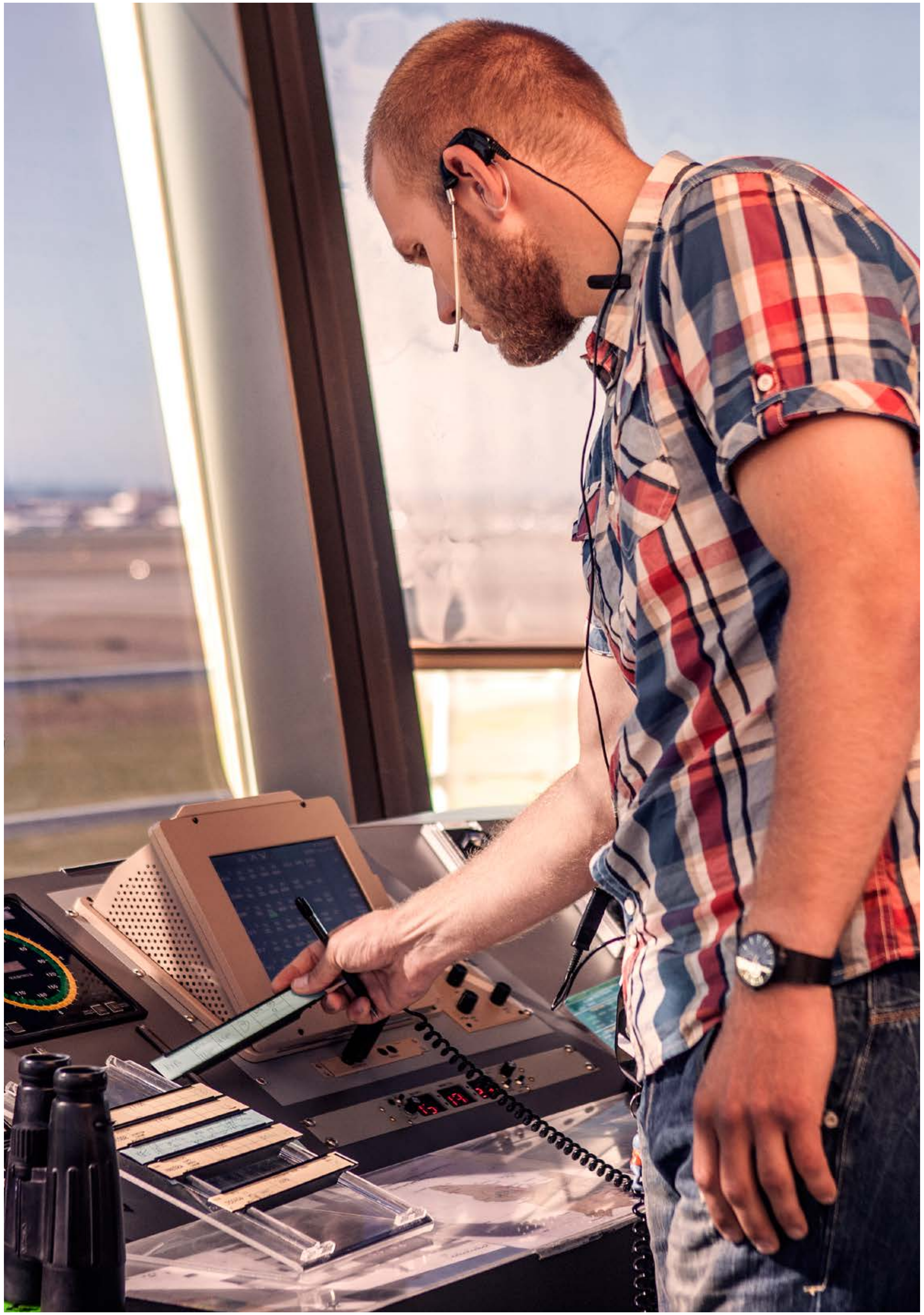
ANNUAL **REPORT** 2014



EFNISYFIRLIT

The electronic version of this annual report is available at ***www.isavia.is/annualreport***

The expansion of Keflavik International Airport began in late summer 2014

CHAIRMAN'S STATEMENT

Isavia's profits in 2014 amounted to ISK 2,197m. Operating results before financial items and taxes amounted to ISK 3,328m, improving by around ISK 511m between years. The largest proportion can be traced to the operation of Keflavik International Airport, or approximately ISK 3,059m. The Air Navigation Services division returned an operating profit of ISK 205m, domestic flights ISK 16m and the operation of the Duty-Free Store at Keflavik Airport ISK 52m. The number of passengers passing through Keflavik Airport increased significantly between years, or by approximately 20.5%, with the total number of passengers being around 3.9 million. The number of passengers on domestic flights, however, decreased by 2.8% and totalled 675,828 in 2014. Flown kilometres in the Icelandic air traffic control area increased by 11.1%, totalling 186.1m in 2014.

Isavia's tasks are grounded in its dynamic employees, who take on diverse, specialised and demanding work all over Iceland, throughout the year. The company's operation is of great importance for Icelandic society, as the company has the role of operating all the airports in the country and controlling all air traffic within Iceland, to and from the country and in the Icelandic air traffic control area. The company strives to fulfil its role and to ensure that the operation of all airports and air traffic control is as smooth as possible. Dynamic air navigation services play an important role here, and although international flights are channelled for the most part through Keflavik Airport and Reykjavik Airport, the airports at Akureyri and Egilsstadir are also important.

The number of employees working for Isavia and its subsidiaries peaks during the summer. In 2014, the number of employees was highest, at 1,135 in 1,056 full-time equivalent units (FTE's), which is an increase of 6.5% from the year before. The average number of FTEs was 914 in 2014, with summer staff numbering a total of 283, the majority (254) of which were employed at Keflavik Airport.

DYNAMIC AIR NAVIGATION SERVICES

In 2014, more than 130 thousand aircrafts flew a total of 186 million kilometres in the Icelandic air traffic control area, an increase of 12.5% from the previous year. A large proportion of this air traffic is direct flights between Europe and North America, as approximately 25% of this traffic passes through the Icelandic air traffic control area.

Isavia celebrated a significant milestone in November when the air navigation services adopted new technology intended to replace radar in air traffic control. The new system is entitled Automatic Dependent Surveillance, and Iceland is among the first countries in the world to apply the system for overflights and the first in Europe to do so. The adoption of the system significantly enlarges the areas where less separation may be employed and allows controllers to position a greater number of aircraft within available airspace as with radar surveillance. The operational efficiency of airlines increases as aircraft can choose more economic flight paths and altitudes, which shortens flying time and decreases fuel consumption and thereby greenhouse gas emissions.

DOMESTIC AIRPORTS

Isavia operates domestic airports for the Icelandic state in accordance with a service agreement with the Ministry of the Interior. The company's report on the status of domestic airports, issued in 2012, clearly states that significant funds are needed in order to finance the necessary maintenance investments and renovations of the country's domestic airports. Although much saving has been achieved in cost control and the operation of the airport system, a decrease in services is expected in coming years if additional funds are not allocated. Various improvements have repeatedly been deferred, and prioritisation has focused on ensuring that the domestic system fulfils flight safety requirements. As a result, the increased appropriation in the 2015 national budget toward maintenance at domestic airports is seen as positive, while at the same time, it is clear that comparable contributions from the state will be necessary over the coming years.

Reiterating the importance of solving the uncertainties regarding the future of Reykjavik Airport cannot be eluded. Reykjavik City's land-use plans clearly provide for the closure of the airport in the near future. This decision will have a significant impact on the domestic air transport system. The state and city have repeatedly made agreements on changes and necessary improvements to the airport but without implementation. Isavia does not have the responsibility to determine the future of the airport or other national aviation services. Uncertainties in these matters have a negative effect on the operation and development of the domestic system, and it is, therefore, vital that the authorities make a final decision on the future of Reykjavik Airport as soon as possible.

RAPID GROWTH OF KEFLAVIK INTERNATIONAL AIRPORT

The projections of the airlines operating at Keflavik Airport indicate that the number of passengers will increase substantially in coming years. Preparations for large projects involving the further development of Keflavik Airport, which are intended to ensure services to a rapidly growing number of foreign visitors, have begun. The new baggage handling system that was completed during the year doubled the airport's luggage handling capacity. Work began also on extending the terminal with a 5,000 sq. m. addition, that includes six departure bus-gates and waiting areas. The extension makes it easier, among other things, to maintain separation between passengers travelling within the Schengen passport-free zone and other passengers. It also adds considerably to the capacity during peak traffic hours with minimal investment cost. Two departure gates will be opened this summer together with airport security screening area, and the remaining gates will be operational by summer 2016.

Investments in capacity-increasing projects at Keflavik Airport are estimated at tens of billion Icelandic krona in the years to come. As a result, it is clear that the company's income generation must be even further secured so as to make it possible to attend to the tasks ahead and thereby support the continued growth of tourism which has been a powerful driving force in the Icelan-

Akureyri Airport

dic economy, in recent years. Several years ago, Keflavik International Airport embarked on a concerted schedule to build up a reputation as a dynamic airport focusing on providing high-quality services to passengers. The airport has, for a number of years, been among the best in its class and last year achieved the remarkable success of being selected the best airport in Europe in an extensive passenger service quality survey which is carried out in all the world's leading airports. The airport was also inducted into the ACI Director General's Roll of Excellence for continuous success in service surveys from 2008.

IMPROVED DEPARTURES HALL

The restaurants and retail concession contracts at Keflavik Airport were due to expire at the end of 2014. As a result, the decision was made in 2013 to apply a pre-selection process for selecting operators and embark on the redesign of the terminal's departures hall with the extension of retail and food and beverage outlets, increase the number of restaurants and an extension of the security area due to the growing number of passengers. In light of the changed passenger profile and substantial increase in the number of foreign tourists, the terms of the pre-qualification process stated that Icelandic nature and culture was to be used as a guiding light in the reorganisation and design.

The pre-selection drew considerable attention both in Iceland and overseas, and bids were opened in March 2014. Numerous excellent and ambitious proposals were submitted. The range of shops and F&B outlets has a considerable impact on passenger satisfaction and overall experience, and as a result, evaluations of the applications took extensive account of the bidders' ideas for services, their arrangements in the design of operating space as well as its adaptation to the guiding principle in the initial plans for the redevelopment of the facility.

