Icelandair Group hf.

Condensed Consolidated
Interim Financial Statements
1 January - 31 March 2019

USD

Icelandair Group hf.
Reykjavíkurflugvöllur
101 Reykjavík
Iceland
Reg. no. 631205-1780

Contents

Endorsement and Statement by the Board of Directors and the CEO

The condensed consolidated interim financial statements of Icelandair Group hf. for the period from 1 January to 31 March 2019 have been prepared in accordance with International Financial Reporting Standards (IFRSs) for Interim Financial Statements (IAS 34). The interim financial statements comprise the consolidated interim financial statements of Icelandair Group hf. (the "Company") and its subsidiaries together referred to as the "Group". The condensed consolidated Interim financial statements are stated in thousands of USD.

According to the consolidated statement of comprehensive income, loss for the period from 1 January to 31 March 2019 amounted to USD 55.1 million. Total comprehensive loss for the period was USD 45.6 million. According to the consolidated statement of financial position, equity at the end of the period amounted to USD 425.8 million, including share capital in the amount of USD 39.1 million. Reference is made to the consolidated statement of changes in equity regarding information on changes in equity.

Statement by the Board of Directors and the CEO

The condensed consolidated interim financial statements for the three months ended 31 March 2019 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional Icelandic disclosure requirements for consolidated financial statements of listed companies. The condensed consolidated interim financial statements have not been audited or reviewed by the Company's independent auditors.

According to our best knowledge it is our opinion that the condensed consolidated interim financial statements give a true and fair view of the financial performance of the Group for the three month period ended 31 March 2019, its assets, liabilities and consolidated financial position as at 31 March 2019 and its consolidated cash flows for the period then ended.

Further, in our opinion, the condensed consolidated interim financial statements and the endorsement of the Board of Directors and the CEO give a fair view of the development and performance of the Group's operations and its position and describes the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO have today discussed the condensed consolidated interim financial statements of Icelandair Group hf. for the period from 1 January to 31 March 2019 and confirm them by means of their signatures.

Reykjavík, 3 May 2019.

Board of Directors:

Úlfar Steindórsson, Chairman of the Board
Ómar Benediktsson
Guðmundur Hafsteinsson
Heiðrún Jónsdóttir
Svava Grönfeld

CEO:

Bogi Nils Bogason

Consolidated Statement of Comprehensive Income
for the period from 1 January to March 31 2019

	Notes	2019 1.1.-31.3.	2018 1.1.-31.3.
Operating income			
Transport revenue	7	167.473	173.134
Aircraft and aircrew lease		25.120	33.394
Other operating revenue	7	56.009	61.091
		248.602	267.619
Operating expenses			
Salaries and other personnel expenses		110.216	113.129
Aviation expenses		91.281	100.692
Other operating expenses		61.773	72.009
	8	263.270	285.830
Operating loss before depreciation and amortisation (EBITDA)		(14.668)	(18.211)
Depreciation and amortisation		(44.911)	(28.002)
Operating loss before net finance (costs) income (EBIT)		(59.579)	(46.213)
Finance income		432	5.601
Finance costs		(9.726)	(4.193)
Net finance (costs) income	9	(9.294)	1.408
Share of profit of associates, net of tax		405	1.266
Loss before tax		(68.468)	(43.539)
Income tax		13.355	9.011
Loss for the period		(55.113)	(34.528)
Other comprehensive loss:			
Foreign currency translation differences of foreign operations		(1.493)	(243)
Net loss on hedge of investment, net of tax		(4.042)	0
Effective portion of changes in fair value of cash flow hedge, net of tax		15.074	7.826
Other comprehensive profit for the period		9.539	7.583
Total comprehensive loss for the period		(45.574)	(26.945)
Loss attributable to:			
Owners of the Company		(55.196)	(34.429)
Non-controlling interest		83	(99)
Loss for the period		(55.113)	(34.528)
Total Comprehensive loss attributable to:			
Owners of the Company		(45.618)	(26.865)
Non-controlling interest		44	(80)
Total comprehensive loss for the period		(45.574)	(26.945)
Loss per share:			
Basic loss per share in US cent per share		(1,15)	(0,72)
Diluted loss per share in US cent per share		(1,15)	(0,72)

* See note 4

The notes on pages 8 to 19 are an integral part of these interim consolidation financial statements.

