transit airport, and Icelandair uses the airport for such purpose on routes between Europe and North America. The minimum flight connection time for passengers at Keflavik Airport is 25 minutes.

Passengers in domestic airports increased by 73% between years. Three aircraft operators maintained scheduled flights, Icelandair, Flugfélagið Ernir and Norlandair. Other aircraft operators who regularly

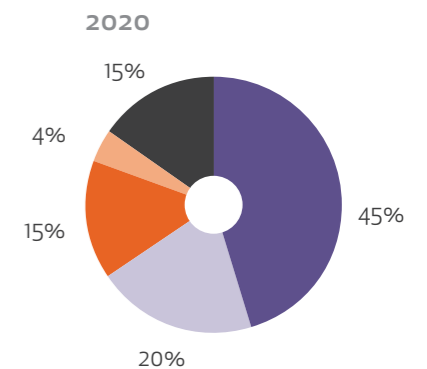
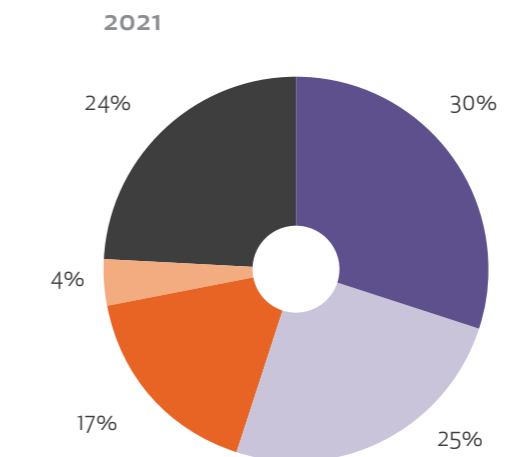
OPERATION'S INCOME

- Income from airport services
- Income from property and parking
- Goods sold
- Income from International air navigation services
- Other income



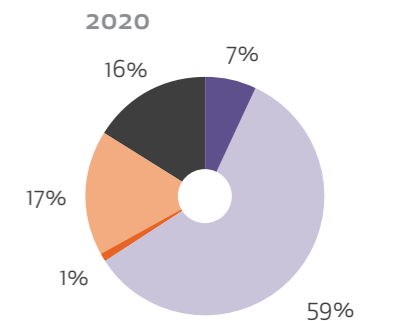
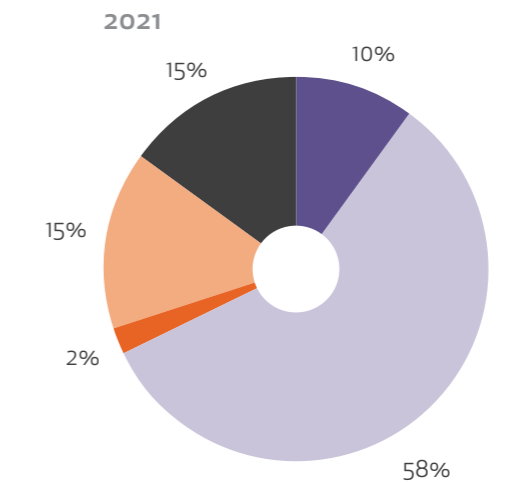
AIRPORT SERVICE INCOME

- Service agreement with Ministry of Transport
- Landing charges
- Airport security fees
- Passenger fees
- Other costs



OPERATING EXPENSES

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



used Isavia Domestic Airport services were Mýflug, Circle Air and Atlantsflug. In addition, the companies operate Norðurflug, Blue West Helicopters and Helo helicopter services at the company's airports. The Icelandic Coast Guard (ICG), moreover, has its facilities at Reykjavík Airport.

Icelandair maintains scheduled flights from Reykjavík to several locations in Greenland. In addition, the Icelandic Flight Academy (Flugskóli Íslands) and Flugfélagið Geirflug have facilities at Reykjavík Airport. VÍKK Flight Services, Reykjavík FBO and Icelandair are responsible for ground handling services at airports.

At Akureyri Airport, Norlandair has regular scheduled flights within Iceland and scheduled and chartered flights to Greenland. Circle Air offers chartered and sight-seeing flights from Akureyri. In addition, the Akureyri Aviation Academy (Flugskóli Akureyrar) is based at the airport. Icelandair is responsible for ground handling services at Akureyri Airport.

Akureyri Airport is the centre for Iceland's ambulance flights, as the Mýflug airline has an agreement thereto with the Ministry of Health. At Egilsstaðir, Icelandair deals with ground handling services for private and leased aircraft.

Reykjavík Airport has two runways, 1,567 and 1,230 m long, Akureyri Airport has one, 2,400 m, and Egilsstaðir Airport has one, 1,850 m.

International Flights at Domestic Airports

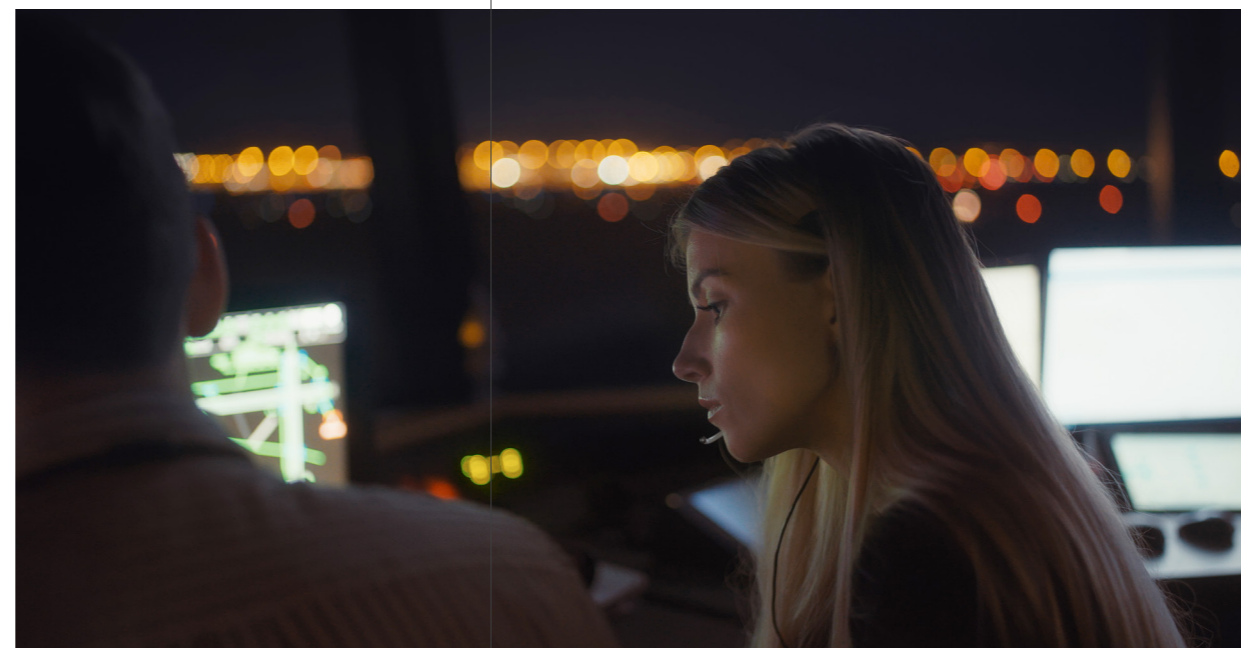
Isavia Regional Airports and Promote Iceland worked together during the year on a project initiated by Flugþróunarsjóður (the Flight Development Fund) to strengthen the marketing of airports in North and East Iceland in collaboration with the area's marketing centres. The results of the project showed that there were opportunities for even greater collaboration between the areas and that the airports could be marketed as two options for direct access to unique natural environs and wide open spaces. Isavia Regional Airports and Promote launched a three-year project to promote the airports, the infrastructure and services available, while the role of the marketing centres will continue to be to advertise the destinations and goods availability and to prepare to receive future visitors. Foreign airlines have shown interest in this and work will continue in 2022.

Passenger and Traffic Forecasts

Isavia compiles a traffic forecast at least once a year for the company's core operations at Keflavík Airport and for traffic in Icelandic airspace.

Isavia ANS compiles a traffic forecast at least once a year for traffic in Icelandic airspace. Traffic in the Icelandic air traffic control area is assessed in accordance with information from a working group entitled the Economic Financial Forecasting Group (EFFG). The working group, which prepares a forecast for air traffic over the North Atlantic, is made up of all service providers and representatives of associations using the service in the North Atlantic.

The passenger forecast for Keflavík Airport is usually compiled at the end of each year and is published in November or December.



Future Development

Keflavík International Airport

The Leif Eiríksson Air Terminal was brought into use in April 1987. It was, at the time, around 20,000 m². At present, it is approximately 73,000 m², 3.5 times larger than when opened. During the terminal's first year of operation, 750 thousand passengers passed through it. In 2019, this number had risen to 7.25 million passengers. This exceeds the preliminary passenger forecast for Keflavík Airport that assumed 8.8 million passengers in 2025 and 13.8 million passengers in 2040.

It is clear, therefore, that to meet international service standards, the airport's capacity will have to be increased, and the development schedule for Keflavík Airport was performed to assess this need but it is based on an extensive passenger analysis. The tasks of the schedule are divided between air terminal projects, airport systems projects and road construction projects. Work was begun in 2021 on designing projects that have been tendered, and construction either began in 2021 or are imminent. The year 2022 will be mostly a year of construction and less design than 2021.

Air Terminal Systems

Design was an important factor during the year, culminating in the design of three of the terminal's extensions. Earthworks and preparations began, which will continue, and construction will play a larger role in 2022.

The start of construction in the early summer of 2021 in preparation for the expansion of the north buildings to the east which is a new 20,000 square metre extension to the terminal, that includes almost 30% expansion to the east. Earthworks have been completed and work on load-bearing structures is now underway. This new east building will be on three floors, as well as a basement. It will be taken fully into service in 2024.

The east building is an important milestone in the development plan of the airport. Passenger services and the working environment of those who work there will be significantly improved. The first phase of this new east building involves the installation of a new and high-performance luggage reception system on

the ground floor, which will be completed in 2023. The passenger arrival hall will be much more spacious and the duty free shop will be expanded. On the second floor, new retail and service space will be created and the waiting area for passengers will be significantly expanded.

A project for a two-storey extension without a basement to the south building of the terminal (Area 10) will be completed in April 2022. This will improve the facilities offered to passengers passing through the departures gates at the east end of the south building. Included in the project is a new passenger boarding bridge (PBB). Aircraft travel routes need to be changed through operations on the ground.

Due to the implementation of European Regulations in 2022, changes must be made to the arrival and departure systems at the terminal. A single-storey extension will be erected at the southern end of the terminal to meet these border requirements (Area 6). The building is temporarily planned for this location and will in the future be demolished and erected elsewhere. An agreement was signed last year with the contractor regarding changes to the luggage system. Construction of Arrival conveyor belts goes hand in hand with the expansion of the north building to the east, but construction of the Departure luggage system will begin in February 2022 and aims to comply with European Regulations regarding luggage screening at airports.

Other projects undertaken during the year included upgrading the check-in desks in the first quarter. The new desks increase staff safety at check-in as well as improve the appearance of the departure hall. Maintenance work was carried out on the Keflavík Airport Flight Tower and renewal of the emergency lighting began in the terminal building, but both projects will be completed in 2022.

Another project for 2022 is the initiation of the design or continuance of projects that are next on the development schedule.

The airport terminal projects are, according to the development schedule, as follows:

The next major phase in the development of Leifur Eiríksson Air Terminal will be the expansion of the connection between the north and south buildings. The current concourse will be widened and with a new and bright central space, a better connection will be created between the wings of the airport, the facilities for arriving passengers will be improved with passport control, a new duty free shop and a larger service space. Design work is underway, but construction is planned to begin in 2023.

Preliminary work will be done on the airport systems projects that are intended to increase the capacity and safety of the runway system and eliminate the bottlenecks that could form there. These projects include a de-icing apron, new access taxiways, a fast-track taxiway and other connections between aprons and taxiways.

In addition, work will be done on preparations for a vehicle parking building to the west of the terminal.

The British construction and consultancy firm Mace has, as of the beginning of 2020, worked as Isavia's partner in the development of Keflavík Airport. The company will be responsible for project management and supervision as regards upcoming construction. It will also be invaluable for providing its expertise in such large projects.

Mace will assist with project management for upcoming projects. In addition, the company will also provide consultancy services for other Isavia projects at Keflavík Airport, including a linking building for the widening of the boarding corridor between the north and south building of the airport. The work of Mace during the year has included the organisation of project management, project governance, risk assessment, communications with stakeholders, sustainability and more.

Isavia ANS

Projects relating to the renewal of flight data systems of the Air Traffic Control Centre were continued. The system, named Polaris, is designed by Tern Systems, a subsidiary of Isavia ANS, in co-operation with Isavia ANS.

Isavia in Iceland

Maintenance work is carried out on runways, aprons and buildings at domestic airports each year, insofar as funds allow.

The biggest project of the year was the asphaltting of the runway at Egilsstaðir Airport. Colas was the contractor for the project and it was carried out in July and August in uniquely good weather in East Iceland.

Construction continued at Akureyri Airport, the design of the terminal was completed and its construction put out to tender. Two bids were received and an agreement was reached with Byggingarfélagið Hyrna. Work on the lower base layer of the runway continued and work was done on the design of the upper base layer.

At Reykjavík Airport, facilities were installed for aircraft mechanics at Hangar 3 and work was done on renewing fences.

At Westman Islands Airport, the cladding on the runways was renewed.

At Ísafjörður Airport, the cladding of the service building was renewed and obstacle lights were installed in Hafrafellsháls.

The runway lights at Hornarfjörður Airport were renewed during the year.

Repairs were made to the apron at Rif after a foreign private plane went down under the cladding there.

Work was done on the design of runway lights at the landing site Norðfjörður, the installation of the lights will begin in 2022.

Work was done on the design of approach lights at Reykjavík Airport, Egilsstaðir Airport and Akureyri Airport. During the certification of the three airports, DAAD was issued due to the lack of these lights and it was valid until January 1, 2022. Funding was secured for the design of lights and the preparation of the project in the 2022 transport plan.

At all airports, regular maintenance and painting of runways was performed.

Planning and Development

The development plans for Keflavík Airport are updated on a yearly basis, and its Master Plan is updated approximately every five years. The airport's Masterplan and Development Plan communicate our plans for expansion to the immediate community. The economic impact of the airport on the nearby community and the Icelandic economy in general is considerable, as is the importance of the airport for Iceland's main industry, tourism. Stakeholders have great expectations for successful development, and the Development Plan deals in particular with the cost estimates and time schedules for the work and analyses passenger patterns and air traffic in the context of building plans.

