

# Isavia Ltd.

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Condensed Consolidated  
Interim Financial Report

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**1.1. - 30.6.2018**

Isavia Ltd.  
Reykjavik Airport  
101 Reykjavík  
id.no. 550210-0370

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# Isavia Ltd.

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## Condensed Consolidated Interim Financial Report

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### **1.1. - 30.6.2018**

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# Review Report on Interim Financial Information

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## **To the Board of Directors and shareholders of Isavia Ltd.**

We have, under a mandate of the Icelandic National Audit Office, reviewed the accompanying Condensed Consolidated Financial Statements of Isavia Ltd. for the period January 1st to June 30th 2018, which comprise the Statement of the Board of Directors, Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows 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 this Consolidated Interim Financial Statements in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34, as adopted by the European Union.

## **Auditor's Responsibility**

Our responsibility is to express a conclusion on these Consolidated Interim Financial Statements based on our review.

## **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements, ISRE 2410. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Consolidated Interim Financial Statements does not give a true and fair view of the financial position of the entity as at June 30th 2018, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34, as adopted by the European Union.

## **Emphasis of matter**

Without qualifying our opinion we draw attention to Note 13 to the financial statements which describes the uncertainty of the recovery of a claim due to value added tax from the Directorate of Internal Revenue.

Kópavogur, September 5th, 2018

## **Deloitte Ltd.**

Anna Birgitta Geirfinnsdóttir  
State Authorized Public Accountant

Kristján Þór Ragnarsson  
State Authorized Public Accountant

# Statement by the Board of Directors and Managing Director

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Isavia ohf. is a government owned private limited company and complies with the Icelandic Limited Companies Act, No. 2/1995. The Company's shareholder is the Treasury of Iceland and the Company's domicile and venue is Reykjavik Airport. Isavia ohf. is the national operator of airports in Iceland and controls the air navigation services in the Icelandic Air Navigation Territory. The Company is a service provider in airport service and air navigation service and lays the foundation for air traffic in Iceland.

The Condensed Consolidated Interim Financial Statements of Isavia Ltd. for the period January 1st to June 30th 2018 comprise the Condensed Interim Financial Statements of Isavia Ltd. and its subsidiaries, Duty Free Store Ltd, Tern Systems Ltd, Domavia Ltd and Suluk ApS. The Condensed Consolidated Interim Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standard (IAS) 34 Interim Financial Reporting.

According to the Income Statement the Company's revenues, amounted to ISK 19.015,4 million for the period. The Company's net profit of the period amounted to ISK 1.571 million. According to the Balance Sheet the Company's assets amount to ISK 75.836,6 million in the end of June 2018. Total Equity amounted to ISK 32.576,5 million. The Company's equity ratio in the consolidated Interim Financial Statements is 42,96% in the end of the period.

There was one shareholder in the Company, the Treasury of Iceland, at the end of the period.

It is the opinion of the Board of Directors and the Managing Director of Isavia Ltd. that these Interim Financial Statements present all the information necessary to show the position of the Company at the end of June 2018, the operating results for the period and the financial developments during the period 1.1 - 30.6 2018. However it should be noted that there is uncertainty about the treatment of submitted VAT to Directorate of internal revenues. The discussion about the uncertainty can be found in note 13 with the condensed consolidated financial statements, but the company has reasonably kept its views on the air. Until the final ruling is made in this matter there will be uncertainty and if the ruling becomes unfavorable to the company it will affect the company's operations. It is the opinion of the Board of Directors and Managing Director that accounting policies used are appropriate and these Condensed Consolidated Financial Statements present all the information necessary to give an overview of development and results in Company's operating performance, as well as describing the principal risk and uncertainty factors faced by the Company.

The Board of Directors and Managing Director of Isavia Ltd. hereby confirm the Consolidated Interim Financial Statements for the period that ends 30.6 2018 with their signatures.

Reykjavík, September 5th, 2018

## Board of Directors

Ingimundur Sigurpálsson

Chairman of the Board

Eva Pandora Baldursdóttir

Matthías Páll Imsland

Nanna Margrét Gunnlaugsdóttir

Valdimar Halldórsson

## Managing director

Björn Óli Hauksson

# Consolidated Statements of Comprehensive Income 1.1- 30.6 2018

	Notes	Consolidation	
		1.1 - 30.6 2018	1.1 - 30.6 2017
Operating revenues .....	4	19.015.393	16.916.156
Cost of goods sold .....		(2.957.596)	(2.635.228)
Salaries and related expenses .....	5	(9.309.212)	(8.193.785)
Administrative expenses .....		(302.726)	(301.726)
Other operating expenses .....		(2.561.911)	(2.259.879)
Depreciation and amortization .....	8,9	(1.697.705)	(1.517.671)
<b>Operating profit</b>		<u>2.186.242</u>	<u>2.007.866</u>
Financial income .....	6	88.965	117.876
Financial expenses .....	6	(545.732)	(489.263)
Net exchange rate differences .....	6	193.700	201.949
<b>Profit before taxes</b>		<u>1.923.176</u>	<u>1.838.428</u>
Income tax .....	7	(352.190)	(355.945)
<b>Total comprehensive income for the year</b>		<u><u>1.570.985</u></u>	<u><u>1.482.483</u></u>