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Consolidated Statement of Financial Position
as at 31 March 2019

	Notes	31.3.2019	31.12.2018
Assets			
Operating assets	10	666.019	673.420
Right-of-use assets	4	168.203	0
Intangible assets and goodwill		176.163	177.568
Investments in associates		27.204	26.134
Deferred cost		0	91
Receivables and deposits		31.139	17.365
Non-current assets		1.068.728	894.578
Inventories		29.581	25.951
Derivatives used for hedging		859	666
Trade and other receivables		187.882	118.298
Assets classified as held for sale	6	306.185	125.169
Cash and cash equivalents		289.020	299.460
Current assets		813.527	569.544
Total assets		1.882.255	1.464.122
Equity			
Share capital		39.053	39.053
Share premium		133.513	133.513
Reserves	11	34.056	26.262
Retained earnings		217.622	271.034
Equity attributable to equity holders of the Company		424.244	469.862
Non-controlling interest		1.561	1.517
Total equity		425.805	471.379
Liabilities			
Loans and borrowings	12	207.732	147.513
Lease liabilities	4	166.786	0
Payables		5.125	14.554
Deferred tax liabilities		22.808	32.868
Non-current liabilities		402.451	194.935
Loans and borrowings	12	183.293	268.288
Lease liabilities	4	36.855	0
Derivatives used for hedging		14.521	39.660
Liabilities classified as held for sale	6	238.125	52.244
Trade and other payables		225.845	222.766
Deferred income		355.360	214.850
Current liabilities		1.053.999	797.808
Total liabilities		1.456.450	992.743
Total equity and liabilities		1.882.255	1.464.122

* See note 4

The notes on pages 8 to 19 are an integral part of these interim consolidation financial statements.

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Consolidated Statement of Changes in Equity
for the period from 1 January to 31 March 2019

	Attributable to equity holders of the Company						
1 January to 31 March 2018	**Share capital**	**Share premium**	**Reserves**	**Retained earnings**	**Total**	**Non-con-trolling interest**	**Total equity**
Equity 1.1.2018	39.532	140.519	127.407	282.739	590.197	1.338	591.535
Impact of IFRS 15 correction				5.010	5.010		5.010
Restated Equity 1.1.2018	39.532	140.519	127.407	287.749	595.207	1.338	596.545
Purchase of treasury shares	(479)	(7.006)			(7.485)		(7.485)
Total comprehensive loss			7.564	(34.960)	(26.865)	(80)	(26.945)
Effects of profit or loss and dividend from subsidiaries			(38.456)	38.456			
Dividend (0.10 US cent per share)				(7.254)	(5.044)		(7.254)
Equity 31 March 2018	39.053	133.513	96.515	283.991	555.813	1.258	554.861
1 January to 31 March 2019							
Equity 1.1.2019	39.053	133.513	26.262	271.034	469.862	1.517	471.379
Total comprehensive loss			9.578	(55.196)	(45.618)	44	(45.574)
Effects of profit or loss and dividend from subsidiaries			(1.784)	1.784			
Equity 31 March 2019	39.053	133.513	34.056	217.622	424.244	1.561	425.805

Information on changes in reserves are provided in note 10.

The notes on pages 8 to 19 are an integral part of these interim consolidation financial statements.

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Consolidated Statement of Cash Flows for the three months ended 31 March 2019