The Development Plan for Keflavík Airport was updated in 2019, and the Masterplan was presented in 2015. Both the Development Plan and the Masterplan should have been updated in 2020 but were postponed due to uncertainties in the flight services sector. We anticipate that new updates of both will be advertised in 2022.

One of the goals of Isavia's strategy is to follow a clear development plan. The airport's Masterplan and Development Plan are not acknowledged in Icelandic legislation and planning environment, but they are used abroad. Their aim is to communicate building

plans and future vision for the airport, setting out phasing and flexible plans that take into account passenger and traffic forecasts, to stakeholders. Planning of this type is an approach that Isavia has selected to set forth its building and development plans. The airport has gone further in its assessment of the environmental impact and has demonstrated that the overall impact of its Development Plan goes further than the requirements laid down in environmental impact assessment legislation.

The airport's Masterplan and Development Plan have been approved by Isavia's Board of Directors after having been considered by the Executive Board.

The websites of the Masterplan and Development Plan are used to communicate information and invite comments from stakeholders.

The Development Plan is sent in its entirety to the Icelandic National Planning Agency, where the environmental impact of the planned building work is assessed. Environmental impact assessments are usually linked to individual projects, but the Development Plan enables the overall impact of the planned works to be assessed before work beginning over the coming years, taking into account the increased capacity and impact on environmental and social factors.

The environmental impact assessment of the Development Plan shows the effect that the expansion plans and mitigations measures for the airport will have. Several projects proposed in the Development Plan and Masterplan promote reducing the environmental impact of the airport, such as a de-icing apron and shortening taxiing distances for aircraft. The design for the airport expansion takes account of the BREEAM environmental certification system.

Keflavík International Airport has an increased indirect impact, but greater capacity will create jobs and bring economic benefits for the immediate community. In this connection, we shall have to expect some undesirable consequences of increased air traffic, such as noise, more cars on Iceland's roads, carbon dioxide emissions, etc. Isavia monitors noise and air pollution near the airport and officially publishes the findings. Isavia also favours environmentally friendly solutions for expanding the airport and terminal.

When formulating its Masterplan, Isavia has endeavoured to foster good relations with the immediate community. Consultation meetings are held when devising plans, and plans are regularly presented to stakeholders and the media.



Digital Development

Great formulation took place at Digital Development in 2021, where emphasis was placed on an even further definition of the department's role and purpose.

Two units were established under the Department of Digital Development; Project Centre and Development and Business Intelligence. Their purpose is to achieve a more even focus between reform and infrastructure projects and Isavia's digital future. Digital Development introduced design sprints as part of the department's procedures to identify needs, opportunities, shared vision and best practices before choosing a new technical solution. Great emphasis is placed on new technical solutions meeting the requirements for information security, operability, integration and benefits. The department's operations were characterised by extensive collaboration with other units within Isavia, with an emphasis on business opportunity analysis, optimising work processes and a digital platform for the airport community for the future.

Workplace

It was decided to close "Flugan", the group's internal website, in collaboration with Isavia's human resources manager and marketing manager, and build a good central foundation for Workplace under "Knowledge library" which was named The Radar. There, employees can retrieve all the necessary and useful information that could previously be found on Flugan, such as employee manuals, daily tools and various information about the operations and the workplace. With a further emphasis on Workplace, the goal is to increase communication, improve the flow of information within the Group, that employees feel closer to each other and that this strengthens the team. All employees can share news and diverse information on Workplace and the goal is to encourage more active participation in information sharing in words and pictures.

Data Access

One of Isavia's goals is to increase access to information and strengthen the data warehouse. A general dashboard was developed for staff that contains fun information about our aviation operations and supports our focus on data-driven thinking and decision-making. Analytical work on the structure and future vision of the data warehouse began and there was extensive collaboration between digital development, economics and business insight and optimisation.

Implementation Projects

A new request system, Jira, was introduced. A comprehensive needs analysis was available as there was an obvious need for a good request system across the parent company. The implementation of Jira will continue in the years 2022–2023, as it is an extensive project to optimise processes in most of the company's departments when it comes to requests and new technical solutions. The new order website for the Isavia School's courses began to be developed in December 2021, as it is a new source of income and a new and better procedure for administering courses. As a large number of people attend courses with us, great emphasis was placed on reducing time wastage and increasing the sustainability of Isavia School's staff in administering and registering courses. A new order website will be launched at the beginning of 2022.

Digital Development decided to implement RPA (Robotic process automation) or a digital workforce at the Airport Security access office for access passport administration, which will subsequently increase efficiency and reduce staff arrests. Our goal is to identify even more processes within Isavia and optimise those with RPA as part of our technical stack. Implementation at the Airport Security access office is expected to be completed at the beginning of 2022.





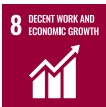
GRI index
2021

GRI index

Isavia's 2021 Annual Report is published according to the criteria of the Global Reporting Initiative GRI Standards: Core together with special provisions GRI-G4 on airport operations. Employees from all areas of the company are involved in writing the report. The information that appears in this Annual Report comes from the company's information systems and reflects the knowledge that the company had when the report was prepared. All information in the report applies to the 2021 calendar year.

Notes

- Fulfilled
- ⓘ Partially Fulfilled
- UNGC Link to the UN Global Compact criteria
- DM Link to the appropriate United Nations Development Goals

Disclosure	Location	Comments	Status	UNGC	SDG
GRI 102:2016 General Disclosures					
Organizational Profile					
GRI 102-1	Name of the organization	Isavia ohf	●		
GRI 102-2	Activities, brands, products, and services	Operation	●		
GRI 102-3	Location of headquarters	Dalshrauni 3, 220 Hafnarfjörður	●		
GRI 102-4	Location of operations	Financial Statement 2021 Operation	●		
GRI 102-5	Ownership and legal form	Corporate Governance	●		
GRI 102-6	Market served. Additionally, for airports: Catchment area for passengers and cargo originating in the vicinity of the airport.	Operation Business Partners Flight Statistics	●		
GRI 102-7	Scale of reporting organization. Additionally, for airports: Estimated number of employees in the reporting organization, size of airport, number and length of runways, stating whether they are primary or crosswind runways, minimum connection time between flights at the airport, number of operations, number of airlines served, and number of destinations served.	Operation Human Resources Flight Statistics Key Figures Financial Statement 2021	●		
GRI 102-8	Information on employees and other workers	Human Resources	●	6	
GRI 102-9	Supply chain	Stakeholders	●		
GRI 102-10	Significant changes to the organization and its supply chain	Message from the CEO Chairman's Statement Operation	●		
GRI 102-11	Precautionary Principle or approach	Corporate Governance	●		
GRI 102-12	External initiatives	Social Participation	●		
GRI 102-13	Membership of associations	Social Participation	●		
Strategy					
GRI 102-14	Statement from CEO	Message from the CEO	●		
Ethics and Integrity					
GRI 102-16	Values, principles, standards, and norms of behavior	Corporate Governance Isavia's Code of Conduct	●	10	
Governance					

Disclosure	Location	Comments	Status	UNGC	SDG
GRI 102-18	Governance structure	Corporate Governance	●		
GRI 102-20	Executive-level responsibility for economic, environmental, and social topics	Operation	●		
GRI 102-21	Consulting stakeholders on economic, environmental, and social topics	Material Aspects	●		
		Director of Corporate Strategy and Sustainability on behalf Managing Director			
GRI 102-22	Composition of the highest governance body and its committees	Corporate Governance	●		
		Corporate Governance Statement (in Icelandic)			
GRI 102-23	Chair of the highest governance body	Corporate Governance	●		
		Rules of procedure for the Board of Directors (in Icelandic)			
GRI 102-25	Conflicts of interest	Corporate Governance	●		
		Corporate Governance Statement (in Icelandic)			
GRI 102-32	Highest governance body's role in sustainability reporting	Objectives and improvements	●		
		CEO is principal			
GRI 102-33	Communicating critical concerns		●		
		Via the CEO and Executive Board			
GRI 102-35	Remuneration policies	Remuneration Policy	●		
GRI 102-36	Process for determining remuneration	Remuneration Policy	●		
		Rules of procedure of the Isavia ohf. Remuneration Committee (in Icelandic)			
Stakeholder Engagement					
GRI 102-40	List of stakeholder groups	Material Aspects	●		
		Stakeholders			
		Business Partners			
		Human Resources			

Disclosure	Location	Comments	Status	UNGC	SDG
GRI 102-41	Collective bargaining agreements	Human Resources	●	3	
GRI 102-42	Identifying and selecting stakeholders	Material Aspects	●		
GRI 102-43	Approach to stakeholder engagement	Material Aspects	●		
		Stakeholders			
		Business Partners			
		Human Resources			
GRI 102-44	Key topics and concerns raised	Material Aspects	●		
		Objectives and Improvements			
		Stakeholders			
		Business Partners			
		Human Resources			
Reporting Practice					
GRI 102-45	Entities included in the consolidated financial statements	Financial Statement 2020	Isavia ohf. and subsidiaries	●	
GRI 102-46	Defining report content and topic Boundaries	Material Aspects		●	
GRI 102-47	List of material topics	Material Aspects		●	
GRI 102-48	Restatements of information	Material Aspects		●	
GRI 102-49	Changes in reporting	Material Aspects		●	
GRI 102-50	Reporting period		Report for calendar year 2021	●	
GRI 102-51	Date of most recent report		Calendar year 2020	●	
GRI 102-52	Reporting cycle		Yearly	●	
GRI 102-53	Contact point for questions regarding the report		sustainability@isavia.is	●	
GRI 102-54	Claims of reporting in accordance with the GRI Standards	Material Aspects		●	
GRI 102-55	GRI content index	GRI Index		●	
GRI 102-56	External assurance	Message from the CEO	Independent Auditor's Report. Independent advisors report and verification	●	
		Material Aspects			
		Financial Statement 2021			

Disclosure	Location	Comments	Status	UNGC	SDG
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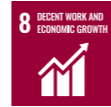
ECONOMIC

GRI 201: 2016 Economic Performance

GRI 103: Management approach

GRI 103-1	Explanation of the material topic and its boundary	Material Aspects	●		
		Operation			
		Financial Statement 2021			
GRI 103-2	The management approach and its components	Corporate Governance	●		
		Operation			
		Financial Statement 2021			
GRI 103-3	Evaluation of the management approach	Corporate Governance	●		
		Operation			
		Financial Statement 2021			

GRI 201-1	Direct economic value generated and distributed	Scope of Operations	●		
		Financial Statement 2021			



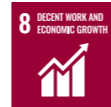
GRI 203: 2016 Indirect Economic Impacts

GRI 103: Management approach

GRI 103-1	Explanation of the material topic and its boundary	Operation	●		
		Material Aspects			
		Scope of Operations			
GRI 103-2	The management approach and its components	Corporate Governance	●		
		Operation			
		Objectives and Improvements			
		Scope of Operations			
		Development			
GRI 103-3	Evaluation of the management approach	Corporate Governance	●		
		Operation			

GRI 203-1	Infrastructure investments and services supported. Additionally, for airports: Relevance to the airport sector because of high impact on local economies	Objectives and Improvements	●		
		Scope of Operations			
		Development			
		Financial Statement 2021			

GRI 203-2	Significant indirect economic impacts	Scope of Operations	●		
		Development			
		Financial Statement 2021			



Disclosure	Location	Comments	Status	UNGC	SDG
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GRI 204: 2016 Procurement Practices

GRI 103: Management approach

GRI 103-1	Explanation of the material topic and its boundary	Operation	●		
		Material Aspects			
		Stakeholders			
GRI 103-2	The management approach and its components	Corporate Governance	●		
		Operation			
		Objectives and Improvements			
		Stakeholders			
GRI 103-3	Evaluation of the management approach	Corporate Governance	●		
		Operation			
		Stakeholders			
GRI 204-1	Proportion of spending on local suppliers	Stakeholders	●		
		Suppliers			



ENVIRONMENT

GRI 302: 2016 Energy

GRI 103: Management approach

GRI 103-1	Explanation of the material topic and its boundary	Operation	●		
		Material Aspects			
		Stakeholders			
GRI 103-2	The management approach and its components	Operation	●		
		Material Aspects			
		Objectives and Improvements			
		Environmental Issues			
		Climate			
GRI 103-3	Evaluation of the management approach	Objectives and Improvements	●		
		Climate			

GRI 302-1	Energy consumption within the organization	Climate	●		7,8
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Disclosure		Location	Comments	Status	UNGC	SDG
GRI 302-2	Energy consumption outside of the organization	Climate		●	8	 
GRI 302-4	Reduction of energy consumption. Additionally, for airports: Important for airports to share sectoral best practice	Climate		●	8, 9	

GRI 303: 2016 Water






GRI 103: Management approach




GRI 103-1	Explanation of the material topic and its boundary	Operation		●		
		Material Aspects				
		Environmental Issues				
GRI 103-2	The management approach and its components	Operation		●		
		Objectives and Improvements				
		Environmental Issues				
GRI 103-3	Evaluation of the management approach	Operation		●		
		Environmental Issues				
GRI 303-1	Water withdrawal by source	Environmental Issues		○	8	


GRI 304: 2016 Biodiversity

GRI 103: Management approach






GRI 103-1	Explanation of the material topic and its boundary	Operation		●		
		Material Aspects				
		Stakeholders				
GRI 103-2	The management approach and its components	Operation		●		
		Environmental Issues				
GRI 103-3	Evaluation of the management approach	Operation		●		
		Environmental Issues				
GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Environmental Issues		●	8	
GRI 304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Environmental Issues		●		


Disclosure		Location	Comments	Status	UNGC	SDG
GRI 305: 2016 Emissions						
GRI 103: Management approach						
GRI 103-1	Explanation of the material topic and its boundary	Operation		●		
		Material Aspects				
		Environmental Issues				
GRI 103-2	The management approach and its components	Operation		●		
		Objectives and Improvements				
		Environmental Issue				
GRI 103-3	Evaluation of the management approach	Operation		●		
		Environmental Issue				
GRI 305-1	Direct (Scope 1) GHG emissions	Climate		●	7, 8	
GRI 305-2	Energy indirect (Scope 2) GHG emissions	Climate		●	7, 8	
GRI 305-3	Other indirect (Scope 3) GHG emissions	Climate		●	7, 8	
GRI 305-4	GHG emissions intensity	Climate		●	8	
GRI 305-5	Reduction of GHG emissions. Additionally, for airports: Reference to ACI-ACA Airport Carbon Accreditation Program	Climate		●	8, 9	
GRI 305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Climate		●	7, 8	13