After an exhaustive and multifaceted selection process based on international models, thirteen proposals were selected, the majority of which came from Icelandic companies, while two were from companies with extensive experience in operating in international airports. Six retail outlets and one caterer were selected to continue operations, and two new retailers and four caterers were added.

The changes in the departure hall will increase the range of goods and the terminal's rent income considerably as well as improve services to the increased number of passengers expected over the next few years. This will also mean more jobs in the air terminal and increased income from the retail area, which will support important future investments required at the airport. Work began in November 2014 and is expected to be completed by spring.

DEVELOPMENT PLANS FOR THE NEXT 25 YEARS

Work is currently being carried out on finalising a new mandatory zoning plan for Keflavik Airport and is expected to be completed later this year. In conjunction with this work, Isavia initiated an international design contest for a Master plan for the airport which addresses the developmental issues of the airport in light of traffic and passenger forecasts to the year 2040. The plan represents the future vision for the airport's land-use plan, terminal plan and environmental plan and will be of use to all stakeholders in their decision making as regards investments and planning, with economy and environmentally friendly development as a guiding light.

Six international companies with extensive experience in airport development participated in the competition and submitted ambitious proposals. The Selection Committee was unanimous in its conclusions, and there was also a good consensus among stakeholders. The winning proposal was submitted by the design firm Nordic – Office of Architecture in Norway, which has been involved in numerous large scale airport development projects. Nordic will continue work on refining the design concept in co-operation with Isavia and stakeholders. The completion of the Master Plan is set for September 2015.

DYNAMIC SUBSIDIARIES

Isavia owns two subsidiaries involved in dissimilar operations. One is the Duty-Free Store, which operates the duty-free stores at Keflavik Airport, and the other is Tern Systems, which develops software for flight navigation services. Both these companies employ dynamic teams that have achieved excellent success in their operations. The Duty-Free Store was chosen the best duty-free store in Europe in 2014 for the second year in a row by the international magazine Business Destinations. This shows that the product range and services provided by the Duty-Free Store are as good as they can be on a global level. Tern Systems, moreover, has achieved remarkable international success in the development and marketing of its products, and systems from the company have been installed in numerous locations, including in Europe, Asia and South America.

MAJOR DECISIONS AHEAD

It is clear that Isavia plays an important role in the development of tourism in Iceland. The company needs to embark on extensive and expensive construction in the next few years in order to meet the increasing number of passengers at Keflavik Airport. At the same time, there are expectations placed on the company to pay high dividends. If both goals are to be achieved, a greater number of entities will be needed to execute the planned developments. There are many opportunities ahead, and these require major decisions. The state, as owner of Isavia and a major service purchaser, is faced with important decisions, both regarding the future development of Keflavik International Airport, and also the future service level of domestic air transport. The Board and management of Isavia should be of value in preparing such decisions.

Having good employees who are highly motivated to do their best at all times is the good fortune of any company and is in fact a key factor of success. It is my distinct pleasure to express my heartfelt thanks to the Managing Director, the Executive Committee and all our employees for their excellent collaboration and well-executed work on behalf of the company in the past year.

On behalf of the Board of Isavia,

Ingimundur Sigurpalsson, Chairman

Board of Directors and Managing Director of Isavia. Isavia's Board of Directors, from left to right are Ragnar Oskarsson, Ingimundur Sigurpalsson, Matthias Imsland , Heida Kristin Helgadottir, Managing Director Bjorn Oli Hauksson and Sigrun Traustadottir.

Elected as alternates were Fridbjorg Matthiasdottir, Jens Gardar Helgason, Jon Nordfjord, Sigurbjorn Trausti Vilhjalmsson and Tryggvi Haraldsson. The Board divided tasks with Ingimundur Sigurpalsson elected Chairman and Matthias Imsland Vice Chairman.

Gufunes Communications Centre

DIVISIONS

Isavia's parent company consists of four core units that manage the core operations: Air Navigation Services, Airports and Infrastructure, Keflavik International Airport and the Leif Eiriksson Air Terminal. Isavia's supporting units are also four in number: Development and Administration, Human Resources and Performance, Finance and Standards and Quality Management. The directors of Isavia's core units and support units form the company's executive committee together with Managing Director Bjorn Oli Hauksson.

The Air Navigation Services provides air navigation services for domestic and international flights in a large area of the northern part of the North Atlantic Ocean. The Icelandic control area is one of the largest in the world, approximately 5.4 million square kilometres.

Airports and Infrastructure is responsible for the operation and maintenance of all airports and landing strips owned by the state, with the exception of Keflavik International Airport. The scope of responsibility extends to all runways and other structures, lights and machinery as well as aviation security.

The infrastructure service provides specialised support to other operating divisions concerning maintenance and facilities construction.

The operation of **Keflavik International Airport** involves the daily operation, monitoring and maintenance of aircraft operating areas and other airport facilities, operations of fire and rescue services, operation of vehicle and machine maintenance, the airport's visual navigation equipment and jet aircraft arresting gear, keeping birds and other animals away, apron management, slot allocation and cleaning the airport.

The **Leif Eiriksson Air Terminal** is responsible for the operation, maintenance and development of the Keflavik air terminal, the operation of stores offering duty-free goods in the airport area, aviation security, providing support to service providers in the air terminal, operations in connection with aircraft operation and other operations that are required within the airport security-restricted area.

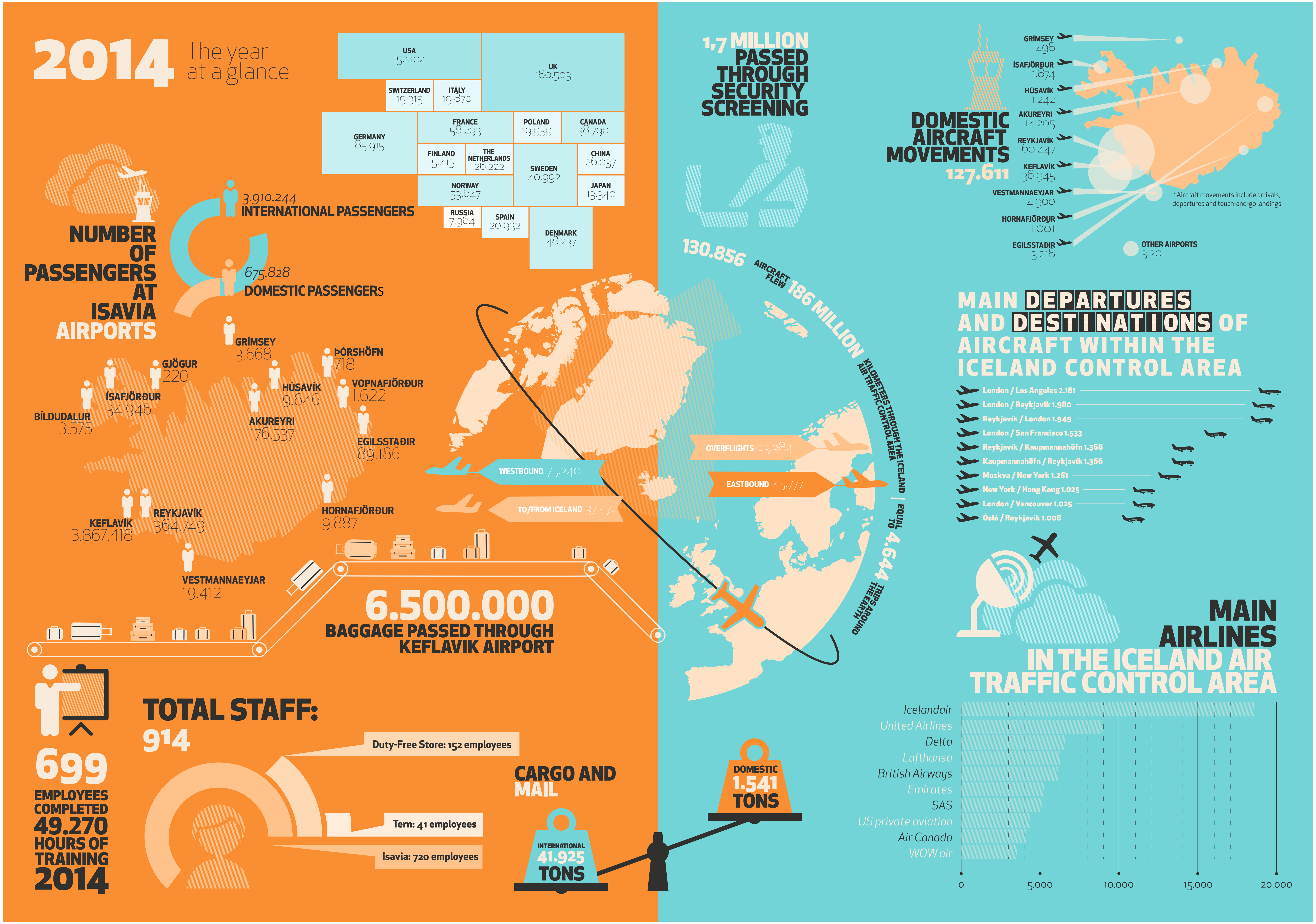
Development and Administration provides support to the Board of Directors, the Managing Director and operating divisions. The tasks include policy formulation and co-ordination of the operating divisions, marketing and corporate communications, strategic and business development, legal affairs, corporate governance, government relations, planning, international obligations, the co-ordination of aviation security and airports and various administrative work relating to the boards of directors of subsidiaries.

Human Resources and Performance manages HR functions, including professional development, training and education, occupational safety and health, payroll processing, wage agreements, internal communications, strategy implementation and performance evaluation.

Finance operates across all the operating divisions, providing them with a wide range of administrative, accounting, treasury management and funding support as well as purchasing and IT services.

Standards and Quality Management operates in connection with Development and Administration and handles the overall planning and co-ordination of the company's safety, quality and environmental program.

Isavia's Executive Committee. From left: Sigurdur Olafsson, Hlynur Sigurdsson, Managing Director Bjorn Oli Hauksson, Sveinbjorn Indridason, Elin Arnadottir, Helga R. Eyjolfsdottir, Þrostur Soring, Haukur Hauksson and Asgeir Palsson.