	Notes	2019 1.1.-31.3	2018 1.1.-31.3
Cash flows from operating activities			
Loss for the period		(55.113)	(34.528)
Adjustments for:			
Depreciation and amortisation		44.911	28.002
Expensed deferred cost		0	1.998
Net finance costs		9.294	(1.408)
Gain on the sale of operating assets		(6.704)	(3.094)
Share in profit of associates		(405)	(1.266)
Income tax		(13.355)	(9.011)
		(21.372)	(19.307)
Changes in:			
Inventories, increase		(3.630)	(1.924)
Trade and other receivables, increase		(63.507)	(82.758)
Trade and other payables, decrease		26.308	25.083
Deferred income, increase		140.510	150.460
Cash generated from operating activities		99.681	90.861
Interest received		457	715
Interest paid		(5.825)	(5.154)
Net cash from operating activities		72.941	67.115
Cash flows used in investing activities:			
Acquisition of operating assets		(172.077)	(136.982)
Proceeds from the sale of operating assets		150.942	52.157
Acquisition of right-of-use assets		(8.468)	0
Acquisition of intangible assets		(1.032)	(664)
Capitalised deferred cost		0	(1.232)
Investment in associates		(1.462)	0
Non-current receivables, change		(8.681)	(31.966)
Cash attributable to assets held for sale		(12.814)	0
Short term investments, change		0	(10.472)
Net cash used in investing activities		(53.592)	(129.159)
Cash flows from financing activities:			
Purchase of treasury shares		0	(7.483)
Proceeds from non-current borrowing		79.799	0
Repayment of non-current borrowings		(88.940)	(2.664)
Repayment of lease debt	4	(6.451)	0
Proceeds from short term borrowings		(13.136)	40.949
Net cash from financing activities		(28.728)	30.802
Decrease in cash and cash equivalents		(9.379)	(31.242)
Effect of exchange rate fluctuations on cash held		(1.061)	1.308
Cash and cash equivalents at beginning of the period		299.460	221.191
Cash and cash equivalents at 31 March		289.020	191.257
Investment and financing without cash flow effect:			
Acquisition of right-of-use assets		(104.457)	0
New or renewed leases		104.457	0
Acquisition of operating assets		0	(52.506)
Non-current receivables		0	52.506
Dividend issued		0	(7.254)
Trade and other payables		0	7.254

* See note 4

The notes on pages 8 to 19 are an integral part of these interim consolidation financial statements.

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Notes

1. Reporting entity

Icelandair Group hf. (the "Company") is a public limited liability company incorporated and domiciled in Iceland. The condensed consolidated interim financial statements of the Company as at and for the three months ended 31 March 2019 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group´s interests in associates. The Group primarily operates in the airline transportation and tourism industry. The Company is listed on the Nasdaq OMX Iceland.

The Group´s consolidated financial statements as at and for the year ended 31 December 2018 are available upon request from the Company's registered office at Reykjavíkurflugvöllur in Reykjavík, Iceland or at its website address, www.icelandairgroup.is and at The Icelandic Stock Exchange website, www.nasdaqomx.com.

2. Basis of accounting

These interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting.* They do not include all the information requred for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2018.

These interim financial statements were approved for issue by the Board of Directors on 3 May 2019.

3. Use of judgements and estimates

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2018.

a. Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. The management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Group Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are catagorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Notes, contd.:

4. Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these consolidated interim financial statements.

a. Adoption of new and revised Standards

In the current period, the Group, for the first time, has applied IFRS 16 Leases. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease requires and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidated interim financial statements is described below.

The Group has applied IFRS 16 using the modified retrospective approach, with no restatement of comparative information. The Group has elected to apply the practical expedient to grandfather the definition of a lease on transition, and thereby applying IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

With the application of IFRS 16, the nature of expenses related to operating leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease. As a result, the application of IFRS 16 led to a increase in loss of the period ended 31.3.2019 by 1.7 million. The effects on PnL line items are as follows:

	Amounts without adoption of IFRS 16	Adjustment IFRS 16	2019 1.1.-31.3. As reported
Operating income			
Transport revenue	167.473	0	167.473
Aircraft and aircrew lease	27.432	(2.312)	25.120
Other operating revenue	56.083	(74)	56.009
Total operating income	250.988	(2.386)	248.602
Operating expenses			
Salaries and other personnel expenses	110.216	0	110.216
Aviation expenses	103.826	(12.545)	91.281
Other operating expenses	66.274	(4.501)	61.773
Total operating expenses	280.316	(17.046)	263.270
Operating profit before depr. and amortisation (EBITDA)	(29.328)	14.660	(14.668)
Depreciation and amortisation	(31.198)	(13.713)	(44.911)
Operating loss before net finance (costs) income	(60.526)	947	(59.579)
Net finance (costs) income	(6.184)	(3.110)	(9.294)
Loss before income tax	(66.305)	(2.163)	(68.468)
Income tax	12.922	433	13.355
Loss for the period	(53.383)	(1.730)	(55.113)

b. Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group 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 Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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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 Group 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 excercise price of purchase options if the Group expects to excercise 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 Group 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 seperate lease.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group 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.

c. Aircraft maintenance of leased aircraft

Accounting of the maintenance on leased aircraft, the Group recognizes return obligation liabilities and provisions in respect of the required maintenance obligations within the framework of the lease of aircraft to lessors. The constitution of these return obligation liabilities and provisions depends on the type of maintenance obligations to fulfill before returning these aircraft to the lessors: overhaul and restoration work as well as airframe and engine potential reconstitution. These provisions also consist of compensation paid to lessors in respect of wear of the limited life parts in the engines.