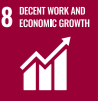
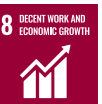


Disclosure		Location	Comments	Status	UNGC	SDG
GRI 306: 2016 Effluents and waste						
GRI 103: Management approach						
GRI 103-1	Explanation of the material topic and its boundary	Operation		●		
		Material Aspects				
		Environmental Issues				
		Recycling				
GRI 103-2	The management approach and its components	Operation		●		
		Objectives and Improvements				
		Environmental Issues				
		Recycling				
GRI 103-3	Evaluation of the management approach	Operation		●		
		Environmental Issues				
		Recycling				
GRI 306-1	Water discharge by quality and destination	Loftslagsmál		○	7,8	
		Auðlindanýting				
GRI 306-2	Waste by type and disposal method. Additionally, for airports: Report on the weight of waste from international flights	Environmental Issues		●	8	
GRI 306-3	Significant spills	Environmental Issues		●	8	

GRI 307: 2016 Environmental Compliance						
GRI 103: Management approach						
GRI 103-1	Explanation of the material topic and its boundary	Operation		●		
		Material Aspects				
GRI 103-2	The management approach and its components	Operation		●		
		Environmental Issues				
GRI 103-3	Evaluation of the management approach	Operation		●		
		Environmental Issues				
GRI 307-1	Non-compliance with environmental laws and regulations	Environmental Issues		●	8	

SOCIAL

Disclosure		Location	Comments	Status	UNGC	SDG
GRI 401: 2016 Employment						
GRI 103: Management approach						
GRI 103-1	Explanation of the material topic and its boundary	Operation		●		
		Stakeholders				
GRI 103-2	The management approach and its components	Operation		●		
		Human Resources				
GRI 103-3	Evaluation of the management approach	Operation		●		
		Human Resources				
GRI 401-1	New employee hires and employee turnover	Human Resources		●	6	
						
GRI 401-3	Parental leave	Human Resources		●	6	
						
GRI 402: 2016 Labor Management Relations						
GRI 103: Management approach						
GRI 103-1	Explanation of the material topic and its boundary	Operation		●		
		Human Resources				
GRI 103-2	The management approach and its components	Operation		●		
		Human Resources				
GRI 103-3	Evaluation of the management approach	Operation		●		
		Human Resources				
GRI 402-1	Minimum notice periods regarding operational changes	Human Resources		●	3	

Disclosure	Location	Comments	Status	UNGC	SDG
GRI 403: 2018 Occupational Health and Safety					
GRI 103: Management approach					
GRI 103-1	Explanation of the material topic and its boundary		●		
	Operation				
	Material Aspects				
GRI 103-2	The management approach and its components		●		
	Operation				
	Objectives and Improvements				
	Human Resources				
GRI 103-3	Evaluation of the management approach	Occupational Safety and Health			
		Social Participation			
		Operation	●		
GRI 403-1	Occupational health and safety management system	Human Resources	●		
		Occupational Safety and Health			
GRI 403-2	Hazard identification, risk assessment, and incident investigation	Human Resources	●		
		Occupational Safety and Health			
GRI 403-3	Occupational health services	Human Resources	●		
		Occupational Safety and Health			
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Safety and Health	●		
GRI 403-5	Worker training on occupational health and safety	Human Resources	●		
		Occupational Safety and Health			
GRI 403-6	Promotion of worker health	Human Resources	●		
		Occupational Safety and Health			
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Safety and Health	●		
GRI 403-8	Workers covered by an occupational health and safety management system	Occupational Safety and Health	●		
GRI 403-9	Work-related injuries	Occupational Safety and Health	●		

Disclosure	Location	Comments	Status	UNGC	SDG
GRI 103: Management approach					
GRI 103-1	Explanation of the material topic and its boundary		●		
	Operation				
	Material Aspects				
GRI 103-2	The management approach and its components	Operation	●		
		Human Resources			
GRI 103-3	Evaluation of the management approach	Operation	●		
		Human Resources			
GRI 404-1	Average hours of training per year per employee	Human Resources	●	6	 
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Human Resources	●		
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	Human Resources	○	6	 

GRI 405: 2016 Diversity and Equal Opportunity

Disclosure	Location	Comments	Status	UNGC	SDG
GRI 103: Management approach					
GRI 103-1	Explanation of the material topic and its boundary		●		
	Operation				
	Material Aspects				
GRI 103-2	The management approach and its components	Operation	●		
		Objectives and Improvements			
		Human Resources			
		Social Participation			
GRI 103-3	Evaluation of the management approach	Operation	●		
		Human Resources			

Disclosure		Location	Comments	Status	UNGC	SDG
GRI 405-1	Diversity of governance bodies and employees	Human Resources			6	
GRI 405-2	Ratio of basic salary and remuneration of women to men	Human Resources			6	

GRI 406: 2016 Non Discrimination

GRI 103: Management approach

GRI 103-1	Explanation of the material topic and its boundary	Operation				
		Material Aspects				
		Stakeholders				
GRI 103-2	The management approach and its components	Operation				
		Objectives and Improvements				
		Human Resources				
		Social Participation				
GRI 103-3	Evaluation of the management approach	Operation				
		Human Resources				

GRI 406-1	Incidents of discrimination and corrective actions taken	Human Resources			6	
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GRI 408: 2016 Child Labor

GRI 103: Management approach

GRI 103-1	Explanation of the material topic and its boundary	Operation				
		Material Aspects				
		Stakeholders				
GRI 103-2	The management approach and its components	Operation				
		Objectives and Improvements				
		Human Resources				
		Social Participation				

Disclosure		Location	Comments	Status	UNGC	SDG
GRI 103-3	Evaluation of the management approach	Operation				
		Stakeholders				
GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	Stakeholders			5	8
		Code of Conduct for Isavia's Suppliers				

GRI 409: 2016 Forced or Compulsory Labor

GRI 103: Management approach

GRI 103-1	Explanation of the material topic and its boundary	Operation				
		Material Aspects				
		Stakeholders				
GRI 103-2	The management approach and its components	Operation				
		Objectives and Improvements				
		Social Participation				
GRI 103-3	Evaluation of the management approach	Operation				
		Stakeholders				


GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Stakeholders			4	
		Code of Conduct for Isavia's Suppliers				

GRI 412: 2016 Human Rights Assessment

GRI 103: Management approach




GRI 103-1	Explanation of the material topic and its boundary	Operation				
		Material Aspects				
		Stakeholders				
GRI 103-2	The management approach and its components	Operation				
		Objectives and Improvements				
		Social Participation				
GRI 103-3	Evaluation of the management approach	Operation				
		Objectives and Improvements				

GRI 412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Stakeholders			2	
		Code of Conduct for Isavia's Suppliers				

Disclosure		Location	Comments	Status	UNGC	SDG
GRI 413: 2016 Local Communities						
GRI 103: Management approach						
GRI 103-1	Explanation of the material topic and its boundary	Operation		●		
		Material Aspects				
		Development				
GRI 103-2	The management approach and its components	Operation		●		
		Social Participation				
		Development				
GRI 103-3	Evaluation of the management approach	Operation		●		
		Development				
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	Development		●	1	
GRI 413-2	Operations with significant actual and potential negative impacts on local communities	Development		●	1	
GRI 418: 2016 Customer Privacy						
GRI 103: Management approach						
GRI 103-1	Explanation of the material topic and its boundary	Operation		●		
		Material Aspects				
		Occupational Safety and Health				
GRI 103-2	The management approach and its components	Operation		●		
		Occupational Safety and Health				
GRI 103-3	Evaluation of the management approach	Operation		●		
		Occupational Safety and Health				
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Occupational Safety and Health		●		
GRI 419: 2016 Socioeconomic Compliance						
GRI 103: Management approach						
GRI 103-1	Explanation of the material topic and its boundary	Corporate Governance		●		
		Material Aspects				
GRI 103-2	The management approach and its components	Corporate Governance		●		
		Operation				

Disclosure		Location	Comments	Status	UNGC	SDG
GRI 103-3	Evaluation of the management approach	Corporate Governance		●		
		Operation				
GRI 419-1	Non-compliance with laws and regulations in the social and economic area		There have been no fines imposed on the company	●	7,8,9	

AIRPORT'S SPECIAL PROVISIONS

GRI A01	Total number of passengers annually, broken down by passengers on international and domestic flights and broken down by origin and destination and transfer, including transit passengers	Scope of Operations		●		
		Flight Statistics				
GRI A02	Annual total number of aircraft movements by day and by night, broken down by commercial cargo, general aviation and state aviation flights	Scope of Operations		●		
		Flight Statistics				
GRI A03	Total amount of cargo tonnage	Scope of Operations		●		
		Flight Statistics				
GRI A04	Quality of storm water by applicable regulatory standards	Environmental Issues		●		
GRI A05	Ambient air quality levels according to pollutant concentrations in microgram per m3 or parts per million (ppm) by regulatory regime	Climate		●		
GRI A06	Aircraft and pavement de-icing/anti-icing fluid used and treated by m3 and/or tonnes	Environmental Issues		●		
GRI A07	Number of persons physically or economically displaced, either voluntarily or involuntarily, by the airport operator or on its behalf by governmental or other entity, and compensation provided	Acoustics		●		
GRI A08	Total annual number of wildlife strikes per 10.000 aircraft movements		No such incidents reported	●		
GRI A09	Total annual number of wildlife strikes per 10.000 aircraft movements	Environmental Issues		●		



ESG metrics 2021

Sector	GRI	Unit	2021
ENVIRONMENTAL DATA			
E1. GhG Emissions	305-1, 305-2, 305-3		
1) Total amount, in CO2 equivalents, for Scope 1 (if applicable)		tCO2e	
Fuel			1495
De-icing chemicals			114,4
2) Total amount, in CO2 equivalents, for Scope 2 (if applicable)		tCO2e	
Electricity			244,0
Warm water (not separate from electricity generation)			0,0
3) Total amount, in CO2 equivalents, for Scope 3 (if applicable)		tCO2e	
Waste treatment			130,0
Domestic flights			29,0
International flights			48,2
E2. Emissions Intensity	305-4		
1) Total GhG emissions per output scaling factor (scope 1, 2 & 3)		kgCO2/movements	14,3
		kgCO2/passenger	0,72
E3. Energy Usage	302-1, 302-2		
1) Total amount of energy directly consumed		kWh	3745152
2) Total amount of energy indirectly consumed		kWh	59.260.463
E4. Energy Intensity	302-3		
1) Total direct energy usage per output scaling factor		kWh/per passenger	23,01
		kWh/per movements	454,74
E5. Energy Mix	302-1		
1) Percentage: Energy usage by generation type			
Renewable energy		%	94,0%
Fossil fuels		%	6,0%
E6. Water Usage	303-5		
1) Total amount of water consumed		m3	
Warm water			515785
Drinking water			244.340
E7. Environmental Operations	103-2		
1) Does your company follow a formal Environmental Policy? Yes, No		Yes/No	Yes

Sector	GRI	Unit	2021
2) Does your company follow specific waste, water, energy, and/or recycling policies? Yes/No		Yes/No	Yes
3) Does your company use a recognized energy management system? Yes/No		Yes/No	No
E8. Climate Oversight / Board	102-19, 102-20, 102-29, 102-30, 102-31		
1) Does your Board of Directors oversee and/or manage climate-related risks? Yes/No		Yes/No	No
E9. Climate Oversight / Management	102-10, 102-20, 102-29, 102-30, 102-31		
1) Does your Senior Management Team oversee and/or manage climate-related risks? Yes/No		Yes/No	No
E10. Climate Oversight / Management			
1) Total amount invested, annually, in climate-related infrastructure, resilience, and product development.		ISKm	N/A
SOCIAL DATA			
S1. CEO Pay Ratio	102-38		
1) Ratio: CEO total compensation to median FTE total compensation			2,60
2) Does your company report this metric in regulatory filings? Yes/No		Yes/No	No
S2. Gender Pay Ratio	405-2		
Ratio: Median male compensation to median female compensation			1,2
S3. Employee Turnover	401-1B		
1) Percentage: Year-over-year change for full-time employees		%	22%
2) Percentage: Year-over-year change for part-time employees		%	N/A
S4. Gender Diversity	102-8, 405-1		
1) Percentage: Total enterprise headcount held by men and women			
Men		%	63%
Women		%	37%
2) Percentage: Entry- and mid-level positions held by men and women			
Men		%	62%
Women		%	38%
3) Percentage: Senior- and executive-level positions held by men and women			
Men		%	58%
Women		%	38%

Sector	GRI	Unit	2021
S5. Temporary Worker Ratio			
1) Percentage: Total enterprise headcount held by part-time employees	102-8	%	4.0%
S6. Non-Discrimination			
1) Does your company follow a sexual harassment and/or non-discrimination policy? Yes/No	103-2, 406-1	Yes/No	Yes
S7. Injury Rate			
1) Percentage: Frequency of injury events relative to total workforce time	403-9	Number per 200.000 working hours	2,98
S8. Global Health & Safety			
1) Does your company follow an occupational health and/or global health & safety policy? Yes/No	103-2	Yes/No	Yes
S9. Child & Forced Labor			
1) Does your company follow a child and/or forced labor policy? Yes/No	103-2, 409-1, 408-1	Yes/No	Yes
2) If yes, does your child and/or forced labor policy See also: cover suppliers and vendors? Yes/No		Yes/No	Yes
S10. Human Rights			
1) Does your company follow a human rights policy? Yes/No	103-2	Yes/No	Yes
2) If yes, does your human rights policy See also: cover suppliers and vendors? Yes/No		Yes/No	Yes

GOVERNANCE METRICS

G1. Board Diversity			
1) Percentage: Total board seats occupied by women (as compared to men)	405-1, 102-23, 102-22	%	40%
2) Percentage: Committee chairs occupied by women (as compared to men)		%	40%
G2. Board Independence			
1) Does company prohibit CEO from serving as board chair? Yes/No		Yes/No	Yes
2) Percentage: Total board seats occupied by independents		%	100%
G3. Incentivized Pay			
1) Are executives formally incentivized to perform on sustainability? Yes/No	102-35	Yes/No	No

Sector	GRI	Unit	2021
G4. Collective Bargaining			
1) Percentage: Total enterprise headcount covered by collective bargaining agreement(s)	102-41	%	100%
G5. Supplier Code of Conduct			
1) Are your vendors or suppliers required to follow a Code of Conduct? Yes/No	102-16, 103-2, 308-2	Yes/No	Yes
2) If yes, what percentage of your suppliers have formally certified their compliance with the code?		%	60%
G6. Ethics & Anti-Corruption			
1) Does your company follow an Ethics and/or Anti-Corruption policy? Yes/No	102-16, 103-2	Yes/No	Yes
2) If yes, what percentage of your workforce has formally certified its compliance with the policy?		%	100%
G7. Data Privacy			
1) Does your company follow a Data Privacy policy? Yes/No	418	Yes/No	Yes
2) Has your company taken steps to comply with GDPR rules? Yes/No		Yes/No	Yes
G8. Reporting			
1) Does your company publish a sustainability report? Yes/No		Yes/No	Yes
2) Is sustainability data included in your regulatory filings? Yes/No		Yes/No	Yes
G9. Disclosure Practices			
1) Does your company provide sustainability data to sustainability reporting frameworks? Yes/No		Yes/No	Yes
2) Does your company focus on specific UN Sustainable Development Goals (SDGs)? Yes/No		Yes/No	Yes
3) Does your company set targets and report progress on the UN SDGs? Yes/No		Yes/No	No
G10. External Assurance			
1) Are your sustainability disclosures assured or validated by a third party? Yes/No	102-56	Yes/No	Yes



Annual Financial Statements 2021

Isavia ohf.