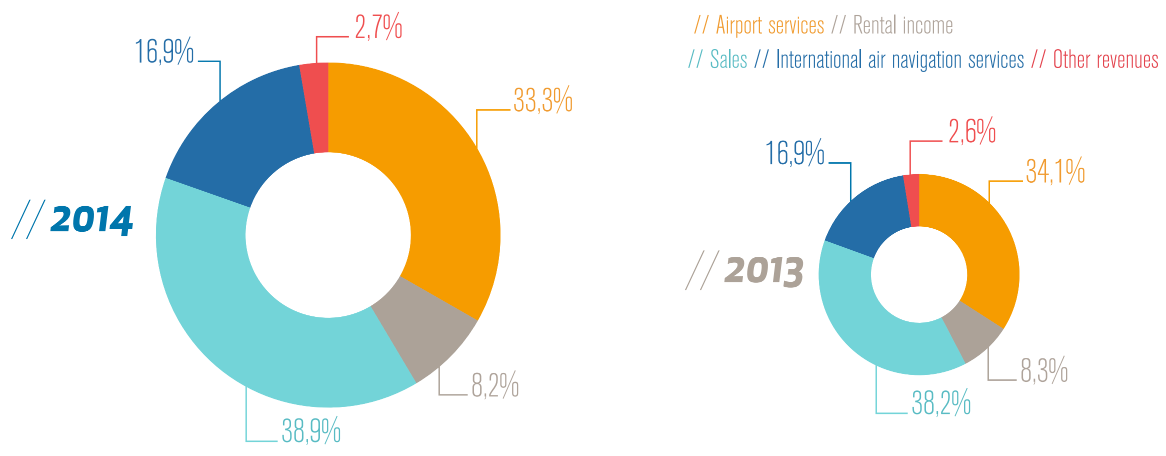

2014 The year at a glance
USA 152.104
UK 180.503
SWITZERLAND 19.315
ITALY 19.870
GERMANY 85.915
FRANCE 58.293
POLAND 19.959
CANADA 38.790
FINLAND 15.415
THE NETHERLANDS 26.222
SWEDEN 40.992
CHINA 26.037
NORWAY 53.647
JAPAN 13.340
RUSSIA 7.964
SPAIN 20.932
DENMARK 48.237
NUMBER OF PASSENGERS AT ISAVIA AIRPORTS
3.910.244 INTERNATIONAL PASSENGERS
675.828 DOMESTIC PASSENGERS
GRÍMSEY 3.668
GJÖGUR 220
ÞÓRSHÖFN 718
ÍSAFJÖRÐUR 34.946
BÍLDUDALUR 3.575
HÚSAVÍK 9.646
VOPNAFJÖRÐUR 1.622
AKUREYRI 176.537
EGILSSTAÐIR 89.186
KEFLAVÍK 3.867.418
REYKJAVÍK 364.749
HORNAFJÖRÐUR 9.887
VESTMANNAEYJAR 19.412
6.500.000 BAGGAGE PASSED THROUGH KEFLAVIK AIRPORT
699 EMPLOYEES COMPLETED 49.270 HOURS OF TRAINING 2014
TOTAL STAFF: 914
Duty-Free Store: 152 employees
Tern: 41 employees
Isavia: 720 employees
CARGO AND MAIL
INTERNATIONAL 41.925 TONS
DOMESTIC 1.541 TONS
1,7 MILLION PASSED THROUGH SECURITY SCREENING
130.856 AIRCRAFT FLEW 186 MILLION KILOMETERS THROUGH THE ICELAND AIR TRAFFIC CONTROL AREA | EQUAL TO 4.644 TRIPS AROUND THE EARTH
OVERFLIGHTS 93.384
WESTBOUND 75.240
EASTBOUND 45.777
TO/FROM ICELAND 37.472
DOMESTIC AIRCRAFT MOVEMENTS 127.611
GRÍMSEY 498
ÍSAFJÖRÐUR 1.874
HÚSAVÍK 1.242
AKUREYRI 14.205
REYKJAVÍK 60.447
KEFLAVÍK 36.945
VESTMANNAEYJAR 4.900
HORNAFJÖRÐUR 1.081
EGILSSTAÐIR 3.218
OTHER AIRPORTS 3.201
* Aircraft movements include arrivals, departures and touch-and-go landings
MAIN DEPARTURES AND DESTINATIONS OF AIRCRAFT WITHIN THE ICELAND CONTROL AREA
London / Los Angeles 2.181
London / Reykjavík 1.980
Reykjavík / London 1.949
London / San Francisco 1.533
Reykjavík / Kaupmannahöfn 1.368
Kaupmannahöfn / Reykjavík 1.366
Moskva / New York 1.261
New York / Hong Kong 1.025
London / Vancouver 1.025
Ósló / Reykjavík 1.008
MAIN AIRLINES IN THE ICELAND AIR TRAFFIC CONTROL AREA
Icelandair
United Airlines
Delta
Lufthansa
British Airways
Emirates
SAS
US private aviation
Air Canada
WOW air
0
5.000
10.000
15.000
20.000

KEY FIGURES

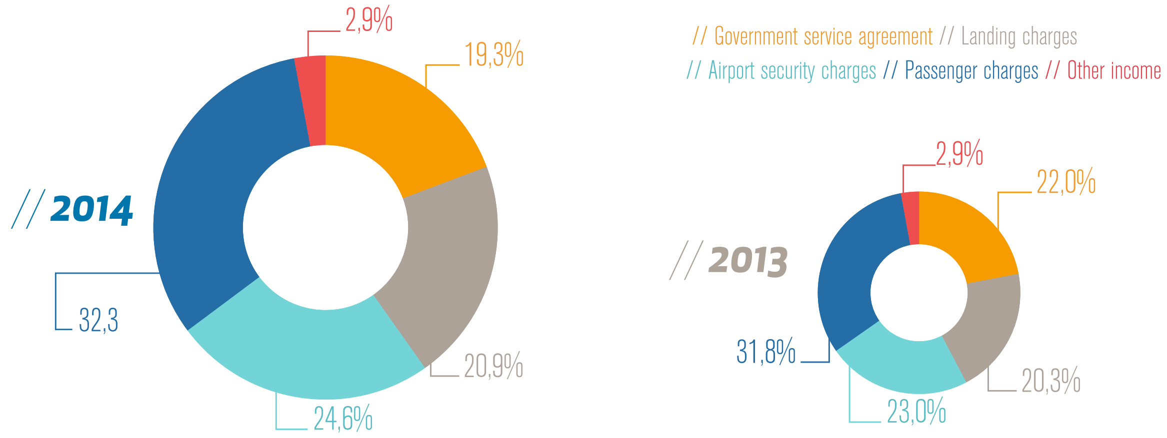
FROM THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	2014	2013	2012	2011
Income	22,079	19,810	18,397	16,511
EBITDA	4,906	4,470	3,823	3,653
EBIT	3,328	2,818	2,396	2,302
Financial income/expenses	-605	1,200	-1,465	-1,542
Profit before taxes	2,724	4,018	932	760
Operating profits	2,197	3,217	738	604
FROM THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
Property, plant and equipment	25,715	23,179	21,784	21,615
Assets	40,849	34,511	33,390	32,520
Equity	17,061	14,864	11,647	10,917
Interest-bearing liabilities	17,900	14,609	17,397	17,728
Current ratio	1.91	1.24	1.26	1.21
FROM THE CONSOLIDATED STATEMENT OF CASH FLOWS				
Operating activities	4,628	4,032	3,535	3,545
Investing activities	-5,754	-2,966	-1,730	-725
Financing activities	2,857	-1,324	-1,362	-1,721
Cash and cash equivalents at end of period	4,491	2,730	3,026	2,609
FINANCIAL RATIOS				
Contribution margin	22%	23%	21%	22%
Profit margin on operating revenue	10%	16%	4%	4%
Rate of return on assets	0.59	0.58	0.56	0.51
Return on equity	14%	24%	7%	6%
Earnings per share	0.39	0.58	0.13	0.11
Equity ratio	42%	43%	35%	34%
Average number of positions	914	848	790	729

Amounts in ISK millions

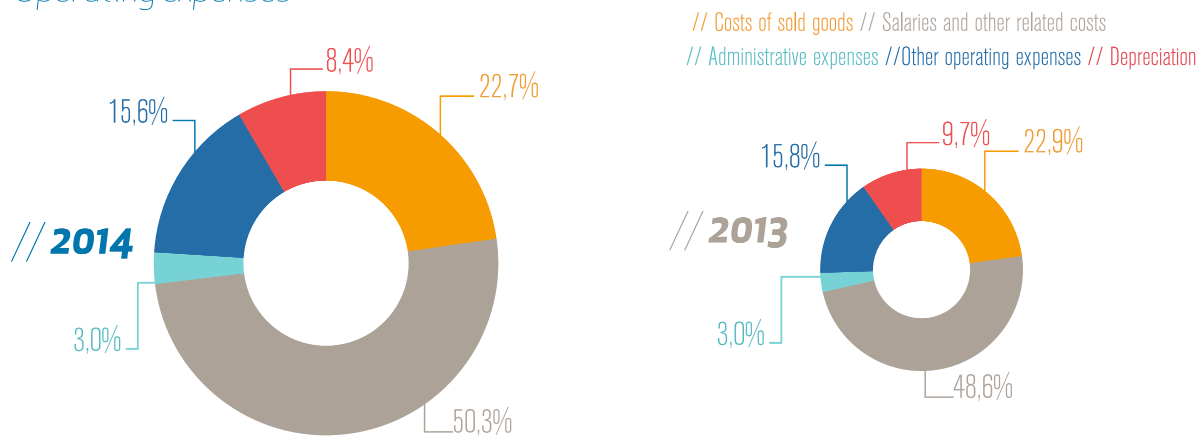
Total income



Income from Airport services



Operating expenses



Snapshots from **2014**

The three-millionth passenger passed through the Leif Eiriksson Air Terminal, and was greeted by airport staff with flowers and gifts.