- Overhaul and restoration works (not depending on aircraft utilization)

Costs resulting from work required to be performed just before returning aircraft to the lessors, such as painting of the shell or aircraft overhaul (“C Check”) are recognized as provisions as of the inception of the contract. The counterpart of these provisions is booked as a complement through the initial book value of the aircraft right-of-use assets. This complement to the right-of-use asset is depreciated over the lease term.

- Airframe and engine potentials reconstitution (depending on the utilization of the aircraft and its engines)

The airframe and the engine potentials are recognized as a complement to the right-of-use assets since they are considered as full-fledged components, as distinct from the physical components which are the engine and the airframe. These components are the counterparts of the return obligation liability, recognized in its totality at the inception of the contract. When maintenance events aimed at reconstituting these potentials take place, the costs incurred are capitalized. These potentials are depreciated over the period of use of the underlying assets (flight hours for the engine potentials component or straight-line for the airframe potentials component).

- Compensation related to limited life parts (engine components)

As the component approach is not applicable for limited life parts, costs related to the lessor’s compensation are booked progressively as provisions as they are used during the lease term and based upon contractual data (e.g. cost of a limited life part).

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 Group has used this practical expedient.

Right-of-use assets	Land & Real Estate	Aircrafts	Other	Total
Recognised on initial application	198.106	69.690	1.068	268.864
Sublease agreements on inital application	(1.467)	(15.907)	(110)	(17.484)
Adjustments for indexed leases	815	0	4	819
New or renewed leases	0	112.721	204	112.925
Depreciation	(3.223)	(10.356)	(134)	(13.713)
Reclassified to assets held for sale	(173.687)	0	(89)	(173.776)
Currency translation adjustment	(9.429)	0	(3)	(9.432)
Balance at 31 March 2019	11.115	156.148	940	168.203

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Lease liabilities	2019 1.1.-31.3.
Recognised on initial application	289.723
Adjustments for indexed leases	819
New or renewed leases	112.925
Repayment of lease debt	(15.543)
Reclassified to liabilities held for sale	(175.631)
Next year payment of lease liabilities	(36.855)
Currency translation adjustment	(8.652)
Balance at 31 March 2019	166.786

Maturity analysis	2019 1.1.-31.3.
Repayments in 2019 (9 months)	30.040
Repayments in 2020	23.487
Repayments in 2021	23.695
Repayments in 2022	22.510
Repayments in 2023	26.638
Subsequent repayments	77.271
Total lease liabilities	203.641

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5. Operating segments

Segment information is presented in the consolidated financial statements in respect of the Group's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the Group's management and internal reporting structure and is divided into three segments; International flight operations, Aviation investments and Tourism investments.

Inter-segment pricing is determined on an arm's length basis.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Passenger network

There are three subsidiaries within the passenger network segment. Icelandair, the international passenger airline, Air Iceland Connect, the domestic and regional carrier, and Fjarvakur, the shared service center. Icelandair´s route network is based on the Hub and Spoke concept between Europe and North America via Iceland, leveraging Iceland's geographical position. This successful strategy of combining passengers visiting and departing Iceland, with passengers travelling across the Atlantic (via Iceland) has allowed Icelandair to constantly grow and expand its route network over the past years. Icelandair's route network will in highseason 2019 connect 19 cities in North America with 23 cities in Europe with 479 connection possibilities.

Aviation services

There are three subsidiaries within the Aviation services segment. Loftleidir Icelandic, the leasing arm of the group, Icelandair Cargo, the cargo airline and VITA, an outgoing tour operator. They have access to the systems, vast experience and knowhow within Icelandair and the International Flight Operations bringing economy of scale to the whole operations.