Consolidated Financial Statements

2021

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Statement by the Board of Directors and Managing Director

Isavia ohf. ("the consolidated company") is a state-owned limited company and operates on the basis of Act No. 2/1995 on limited companies. Its domicile and venue are in Hafnarfjörður.

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

The consolidated accounts for 2021 are drawn up in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union as well as with supplementary requirements in the Annual Accounts Act. The Condensed Consolidated Financial Statements are presented in Icelandic krona (ISK), which is the functional currency of the Consolidation. All amounts are in ISK thousands, unless stated otherwise.

Operations in 2021

According to the statement of income and expenditure of Isavia ohf., total operating income in 2021 amounted to ISK 20.843 million (2020: ISK 14.737 million). The profit for the year amounted to ISK 321 million (2020: ISK 13.178 million loss). The positive exchange rate difference amounted to ISK 1.955 million (2020: negative ISK 3.800 million). Wages and other staff costs amounted to ISK 14.880 million (2020: ISK 14.654 million), and the average number of staff in 2021 was 1.022 (2020: 1.081). The gender ratio among the staff and managers is 63% men and 37% women.

On December 31st 2021, the total assets of the consolidated group amounted to ISK 80.107 million (2020: ISK 80.477 million). Equity at the end of 2021 amounted to ISK 36.579 million (2020: ISK 27.259 million) and the equity ratio for the consolidated group was 41,5% at the end of the year (2020: 33,9%).

The Group's claim for previous years value added tax was paid by the Iceland Revenue and Customs in 2021 following the ruling of the Internal Revenue Board no. 181/2020 from December 2020, see further in note 15 in the financial statements.

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

The Board proposes that the profit of the year be carried over to next year and in other respects refers to the consolidated annual accounts regarding changes in the assets of the company.

Share capital

At the end of the year, the share capital amounted to ISK 18.559 million (2020: ISK 9.559 million). The share capital was increased by ISK 9.000 million during the year.

The Group's Board of Directors proposes that no dividend be paid to the company's owner for the 2021 operating year.

Governance

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

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

The Board of Isavia consists of five members, two women and three men. The gender ratio is in accordance with laws stating that companies with more than 50 employees shall ensure that the ratio of each gender on the Board shall not be lower than 40%.

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

Statement by the Board of Directors and Managing Director

Ownership policy

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

COVID-19

The Covid epidemic still had a significant impact on Isavia's operations in 2021. Uncertainty over the development of the epidemic, flight restrictions and strict border control measures affected air traffic over the Icelandic airspace as well as having a major impact on the number of passengers at Keflavík Airport and domestic flights. International air traffic started slowly at the beginning of the year but increased steadily as the year progressed.

Air traffic within the Icelandic airspace was about 53% of air traffic in 2019 and passengers at Keflavík Airport were about 30% of the number of passengers in 2019. However, the decrease in passengers on domestic flights was less than on international flights or about 81% of passengers in 2019. Revenue of Frihöfnin ehf. in 2021 was 2021 40% of the revenue in 2019. For further discussion, see Note 23 to the financial statements.

Future prospects

The Group's plans assume that a low point was reached in 2020 and that the turnaround that began in 2021 will continue in 2022. It is therefore the opinion of the Board of Directors and the CEO that the Group meets the going concern principle and the company is well positioned to handle the coming air traffic and an increase in passengers at the Group's airports, as well as the development of infrastructure planned at Keflavík Airport in the coming years.

Community responsibility and non-financial information disclosure

The activities of Isavia are subject to the provisions of the Annual Accounts Act regarding non-financial information disclosure. Isavia ohf. pursues a policy of community responsibility and has supported the UN Global Compact of 2016. The company thereby commits itself to pursue a policy and practice in pursuit of the ten criteria of the United Nations on human rights, labour, the environment and anti-corruption. Isavia supports the UN Global Goals on sustainable development and works on attaining its objectives.

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

Isavia turns in an annual and community report to the UN Global Compact and Global Reporting Initiative. The report is turned in for the sixth time in this manner. Further information on the non-financial issues of the company can be accessed in the annual and community report at isavia.is/arsskyrsla2021.

Statement by the Board of Directors and Managing Director

The statement of the Board and Managing Director

The Board and the Managing Director confirm, to the best of their knowledge, that the consolidated accounts give a true and fair view of the operating results of the consolidated group, its assets, liabilities and changes in liquidity in 2021.

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

The Board and Managing Director have reviewed and approved the consolidated annual accounts of the company for 2021 with their signatures and propose that the Annual General Meeting of the company approve the consolidated accounts.

Hafnarfjörður, March 10th 2022

Board of Directors

Orri Hauksson
chairman of the Board

Eva Pandora Baldursdóttir
board member

Matthías Páll Imsland
board member

Nanna Margrét Gunnlaugsdóttir
board member

Valdimar Halldórsson
board member

Managing Director

Sveinbjörn Indriðason

The Auditor General's Report

To the Board of Directors and Shareholders of Isavia ohf.

Expectations, role and responsibilities of the Auditor General

The Auditor General operates based on Act no. 46/2016, on the Auditor General and the auditing of government accounts and the Code of Ethics set by the International Organization for Supreme Audit. The role of the Auditor General is to ensure that audits and controls are in accordance with Article 4 of the Act.

The Auditor General is responsible for the work of the Auditors, who work for the Icelandic National Audit Office and perform an audit based on the Act on Auditors and audit, Act on Financial statements and other general rules that they comply with according to International Standards on Auditing

The Audit was conducted in accordance with Act no. 46/2016 on the Auditor General and audit of state accounts and Act no. 94/2019 on Auditors and auditing.

The Icelandic National Audit Office, March 10th, 2022

Guðmundur B. Helgason
Auditor General ad interim

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of Isavia ohf.

Opinion

We have audited the consolidated financial statements of Isavia ohf. for the year ended December 31, 2021. The consolidated financial statements comprise the income statement, the balance sheet, the statement of changes in equity, statement of cash flows, notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Isavia ohf. as at December 31, 2021, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements in the Icelandic Financial Statement Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of Isavia ohf. and have conducted our work in accordance with Act no. 94/2019 on Auditors and auditing and Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statement.

Other information

In accordance with Paragraph 2 article 104 of the Icelandic Financial Statement Act no. 3/2006, we confirm to the best of our knowledge that the accompanying report of the board of directors includes all information required by the Icelandic Financial Statement Act that is not disclosed elsewhere in the financial statements.

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

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

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Icelandic National Audit Office, March 10th, 2022

Hinrik Þór Harðarson
State Authorized Public Accountant

Birgir Finnbogason
State Authorized Public Accountant

Consolidated income statement year 2021

	Notes	Consolidation	
		2021	2020
Operating revenues	4	20.842.888	14.736.721
Operating expenses			
Cost of goods sold		(2.466.741)	(1.706.713)
Salaries and related expenses	5	(14.879.606)	(14.653.980)
Administrative expenses		(396.370)	(347.946)
Other operating expenses		(3.910.571)	(4.164.780)
		<u>(21.653.288)</u>	<u>(20.873.419)</u>
Operating loss before depreciation		(810.400)	(6.136.698)
Depreciation and amortization	9,10,11	(3.910.854)	(3.916.827)
Operating loss		<u>(4.721.254)</u>	<u>(10.053.525)</u>
Financial income	7	2.919.502	121.305
Financial expenses	7	(1.309.448)	(1.196.402)
Net exchange rate differences	7	1.955.093	(3.800.275)
Loss before taxes		<u>(1.156.107)</u>	<u>(14.928.895)</u>
Income tax	8	1.476.997	1.751.330
Profit (loss) for the year		<u><u>320.890</u></u>	<u><u>(13.177.565)</u></u>

Consolidated Statements of Financial Position December 31st 2021

Assets	Notes	Consolidation	
		31.12.2021	31.12.2020
Non-current assets			
Property, plant and equipment	9	59.636.877	57.193.958
Intangible assets	10	4.355.599	4.611.584
Right of use asset	11	361.213	353.874
Bonds	13	1.994.507	79.843
Deferred tax asset	18	1.178.092	0
		<u>67.526.288</u>	<u>62.239.260</u>
Current assets			
Inventories	14	416.507	279.877
Accounts receivables	15	3.172.511	2.606.353
Current maturities of long-term assets	13	527.503	38.719
Other receivables	15	1.781.052	5.940.347
Cash and cash equivalents	15	14.682.766	9.372.336
		<u>20.580.337</u>	<u>18.237.633</u>
Total assets		<u><u>88.106.625</u></u>	<u><u>80.476.893</u></u>
Equity and liabilities			
Equity			
Share capital	16	18.559.063	9.559.063
Statutory reserves		2.483.798	2.483.798
Revaluation reserves		39.712	41.036
Retained earnings		15.496.253	15.175.455
Total equity		<u>36.578.827</u>	<u>27.259.353</u>
Non-current liabilities			
Loans from credit institutions	17	42.617.951	43.660.249
Lease agreements	11	276.036	274.360
Deferred tax liabilities	18	0	299.989
		<u>42.893.988</u>	<u>44.234.598</u>
Current liabilities			
Accounts payable	19	3.800.969	1.630.291
Current maturities of loans from credit institutions	17	1.829.083	4.086.163
Current maturities of lease agreements	11	94.606	83.727
Current tax liabilities	8	740	3.888
Other current liabilities	19	2.908.413	3.178.873
		<u>8.633.811</u>	<u>8.982.941</u>
Liabilities		<u>51.527.798</u>	<u>53.217.540</u>
Total equity and liabilities		<u><u>88.106.625</u></u>	<u><u>80.476.893</u></u>

Consolidated Statement of Changes in Equity 2021

	Share Capital	Statutory reserves	Revaluation reserves	Retained earnings	Total Equity
Opening balance at 1 January 2020	5.589.063	2.483.798	42.360	28.350.724	36.465.945
New share capital	3.970.000	0	0	0	3.970.000
Depreciation of revaluation	0	0	(1.324)	1.324	0
Translation differences	0	0	0	973	973
Comprehensive income	0	0	0	(13.177.565)	(13.177.565)
Balance at 31 December 2020	9.559.063	2.483.798	41.036	15.175.455	27.259.353
Opening balance at 1 January 2021	9.559.063	2.483.798	41.036	15.175.456	27.259.353
New share capital	9.000.000	0	0	0	9.000.000
Depreciation of revaluation	0	0	(1.324)	1.324	0
Translation difference	0	0	0	(1.416)	(1.416)
Comprehensive income	0	0	0	320.890	320.890
Balance at 31 December 2021	18.559.063	2.483.798	39.712	15.496.253	36.578.827

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

Consolidated Statement of Cash Flows 2021

	Notes	Consolidation	
		2021	2020
Cash flows from operating activities			
Operating loss		(4.721.254)	(10.053.525)
Depreciation and amortization	9,10,11	3.910.854	3.916.827
Accounting provision of current assets	14,15	(40.220)	151.893
Loss (gain) on disposal of assets		(11.387)	(2.399)
Operating cash flow before changes in operating assets and liabilities		(862.007)	(5.987.203)
Changes in inventories		(179.186)	356.356
Changes in operating assets		1.848.079	(1.026.046)
Changes in operating liabilities		719.528	(1.056.990)
Cash generated from (to) operations		1.526.414	(7.713.883)
Interest income received		3.214.018	250.643
Interest expenses paid		(1.040.096)	(613.542)
Income taxes paid		(3.550)	(380.878)
Net cash generated from (to) operating activities		3.696.786	(8.457.660)
Investing activities			
Acquisition of property, plant and equipment	9	(5.974.158)	(3.153.432)
Sale of property, plant and equipment		86.092	10.731
Acquisition of intangible assets	10	(101.475)	(227.138)
Installments on bonds	13	41.505	41.027
Long term claim Joint Finance contract, change	13	(571.335)	0
Investing activities		(6.519.372)	(3.328.812)
Financing activities			
New long-term borrowing	17	183.024	7.792.000
Repayment of borrowings	17	(2.004.869)	(727.292)
Installments of leases	11	(90.585)	(62.222)
Current liabilities, finance of construction plan, change	19	1.289.309	583.390
New share capital	16	9.000.000	3.970.000
Financing activities		8.376.879	11.555.876
Net change in cash and cash equivalents		5.554.293	(230.597)
Cash and cash equivalents at the beginning of the year		9.372.336	9.166.641
Effect of foreign exchange rates		(243.863)	436.292
Cash and cash equivalents at the end of the year	15	14.682.766	9.372.335

Notes

1. General information

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

Isavia, along with its subsidiaries, operates and maintains all airports in Iceland, and it also operates air traffic control in the Icelandic aviation area. On January 1st 2020, Isavia ohf. was divided, whereby the operation of air traffic control and domestic airports was transferred to separate companies. The air traffic control part was transferred to the subsidiary Isavia ANS ehf., and the domestic airport part was moved to the subsidiary Innanlandsflugvellir ehf.

The Consolidated Financial Statements of Isavia ohf. consist of the Parent Company and its subsidiaries. Companies within the consolidation are in addition to Isavia ohf., Isavia ANS ehf., Isavia Innanlandsflugvellir ehf., *Frihöfnin* ehf., Tern Systems ehf. and Suluk ApS in Greenland. Domavia ehf. was a subsidiary until it was terminated in September 2021.

2. The fundamental accounting principles

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the European Union by the end of the year 2021, new and revised and additional requirements in the Annual Accounts Act. The Consolidated Financial Statements are prepared on the basis of cost, except certain fixed assets are valued according to the revaluation method. An assessment of the fair value of financial assets and financial liabilities is provided in the notes below. The Condensed Consolidated Financial Statements are presented in Icelandic krona (ISK), which is the functional currency of the Consolidation. All amounts are in ISK thousands, unless stated otherwise.