Hanna Birna Kristjánsdóttir, Minister of the Interior, and Dagur B Eggertsson, Mayor of Reykjavík, break ground for the extension of the Reykjavik Air Traffic Control Centre in November.


The Air Navigation Services celebrated a milestone moment when ADS-B surveillance was formally switched on in the air traffic control centre in Reykjavík. Iceland is the first country in Europe and one of the first in the world to employ the system.

Isavia sponsored the Herad Search and Rescue Team in East Iceland, for the construction of a rescue trailer, a fantastic addition to the team's equipment. The idea for the trailer came from Isavia employee Nikulas Bragason at Egilsstadir Airport who is also a member of the team. The Isavia Grant Fund sponsored 24 search and rescue teams throughout Iceland with ISK 8 million in 2014.

The largest aircraft in the world, the Antonov An-225 Mrya, arrived at Keflavík Airport in June. The aircraft landed here on its way to Canada and made an impressive appearance on the TV 2 evening news.

The ground shook in the neighbourhood of the Bardabunga volcano on 23 August, prompting the meeting of Isavia's response team to assess the situation and co-ordinate responses. The team met regularly from 23 August until the eruption in Holuhraun began on 31 August. The events did not have much of an impact on air travel, although worries ran high while there was a risk of a sub-glacial eruption.

Four new fire trucks for the Keflavik Airport airfield services arrived in December. The trucks are a new generation of fire truck containing various computer-controlled equipment.


Air shows were held in Reykjavik in May and in Akureyri in June. Furthermore, Akureyri International Airport celebrated it's 60th anniversary.

SAT tests were carried out on a new telecommunications system in Gufunes with positive results. The system is intended to replace the current telecommunications system, which is 30 years old and therefore rather antiquated.

Isavia and Tern Systems shared a booth at the World ATM exhibition in Madrid in March. The booth was in the form of a runway and drew considerable attention and interest in the services of Isavia and Tern.

The baggage handling system at Keflavík Airport was expanded and improved during the year, doubling its capacity

Team Isavia was highly successful in the WOW Cyclothon competition and collected donations to support the Orthopaedic and Surgical Department at the National University Hospital.

Many new destinations were added during the year, so there were a lot of cakes to bake!

Keflavík International Airport was elected the best airport in Europe in a service quality survey carried out by Airports Council International among passengers at all the world's leading airports. The Duty-Free Store was also selected the best duty-free store in Europe by Business Destinations Magazine, for the second year in a row!

OPERATIONS AND PERFORMANCE

Bjorn Oli Hauksson, Managing Director

Isavia Group's total operating revenues amounted to ISK 22,079m, which is an increase of ISK 2,269m from the year before. This increase may largely be attributed to the increase in the number of passengers at Keflavik Airport, by 20.5%. In addition, there was a considerable increase in traffic in the Iceland air traffic control area, or approximately 12.5% between years. The greatest proportionate increase in revenue was in retail income, 13.6%; revenues from airport operations rose by 12.6%, and income from air navigations services by 8.7%, while revenues from the service agreement with the Ministry of the Interior decreased by 4.8%.

SIGNIFICANT INCREASE IN INTERNATIONAL PASSENGERS

The total number of passengers at Keflavik Airport was 3,867,418, an increase of 657,557, or 20.5%. Of this number, departing passengers increased by 223,232. At other airports operated by the company, the number of departing passengers on scheduled flights decreased by 2.8%.

BETTER RESULTS IN CORE OPERATIONS

Operating results before financial items in 2014 amounted to ISK 3,328m, as compared with ISK 2,818m the year before. The average number of employees increased by 8% and amounted to 914 in 2014, compared with 848 in 2013. Thereof, the average number of positions in the parent company were 721 (7.1% increase), 152 in the Duty-Free Store (8.8% increase) and 41 positions at Tern Systems (17.1% increase). The overall results for 2014 was positive to the tune of ISK 2,197 million, which is approximately ISK 1,020 million less than in 2013. This difference is due to the exchange rate effects on foreign long-term loans, as the effects of financial assets and liabilities in foreign currency were negative to the tune of ISK 164m in 2014, while being positive by ISK 1,573m in 2013. The difference is ISK 1,737m.

INCREASED INVESTMENTS

The total consolidated assets amounted to ISK 40,849m at year-end 2014, whereof ISK 31,402m are from tangible and intangible assets. In total, investments in property, plant and equipment amounted to ISK 3,844m, whereof ISK 3,283m relate to Keflavik Airport. The consolidated equity ratio was 41.8% at the end of 2014, as compared with 43.1% the previous year. This decrease can be traced to the company's borrowings at the close of 2014. The loan in question was taken to fund the company's capacity-increasing investments at Keflavik Airport in 2015. The company's access to funds at the beginning of 2015 was extremely good; cash and cash equivalents including time deposits amounted to ISK 6,347m at the end of 2014, in addition to an approximately ISK 1,230m undrawn long-term loan.

The company has continued to provide positive cash flows, with net cash provided by operating activities amounting to ISK 4,628m, an increase of approximately ISK 596m from the same period last year.

SIGNIFICANT TAX PAYMENTS TO THE STATE

In 2015, Isavia's parent company will be paying income tax to the state for the first time since it was established, as the company has now fully utilised the pre-existing transferrable losses. The amount to be paid is estimated to be approximately ISK 324m, or a total of ISK 332m if account is taken of the consolidated company. In addition, the Duty-Free Store paid approximately ISK 397m in tobacco and alcohol taxes to the Treasury. The Duty-Free Store has thereby paid a total of ISK 1,349m since 2011 to the Treasury in the form of said taxes.

The operation of Isavia was a success in 2014, and it is clear that our staff has worked hard in all areas of the company. I would like to express my thanks to all my colleagues for their excellent performance in 2014.

DIVISION OF INCOME:

	2014	2013	Change 2014/2013
Air navigation services	4.122	3.793	8,7%
Airport services	7.263	6.453	12,6%
Retail income	8.594	7.568	13,6%
Service agreement with the Ministry of the Interior	1.414	1.486	-4,8%
Other revenue	686	510	34,7%
*Amounts in ISK millions	22.079	19.810	

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF ISAVIA LTD.

We have audited the accompanying Consolidated Financial Statements of Isavia Ltd., which comprise the Statement of the Board of Directors, Statement of Financial Position as at December 31st 2014. Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Board of Directors and Managing Director are responsible for the preparation and fair presentation of these Consolidated Financial Statements in accordance with International Financial Reporting Standards, and for such internal control as Managing Director and the Board of Directors determine is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of Isavia Ltd. as at December 31st 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as approved by the European Union.

Reykjavík, March 17, 2015

Deloitte Ltd.

Guðmundur Kjartansson
State Authorized Public Accountant

Anna Birgitta Geirfinnsdóttir
State Authorized Public Accountant

STATEMENT BY THE BOARD OF DIRECTORS AND MANAGING DIRECTOR

Isavia Ltd. 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 Reykjavik Airport. Isavia Ltd. is the national operator of airports and air navigation services in Iceland. The company ensures aviation safety and airport security in accordance with recognized international standards and operating licenses issued and supervised by the Icelandic Transport Authority.

The Consolidated Financial Statements for the year 2014 is prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

According to the Consolidated Statements of Comprehensive Income, the operating revenues of the Company amounted to ISK 22,079 million. Total comprehensive income for the year amounted to ISK 2,197 million. According to the Consolidated Statements of Financial Position, assets amount to ISK 40,849 million, the year-end book value of equity is ISK 17,061 million and the Company's equity ratio is 41.77%. The number of full-time staff equivalents throughout the year are 914.

At year-end, there was one shareholder in the Company, the Treasury of Iceland. The Board of Directors proposes no payment of dividends to shareholders in the year of 2015. As regards changes in the equity of the Company, the board refers to the notes attached to the financial statements.

It is the opinion of the Board of Directors and the Managing Director of Isavia Ltd. that the accounting policies used are appropriate and that these Consolidated Financial Statements present all the information necessary to give a true and fair view of the company's assets and liabilities, financial position and operating performance, as well as describing the principal risk and uncertainty factors faced by the Company.

The Board of Directors and the Managing Director hereby confirm the Consolidated Financial Statements for the year 2014.

Reykjavík, March 17, 2015

Ingimundur Sigurpálsson
Chairman of the Board

Heiða Kristín Helgadóttir

Ragnar Óskarsson

Matthías Páll Imsland

Sigrún Traustadóttir

Managing director

Björn Óli Hauksson

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 2014

	Notes	Consolidation 2014	2013
Operating revenues	4	22,079,436	19,810,467
Cost of goods sold		(4,259,114)	(3,884,242)
Salaries and related expenses	5	(9,434,734)	(8,259,347)
Administrative expenses		(553,267)	(515,727)
Other operating expenses		(2,925,815)	(2,681,532)
Depreciation and amortization	8.9	(1,578,116)	(1,651,998)
Operating profit		3,328,389	2,817,621
Financial income	6	210,658	245,863
Financial expenses	6	(650,947)	(618,355)
Net gain (loss) arising on financial assets and liabilities	6	(164,220)	1,572,715
Profit before taxes		2,723,881	4,017,844
Income tax	7	(526,647)	(801,335)
Total comprehensive income for the year		2,197,234	3,216,509

All amounts are in thousands of ISK

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets	Notes	Consolidation 31.12.2014	31.12.2013
Non-current assets			
Property, plant and equipment	8	25,714,623	23,178,755
Intangible assets	9	5,687,816	5,857,212
Bonds and other long term assets	11	298,393	345,993
		31,700,833	29,381,960
Current assets			
Inventories	12	423,017	451,431
Accounts receivables	13	1,544,233	1,303,464
Government treasury		123,004	0
Current maturities of long term assets	11	53,377	59,584
Other receivables	13	656,923	584,977
Time deposit		1,856,400	0
Bank balances and cash	13	4,490,788	2,730,031
		9,147,742	5,129,487
Total assets		40,848,575	34,511,446
Equity and liabilities			
Equity			
Share capital	14	5,589,063	5,589,063
Statutory reserves		2,483,798	2,483,798
Revaluation reserves		48,979	49,829
Retained earnings		8,939,100	6,741,016
Total equity		17,060,940	14,863,706
Non-current liabilities			
Loans from credit institutions	15	17,899,553	14,609,162
Deferred tax liabilities	17	1,095,231	900,350
		18,994,784	15,509,512
Current liabilities			
Accounts payable	18	1,765,196	1,389,854
Government treasury		0	16,633
Current maturities of non-current liabilities	18	1,064,127	1,279,055
Current tax liabilities	7	331,767	15,124
Other current liabilities	18	1,631,762	1,437,561
		4,792,851	4,138,228
Liabilities		23,787,635	19,647,740
Total equity and liabilities		40,848,575	34,511,446