Tourism services

There are two subsidiaries within the Tourism investment segment, Icelandair Hotels and Iceland Travel. Icelandair Hotels offers quality hotels both in Reykjavík and around the countryside. Iceland Travel is the largest incoming tour operator in Iceland.

Geographic information

The geographic information analyses the Group´s revenue as the majority of the Group's clients are outside of Iceland. Vast majority of the Group´s non-current assets are located in Iceland. In presenting the following information the Group's revenues have been based on geographic location of customers:

	2019 1.1.-31.3.	2018 1.1.-31.3.
Revenues		
North America	30%	29%
Iceland	36%	38%
West Continental Europe	10%	9%
Scandinavia	6%	6%
United Kingdom	6%	9%
Other	12%	9%
Total revenues	100%	100%

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5. contd.:

Reportable segments for the three months ended 31 March 2019

	Passenger network	Aviation services	Tourism services	Total
External revenue	169.027	52.860	26.715	248.602
Inter-segment revenue	26.531	816	671	28.018
Segment revenue	195.558	53.676	27.386	276.620
Segment EBITDA	(26.346)	11.239	439	(14.668)
Finance income	1.538	412	12	1.962
Finance costs	(6.237)	(534)	(4.485)	(11.256)
Depreciation and amortisation	(32.392)	(7.446)	(5.073)	(44.911)
Share of profit of equity accounted investees	362	0	43	405
Reportable segment loss before tax	(63.075)	3.671	(9.064)	(68.468)
Reportable segment assets	2.097.069	147.287	314.775	2.559.131

Reportable segments for the three months ended 31 March 2018

	Passenger network	Aviation services	Tourism services	Total
External revenue	172.254	59.864	35.501	267.619
Inter-segment revenue	24.248	1.657	1.495	27.400
Segment revenue	196.502	61.521	36.996	295.019
Segment EBITDAR*	(20.803)	15.139	(636)	(6.300)
Operating lease expenses	(1.645)	(7.010)	(3.256)	(11.911)
Segment EBITDA	(22.448)	8.129	(3.892)	(18.211)
Finance income	5.333	754	8	6.095
Finance costs	(3.872)	(28)	(787)	(4.687)
Depreciation and amortisation	(25.864)	(579)	(1.559)	(28.002)
Share of profit of equity accounted investees	1.266	0	0	1.266
Reportable segment loss before tax	(45.585)	8.276	(6.230)	(43.539)
Reportable segment assets	2.081.012	103.273	70.421	2.254.706

*EBITDAR means EBITDA before operating lease expenses.

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5. contd.:

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities, and other material items

	2019 1.1.-31.3.	2018 1.1.-31.3.
Revenue		
Total revenue for reportable segments	276.620	295.019
Elimination of inter-segment revenue	(28.018)	(27.400)
Consolidated revenue	248.602	267.619
Profit or loss		
Consolidated loss before tax	(68.468)	(43.539)

Other material items	Reportable segment totals	Adjust- ments	Consoli- dated totals
1.1.-31.3. 2019			
Segment EBITDA	(14.668)		(14.668)
Finance income	1.962	(1.575)	387
Finance costs	(11.256)	1.575	(9.681)
Depreciation and amortisation	(44.911)		(44.911)
Share of profit of associates	405		405
Capital expenditure	173.109		173.109
1.1.-31.3. 2018			
Segment EBITDAR	(6.300)		(6.300)
Segment EBITDA	(18.211)		(18.211)
Finance income	6.095	(494)	5.601
Finance costs	(4.687)	494	(4.193)
Depreciation and amortisation	(28.002)		(28.002)
Share of profit of associates	1.266		1.266
Capital expenditure	138.878		138.878

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6. Assets held for sale

Management has committed to a plan to sell its tourism services segment following a strategic decision to place greater focus on the Group's key competencies, i.e. the airline industry.