No new accounting standards took place in year 2021. The Consolidation implemented few changes in older accounting standards, but those changes does not have significant impact on the Consolidations financial statements.

3. Critical accounting judgements and key sources of estimation uncertainty

In preparing of the Consolidated Financial Statements, managers must, in accordance with International Financial Reporting Standards, make decisions, assess and draw conclusions that affect assets and liabilities on accounting date, disclosure information and income and expenses. The assessment and conclusions are based on experience and various other factors that are considered relevant and form the basis of the decisions made on the book value of assets and liabilities that are not otherwise available. Actual value may differ from management's estimates. Accounting estimate consists of an assessment of the life of assets and allowance for doubtful accounts of the trade receivables and inventories, see note no. 9, 10, 14 and 15.

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

4. Revenues

The consolidated composition of revenues, is specified as follows

	2021	2020
Revenue from sales	5.138.921	3.339.261
Revenue from services	11.818.586	8.354.532
Revenue from contracts	2.029.100	1.827.800
Revenue from long term assets	1.856.281	1.215.129
	<u>20.842.888</u>	<u>14.736.721</u>

Revenue from long term assets consist from revenues of assets, land and equipment. Within revenues from long term assets are rental revenues that fall under IAS 17 Rental Contracts. Other revenues above are within IFRS 15 Revenues from contracts with customers. Further description of revenues and timing of the consolidation's revenues can be found in Note 28.

Revenue from the contracts is due to an agreement with the Ministry of Infrastructure for the operation of airports and air navigation services at domestic airports. Revenue in 2021 amounted to ISK 2.029 million, of which the Ministry's additional contribution is ISK 57 million due to a fall in revenue that can be attributed to the covid epidemic. In 2020, the additional contribution due to the epidemic amounted to ISK 323 million.

Notes

5. Salaries and related expenses

	2021	2020
Salaries	12.001.292	11.803.523
Contribution to defined contribution plans	1.916.160	1.926.676
Payroll taxes	840.235	876.016
Salary-related expenses	221.756	217.419
Additional contribution to pension fund and changes in vacation obligation	146.644	119.879
Capitalized employment expenses	(689.639)	(717.096)
Other employee expenses	443.158	427.564
	<u>14.879.606</u>	<u>14.653.980</u>
Average number of employees	1.022	1.081

Total salaries payments and the counter-contribution to pension funds for the CEO of Isavia ohf. amounted to ISK 42,0 million, compared to ISK 41,6 million in 2020. In 2021, total payments and counter-contributions to pension funds to the three Directors of the consolidated group, the Directors of subsidiaries and Directors of the parent company amounted to ISK 308,6 million, compared to ISK 316,8 million the year before.

6. Fees to auditors

	2021		2020	
	Audit	Other service	Audit	Other service
Deloitte ehf.	0	0	10.347	12.852
The Icelandic National Audit office	42.636	0	17.546	515
	<u>42.636</u>	<u>0</u>	<u>27.892</u>	<u>13.367</u>

Other services include the cost of accounting, tax service and assistance on tax return. In 2021, this service was purchased by a third party that is independent of the company's audit. Of other services in 2020, about ISK 3 million is due to assistance with the division of the company and about ISK 7 million is due to projects that are not related to accounting.

7. Financial income and expenses

Financial income

	2021	2020
Interest on bank deposits	56.331	67.012
Interest revenue on investments held to maturity	6.326	6.926
Other interest revenue	2.856.845	47.368
	<u>2.919.502</u>	<u>121.305</u>

Other interest income includes interest income in the amount of ISK 2.760 million, which is due to the processing of VAT in previous years by the Tax in 2021, following the ruling of the Internal Revenue Board no. 181/2020 from December 2020.

Financial expenses

	2021	2020
Interest expense and indexation	(1.237.647)	(1.165.559)
Debt collection fee	(71.801)	(30.842)
	<u>(1.309.448)</u>	<u>(1.196.402)</u>

Among other interest expenses is penalty interest on customer's case due to agreements in the amount of ISK 10,4 million.

Net exchange rate differences

	2021	2020
Net exchange rate differences	1.955.093	(3.800.275)
	<u>1.955.093</u>	<u>(3.800.275)</u>

Notes

8. Income tax

Income tax has been calculated and recorded in the Financial Statements, the amount charged in the Income Statement is ISK 1.477 million. Income tax payable in the year 2022 is ISK 740 thousand. In year 2020 income tax charged in the Income Statement was ISK 1.751 million and income tax payable in year 2021 was ISK 3,9 million.

The effective tax rate is specified as follows:

	2021		2020	
	Amount	%	Amount	%
Profit before taxes	(1.156.107)		(14.928.895)	
Tax rate	(231.221)	20,0%	(2.985.779)	20,0%
Other changes	(12.452)	(0,0%)	5.815	(0,0%)
Other changes due to taxable loss	(1.233.323)	(8,2%)	1.228.634	(8,2%)
Income tax according to Income statement	(1.476.997)	11,7%	(1.751.330)	11,7%

Other changes due to tax loss came in 2021 because of recognition of income tax asset, but other changes due to tax loss in 2020 are because of income tax asset that was generated by companies in the group but was not recognised in that year due to uncertainty related to covid.

9. Property, plant and equipment

	Buildings and artwork	Aprons and car parks	Control systems	Other assets	Total
Cost					
Balance at 1 January 2020	37.416.722	19.136.810	3.781.516	16.856.645	77.191.693
Additions	1.476.657	951.773	5.282	719.720	3.153.432
Disposals	(163.359)	(766.276)	(787.182)	(310.456)	(2.027.273)
Sold	0	0	0	(25.119)	(25.119)
Balance at 1 January 2021	38.730.021	19.322.307	2.999.616	17.240.790	78.292.734
Corrected between categories	0	1.286.898	0	(1.294.937)	(8.039)
Additions	2.653.319	2.253.060	1.288	1.066.491	5.974.158
Disposals	(1.173.721)	0	(255.973)	(766.734)	(2.196.428)
Sold	0	0	0	(187.012)	(187.012)
Balance at 31 December 2021	40.209.619	22.862.265	2.744.931	16.058.597	81.875.413
Accumulated depreciation					
Balance at 1 January 2020	8.918.303	3.223.573	1.666.777	5.833.444	19.642.097
Charge for the year	970.428	793.896	327.171	1.409.243	3.500.738
Disposals	(163.359)	(766.276)	(787.182)	(310.456)	(2.027.273)
Sold	0	0	0	(16.786)	(16.786)
Balance at 1 January 2021	9.725.372	3.251.194	1.206.766	6.915.445	21.098.776
Corrected between categories	0	1.098.414	0	(1.098.414)	0
Charge for the year	1.030.260	782.363	313.767	1.322.104	3.448.494
Disposals	(1.173.721)	0	(255.973)	(766.734)	(2.196.428)
Sold	0	0	0	(112.307)	(112.307)
Balance at 31 December 2021	9.581.911	5.131.971	1.264.560	6.260.094	22.238.535
Book value					
Book value at beginning of year	29.004.648	16.071.114	1.792.851	10.325.345	57.193.958
Book value at year-end	30.627.708	17.730.294	1.480.371	9.798.503	59.636.877

Estimated useful lives of fixed assets are as follows:

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

Notes

9. Property, plant and equipment (continued)

Information about the revalued properties in year-end:

	31.12.2021	31.12.2020
Revalued book value	100.719	103.715
Impact of the special revaluation	(48.426)	(50.040)
Book value without impact of revaluation	52.293	53.675

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

	2021		2020	
	Assessment value	Insurance value	Assessment value	Insurance value
Buildings and sites	31.147.441	55.813.003	29.625.906	59.954.212
Machinery and equipment, asset insurances		28.475.631		25.468.651
Other insurances		1.121.503		721.500
Halt insurance		11.623.430		15.592.659

Isavia ohf. and subsidiaries have common insurances.

10. Intangible assets and amortization

	Usage agreement		Software and	
	on facilities	on runways	development cost	Total
Consolidation				
Cost				
Balance at 1 January 2020	477.035	5.706.000	1.214.512	7.397.547
Additions	0	0	227.138	227.138
Disposals	0	0	(98.912)	(98.912)
Balance at 1 January 2021	477.035	5.706.000	1.342.739	7.525.774
Corrected between categories	0	0	8.039	8.039
Additions	0	0	101.475	101.475
Balance at 31 December 2021	477.035	5.706.000	1.452.253	7.635.288
Amortization				
Balance at 1 January 2020	174.954	2.092.688	393.333	2.660.974
Charge for the year	15.899	190.174	146.054	352.127
Disposals	0	0	(98.912)	(98.912)
Balance at 1 January 2021	190.853	2.282.862	440.475	2.914.189
Charge for the year	15.899	190.174	159.425	365.498
Balance at 31 December 2021	206.752	2.473.036	599.900	3.279.688
Book value				
Book value at beginning of year	286.182	3.423.138	902.264	4.611.584
Book value at year-end	270.283	3.232.964	852.353	4.355.600
Depreciation rate	3,3%	3,3%	5-33%	

Development costs in the amount of ISK 62,5 million due to work on the development of software intended for sale on the world market were capitalized in the years 2012 to 2015. This is a capitalization of one of the company's products now called Polaris, which was previously called TAS. The software is used by customers around the world. Development costs are recognized at cost as intangible assets with an indefinite useful life and are tested for impairment at least annually. The most recent impairment test was performed on development costs at the end of 2021. The conclusion is that the recoverable value of the equipment exceeds the company's book value and it is the management's opinion that development costs have not decreased in 2021.

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

Notes

11. Leases

The consolidated group leases property, land and other equipment for use in its operations.

Right-of-use assets	Property	Other	Total
Recognised on initial application, 1 January 2020	151.293	15.929	167.222
Adjustments for indexed leases	3.860	360	4.220
New or renewed leases	246.395	0	246.395
Depreciation	(63.729)	(232)	(63.962)
Balance at 31 December 2020	337.818	16.056	353.874
Adjustments for indexed leases	16.914	596	17.510
New or renewed leases	91.502	(4.814)	86.689
Depreciation	(96.484)	(376)	(96.860)
Balance at 31 December 2021	349.750	11.463	361.213

Amounts recognised in income statement

	2021	2020
Depreciation expense from right-of-use assets	96.860	63.962
Interest expense on lease liabilities	16.344	6.840
Total amount recognised in income statement	113.204	70.801

Payment of leases for the year	107.987	69.940
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Lease liabilities

Lease liabilities, long term	276.036	274.360
Lease liabilities, current maturities next 12 months among current liabilities	94.606	83.727
	370.642	358.087

Lease liabilities

Maturity analysis, undiscounted lease payments	31.12.2021	31.12.2020
Not later than 1 year	110.168	99.893
Later than 1 year and not later than 5 years	258.512	269.242
Later than 5 years	79.763	65.964
	448.443	435.100

12. The Consolidation

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

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

The subsidiary Domavia ehf. was terminated in September 2021.

Notes

13. Bonds and other long term assets

Bonds	31.12.2021	31.12.2020
Bond loan	82.257	118.562
Current maturities	(39.552)	(38.719)
	42.705	79.843

Long term asset

	31.12.2021	31.12.2020
Long term assets - Joint Finance contract	2.439.752	0
Current maturities	(487.950)	0
	1.951.802	0

Bonds and long term assets instalments are specified as follows:

	31.12.2021	31.12.2020
Year 2021	0	38.719
Year 2022	527.503	39.111
Year 2023	497.932	9.521
Year 2024	498.382	9.949
Year 2025	498.851	10.397
Year 2026	499.342	10.865
	2.522.009	118.562

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

14. Inventories

	31.12.2021	31.12.2020
Goods for resale	384.991	336.164
Goods in transit	27.489	2.548
Supplies	10.152	0
Allowance for old and obsolete inventory	(6.126)	(58.835)
	416.507	279.877

Changes in allowance for old and obsolete inventory:

At the beginning of the year	(58.835)	(12.425)
Reversed allowance for old and obsolete inventory	36.759	(85.319)
Inventories written off	15.950	38.909
At year-end	(6.126)	(58.835)

Insurance value of inventories	750.301	745.200
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No inventories have been pledged at year-end.

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

15. Other financial assets

Accounts receivables

	31.12.2021	31.12.2020
Domestic receivables	3.263.762	2.897.391
Foreign receivables	400.766	196.520
Allowances for doubtful accounts	(2.254.744)	(2.355.974)
Receivables Joint Finance contract	1.762.726	1.868.417
	3.172.511	2.606.353

Notes

15. Other financial assets (continued)

Aging and allowance for doubtful accounts

Changes in the allowance for doubtful accounts:

	31.12.2021	31.12.2020
At the beginning of the year	(2.355.974)	(2.151.079)
Impairment loss recognized on receivables	76.301	(204.895)
Amounts written off as uncollectable	24.929	0
At year-end	(2.254.744)	(2.355.974)

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

Value of allowance for doubtful accounts in the year end 2021 in accordance with IFRS 9 is following:

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

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

On March 28, 2019, Isavia exercised its authority to ground an aircraft operated by WOW air due to unpaid user fees for the operation of the airline at Keflavik Airport. The owner of the aircraft filed a lawsuit before the Reykjanes District Court, which overturned the grounding of the aircraft, despite clear provisions of law authorizing the suspension in the company's opinion. Due to this ruling of the Reykjanes District Court, it was considered appropriate to write down a fee claim in the amount of ISK 2.112,6 million in the group's books, despite the group's opinion that this was a wrong ruling. Isavia sued the aircraft owner and the Treasury for damages caused by the installation. The District Court's judgment of December 22nd 2021 (Case E-1085/2020) agreed to all of Isavia's claims in addition to the payment of legal costs. The case has been appealed by the defendant.

Analysis of aging and allowance for doubtful accounts at the balance sheet date were as follows.

	31.12.2021			
	Expected loss	Gross amount	Allowance	Book value
Receivables not yet due	0,6%	1.186.714	7.360	1.179.354
1-90 days	9,4%	236.512	22.338	214.174
91-180 days	9,6%	35.794	3.429	32.365
181-270 days	15,6%	9.516	1.489	8.027
> 271 days	95,1%	2.333.878	2.220.128	113.750
Total		3.802.414	2.254.744	1.547.670

	31.12.2020			
	Expected loss	Gross amount	Allowance	Book value
Receivables not yet due	0,5%	528.512	2.599	525.913
1-90 days	11,2%	109.676	12.270	97.405
91-180 days	30,3%	99.435	30.151	69.285
181-270 days	54,6%	20.174	11.022	9.153
> 271 days	98,5%	2.336.113	2.299.932	36.181
Total		3.093.911	2.355.974	737.937

Other receivables

	31.12.2021	31.12.2020
Value added tax of previous years	0	5.196.837
Value added tax	451.418	181.087
Prepaid expenses	126.632	120.929
Capital income tax	616.933	19.847
Prepaid salaries	38.409	44.914
Other receivables	547.660	376.733
	1.781.052	5.940.347

The Group's claim for previous years value added tax was paid by Internal Revenue and Custom in 2021 following the ruling of the Internal Revenue Committee no. 181/2020 from December 2020.