All amounts are in thousands of ISK

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Statutory reserves	Revaluation reserves	Retained earnings	Total Equity
Opening balance at 1 January 2013	5,589,063	2,483,798	51,120	3,523,216	11,647,198
	5,589,063	2,483,798	51,120	3,523,216	11,647,198
Transfer to retained earnings	0	0	(1,291)	1,291	0
Comprehensive income	0	0	0	3,216,509	3,216,509
Balance at 31 December 2013	5,589,063	2,483,798	49,829	6,741,016	14,863,706
Opening balance at 1 January 2014	5,589,063	2,483,798	49,829	6,741,016	14,863,706
Transfer to retained earnings	0	0	(850)	850	0
Comprehensive income	0	0	0	2,197,234	2,197,234
Balance at 31 December 2014	5,589,063	2,483,798	48,979	8,939,100	17,060,940

No dividends were paid to shareholders for the year. Share capital has been fully paid.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Consolidation 2014	2013
Cash flows from operating activities			
Operating profit		3,328,389	2,817,621
Depreciation and amortization	8.9	1,578,116	1,651,998
Long term assets expensed	11	10,872	25,867
Loss (Gain) on disposal of assets		1,195	(3,791)
Operating cash flow before transfer to working capital		4,918,572	4,491,696
Changes in inventories	12	28,414	69,919
Changes in operating assets		(291,049)	(186,103)
Changes in operating liabilities		390,721	87,872
Cash generated from operations		5,046,657	4,463,384
Interest earned		230,291	262,551
Finance costs		(634,252)	(657,710)
Income taxes paid		(15,124)	(36,400)
Net cash generated from operating activities		4,627,573	4,031,825
Investing activities			
Acquisition of property, plant and equipment	8	(3,843,560)	(2,787,056)
Acquisition of intangible assets	9	(102,223)	(227,230)
Installments on bonds	11	48,695	48,695
Time deposit		(1,856,400)	0
		(5,753,529)	(2,965,591)
Financing activities			
Repayments of borrowings	15	(13,887,789)	(1,322,205)
New bank loans raised	16	16,745,910	0
Repayments of obligations under finance leases		(1,612)	(2,260)
		2,856,510	(1,324,465)
Net change in cash and cash equivalents		1,730,554	(258,230)
Cash and cash equivalents at the beginning of the year		2,730,031	3,025,735
Effect of foreign exchange rates		30,204	(37,474)
Cash and cash equivalents at the end of the year		4,490,788	2,730,031

All amounts are in thousands of ISK

1. **General information**

Isavia Ltd. (the Company) was established in the beginning of 2010 with a merger between Flugstodir Ltd. and Keflavíkurflugvöllur Ltd. Isavia Ltd. 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 Reykjavík Airport.

Isavia Ltd. is the national operator of airports and air navigation services in Iceland. The company ensures flight safety and airport security in accordance with recognized international standards and operating licenses issued and supervised by the Icelandic Transport Authority.

The Consolidated Financial Statements of Isavia Ltd. consist of the Parent company and its subsidiaries. Companies within the consolidation are in addition to Isavia Ltd., Duty Free Store Ltd., Tern Systems Ltd and Domavia Ltd.

2. **Summary of Significant Accounting Policies**

Statement of compliance

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 2014, new and revised. It is the opinion of the Management that application of new and revised IFRS has not material impact on the financial statements. The Consolidated Financial Statements have not implemented new and revised IFRS in issue but not yet effective.

Basis of preparation

The Consolidated Financial Statements have been prepared on the historical cost basis except that certain assets are evaluated by the revaluation methods. Accounting policies which concern certain properties and financial instruments that are measured at fair value is explained in note below. The Financial Statements are presented in ISK, which is the Company's functional currency.

The principal accounting policies are set out below.

Basis of consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The Consolidated Financial Statements have been prepared using the purchase method. The result of subsidiaries acquired during the year are included in the Consolidated Income Statement from the effective date of acquisition as appropriate. Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with those used by other members of the Company.

One of the purposes of Consolidated Financial Statements is to show only the net external sales, expenses, assets and liabilities of the consolidated entities as a whole. Hence, intercompany transactions have been eliminated within the consolidated businesses in the presentation of the consolidated financial statements.

Risk management

The Company's general policy in risk management is to limit interest rate and foreign currency risk. The Company has no currency swap contracts, options or derivatives outstanding at year-end.

2. **Summary of Significant Accounting Policies (continued)**

Revenue recognition

Revenues are recognised when earned as required by International Financial Reporting Standards.

Interest income is accrued over time, by reference to the principal outstanding and at the applicable interest rate.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed upon.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable to be recoverable. Contract costs are recognised as expenses in the period in which they incur.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately recognised as an expense.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Income tax

Income tax is calculated and recognised in the Financial Statements. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

The tax currently payable is income tax that is likely to be paid within the next 12 months for taxable income of the year and corrections in income tax for previous years.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. The difference is due to different assumptions in calculation of income tax.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

2. Summary of Significant Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment are recognised as an asset when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured in a reliable manner. Property, plant and equipment which qualifies for recognition as an asset is initially measured at cost. The cost of a property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use.

With the merger of Flugfjarskipti Ltd. and Isavia Ltd. the properties of the former company were revaluated because the market value of their properties were considered higher than the book value. The revaluation is based on an estimated sales price, which has been confirmed by appropriated assessor. The changes in the value is credited to other equity as revaluation reserve and the tax effect in deferred tax liability.

The depreciable amount of an asset is allocated on a straight-line basis over its useful life, less residual value. The depreciation charge for each period is recognised as an expense. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Intangible assets

Intangible assets are recognised only if it is probable that the asset will generate future economic benefits and the cost of the asset can be measured reliably. Intangible assets includes softwares. Intangible asset which qualifies for recognition as an asset is initially measured at cost. The depreciable amount of the asset is allocated on a fixed annual percentage of the historical cost over its useful life, less residual value. Estimated useful life and depreciaton methods are evaluated in end of each accounting period.

Expenditure on research activities is recognised as an expense in the period in wich it is incurred. Developement cost is recognised only if all of the following conditions are met:
- the technical feasibility of completing the intangible asset so that it will be avilable for use and sale
- the intension to complete the intangible asset and use or sell
- the ability to use or sell the intangible asset
- how the intangible asset will generate probable future enocomic benefits
- the avilabilty of adequate technical, financial and other resources to complete the development and to use or sell the asset
- the ability to mesure reliably the expenditure attributable to intangible assets during its development.

Where no intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortization and accumulated impairment losses.

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 assesments they are stated at cost less accumulated depreciations and impairment losses.

Impairment

At the end of each reporting period, the Company 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

2. Summary of Significant Accounting Policies (continued)

Inventories

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

Provisions

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

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Investments held to maturity

Financial assets are classified as financial assets intended to be held to maturity when the Company 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 recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

2. **Summary of Significant Accounting Policies (continued)**

Financial assets

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for impairment at the end of each reporting period to evaluate if there has been an impairment to the asset. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset has been affected. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

3. **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Accounting judgements are preferably in estimated useful life of assets and in write-downs of receivables and inventories, as described at note no. 8, 9, 12 and 13.

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

4. **Revenues**

The consolidated composition of revenues, is specified as follows	2014	2013
Revenue from sales	8,593,667	7,568,359
Revenue from services	11,693,174	10,619,393
Revenue from long term assets	1,792,596	1,622,715
	22,079,436	19,810,467

5. **Salaries and related expenses**

	2014	2013
Salaries	7,270,398	6,407,286
Pension fund, employers's contribution	846,128	785,515
Payroll taxes	612,247	549,674
Salary-related expenses	115,030	77,106
Additional contribution to pension fund and changes in vacation obligation	267,461	139,151
Capitalized employment expenses	(29,717)	(10,254)
Contractor payments	8,382	6,997
Other employee expenses	344,804	303,873
	9,434,734	8,259,347
Average number of employees	914	848

The Company´s total management salaries and benefits for the year 2014 was ISK 85.4 million compared to ISK 70.0 million for the year 2013. The Company´s CEO and Managing Director of Duty Free Store Ltd. and Tern Systems Ltd. salaries is decided by the wage negotiation committee.

6. **Financial income and expenses**

Financial income

	2014	2013
Interest on bank deposits	81,533	115,002
Interest revenue on investments held to maturity	29,124	29,851
Other interest revenue	100,002	101,010
	210,658	245,863

Financial expenses

	2014	2013
Interest expense and indexation	(572,724)	(557,987)
Debt collection fee	(75,988)	(58,423)
Interest on late payments	(2,235)	(1,944)
	(650,947)	(618,355)

Net gain (loss) from financial assets and liabilities

	2014	2013
Net exchange rate differences	(164,220)	1,572,715
	(164,220)	1,572,715

7. **Income tax**

Income tax has been calculated and recorded in the Financial Statements, the amount charged in the Income Statement is ISK 526.6 million. Income tax payable in the year 2015 is ISK 331.8 million.