# Consolidated Statements of Financial Position June 30<sup>th</sup> 2018

Assets	Notes	Consolidation	
		30.06.2018	31.12.2017
<b>Non-current assets</b>			
Property, plant and equipment .....	8	55.768.658	54.331.542
Intangible assets .....	9	5.073.663	5.173.155
Bonds .....	11	166.777	188.262
		<u>61.009.099</u>	<u>59.692.959</u>
<b>Current assets</b>			
Inventories .....	12	675.998	546.721
Accounts receivables .....	13	6.090.476	4.653.881
Current maturities of long term assets .....	11	37.372	36.964
Other receivables .....	13	5.651.118	4.516.482
Bank balances and cash .....	13	2.372.491	3.101.287
		<u>14.827.455</u>	<u>12.855.335</u>
<b>Total assets</b>		<u><u>75.836.554</u></u>	<u><u>72.548.293</u></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital .....	14	5.589.063	5.589.063
Statutory reserves .....		2.483.798	2.483.798
Revaluation reserves .....		44.345	45.007
Translation differences .....		(7)	0
Retained earnings .....		24.459.258	22.887.611
Total equity		<u>32.576.458</u>	<u>31.005.480</u>
<b>Non-current liabilities</b>			
Loans from credit institutions .....	15	23.175.274	25.515.178
Deferred tax liabilities .....	16	2.083.539	2.056.586
		<u>25.258.813</u>	<u>27.571.764</u>
<b>Current liabilities</b>			
Accounts payable .....	17	2.615.019	2.276.999
Loans from credit institutions .....		1.882.133	0
Current maturities of non-current liabilities .....	15	9.818.186	8.223.715
Current tax liabilities .....	7	325.237	898.152
Other current liabilities .....	17	3.360.707	2.572.183
		<u>18.001.282</u>	<u>13.971.050</u>
Liabilities		<u>43.260.095</u>	<u>41.542.814</u>
<b>Total equity and liabilities</b>		<u><u>75.836.554</u></u>	<u><u>72.548.293</u></u>

## Consolidated Statement of Changes in Equity 1.1.- 30.6.2018

	Share Capital	Statutory reserves	Revaluation reserves	Translation difference	Retained earnings	Total Equity
Opening balance at 1 January 2017 .....	5.589.063	2.483.798	46.331	0	18.937.671	27.056.864
Depreciation of revaluation .....	0	0	(662)	0	662	0
Comprehensive income .....	0	0	0	(30)	0	(30)
Balance at 30 June 2017 .....	5.589.063	2.483.798	45.669	(30)	18.938.333	27.056.833
Opening balance at 1 January 2018 .....	5.589.063	2.483.798	45.007	0	22.887.611	31.005.480
Depreciation of revaluation .....	0	0	(662)	0	662	0
Translation difference .....	0	0	0	(7)	0	(7)
Comprehensive income .....	0	0	0	0	1.570.985	1.570.985
Balance at 30 June 2018 .....	5.589.063	2.483.798	44.345	(7)	24.459.258	32.576.458

No dividends were paid to shareholders for the period. All shares have been fully paid.

# Consolidated Statement of Cash Flows 1.1 - 30.6.2018

	Notes	Consolidation	
		1.1.-30.6.2018	1.1.-30.6.2017
<b>Cash flows from operating activities</b>			
Operating profit .....		2.186.242	2.007.866
Depreciation and amortization .....	8,9	1.697.705	1.517.671
Short term assets - change of provision .....		31.242	38.825
Gain on disposal of assets .....		2.491	(7.045)
Operating cash flow before transfer to working capital		<u>3.917.680</u>	<u>3.557.317</u>
Changes in inventories .....		(130.941)	(81.468)
Changes in operating assets .....		(2.467.555)	(4.258.240)
Changes in operating liabilities .....		568.028	2.186.869
Cash generated from operations		<u>1.887.212</u>	<u>1.404.478</u>
Interest earned .....		71.433	74.020
Finance costs paid .....		(511.785)	(511.144)
Income taxes paid .....		(457.195)	(204.313)
<b>Net cash generated from operating activities</b>		<u>989.665</u>	<u>763.041</u>
<b>Investing activities</b>			
Purchases of property, plant and equipment .....	8,9	(3.037.822)	(7.677.915)
Installments on bonds .....		22.244	21.298
		<u>(3.015.578)</u>	<u>(7.656.618)</u>
<b>Financing activities</b>			
New bank loans raised .....		0	3.959.661
Repayments of borrowings .....		(562.734)	(672.599)
Changes in short term loans from credit institutions .....		1.882.133	0
		<u>1.319.399</u>	<u>3.287.062</u>
Net change in cash and cash equivalents .....		(706.515)	(3.606.514)
Cash and cash equivalents at the beginning of the period .....	13	3.101.287	5.830.506
Effect of foreign exchange rates .....		(22.281)	(69.336)
Cash and cash equivalents at the end of the period .....		<u>2.372.491</u>	<u>2.154.656</u>



# Notes

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## 1. General information

Isavia Ltd. (the Company) was established in the beginning of 2010 with a merger between Flugstodir Ltd. and Keflavíkflugvöllur 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 all airports and air navigation services in Iceland that cover 5.4 million square kilometers. The company ensures aviation safety and airport security in accordance with recognized international standards and operating licenses issued and supervised by the Icelandic Civil Aviation 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., Domavia Ltd. and Suluk ApS.