Notes

15. Other financial assets (continued)

Cash and cash equivalents

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

	31.12.2021	31.12.2020
Bank balances in ISK	13.189.186	2.142.503
Bank balances in foreign currencies	1.486.621	7.225.759
Cash in ISK	6.959	4.075
	14.682.766	9.372.336

16. Equity

Share capital is specified as follows:

	Shares	Ratio	Amount
Total share capital at year-end	18.559.063	100,0%	18.559.063
	18.559.063	100,0%	18.559.063

Each share of one ISK carries one vote. The Ministry of Finance carries the voting rights on behalf of the Icelandic Treasury. Increase in share capitalization was ISK 9.000 million. All shares have been paid in full.

Statutory reserves

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

Revaluation reserves

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

17. Long term borrowings

	Loans from credit institutions	
	31.12.2021	31.12.2020
Liabilities in EUR	38.810.565	40.710.213
Liabilities in ISK	5.636.469	7.036.199
	44.447.034	47.746.412
Current portion of long term liabilities	(1.829.083)	(4.086.163)
Non-current liabilities at year-end	42.617.951	43.660.249

Change in liabilities for the year is following:

	31.12.2021	31.12.2020
Liabilities at beginning of the year	47.746.412	36.050.897
New long-term borrowings in the year	895.527	8.030.202
Instalments for the year	(2.004.869)	(727.292)
Exchange rate difference and indexation	(2.190.035)	4.392.604
Liabilities at the end of the year	44.447.034	47.746.412

Instalments of non-current liabilities are specified as follows:

	Loans from credit institutions	
	31.12.2021	31.12.2020
Instalments in 2022 / 2021	1.829.083	4.086.163
Instalments in 2023 / 2022	2.118.586	5.780.049
Instalments in 2024 / 2023	2.406.661	1.900.874
Instalments in 2025 / 2024	2.790.083	2.205.290
Instalments in 2026 / 2025	14.174.447	2.610.532
Instalments later	21.128.175	31.163.505
	44.447.034	47.746.412

Notes

17. Long term borrowings (continued)

Loans amounting to ISK 43.603 are subject to terms related to the equity ratio. Of this amount, loans amounting to ISK 39.243 million are also subject to terms related to the ratio of net interest-bearing debt to EBITDA. The financial terms are reviewed periodically, and at the end of 2021, the terms of the ratio of net interest-bearing debt to EBITDA were not attained. All the creditors of the company had at the end of the year formally confirmed that they would not activate the financial terms for the time being.

18. Deferred tax liability (deferred tax assets)

	31.12.2021	31.12.2020
Balance at beginning of the year	299.665	2.054.905
Calculated income tax for the year	(1.476.997)	(1.751.330)
Income tax payable for the next year	(740)	(3.888)
Translation exchange difference	(20)	(22)
Balance at the end of the year	(1.178.092)	299.665

Deferred tax balances (deferred tax assets) consist of the following account balances

	31.12.2021	31.12.2020
Property, plant and equipment	2.345.065	2.319.987
Current assets	(430.559)	(449.589)
Other items	932	(13.556)
Exchange differences	7.296	(543.300)
Effect of carry forward income tax loss	(3.100.825)	(2.242.263)
	(1.178.092)	(928.722)
Deferred tax asset not recognised in the financial statements	0	1.228.387
Deferred tax liability (deferred tax asset) at the end of year	(1.178.092)	299.665

The carry-over of the tax loss of the consolidated group will, along with other items, form an income tax claim (deferred tax assets) at the end of the year and has been entered into the accounts of the company. The carried-over claim at end of the year 2020 was, however, not entered into the accounts of the company due to uncertainty related to the impact of covid at that time.

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

	31.12.2021	31.12.2020
Available to the year 2030	11.165.417	11.211.317
Available to the year 2031	4.338.709	0
	15.504.126	11.211.317

19. Other financial liabilities

Accounts payable

	31.12.2021	31.12.2020
Domestic accounts payable	1.623.488	710.428
Domestic accounts payable - due to construction plan	1.931.502	642.193
Foreign accounts payable	245.979	277.671
	3.800.969	1.630.291

Domestic accounts payable due to the construction plan are because of the service agreement with the Ministry of Infrastructure, a part on construction. Payments for the year 2021, construction part, have already been received and therefore form this debt as these payments have not been fully disposed of. Cash and cash equivalents include credit due to these payments.

Current maturities of long-term liabilities

	31.12.2021	31.12.2020
Loans from credit institutions	1.829.083	4.086.163

Notes

19. Other financial liabilities (continued)

Other current liabilities

	31.12.2021	31.12.2020
Value added tax, payable	38.369	25.504
Accrued additional contribution to pension fund	158.951	293.237
Salaries and related expenses payable	689.498	761.696
Accrued holiday commitment	1.485.646	1.334.115
Accrued interest, payable	307.136	456.368
Other liabilities	52.701	34.237
Deferred revenue	172.749	174.556
Unfinished construction contract	3.363	99.161
	2.908.413	3.178.873

20. Financial risk

Financial instruments

The consolidated financial assets and liabilities are specified into following types of financial instruments:

Financial assets

	31.12.2021	31.12.2020
Cash and cash equivalents	14.682.766	9.372.336
Financial assets that are intended to hold to maturity	2.522.009	118.562
Loans and receivables	4.171.589	8.361.011

Financial liabilities

	31.12.2021	31.12.2020
Other financial liabilities	50.583.704	51.925.389

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

Risk management

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

Interest rate risk

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

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

Sensitivity analysis

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

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

	31.12.2021		31.12.2020	
	50 bps.	100 bps.	50 bps.	100 bps.
Effects on profit or loss and other equity	(44.603)	(89.206)	(73.995)	(147.990)

Notes

20. Financial risk (continued)

Foreign currency risk

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

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

Currency	Year-end rate	
	2021	2020
EUR	147,60	156,10
GBP	175,73	173,55
JPY	1,133	1,234
CHF	142,83	144,38
DKK	19,85	20,98
NOK	14,77	14,93
SEK	14,39	15,57
USD	130,38	127,21
CAD	102,42	99,91
HUF	0,40	0,43

Foreign currency risk 31.12.2021

	Assets	Liabilities	Net balance
EUR	1.493.122	38.969.126	(37.476.004)
GBP	204.410	1.096	203.314
JPY	568	0	568
CHF	3.317	16.580	(13.263)
DKK	81.819	20.098	61.721
NOK	2.429	568	1.861
SEK	6.479	21.960	(15.481)
USD	111.361	40.651	70.710
CAD	751	0	751
HUF	8.591	2.559	6.032

Foreign currency risk 31.12.2020

	Assets	Liabilities	Net balance
EUR	6.575.546	40.830.990	(34.255.443)
GBP	625.115	7.964	617.151
JPY	1.656	0	1.656
CHF	682	0	682
DKK	139.312	22.557	116.754
NOK	2.001	678	1.323
SEK	8.011	90.907	(82.896)
USD	92.529	41.128	51.401
CAD	868	0	868
HUF	9.104	3.911	5.193

Sensitivity analysis

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

Notes

20. Financial risk (continued)

Effects on profit or loss and equity

	31.12.2021		31.12.2020	
	5%	10%	5%	10%
EUR	(1.499.040)	(2.998.080)	(1.370.218)	(2.740.435)
GBP	8.133	16.265	24.686	49.372
JPY	23	45	66	132
CHF	(531)	(1.061)	27	55
DKK	2.469	4.938	4.670	9.340
NOK	74	149	53	106
SEK	(619)	(1.239)	(3.316)	(6.632)
USD	2.828	5.657	2.056	4.112
CAD	30	60	35	69
HUF	241	483	208	415

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss for the Consolidation. The Consolidation actively monitors the changes to its credit risk. A more detailed description of the Consolidation's assessment of expected loan losses due to financial assets can be found in Notes 28 (accounting policies for impairment of financial assets) and 15 (allowance for doubtful accounts). The Consolidation has no write-down on bond assets that are low amounts and the estimate of the management is that the write-down would be insignificant.

	31.12.2021	31.12.2020
Bonds and other long term assets	2.522.009	118.562
Accounts receivables	3.310.396	2.606.353
Other receivables	861.192	5.754.658
Cash and cash equivalents	14.682.766	9.372.336
	21.376.364	17.851.909

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

Capital management

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

Liquidity risk management

Liquidity risk is the risk that the Consolidation has difficulties to meet its financial commitments in the near future. On a regular basis the Consolidation monitors the liquidity balance, development and the effects of market environment.

	Payable within 1 year	Payable between 1 - 4 years	Payable after 4 years	Total
Liabilities 31.12.2021				
Non-interest bearing	6.136.670	0	0	6.136.670
Floating interest rates	1.555.463	17.609.742	6.706.833	25.872.037
Fixed interest rates	273.620	3.880.035	14.421.342	18.574.997
	7.965.753	21.489.776	21.128.175	50.583.704
Assets 31.12.2021				
Non-interest bearing	4.703.218	1.951.802	0	6.655.020
Floating interest rates	14.678.639	42.705	0	14.721.344
	19.381.857	1.994.507	0	21.376.364
Net balance 31.12.2021	11.416.104	(19.495.269)	(21.128.175)	(29.207.340)

Notes

20. Financial risk (continued)

	Payable within 1 year	Payable between 1 - 4 years	Payable after 4 years	Total
Liabilities 31.12.2020				
Non-interest bearing	4.163.944	0	0	4.163.944
Floating interest rates	3.724.716	9.430.959	14.672.186	27.827.861
Fixed interest rates	376.479	3.065.786	16.491.319	19.933.584
	8.265.139	12.496.744	31.163.505	51.925.389
Assets 31.12.2020				
Non-interest bearing	8.484.199	0	0	8.484.199
Floating interest rates	9.249.149	118.562	0	9.367.710
	17.733.347	118.562	0	17.851.909
Net balance 31.12.2020	9.468.208	(12.378.182)	(31.163.505)	(34.073.479)

21. Other issues

Revenues of International Air Navigation Services

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

Court Proceedings

In 2015, Drifa ehf. started a lawsuit against Isavia ohf. where compensation was claimed for alleged damage in connection with the implementation of pre-selection for the rental of retail space in the duty-free area of Leif Eiriksson Air Terminal. The compensation claimed was ISK 1.5 billion. By rule of the district court on 13 October 2021, Isavia was acquitted of Drifa's claims. Drifa has appealed the case to the National Court. Isavia has sued Drifa ehf. for legal costs outlay in the district court.

The bankruptcy estate of Air Berlin has sued the company due to the suspension of its aircraft in 2017. The compensation claimed is € 795 thousand (ISK 117 million). The bankruptcy estate's claim was accepted on December 3rd, 2021. The case has been appealed.

Note no. 15 contains information on a lawsuit where Isavia ohf. sued the owner of a Wow air aircraft and the Treasury. In addition, there are a number of lawsuits pending that the company considers unlikely to succeed or are due to insignificant interests.

22. Other obligations

Operating license

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

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

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

Service agreements

Isavia ohf. has service agreements with the Ministry of Infrastructure for five years from 2019 on the provision of air navigation and airport services, as well as a contract for construction at domestic airports. Payment for domestic services and construction is determined according to the contract for one year at a time. Payments have not changed according to price changes as stipulated in the agreement and the operating payments has decreased in real value. The company must also respect international obligations that the Icelandic government has entered into on the basis of international agreements.

On the basis of the service agreement, the company provides air navigation services in international airspace, domestic airspace and the operation of airports, as well as the maintenance and development of domestic airports in accordance with government decisions at any given time. The company has an operating license without a time limit from the Icelandic Transport Authority for this operation and is subject to its conditions as they are at any given time.

Notes

22. Other obligations (continued)

Insurance

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

In addition to obligatory insurance and special liability insurance for real properties and equipment, the company guarantees the operations of air traffic control and airports (in accordance with the terms of the insurance) for up to USD 1.5 billion.

The directors and officers liability is ISK 300 million.

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

23. The effect of COVID-19 pandemic on Isavia operation

The Covid epidemic still had a significant impact on Isavia's operations in 2021. Uncertainty over the development of the epidemic, flight restrictions and strict border control measures affected air traffic over the Icelandic airspace as well as having a major impact on the number of passengers at Keflavik Airport and domestic flights. International air traffic started slowly at the beginning of the year but increased steadily as the year progressed.

Air traffic within the Icelandic airspace was about 53% of air traffic in 2019 and passengers at Keflavik Airport were about 30% of the number of passengers in 2019. However, the decrease in passengers on domestic flights was less than on international flights or about 81% of passengers in 2019.

The company's owner decided to increase its share capital by ISK 15 billion to partially cover the damage caused by Covid-19 and enable the company, among other things, to continue the development of Keflavik Airport's infrastructure. In 2021, ISK 9 billion of the share capital pledge was redeemed and it is planned to redeem the rest or ISK 6 billion in 2022. The owner of the company will then have contributed a total of almost ISK 19 billion to the company since the beginning of the epidemic in the form of new share capital.

The company's plans assume that a low point has been reached in 2020 and the turnaround that began in 2021 will continue in 2022. It is therefore the opinion of the management that the company's going concern is strong and the company is well positioned to cope with future air traffic and passenger growth at the company's airports and in the Icelandic air traffic control area, as well as the infrastructure development that is planned to be launched at Keflavik Airport in the coming years.

24. Events after the reporting period

There are no subsequent events to be disclosed.

25. Related parties

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

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

26. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on March 10th, 2022.