The effective tax rate is specified as follows:

	2014		2013	
	Amount	%	Amount	%
Profit before taxes	2,723,881		4,017,844	
Tax rate	545,698	20.0%	803,569	20.0%
Non-taxable revenues	(15,480)	-0.6%	0	0.0%
Other items	(130)	0.0%	(2,234)	-0.1%
Other changes	(3,441)	-0.1%	0	0.0%
Income tax acc. to Statement of Comp. Income	526,647	19.3%	(801,335)	19.9%

All amounts are in thousands of ISK

8. Property, plant and equipment

	Buildings and artwork	Loading bridges and car parks	Fixtures and machinery	Other assets	Total
Cost					
Balance at 1 January 2014	20,852,046	2,976,171	2,634,892	6,050,598	32,513,707
Revaluation	(632,328)	37,276	893,930	(721,490)	(422,612)
Additions	926,563	788,455	915,616	1,218,672	3,849,307
Disposals	0	0	0	(42,459)	(42,459)
Balance at 31 December 2014	21,146,281	3,801,903	4,444,438	6,505,321	35,897,943
Accumulated depreciation					
Balance at 1 January 2014	4,366,232	927,311	1,494,555	2,546,854	9,334,952
Revaluation	(2,049)	11	236,077	(656,651)	(422,612)
Charge for the year	506,672	135,876	269,193	394,756	1,306,497
Disposals	0	0	0	(35,517)	(35,517)
Balance at 31 December 2014	4,870,855	1,063,198	1,999,826	2,249,443	10,183,320
Book value					
Book value 1 January 2014	16,485,814	2,048,860	1,140,336	3,503,744	23,178,755
Book value at year-end	16,275,426	2,738,705	2,444,613	4,255,879	25,714,623

Estimated useful lives of fixed assets are as follows:

Buildings and artwork	7-100 years			
Aprons and car parks		5-50 years		
Fixtures and machinery			3-20 years	
Other assets				3-15 years

Information about the revalued properties in year-end:

	31.12.2014	31.12.2013
Revalued book value	121,701	124,697
Impact of the special revaluation	(59,730)	(61,344)
Book value without impact of revaluation	61,971	63,353

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

Consolidation	Assessment value	Insurance value
Buildings and sites	18,294,130	38,973,423
Machinery and equipment, asset insurances		10,372,455
Other insurances		3,446
Halt insurance		5,563,875

9. Intangible assets and amortization

Consolidation	Usage agreement on facilities	Usage agreement on runways	Software	Total
Cost				
Balance at 1 January 2014	477,035	5,706,000	939,299	7,122,334
Revaluation	0	0	(23,029)	(23,029)
Additions	0	0	102,223	102,223
Balance at 31 December 2014	477,035	5,706,000	1,018,493	7,201,528
Amortization				
Balance at 1 January 2014	79,506	951,000	234,616	1,265,122
Revaluation	0	0	(23,029)	(23,029)
Charge for the year 2014	15,901	190,200	65,518	271,619
Balance at 31 December 2014	95,407	1,141,200	277,105	1,513,712
Book value				
Book value 1 January 2014	397,529	4,755,000	704,683	5,857,212
Book value at year-end	381,628	4,564,800	741,388	5,687,816

Due to the development of software intended for sale on the global market in the coming years, the development cost amounts to approximately 41.4 million which was capitalized in calendar years 2012 and 2014. It is estimated that the software development will be completed in the second half of calendar year 2015 and will be availble for use and sale. The Company has assessed the recoverable amount of this intangible asset and determined that this asset has not suffered an impairment loss. Other software is purchased and its estimated lifespan is 3-20 years.

According to an agreement between Keflavik International Airport Ltd., now Isavia Ltd. and The Icelandic Defence Agency, now the Icelandic Coast Guard, signed on April 22nd 2009, the Company 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 Company 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 recognised proportionately over the lease term.

10. The Consolidation

The Consolidated Financial Statements of Isavia Ltd. consists of the parent company and the following subsidiaries:

	Ownership%	Nominal amount	Principal activity
Shares in subsidiaries			
Duty Free Store Ltd., Keflavik Airport	100.00%	50,000	Retail and commerce
Tern Systems Ltd., Kopavogur	100.00%	50,000	Software and consulting
Domavia Ltd., Reykjavik	100.00%	500	Real estate business

11. Bonds and other long term assets

	31.12.2014	31.12.2013
Bond loan, weighted average of interest rate 5.97%.	347,098	390,033
Construction contracts	4,672	15,544
Book value at year-end	351,770	405,577
Current maturities	(53,377)	(59,584)
	298,393	345,993

Construction contracts are projects which are conducted for The International Civil Aviation Organization.

All amounts are in thousands of ISK

11. Bonds and other long term assets (continued)

Bonds and long term assets installments are specified as follows

	31.12.2014	31.12.2013
Year 2014	-	59,584
Year 2015	53,377	48,860
Year 2016	48,705	44,351
Year 2017	39,790	35,436
Year 2018	39,790	35,436
Year 2019	39,790	35,436
Installments later	130,320	146,472
	351,770	405,577

12. Inventories

	31.12.2014	31.12.2013
Goods for resale	460,590	453,064
Goods in transit	6,985	15,298
Allowance for old and obsolete inventory	(44,558)	(16,932)
	423,017	451,431

Changes in allowance for old and obsolete inventory:

At the beginning of the year	(16,932)	(18,455)
Impairment loss recognized on inventories	(40,249)	(16,115)
Inventories written off	12,623	17,638
At year-end	(44,558)	(16,932)
Insurance value of inventories	650,069	627,352

No inventories have been pledged at year-end 2014.

The Company´s plan is to sell all of its inventories in next 12 months.

13. Other financial assets

Accounts receivables

	31.12.2014	31.12.2013
Domestic receivables	1,212,751	1,064,167
Foreign receivables	362,429	297,621
Construction contracts	37,058	0
Allowances for doubtful accounts	(68,006)	(58,324)
	1,544,233	1,303,464

Aging and allowance for doubtful accounts

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

	31.12.2014		**31.12.2013**	
	Gross amount	Allowance	Gross amount	Allowance
Receivables not yet due	1,092,174	12,696	891,373	8,120
Receivables, overdue 1-90 days	443,698	10,622	412,967	16,105
Receivables, overdue 91-180 days	15,878	158	13,572	4,263
Receivables, overdue 181-210 days	3,728	367	4,219	104
Receivables, overdue 211 days and older	56,760	44,163	39,657	29,732
	1,612,239	68,006	1,361,788	58,324

13. Other financial assets (continued)

Changes in the allowance for doubtful accounts:

	31.12.2014	31.12.2013
At the beginning of the year	(58,324)	(40,582)
Impairment loss recognized on receivables	(10,581)	(18,557)
Amounts written off as uncollectable	899	815
At year-end	(68,006)	(58,324)

Allowance has been made for doubtful accounts, this allowance has been determined by management in reference to past default experience.

Other receivables

	31.12.2014	31.12.2013
Value added tax, receivables	265,141	189,799
Prepaid expenses	96,907	102,486
Capital income tax	17,195	22,895
Accrued interest, receivables	1,472	2,217
Prepaid salaries	47,222	44,776
Other receivables	228,985	222,804
	656,923	584,977

Bank balances and cash

The Company´s cash and cash equivalent consist of cash and bank balances.

	31.12.2014	31.12.2013
Bank balances in ISK	1,842,724	1,954,387
Bank balances in foreign currencies	2,643,478	772,113
Cash in ISK	4,586	3,531
	4,490,788	2,730,031

14. Equity

Share capital is specified as follows:

	Shares	Ratio	Amount
Total share capital at year-end	5,589,063	100.0%	5,589,063
	5,589,063	100.0%	5,589,063

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

All amounts are in thousands of ISK

15. Long term borrowings

	Loans from credit institutions	
	31.12.2014	31.12.2013
Liabilites in CHF	3,353,387	3,502,047
Liabilites in EUR	7,517,816	4,319,572
Liabilites in GBP	1,032,745	1,029,686
Liabilites in JPY	833,533	891,396
Liabilites in SEK	298,483	337,261
Liabilites in USD	3,990,588	3,793,216
Liabilites in ISK	1,936,415	2,013,159
	18,962,966	15,886,337
Current portion of long term liabilities	(1,063,413)	(1,277,175)
Non-current liabilities at year-end	17,899,553	14,609,162

Installments of non-current liabilities are specified as follows:

	Loans from credit institutions	
	31.12.2014	31.12.2013
Current maturities	-	1,277,175
Installments in 2015	1,063,413	1,256,216
Installments in 2016	1,047,454	1,242,148
Installments in 2017	909,249	1,099,965
Installments in 2018	771,337	958,072
Installments in 2019	869,813	958,072
Installments later	14,301,699	9,094,691
	18,962,966	15,886,337

Loans amounting to 16,843 million ISK are subject to financial covenants regarding equity ratio. Thereof loans amounting to 3,713 million ISK are also subject to condition of net interest bearing debts/EBITDA ratio. The financial covenants are reviewed on a regular basis and it is management view that they are unlikely to be breached.

16. Financial lease obligation

	Lease payments not due		Present value of minimum lease payments	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Amounts payable within one year	723	1,905	714	1,880
	723	1,905	714	1,880
Future finance charges	(9)	(25)		
Present value of lease obligation	714	1,880		
Current maturities	(714)	(1,880)		
Book value at year-end	0	0		

17. Deferred tax liability

	31.12.2014	31.12.2013
Balance at beginning of the year	(900,350)	(114,139)
Calculated income tax for the year	(526,647)	(801,335)
Income tax payable for the next year	331,767	15,124
Balance at the end of the year	(1,095,231)	(900,350)

Deferred tax balances consist of the following account balances

	31.12.2014	31.12.2013
Property, plant and equipment	(1,048,219)	(892,185)
Current assets	56,146	64,147
Other items	(103,158)	(152,303)
Tax loss carried forward	0	79,991
	(1,095,231)	(900,350)

18. Other financial liabilities

Accounts payable

	31.12.2014	31.12.2013
Domestic accounts payable	1,317,867	916,837
Accounts payable - Joint finance agreement	84,927	226,299
Foreign accounts payable	362,403	246,718
	1,765,196	1,389,854

Current maturities of long-term liabilities

	31.12.2014	31.12.2013
Loans from credit institutions	1,063,413	1,277,175
Obligation under finance leases	714	1,880
	1,064,127	1,279,055

Other current liabilities

	31.12.2014	31.12.2013
Value added tax, payable	12,101	14,883
Deferred revenue	17,727	11,437
Accrued additional contribution to pension fund	170,772	172,524
Salaries and related expenses payable	354,888	298,579
Accrued holiday commitment	773,689	686,293
Accrued interest, payable	143,139	126,365
Other liabilities	159,446	127,481
	1,631,762	1,437,561

All amounts are in thousands of ISK

19. Financial risk

Financial instruments

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

Financial assets	31.12.2014	31.12.2013
Bank balance and cash	4,490,788	2,730,031
Financial assets that are intended to hold to maturity	347,098	390,033
Loans and receivables	4,185,232	2,160,381

Financial liabilities	31.12.2014	31.12.2013
Other financial liabilities	22,692,404	18,747,390

19. Financial risk (continued)

Financial assets which are intended to hold to maturity, loans and advances and other financial liabilities are measured at amortized cost with effective interest method less impairment.