As these operations are deemed immaterial on the consolidated statement of comprehensive income, it is included and not shown separately as discontinued operations. In the consolidated statement of financial position, assets and liabilities of this segment are stated as held for sale. Comparative amounts have not been re-presented. The impact on the consolidated financial statements as a whole is presented below.

a. Impacts on consolidated financial statements

(i) Comprehensive loss for the tourism services

	2019 1.1.-31.3.	2018 1.1.-31.3.
Revenue	28.729	21.949
Elimination of inter-segment revenue	(2.026)	(2.713)
External revenue	26.703	19.236
Expenses	(37.813)	(25.871)
Elimination of expenses of inter-segment sales	2.026	2.713
External expenses	(35.787)	(23.158)
Loss from operating activities	(9.084)	(3.922)
Income tax	1.914	770
Loss from tourism services, net of tax	(7.170)	(3.152)
Basic loss per share in US cent per share	(0,15)	(0,07)
Diluted loss per share in US cent per share	(0,15)	(0,07)

(ii) Cash flows from (used in) tourism services

	2019 1.1.-31.3.	2018 1.1.-31.3.
Net cash from operating activities	4.945	105
Net cash used in investing activities	(1.792)	(5.332)
Net cash (used in) from financing activities	(2.466)	2.391
Net cash flows for the period	687	(2.836)

(iii) Effect of possible disposal on the financial position of the Group

The assets and liabilities of the tourism services segment are presented as held for sale in the consolidated statements of financial position at end of March 2019 following a strategic decision by the Board. The hotel operation was held for sale at year end 2018. The carrying amounts of the major classes of assets and liabilities were as follows:

	31.3.2019	31.12.2018
Operating assets	98.368	102.491
Right-of-use assets	173.606	0
Intangible assets and goodwill	6.337	5.457
Investments in associates	1.043	1.055
Inventories	706	755
Trade and other receivables	13.310	11.377
Cash and cash equivalents	12.814	4.034
Deferred tax liabilities	(1.340)	(3.191)
Loans and borrowings	(33.831)	(35.644)
Lease liabilities	(175.631)	0
Trade and other payables	(15.753)	(8.683)
Deferred income	(11.569)	(4.726)
Net assets and liabilities	68.060	72.925

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7. Operating income

Transport revenue is specified as follows:

	2019 1.1.-31.3.	2018 1.1.-31.3.
Passengers	135.442	141.971
Passenger ancillary revenues	17.553	16.178
Cargo and mail	14.478	14.985
Total transport revenue	167.473	173.134

Other operating revenue is specified as follows:

Sale in airport and hotels	18.609	19.841
Revenue from tourism	17.153	24.735
Aircraft and cargo handling services	5.287	5.753
Maintenance revenue	1.734	819
Gain on sale of operating assets	6.704	3.094
Other operating revenue	6.522	6.849
Total other operating revenue	56.009	61.091

8. Operating expenses

Salaries and other personnel expenses are specified as follows:

Salaries	74.077	73.107
Salary-related expenses	22.801	23.350
Other personnel expenses	13.338	16.672
Total salaries and personnel expenses	110.216	113.129

Aviation expenses are specified as follows:

Aircraft fuel	51.838	49.547
Aircraft lease	3.970	8.304
Aircraft handling, landing and communication	24.739	24.169
Aircraft maintenance expenses	10.734	18.672
Total aviation expenses	91.281	100.692

Other operating expenses are specified as follows:

Operating cost of real estate and fixtures	4.460	8.697
Communication	7.191	5.883
Advertising	7.084	8.583
Booking fees and commission expenses	11.693	10.212
Cost of goods sold	3.037	3.581
Customer services	11.060	11.026
Tourism expenses	8.768	15.978
Allowance for bad debt	(45)	(917)
Other operating expenses	8.525	8.966
Total other operating expenses	61.773	72.009

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9. Finance income and finance costs

Finance income and finance costs are specified as follows:

	2019 1.1.-31.3.	2018 1.1.-31.3.
Interest income on bank deposits	329	431
Other interest income	(81)	354
Net foreign exchange gain	184	4.816
Finance income total	432	5.601
Interest expenses on loans and borrowings	6.128	3.950
Interest on lease liabilities	3.342	0
Other interest expenses	256	243
Finance costs total	9.726	4.193
Net finance costs	(9.294)	1.408

10. Operating assets

Aquisition of operating assets in the first three months of 2019 amounted to USD 172.1 million. Included are 3 Boeing 737 Max aircraft, 2 Boeing 757 aircraft, overhaul of own engines and aircraft spare parts in the amount of USD 164.4 million.