Notes

27. Consolidated ratios

From Statement of Comprehensive Income:	2021	2020
Profitability		
Earnings (loss) before interests, taxes, depreciation and amortisation (EBITDA)	(810,400)	(6.136.698)
a) Contribution margin on operation	(3,89%)	(41,64%)
b) Profit (loss) margin on operating revenue	1,54%	(89,42%)
c) Earning per share (EPS)	0,02	(1,38)
d) Return on equity	1,01%	(41,36%)
a) EBITDA/total revenue		b) Net income/total revenue
c) Earnings per share (EPS)		d) Net income/average equity
From Balance sheet:	31.12.2021	31.12.2020
Activity ratios		
e) Investment in inventories	0,02	0,02
f) Rate of return on assets	0,25	0,18
g) Inventory turnover	7,08	3,92
h) Receivables turnover	7,21	6,00
e) Inventory/revenues		g) Cost of goods sold/average inventory
f) Net income/average total assets		h) Revenues/average accounts receivables
Liquidity ratios		
i) Quick or acid-test ratio	2,34	2,00
j) Current ratio	2,38	2,03
k) Net Interest Bearing Debts/EBITDA	(37,19)	(6,31)
i) (Current assets - inventories)/average total assets		j) Current assets/current liabilities
Coverage ratios		
l) Equity ratio	41,52%	33,87%
m) Internal value of shares	1,97	2,85
l) Shareholders equity/total assets		m) Shareholders equity/capital stock
From Cash flow:	2021	2020
n) Net cash debt coverage	0,07	(0,16)
o) Quality of sales	11,52	0,64
p) Quality of net profit	(0,32)	0,77
n) Cash flow from operat./Total liabilities		o) Paid in revenue/stated revenue
		p) Cash flow from operat./net profit (-loss)
Operating expenses as percentage of revenues	2021	2020
Cost of goods sold/income from retail division	11,83%	11,58%
Salaries and related expenses/operating revenues	71,39%	99,44%
Administrative expenses/operating revenues	1,90%	2,36%
Other operating expenses/operating revenues	18,76%	28,26%
Depreciation and amortization/operating revenue	18,76%	26,58%
Operating expenses/operating revenues	122,65%	168,22%

Notes

28. Summary of Significant Accounting Policies

Consolidation

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

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

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

Risk management

The Consolidation's general policy in risk management is to manage interest rate and foreign currency risk. The Consolidation has no currency swap contracts, options or derivatives outstanding at year-end. Special risk committee operates under mandate from Board of Directors and determines scope and nature on risk and profitability analysis for construction and projects which can have significant influence on income and financial position.

Revenue recognition

Revenue recognition

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

Air navigation - Isavia ANS ehf.

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

Domestic airports - Isavia Innanlandsflugvöllir ehf.

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

Keflavik airport

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

Frihöfnin ehf. (Duty free store)

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

Other subsidiaries

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

Lease income

Lease income from operating leases is recognized on a straight-line basis over the term of the lease. Costs directly related to leases and management of operating leases are added to the book value of the leased asset and are then expensed on a straight-line basis over the lease term. The Consolidation is not a party to financing leases as a lessor.

Payment terms

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

Notes

28. Summary of Significant Accounting Policies (continued)

Recognition of expenses

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

Construction contracts

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

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

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

Foreign currencies

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

Borrowing costs

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

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

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

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

Income tax

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

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

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

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

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

Notes

28. Summary of Significant Accounting Policies (continued)

Property, plant and equipment

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

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

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

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

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

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

Intangible assets

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

Research costs are expensed in the period for which they are incurred. Development costs are capitalized only if all the following conditions are met:

- The Consolidation has the technical ability to complete the product development in a marketable state
- The intention to complete the intangible asset and use or sell
- The Consolidation demonstrates its potential to sell the product
- The Consolidation shows how the product will generate future revenue
- The Consolidation has sufficient technology and resources to complete development and sales
- Development expenditure can be measured reliably

Capitalization of development costs is only allowed when all the above conditions are met. Development costs that do not qualify are expensed in the period in which they accrue. After initial registration, development costs are measured at cost less accumulated depreciation and impairment.

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

Leases

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

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

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

Notes

28. Summary of Significant Accounting Policies (continued)

Leases (continued)

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

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

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

Impairment

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

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

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

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

Inventories

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

Cash and cash equivalents

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

Provisions

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

Financial assets

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

Financial assets at amortized cost

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

Notes

28. Summary of Significant Accounting Policies (continued)

Effective interest method

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

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

Investments held to maturity

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

Derecognition of financial assets

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

Financial liabilities and equity instruments

Financial liabilities

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

Derecognition of financial liabilities

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

Notes

29. Segment reporting

Segment information are disclosed on basis of organizational structure and internal management information. The majority of business for Isavia ANS ehf. consists of service to air carriers on the basis of a Joint Finance Agreement. Isavia Innanlandsflugvællir ehf. are the operation of airports and airport control towers for domestic flights. Keflavik Airport is the operation of Keflavik International Airport and control tower in Keflavik in addition to Leifur Eiriksson Air Terminal. In note 2 there are information regarding each segment.

Within the income of segments are lease income that amounts ISK 2.862 million (2020: about 1.840 million) which fall within the scope of IFRS 16 Leases. Other revenue specified above are within the scope of IFRS 15 Revenue from contracts with customers. A more detailed description of the nature of the income and the timing of the Consolidation's revenue can be found in note 28.

Segment information year 2021

	Isavia ANS ehf.		Isavia Innanlandsflugvællir ehf.		Isavia ohf.	Frihöfnin ehf.	Other subsidiaries	Eliminations	Consolidated
	Air-navigation	Domestic Airports	Domestic Airports	Keflavik Airport					
Revenue									
External revenue	6.344.405	2.601.227	6.148.083	5.235.919	513.253				20.842.888
Inter-segment revenue	719.059	36.440	2.263.177	0	774.612			(3.793.288)	0
Total revenue	7.063.463	2.637.667	8.411.260	5.235.919	1.287.865			(3.793.288)	20.842.888
Income statement									
Operating profit	273.557	(10.305)	(5.196.308)	108.782	118.269			(15.248)	(4.721.254)
Net financial income / (expenses)	(158.946)	(19.712)	3.748.790	(37.050)	19.553			11.912	3.565.147
Profit before taxes	115.210	(30.017)	(1.447.518)	71.732	137.822			(3.336)	(1.156.107)
Profit for the year	92.187	(23.995)	(30.617)	149.425	136.558			(2.669)	320.890
Balance sheet									
Non-current assets	6.652.296	1.325.825	69.175.671	367.536	174.236			(10.169.277)	67.526.288
Other assets unallocated to segments	3.482.728	2.276.017	15.735.968	1.384.083	436.549			(2.735.008)	20.580.337
Total assets	10.135.024	3.601.843	84.911.639	1.751.620	610.785			(12.904.285)	88.106.625
Total liabilities	9.409.524	3.532.217	49.314.705	958.579	282.323			(11.969.550)	51.527.798
Equity	725.500	69.626	35.596.934	793.041	328.462			(934.735)	36.578.827
Other information									
Capital additions	344.410	90.576	5.629.724	8.578	2.346			0	6.075.633
Depreciation and amortization	347.735	125.942	3.319.139	238.023	38.479			(158.464)	3.910.854

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All amounts are in thousands of ISK

Notes

29. Segment reporting (continued)

Segment information year 2020

	Isavia ANS ehf.		Isavia Innanlandsflugvællir ehf.		Isavia ohf.	Frihöfnin ehf.	Other subsidiaries	Eliminations	Consolidated
	Air-navigation	Domestic Airports	Domestic Airports	Keflavik Airport					
Revenue									
External revenue	5.975.139	2.127.693	3.063.881	3.428.433	141.575				14.736.721
Inter-segment revenue	682.299	27.822	1.644.126	0	945.474			(3.299.722)	0
Total revenue	6.657.438	2.155.516	4.708.008	3.428.433	1.087.049			(3.299.722)	14.736.721
Income statement									
Operating profit	261.369	(378.808)	(9.372.192)	(606.391)	57.474			(14.977)	(10.053.525)
Net financial income / (expenses)	(96.995)	(65.182)	(4.725.776)	(34.492)	28.107			18.969	(4.875.371)
Profit before taxes	164.374	(443.990)	(14.097.969)	(640.884)	85.581			3.992	(14.928.895)
Profit for the year	131.499	(355.192)	(12.420.785)	(604.754)	68.472			3.194	(13.177.565)
Balance sheet									
Non-current assets	4.742.169	1.361.239	61.492.295	509.175	103.975			(5.969.592)	62.239.260
Other assets unallocated to segments	3.138.366	1.122.535	15.820.389	751.685	387.700			(2.983.043)	18.237.633
Total assets	7.880.535	2.483.774	77.312.684	1.260.860	491.675			(8.952.635)	80.476.893
Total liabilities	7.247.222	2.390.153	50.685.133	617.245	297.851			(8.020.064)	53.217.540
Equity	633.313	93.621	26.627.551	643.615	193.824			(932.571)	27.259.353
Other information									
Capital additions	598.072	48.602	2.721.144	8.921	3.832			(152.821)	3.380.571
Depreciation and amortization	338.806	126.634	3.310.475	255.823	37.910			(152.821)	3.916.827

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All amounts are in thousands of ISK

Apendix I Statement of Governance

The Statement of Governance is the statement of the Board of Directors for the past operating year of the Board of Directors 2021 - 2022 and is published together with the annual accounts for the calendar year 2021.

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

The structure of governance

Isavia is a public limited share company owned by the state. Act No. 153/2009 on the merger of the public limited share companies Flugstoðir and Keflavíkflugvöllur applies to the company, as does Act No. 76/2008 on the Establishment of a Public Limited Company for the Operation of Keflavík Airport, Act No. 102/2006 on the Establishment of a Limited Share Company on Air Traffic Control Services and Airport Operation of the Civil Aviation Authority and the Aviation Act No. 60/1998. The governance of Isavia is based on Act No. 2/1995 on Private Limited Companies

The Board of the company regards in its activity the guidelines on governance and observes them in all important principles, even if the company is not obligated to follow such guidelines by law. The main deviation is that there is no nomination committee at the company, as the nomination for the company's board is with the Minister of Finance and Economic Affairs, who manages the state's share in the company.

Two subcommittees operate under the Board of the company, the audit committee and the emoluments committee. No rules of court have been made where the company's activities are considered to have violated laws or regulations.

Laws on the company can be accessed on the Althingi's website, www.althingi.is, and articles of association and rules of procedure on the company's website www.isavia.is. Guidelines on corporate governance can be found on the Iceland Chamber of Commerce's website. The guidelines are published at <https://leidbeiningar.is>.

Internal supervision and risk management

The Board has presented a comprehensive risk policy for the company and identified the main risk components in its operations. The Board of Isavia has approved the risk policy of the company. The risk policy covers the parent company as well as its subsidiaries. According to the risk policy, the comprehensive risk management is intended to ensure that risk is defined, that there is a co-ordinated process in place to handle risk, that the process is reviewed regularly and that the provision of information is periodic and describes the assessment of risk and risk-taking. See note 20.

The risk committee is in place and has the authority of the Board to determine, inter alia, the extent and nature of risk as well as profitability analysis for projects and tasks that can have a significant impact on the operation and assets of the company. The risk committee is composed of the CEO, the Deputy CEO as well as the CFO and Director of Human Resources.

PricewaterhouseCoopers ehf. manages the internal auditing of the company and evaluates risk assessment, supervision methods and governance with systematic methods and thereby helps the company attain its objectives. The internal audit unit is hired by the Board, operates independently and does not make decisions related to the daily operation of the company. Directors are responsible for highlighting, defining and assessing risk in their areas in addition to participating in the appropriate management of risk.

The Board

The Board consists of five members and five alternates elected at a shareholders meeting for a term of one year at a time. Board members are nominated to the Board by the Minister of Finance and Economic Affairs. All Board members are viewed as independent, as understood in the "Guidelines on Company Governance".

The activities and rules of procedure of the board of directors

The Board has established rules of procedure where the main tasks and powers of the Board and the CEO are delimited. The current rules of procedure were approved at a board meeting on 23 April 2021. These include provisions regarding the division of tasks within the board, rules on eligibility for participation in handling matters, on meeting procedures and minutes, rules on confidentiality, disclosure to the board and decision-making power. The rules of procedure of the board are published on the company's website.

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

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

In the operating year 2021 - 2022, 11 board meetings were held. All board meetings were quorate and everyone attended most meetings. The Board's work plan for the next operating year is available after the Annual General Meeting. The Chairman of the Board chairs the meetings. In addition to the Board, the CEO, Deputy CEO and Chief Financial Officer attend Board meetings. The Deputy CEO writes the minutes. Minutes are signed by the board, the CEO and the secretary.

Apendix I Statement of Governance

The evaluation of the work of the board of directors

The Board of Directors evaluates its work on a regular basis, work methods and procedures, the company's progress, the CEO's performance, as well as the effectiveness of subcommittees. Such an evaluation of performance means, among other things, that the board assesses the strengths and weaknesses in its work and procedures and considers the things that it believes can be improved. The performance evaluation of the board took place in March 2022.

The appointment of Isavia's board of directors 2020–2021

Orri Hauksson, born 1971, Chairman of the Board since 2019, MBA from Harvard Business School in Boston and mechanical engineer from the University of Iceland. Orri has been Síminn's CEO since 2013. He was previously CEO of SI, the Federation of Icelandic Industries, 2010-2013 and Investment Manager at Novator Partners 2007-2010. He was also the Managing Director of Síminn's Development Division from 2003-2007. He has also been the Sales Manager of Masking Software Inc. in Boston and an analyst in Eimskip's foreign division. Orri was an assistant to the Prime Minister from 1997-2000. Orri was elected to Isavia's Board of Directors at the 2019 Annual General Meeting and also sits on Isavia's Remuneration Committee. Orri is independent of Isavia, the day-to-day management of the company and its owner.

Other board positions:

Orri sits on the board of Fumorka ehf. and Augustson A / S

Matthías Imsland, born 1974, board member since 2014. He is a political scientist from the University of Iceland and holds an MS degree from Lund University in Sweden, has studied business administration at the University of Iceland and management studies at North Park University in Chicago in USA. Matthías is the managing director of various investment companies. He was an assistant to Minister of Social Affairs and Housing from 2013-15, an assistant to Prime Minister from January-April 2016 and then again an assistant to Minister of Social Affairs and Housing from April 2016-January 2017, was for a while the Chief Operating Officer of WOW-air and before its establishment he was CEO of Iceland Express. Matthías was elected to the board of Isavia at the 2014 Annual General Meeting, Vice Chairman 2014-2017 and from 2018. Matthías is independent of Isavia, the day - to - day management of the company and its owner.

Other board positions:

Matthías sits on the board of Isavia Innanlandsflugvallir ehf.