Risk management

The Company's Management monitors and manages the financial risks relating to the operations of the Company. These risks include interest rate risk, currency risk, market risk, credit risk and liquidity risk.

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

In the analysis below the effects of 50 and 100 basis points increase on profit or loss and equity are demonstrated. The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date. The analysis is prepared assuming the amount outstanding at the balance sheet date was outstanding for the whole year. The analysis assumes that all other variables than basis points are held constant. The sensitivity analysis does take into account tax effects. A positive amount below indicates an increase in profit and other equity. A decrease in basis points would have an opposite impact on 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:

	31.12.2014		**31.12.2013**	
	50 bps.	100 bps.	50 bps.	100 bps.
Effects on profit or loss and other equity	(43,905)	(87,810)	(45,661)	(91,321)

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

	Year-end rate		**Average rate**	
Currency	2014	2013	2014	2013
EUR	154.27	158.50	154.86	162.38
GBP	197.66	190.21	192.17	191.22
JPY	1.062	1.096	1.104	1.256
DKK	20.72	21.25	20.77	21.77
NOK	17.14	18.92	18.54	20.83
SEK	16.44	17.95	17.03	18.78
USD	126.90	115.03	116.75	122.23
CHF	128.29	129.19	127.50	131.91
CAD	109.59	108.07	105.71	118.72

Foreign currency risk 31.12.2014

	Assets	Liabilities	Net balance
EUR	4,246,240	7,835,794	(3,589,553)
GBP	439,776	1,039,993	(600,217)
JPY	2,674	833,712	(831,038)
CHF	10,496	3,357,318	(3,346,822)
DKK	2,975	8,194	(5,219)
NOK	10,728	0	10,728
SEK	5,895	298,529	(292,633)
USD	142,932	4,016,128	(3,873,196)
CAD	2,929	0	2,929

Foreign currency risk 31.12.2013

	Assets	Liabilities	Net balance
EUR	401,906	4,459,312	(4,057,406)
GBP	217,790	1,036,746	(818,956)
JPY	21,246	891,866	(870,621)
CHF	81,906	3,508,288	(3,426,382)
DKK	25,352	11,676	13,676
NOK	4,461	17,381	(12,920)
SEK	24,914	337,531	(312,616)
USD	293,186	3,858,977	(3,565,791)
CAD	526	0	526

All amounts are in thousands of ISK

19. Financial risk (continued)

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. The table above details monetary assets and liabilities that are denomintated 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. The analysis assumes that all other variables than the relevant foreign currency rate are held constant. The sensitivity analysis does take into account tax effects. An decrease of the relevant foreign currency rate against the ISK would have an opposite impact on profit or and other equity.

Effects on profit or loss and equity	31.12.2014		31.12.2013	
	5%	10%	5%	10%
EUR	(143,582)	(287,164)	(162,296)	(324,592)
GBP	(24,009)	(48,017)	(32,758)	(65,517)
JPY	(33,242)	(66,483)	(34,825)	(69,650)
CHF	(133,873)	(267,746)	(137,055)	(274,111)
DKK	(209)	(418)	547	1,094
NOK	429	858	(517)	(1,034)
SED	(11,705)	(23,411)	(12,505)	(25,009)
USD	(154,928)	(309,856)	(142,632)	(285,263)
CAD	117	234	21	42

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company monitors the credit risk development on a regular basis.

Maximum credit risk	Carrying amount	
	31.12.2013	31.12.2013
Bonds and other long term assets	351,770	405,577
Accounts receivables	1,544,233	1,309,899
Government treasury	123,004	0
Other receivables	355,391	323,354
Time deposit	1,856,400	0
Bank balances and cash	4,490,306	2,730,031
	8,721,104	4,768,860

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

19. Financial risk (continued)

Liquidity risk management

Liquidity risk is the risk that the company has difficulties to meet its financial commitments in the near future.

On a regular basis the Company 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 31.12.2014				
Non-interest bearing	3,999,215	0	0	3,999,215
Floating interest rates	981,308	3,215,977	13,383,505	17,580,790
Fixed interest rates	82,819	381,877	918,194	1,382,890
	5,063,341	3,597,854	14,301,699	22,962,894
Assets 31.12.2014				
Non-interest bearing	2,488,653	39,159	40,320	2,568,132
Floating interest rates	6,390,293	128,915	90,000	6,609,207
	8,878,946	168,074	130,320	9,177,339
Net balance 31.12.2014	3,815,604	(3,429,780)	(14,171,379)	(13,785,555)

	Payable within 1 year	Payable between 1 - 4 years	Payable after 4 years	Total
Liabilities 31.12.2013				
Non-interest bearing	3,283,557	0	0	3,283,557
Floating interest rates	1,201,549	4,199,038	9,041,359	14,441,946
Fixed interest rates	77,507	357,362	1,011,403	1,446,272
	4,562,613	4,556,400	10,052,762	19,171,775
Assets 31.12.2013				
Non-interest bearing	2,227,796	21,746	66,106	2,315,648
Floating interest rates	2,779,980	142,338	120,000	3,042,319
	5,007,776	164,084	186,106	5,357,967
Net balance 31.12.2013	445,163	(4,392,316)	(9,866,656)	(13,813,808)

20. Other issues

Revenues of International Air Navigation Services

On the basis of a service agreement with the Ministry of the Interior, the Company 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 24. The users of the service pay for the service in full.

All amounts are in thousands of ISK

21. Other obligations

Operating license

Isavia Ltd. holds a license from the Iceland Civil Aviation Administration for the operations of air navigation services under regulation No. 631/2008 and a license for the operation of airports according to regulation No. 464/2007. The licenses are granted for variable periods. Licenses for the operations of air navigation services and Keflavik Airport, Reykjavik Airport, Akureyri Airport and Egilsstadir Airport are valid until 2016. Registered landing area or other airports including airports for scheduled flights are valid until 2017.

Under its operating license the Company is required to respect and meet all obligations within the range of responsibilities and the operational area of the airport, the runways and terminal at Keflavik Airport which the Icelandic goverment has undertaken, and may undertake.

In times of war, and in emergencies, the Company shall be obliged to grant the American Military Authorities, use of airport facilities at Keflavik Airport. The International and Security Affairs Department of the Ministry for Foreign Affairs shall be responsible for liaising between the Company and the American Military Authorities, whether directly or indirectly.

Service agreement for construction

The service agreement between the Ministry of the Interior and the Company applies to maintenance and construction of airports others than Keflavik Airport. The company works with the Ministry of the Interior and prepares a proposal for maintance and construction which the company believes is neccessary to perform in accordance with the National Transportation Policy. The construction projects are included in this plan and are therefore agreed, according to the transportation policy. Payments are received according to a payment plan. In 2014 the amount for construction projects was in total ISK 181,6 million.

Service agreements for operations

On the basis of the service agreement with the Ministry of the Interior the Company provides navigation services in local airspace; operations, maintance and construction of airports and landing strips and publishes the AIP handbook.

The company is obliged to have in effect all legally binding insurance including liability insurance for air traffic control and airports. The liability coverage at year-end for air traffic control and airports amounted to USD 1,000,000,000 and for flight testing amounted to USD 500.000.

The Company's legally binding insurance is exempt from liability due to acts of terrorism. The Company has procured insurance against terrorism covering damage in air navigation services and airports amounting to approximately USD 250,000,000 and USD 15,000,000 at Keflavik Airport.

The company has purchased an idemnity insurance for the Board of Directors and Management which covers a loss up to ISK 300,000,000.

Obligation due to employees

The Company has insured all its employees in accordance with applicable collective agreements, except certificates of insurance for air traffic controllers. According to collective agreements, the Company shall at its own expense ensure certification of each controller that has VFR and/or IFR qualifications. The Company has not purchased insurance and therefore has an obligation in accordance with applicable collective agreements, if loss of certifications occurs.

22. Related parties

Related parties are those parties which have considerable influence over the Company, directly or indirectly, including parent company, owners or their families, large investors, key employees and their families and parties that are controlled or dependent on the Company, i.e. affiliates and joint ventures. Isavia Ltd. is a government owned private limited company and partial exemption is provided from the disclosure requirements for government-related entities in the revised version of IAS 24.

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 where immaterial.

23. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on March 17th, 2015.

NOTES

24. Consolidated ratios

From Statement of Comprehensive Income:	2014	2013
Profitability		
Earnings before interests, taxes, depreciation and amortisation (EBITDA)	4,906,505	4,469,620
a) Contribution margin on operation	22.22%	22.56%
b) Profit margin on operating revenue	9.95%	16.24%
c) Earning per share (EPS)	0.39	0.58
d) Return on equity	13.77%	24.27%

a) EBITDA/total revenue
b) Net income/total revenue
c) Earnings per share (EPS)
d) Net income/average equity

From Balance sheet:	31.12.2014	31.12.2013
Activity ratios		
e) Investment in inventories	0.02	0.02
f) Rate of return on assets	0.59	0.58
g) Inventory turnover	9.74	7.99
h) Receivables turnover	15.51	15.44

e) Inventory/revenues
f) Net income/average total assets
g) Cost of goods sold/average inventory
h) Reveneus/average accounts receivables

Liquidity ratios	31.12.2014	31.12.2013
i) Quick or acid-test ratio	1.82	1.13
j) Current ratio	1.91	1.24
k) Net Interest Bearing Debts/EBITDA	2.95	3.62

i) (Current assets - inventories)/average total assets
j) Current assets/current liabilities

Coverage ratios	31.12.2014	31.12.2013
l) Equity ratio	41.77%	43.07%
m) Internal value of shares	3.05	2.66

l) Shareholders equity/total assets
m) Shareholders equity/capital stock

From Cash flow:	2014	2013
n) Net cash debt coverage	0.19	0.21
o) Quality of sales	2.11	1.25
p) Quality of net profit	1.52	1.58

n) Cash flow from operat./Total liabilities
o) Paid in revenue/stated revenue
p) Cash flow from operat./net profit

Operating expenses as percentage of revenues	2014	2013
Cost of goods sold/income from retail division	19.29%	19.61%
Salaries and related expenses/operating revenues	42.73%	41.69%
Administrative expenses/operating revenues	2.51%	2.60%
Other operating expenses/operating revenues	13.25%	13.54%
Depreciation and amortization/operating revenue	7.15%	8.34%
Operating expenses/operating revenues	84.93%	85.78%

All amounts are in thousands of ISK

NOTES

25. Segment reporting

Segment information are disclosed on basis of organizational structure and internal management information. Segments are divided on basis of three operational components from the parent company and one subsidiary. Majority of Air navigation component consists of service to carriers granted on basis of the Joint Finance Agreement. Domestic systems are operation of airports and airport control towers for domestic flights. Keflavik airport are operation of airport and control tower in Keflavik in addition to Leifur Eiriksson Air Terminal. The Duty Free is a retail business and Others consists of support units of the parent company and two subsidiaries. One client has revenues that comprise more than 10% of the consolidation revenue, that is Icelandair Group 3,712 million ISK or about 17% of the consolidate operating revenues.