11. Equity

Reserves are specified as follows:

	Hedging reserve	Translation reserve	Other reserves	Total reserves
Reserves 1.1.2018	13.914	42.240	71.253	127.407
Changes during the period	7.826	(262)	(38.456)	(30.892)
Reserves 31.3.2018	21.740	41.978	32.797	96.515
Reserves 1.1.2019	(26.434)	35.570	17.126	26.262
Changes during the period	15.074	(1.454)	(5.826)	7.794
Reserves 31.3.2019	(11.360)	34.116	11.300	34.056

12. Loans and borrowings

This note provides information on the contractual terms of the Group´s interest-bearing loans and borrowings, which are measured at amortised cost.

	31.3.2019	31.12.2018
Non-current loans and borrowings are specified as follows:		
Secured bank loans	265.129	203.093
Unsecured loans	125.896	212.708
	391.025	415.801
Current maturities	(183.293)	(268.288)
Total non-current loans and borrowings	207.732	147.513

Terms and debt repayment schedule:

	Currency	Nominal interest rates	Year of maturity	Total remaining balance 31.3.2019	31.12.2018
Secured bank loans	USD	4,7%	2022-2028	128.693	49.035
Secured bank loans	EUR	1,4%	2026-2028	70.029	72.983
Secured bank loans	ISK	5,7%	2023-2036	36.243	38.193
Unsecured bond issue	USD	4,9%	2019	125.896	212.708
Secured bank loans - short term	USD	6,0%	2019	30.164	30.022
Secured bank loans - short term	ISK			0	12.860
Total interest-bearing liabilities				391.025	415.801

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Notes, contd.:

13. Contractual repayments of loans and borrowings

Repayments of loans and borrowings are specified as follows:

	2019	2018
Repayments in 2019 (9 months)(2018: 12 months)	177.159	268.287
Repayments in 2020	28.407	12.809
Repayments in 2021	28.516	12.919
Repayments in 2022	32.342	16.674
Repayments in 2023	41.398	26.494
Subsequent repayments	83.203	78.618
Total loans and borrowings	391.025	415.801

14. Financial instruments and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows. The table does not include fair value information for financial assets and liabilities measured at fair value if the carrying amount is a reasonable approximation of fair value:

	31.3.2019		31.12.2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Unsecured bond issue	(125.896)	(134.768)	(212.708)	(198.171)
Secured loans	(265.129)	(264.829)	(203.093)	(221.058)
Total	(391.025)	(399.597)	(415.801)	(419.229)

15. Capital commitments

In 2013 Icelandair Group and Boeing signed an agreement for the purchase of sixteen 737 Max8 and 737 Max9 aircraft with an option to purchase additional eight aircrafts.

In 2018 Icelandair took delivery of the first three 737 Max8 aircraft from Boeing. In March 2019 Icelandair took delivery of two 737 Max8 and one 737 Max9. All three aircraft were financed through sale and leaseback agreements which generated a profit of 6.6 million USD which is included in operating income.

The delivery plan for future aircraft is as follows:	2019	2020	2021
Boeing 737 Max8	1	2	1
Boeing 737 Max9	2	3	1
Total	3	5	2

16. Group entities

The Company held ten subsidiaries at the end of March 2019.

	Share
Passenger network:	
A320 ehf.	100%
Air Iceland ehf.	100%
Fjárvakur - Icelandair Shared Services ehf.	100%
IceCap Ltd., Guernsey	100%
Iceeignir ehf.	100%
Icelandair ehf.	100%
Aviation services:	
Feria ehf.	100%
Loftleiðir - Icelandic ehf.	100%
Tourism services:	
Iceland Travel ehf.	100%
Icelandair Hotels ehf.	100%

The subsidiaries further own fourteen subsidiaries that are included in the consolidated interim financial statements. Four of those have non-controlling shareholders.

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17. Ratios

The Group's primary ratios are specified as follows:

	31.3.2019	31.12.2018
Current ratio	0,77	0,71
Equity ratio	0,23	0,32
Intrinsic value of share capital	10,90	12,06

18. Significant accounting policies

The accounting policies and methods of computation applied in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2018 except for the changes stated in note 4.

These consolidated interim financial statements are presented in U.S. dollars (USD), which is the Group's functional currency. All financial information presented in USD has been rounded to the nearest thousand, except when otherwise indicated.

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