Eva Pandora Baldursdóttir, born 1990, board member since 2018, B.Sc. in Business Administration from the University of Iceland, MA in Cultural Management at Bifröst University and a diploma in Public Administration from the University of Iceland. Eva Pandora has worked as a specialist in the City of Reykjavík's Services and Innovation Department since 2021. She was a specialist in the Development Department of the Regional Development Institute 2017-2021, Member of Parliament for the Northwest constituency 2016-2017, business administrator at KPMG 2016, travel planner at Iceland Travel 2015-2016 and business administrator at Fjárvakur 2012- 2015. Eva Pandora was elected to Isavia's Board of Directors at the 2018 Annual General Meeting and sits on Isavia's Remuneration Committee. Eva Pandora is independent of Isavia, the day-to-day management of the company and its owner.

Other board positions:

Eva sits on the board of Isavia Innanlandsflugvallir ehf.

Nanna Margrét Gunnlaugsdóttir, born 1978, board member since 2018, business administrator with an MBA from Reykjavík University. Since 2015, Nanna has been the investment manager of Hafblík Investment Company. She was a consultant to foreign retail chains 2013-2014 for operations in Iceland, owner of the Natural Medicine Store and related companies in retail and wholesale 2008-2013 and worked for Eimskipafélag Íslands from 1998-2008, including in the treasury department and as sales manager in the sea and air freight department. Nanna Margrét was elected to the Board at the 2018 Annual General Meeting and sits on the Isavia Audit Committee. Nanna Margrét is independent of Isavia, the day-to-day management of the company and its owner.

Other board positions:

Nanna sits on the board of Fríhafnarinn ehf. and on the boards of Ilta Investment ehf., Ilta PE ehf. and Future Wave.

Valdimar Halldórsson, born 1973. Board member since 2018, BA in Economics and MSc in Business Administration from the University of Iceland. Self employed. From 2016-2021, Valdimar was the managing director of the Whale Museum in Húsavík and Norðursigling hf. in Húsavík. He was a consultant at HF Verðbréf 2013-2016, Assistant to the Minister of Industry and Innovation 2012-2013, specialist at Marko Partners 2011-2012, specialist at IFS Research 2008-11, specialist in Íslandsbanki's fisheries team 2004-2008 and at the National Economic Institute / Statistics Iceland, National Accounts 2000-2004. Valdimar was elected to the Board at the 2018 Annual General Meeting and also sits on Isavia's Audit Committee. Valdimar is independent of Isavia, the day-to-day management of the company and its owner.

Other board positions:

Valdimar is the chairman of the board of Fríhöfn ehf., sits in the boards of Stapi lífeyrissjóður, Fjárfestingarfélag Þingeyinga ehf., Veidifélag Laxár og Krákár and Willa Franz ehf. and is an alternate in the board of Skúlagarður fasteignafélag.

Board alternates

Björg Eva Erlendsdóttir born 1960, BA in Icelandic, Norwegian and journalism, executive director of the Left Green Movement.

Hreiðar Eiríksson born 1963, lawyer, works at Fiskistofa Akureyrri.

Ingveldur Sæmundsdóttir, born 1970, MBA, Assistant Minister of the Interior.

Óskar Þórmundsson, born 1950, former chief constable.

Sigrún Traustadóttir, born 1962, MBA, consultant. Was a main member of the board in 2014-17, an alternate from 2017.

Apendix I Statement of Governance

CEO

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

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

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

The company's financial statements

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

Internal control of the company's accounting process is intended to ensure that the information in the financial statements is adequate, covers important aspects and is presented in an impartial manner. The company's financial statements are prepared by the company's finance and human resources department in accordance with international accounting standards. The financial statements are reviewed by the company's management, the audit committee and the company's external auditors. Information on the company's accounting policies can be found in Note 28 to the financial statements.

Subcommittees

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

Remuneration committee

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

Audit committee

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

Arrangements for shareholder and board of directors relations

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

The Chairman of the board of directors and the CEO have had meetings with the Minister or employees of the Ministry of Finance. The board of directors and the CEO of the company follow the *General Ownership Policy of the state for all state-owned companies* in their work. The company sends out press releases that inform about the company's results and other aspects of its operations, as applicable.

Apendix I Statement of Governance

Social responsibility and ethical standards

The Isavia Group has a sustainability policy and has supported the UN Global Compact Convention since 2016. By doing so, it commits itself to policies and practices that are in line with the ten United Nations principles on Human Rights, Labor, the Environment and Anti-Corruption. The organization supports and works systematically on the United Nations Global Goals for Sustainable Development. The company's sustainability policy emphasizes a balance between the economy, the environment and society.

The company has established a code of conduct for the group's suppliers, which is set in accordance with the above ten main principles of the UN Global Compact. The companies' suppliers are required to comply with the Code of Ethics as a minimum standard and to make the same demands on their suppliers. The company should be notified if there is a suspicion that the criteria are not being followed. Upon request, suppliers must be able to confirm compliance with this Code. The company's agreements contain provisions on the prohibition of pseudo-contracting, and the employment relationship shall be a principle in communication between employees and contractors. This is done to ensure that all employee taxes, by whatever name they are called, are paid and that the provisions of wage agreements are complied with.

Isavia is guided by sustainability in everything the company does, including keeping the negative environmental impact of its operations to a minimum in harmony and co-operation with stakeholders. The company established an environmental policy in 2015 and has worked diligently towards the goals of the policy with an action plan in environmental and climate matters. Corporate social responsibility policy and environmental policy were merged under one sustainability policy at the end of 2021. At the same time, the company's action plan was updated to five years and the provisions on climate issues were sharpened in accordance with the relevant legislation. The plan sets out a number of measures that are intended to reduce the negative environmental impact of the company's operations. The action plan is valid until the end of 2026. The establishment of an environmental management system according to the international standard ISO14001 and its certification in 2021. Keflavik Airport is a participant in a carbon certification system run by the International Airport Association (ACI), called Airport Carbon Accreditation (ACA).

Isavia has been working systematically for years to promote gender equality and first received equal pay certification in 2018 and again in 2021, which has been confirmed by the Gender Equality Agency. In parallel with the certification last year, a wage analysis was carried out which revealed that there is no unexplained gender pay gap at Isavia. In 2021, the company's action plan for gender equality was also revised and the plan was approved by the Gender Equality Agency in the middle of the year. The plan aims to ensure equal opportunities for all genders at the company.

Isavia has a code of conduct that was recently updated. They cover all employees and managers of all companies within the group and are part of their employment contracts.

The company ensures a certain level of protection for employees who report violations of the law or other reprehensible conduct in the operation, according to Act no. 40/2020, on the protection of whistleblowers. An employee who has information or data on breaches of law or other reprehensible conduct in the group's operations must report this. A process has been put in place to make it easier for employees to provide such information anonymously through the company's website.

Isavia has submitted a sustainable report as part of the company's annual report since 2016. The report follows the criteria of the Global Reporting Initiative (GRI) as well as special provisions on airports. The report is submitted to the GRI database and to the United Nations as an annual progress report on sustainably to UN Global.

Appendix II Non-financial disclosure

The business model

Isavia ohf. is a public limited company that handles the operation, maintenance and development of Keflavík Airport. Its subsidiaries are three at the end of 2021: Isavia Innanlandsflugvöllir ehf. which handles the operation of airports for domestic flights and landing sites in Iceland, Fríhöfnin ehf. which handles the operation of four duty free shops in Leif Eiríksson Air Terminal and Isavia ANS ehf. providing domestic and international air navigation services across the North Atlantic. The subsidiary Isavia ANS ehf. owns two subsidiaries, Tern Systems ehf. which is a software company and Suluk ApS which is the service of air traffic controllers in Greenland. Tern Systems ehf. owns one subsidiary which is also a software company which is Tern Branch Hungary.

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

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

Sustainability and community responsibility

The consolidated Isavia group pursues a policy of social responsibility and has supported the UN Global Compact of 2016. The company thereby commits itself to pursue a policy and practice in pursuit of the ten criteria of the United Nations on human rights, labour, the environment and anti-corruption. Isavia supports the UN Global Goals on sustainable development and works on attaining its objectives. The company's policy of social responsibility emphasises a balance between the economy, the environment and the community, with sustainability as a guideline.

The codes of conduct for the suppliers of Isavia and its subsidiaries are set in accordance with the ten criteria of the UN Global Compact. Suppliers of the company are required to meet the guidelines as a minimum and they must impose the same demands on their suppliers. A suspicion of the infraction of these guidelines needs to be reported to Isavia. If requested, suppliers need to confirm that they adhere to the guidelines. The contracts of the company contain provisions for a ban on artificial contracting and stipulates that a hiring relationship shall be the main rule in interactions between the staff and contracting vendor. This is done to ensure that all wage-related payments, whatever their name, be paid and that wage agreements are adhered to.

Environmental issues

Isavia uses the guideline that adverse environmental impacts be kept to a minimum, in concert and co-operation with economic actors. The company laid down an environmental policy in 2015 and has diligently worked towards the goal of that policy with an environmental and air quality action plan. The year 2021 was a new policy in sustainability made from two former policies in environment and community responsibility. At the same time, an action plan for Isavia ohf. for the next five years, is being updated and also an action plan is in progress for the subsidiaries which will finish in year 2022. The plan presents a number of measures intended to reduce the adverse impact of Isavia's activity. The plan applies to the end of 2022. The plan sets out a number of measures to reduce the negative environmental impact of Isavia's operations. The action plan is valid until the end of 2026.

Work is finished establishing an environmental governance system according to the ISO14001 standard for Keflavík airport. Keflavík Airport participates in the Airport Carbon Accreditation (ACA) System of the Airports Council International (ACI).

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

Human resources

Isavia endeavours to be a sought-after workplace, and the company emphasises a good work environment and staff enjoyment.

Isavia has been working systematically for years to promote gender equality and first received equal pay certification in 2018 and again in 2021, which has been confirmed by the Gender Equality Agency. In parallel with the certification last year, a wage analysis was carried out which revealed that there is no unexplained gender pay gap at Isavia. In 2021, the company's action plan for gender equality was also revised and the plan was approved by the Gender Equality Agency in the middle of the year. The plan aims to ensure equal opportunities for all genders at the company.

Appendix II Non-financial disclosure

Human resources (continued)

Isavia pursues an equality policy aimed at improving work satisfaction and morale. The purpose of the equality policy is to ensure equality in full and equal rights of both genders.

The board of directors of Isavia has confirmed the group's new Code of Conduct which applies to all its operations. All employees sign the code at the same time as signing the employment contract, but it is also accessible on Isavia's external and internal website.

At the end of 2021, the board of Isavia approved a new and updated response plan for bullying, gender-based and sexual harassment and violence (EKKO). The plan is set on the basis of act no. 46/1980 on working conditions, hygiene and safety at work and regulation no. 1009/2015 on measures against harassment, sexual harassment, gender-based harassment and violence in the workplace. The plan covers all Isavia's and subsidiaries' offices and applies equally to employees, managers and contractors who work for the Group or for other service providers at Isavia's offices.

The response plan is based on Isavia's policy that bullying, sexual harassment, gender-based harassment or other forms of violence are not tolerated under any circumstances. It is the group's goal to eradicate such behaviour through preventive measures in the form of education and through professional procedures.

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

Risk management

Isavia adheres to a formal process of risk management to reduce and manage financial and non-financial risk of the company. The process seeks to map the main risk elements of the company and apply appropriate measures to mitigate such undesirable events. The management manages the risk of the company in accordance with the risk-tolerance of Isavia as set by the Board. Risk tolerance, i.e. the limits of acceptable deviation from goals, is defined in policy documents, work rules, manuals and regulations pertaining to the company.

Key criteria

In order to determine the most important factors in the field of sustainability, the major economic actors were interviewed inside and outside the company to assess which issues they consider most important in their co-operation with the company and how one should meet their expectations on the dissemination of information. The economic actors of the company have been defined into five groups, i.e. clients, staff, public authorities, suppliers and the community.

The company diligently works on all the aspects considered most important for its economic actors. The most important factors were: safety and workplace security, purchases and the value chain, carbon footprint and air quality, community interaction and development, a financially sustainable operation, a service of value and efficacy, human resources, sound protection, digital technology and automation. At the beginning of 2022, this importance analysis was updated as is expected to be done regularly according to the GRI criteria.

In addition to viewing the remarks of outside actors, the setting of goals in 2021 had regard to the company's policy and its various commitments. The goals are related to nine of seventeen global goals. The work took place with representatives of the staff from all the areas of the company. The proposals of the working parties were forwarded to the CEO and the Executive Directors for approval and for an introduction to the Board.

Goal 1: Steadily reduce the number of accidents in Isavia's workplace. Accidents reported declined between years from 39 to 31, of which serious accidents (leading to absences) to 4 years.

Goal 2: Ensure the equal participation of genders in management positions before 2025. Management tier one: 37%/63%; tier two: 55%/45%; tier three: 69%/31%.

Goal 3: Draw up a comprehensive approach to risk management so as to ensure that it comprises community responsibility. Work has begun on the risk of climate change on the infrastructure of Keflavík Airport.

Goal 4: Improve the efficacy of surveying Isavia's procurement. Reference is made to ethics rules and community responsibility in all tender and contract documents of the consolidated group. Moreover, work is under way to have all suppliers of the company sign a supplier code of ethics; more than 60% of registered suppliers have already signed.

Goal 5: The proportion of sorted waste will be 40% in 2020, 55% in 2025 and 70% in 2030. The proportion of sorted waste was 37% in 2021. The proportion went from 41% to 37% between years as waste from fuel separators for two years entered the figures in 2021.

Goal 6: Greenhouse gas emissions have decreased by 40% in 2020, 50% in 2025 and 60% in 2030 since 2015. Emissions at Isavia had decreased by 39% by the end of 2021. The proportion was 34% in 2020 but the result in 2021 can be traced for reduced fuel consumption at Keflavík Airport.

Appendix II Non-financial disclosure

Key criteria (continued)

Goal 7: Determined and co-ordinated interaction with the external actors of the company. Joint policy formation with the four municipalities in the Suðurnes area, Kadeco and the Association of the Suðurnes Municipalities is well underway, and co-operative projects are beginning. A co-operative platform has been established with selected economic actors at Keflavík Airport to work on joint projects with the aim of sustainability.

Goal 8: Improve the consciousness of the importance of community responsibility of the company. The Board and the management have been introduced to this topic.

The annual and community report of the Isavia group is issued according to the international standard of the Global Reporting Initiative, including its special provisions regarding airports. The report deals with the points of emphasis, goals, key criteria and achievements of Isavia in its quest for increased sustainability. The report deals with issues of the environment, the community and the economy in detail. Furthermore, Isavia presents an annual and community report of the company each year as a progress report to the UN Global Compact and Global Reporting Initiative. The report is issued for the sixth time in this manner.

Further information on the non-financial issues of the company may be found in the Isavia annual and community report at: isavia.is/arsskyrsla 2021.