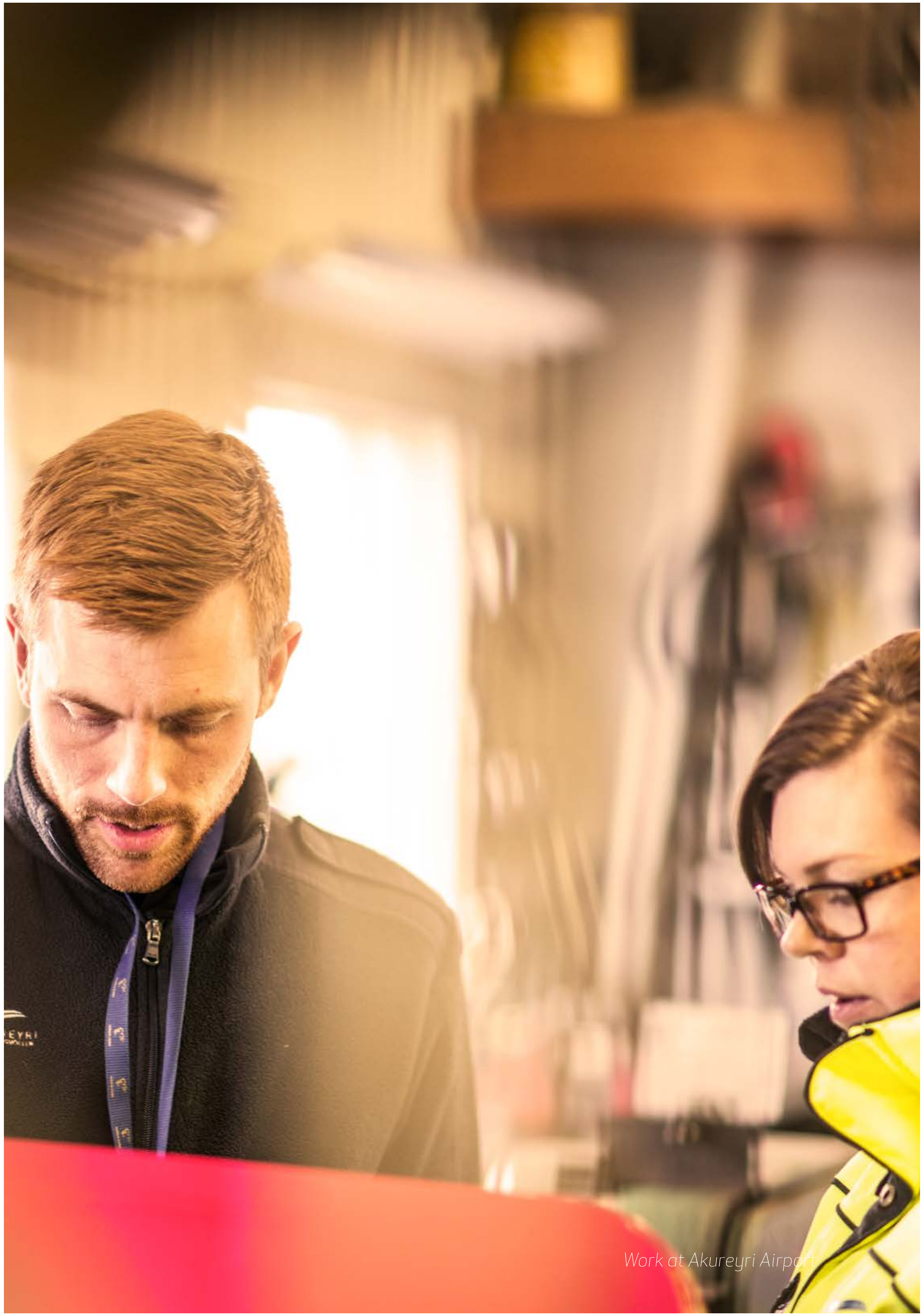
Segment information year 2014:	Air-navigation	Domestic Airports	Keflavik Airport	Duty Free Store	Others	Eliminations	Consolidated
Revenue:							
External revenue	4,334,414	1,826,051	6,991,292	8,734,192	193,487		22,079,436
Inter-segment revenue	235,971	90,367	2,884,862	0	1,923,669	(5,134,869)	0
Total revenue	4,570,385	1,916,418	9,876,154	8,734,192	2,117,157	(5,134,869)	22,079,436
Comprehensive income:							
Operating profit	205,407	15,815	3,058,853	52,290	(3,975)		3,328,389
Net financial income / (expenses)							(604,508)
Profit before taxes							2,723,881
Total comprehensive income							2,197,234
Balance sheet:							
Non-current assets	2,720,385	423,928	26,893,098	331,133	1,332,289		31,700,833
Other assets unallocated to segments							9,147,742
Total assets							40,848,575
Total liabilities							23,787,635
Other information:							
Capital additions	440,455	138,224	3,282,863	9,181	80,808		3,951,530
Depreciation and amortization	200,485	62,597	1,177,503	71,554	65,976		1,578,116

Segment information year 2013:	Air-navigation	Domestic Airports	Keflavik Airport	Duty Free Store	Others	Eliminations	Consolidated
Revenue:							
External revenue	3,903,370	1,821,919	6,224,366	7,688,768	172,043		19,810,467
Inter-segment revenue	175,822	85,162	2,337,638	0	1,422,581	(4,021,202)	0
Total revenue	4,079,192	1,907,081	8,562,004	7,688,768	1,594,624	(4,021,202)	19,810,467
Comprehensive income:							
Operating profit	338,724	87,102	2,352,418	114,694	(75,318)		2,817,621
Net financial income / (expenses)							1,200,223
Profit before taxes							4,017,844
Total comprehensive income							3,216,509
Balance sheet:							
Non-current assets	2,528,428	348,301	24,794,680	393,507	1,317,044		29,381,960
Other assets unallocated to segments							5,129,486
Total assets							34,511,446
Total liabilities							19,647,740
Other information:							
Capital additions	405,282	78,535	2,276,605	227,523	41,855		3,029,800
Depreciation and amortization	180,948	67,853	1,186,524	87,171	129,502		1,651,998

Segment information year 2012:	Air-navigation	Domestic Airports	Keflavik Airport	Duty Free Store	Others	Eliminations	Consolidated
Revenue:							
External revenue	3,790,531	1,642,390	5,564,291	7,117,334	282,307		18,396,853
Inter-segment revenue	159,267	86,825	2,224,846	0	1,254,862	(3,725,800)	0
Total revenue	3,949,797	1,729,215	7,789,137	7,117,334	1,537,169	(3,725,800)	18,396,853
Comprehensive income:							
Operating profit	277,109	(64,934)	2,061,139	194,024	(70,864)		2,396,473
Net financial income / (expenses)							(1,464,398)
Profit before taxes							932,075
Total comprehensive income							737,769
Balance sheet:							
Non-current assets	2,361,073	337,619	23,705,832	253,155	1,415,182		28,072,861
Other assets unallocated to segments							5,317,268
Total assets							33,390,129
Total liabilities							21,742,931
Other information:							
Capital additions	165,616	43,982	1,039,141	42,882	119,014		1,410,633
Depreciation and amortization	189,017	50,509	1,077,212	43,687	65,901		1,426,327

Segment information year 2011:	Air-navigation	Domestic Airports	Keflavik Airport	Duty Free Store	Others	Eliminations	Consolidated
Revenue:							
External revenue	3,585,756	1,442,329	4,984,419	6,255,247	243,297		16,511,047
Inter-segment revenue	174,633	57,459	1,917,459	0	1,115,456	(3,265,007)	0
Total revenue	3,760,389	1,499,788	6,901,878	6,255,247	1,358,752	(3,265,007)	16,511,047
Comprehensive income:							
Operating profit	307,121	(127,870)	2,031,816	133,369	(42,409)		2,302,028
Net financial income / (expenses)							(1,542,336)
Profit before taxes							759,692
Total comprehensive income							604,053
Balance sheet:							
Non-current assets	2,127,990	344,147	23,743,904	253,960	1,425,985		27,895,986
Other assets unallocated to segments							4,624,032
Total assets							32,520,018
Total liabilities							21,603,332
Other information:							
Capital additions	189,370	54,516	506,006	30,223	115,130		895,246
Depreciation and amortization	173,988	47,988	1,010,575	41,269	76,862		1,350,682

All amounts are in thousands of ISK


Work at Akureyri Airport

Values of Isavia

Safety
We minimise risk by employing disciplined operating procedures, relentless pursuit of knowledge and systematic supervision and impose safety for our customers, personnel and the public.

Co-operation
We co-operate as one towards the goal of success and excellence in service. We respect each other's work and encourage initiative towards reformation.

Service
We establish clear service benchmarks and greet our customers with positive attitude and respect. We exercise prudence and seek ways to maximise success.

Take-off at Keflavík Airport