## 2. Summary of Significant Accounting Policies

### Statement of compliance

The Condensed Consolidated Interim Financial Statements for the period of January 1st to June the 30th 2018 have been prepared in accordance with IAS 34, as adopted by the European Union. The Condensed Interim Financial Statements does not include all the information required for annual financial statements of the Company and should be read in conjunction with the Consolidated Financial Statement for the year 2017.

The Condensed Consolidated Financial Statements have been prepared according to the same accounting principles as for the previous year 2017 with addition of two new accounting standards (IFRS 9 and IFRS 15) that took effect on January 1st 2018. The Financial Statements are available from the Company or at their website; [www.isavia.is](http://www.isavia.is).

IFRS 9 – Financial Instruments replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement and introduces consequential amendments to other standards, such as IAS 1 Presentation of Financial Statements and IFRS 7 Financial Instruments: Disclosures. IFRS 9 contains specific transitional provisions for classification and measurement of financial assets; impairment of financial assets; and hedge accounting.

Implementation of the standard has immaterial effect on the Group's Condensed Interim Financial Statements other than that the separation note is now more thorough, cf. note number 4.

IFRS 15 replaces IAS 18, IAS 11 and related interpretations. The core principle of IFRS 15 is that revenue must be recognized so as to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue must be recognized in accordance with that core principle by applying a five-step model to determine when to recognize revenue and at what amount.

Implementation of the standard has an immaterial effect on the Group's Condensed Interim Financial Statements. The effect is limited to insignificant change in evaluation of provision for doubtful receivables.

### The fundamental accounting principles

The Condensed Consolidated Interim Financial Statements are presented in Icelandic krona (ISK), which is the functional currency of the Company. The Condensed Consolidated Interim Financial Statements have been prepared on an historical cost basis except that one certain financial asset is revalued.

## 3. Significant accounting judgements and key sources of estimation uncertainty

The preparation of the Condensed Consolidated Financial Statements, in accordance with international accounting standard IAS 34, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses recognized in the Condensed Consolidated Financial Statements. The accounting estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting judgements are preferably in following account balances:

- Property, plant and equipment
- Intangible assets
- Inventories
- Accounts receivables
- Deferred tax liabilities

## Notes

### 4. Revenues

The consolidated composition of revenues, is specified as follows:

	1.1.-30.6.2018	1.1.-30.6.2017
Revenue from air navigation .....	3.151.594	2.771.322
Revenue from domestic airports .....	1.252.731	1.151.070
Revenue from Keflavik airport .....	8.011.311	6.982.483
Revenue from other functionals .....	64.603	81.620
Revenue from sales .....	6.071.628	5.430.049
Other revenues .....	463.526	499.610
	<u>19.015.393</u>	<u>16.916.156</u>

### 5. Salaries and related expenses

	1.1.-30.6.2018	1.1.-30.6.2017
Salaries .....	6.962.241	6.188.851
Pension fund .....	1.063.018	760.160
Payroll taxes .....	543.890	471.316
Other Salary-related expenses .....	113.744	95.168
Pension and vacation pay obligation, calculated change .....	409.264	475.127
Capitalized Salaries expenses .....	(191.558)	(138.946)
Other employee expenses .....	408.614	342.108
	<u>9.309.212</u>	<u>8.193.785</u>

### 6. Financial income and expenses

#### Financial income

	1.1.-30.6.2018	1.1.-30.6.2017
Interest on bank deposits .....	30.447	59.484
Interest revenue on investments held to maturity .....	7.317	6.791
Other interest revenue .....	51.201	51.600
	<u>88.965</u>	<u>117.876</u>

#### Financial expenses

	1.1.-30.6.2018	1.1.-30.6.2017
Interest expense and indexation .....	(506.558)	(444.785)
Debt collection fee .....	(33.153)	(41.531)
Interest on late payments .....	(6.021)	(2.946)
	<u>(545.732)</u>	<u>(489.263)</u>

#### Net exchange rate differences

	1.1.-30.6.2018	1.1.-30.6.2017
Net exchange rate differences .....	193.700	201.949

### 7. Income tax

Income tax has been calculated and recorded in the Financial Statements, the amount charged in the Income Statement are ISK 352,2 million. Estimated Income tax payable for the period are ISK 325,2 million.

The effective tax rate is specified as follows:

	1.1.-30.6.2018		1.1.-30.6.2017	
	Amount	%	Amount	%
Profit before taxes .....	1.923.176		1.838.428	
Tax rate .....	(384.635)	20,0%	(367.686)	20,0%
Other items .....	32.445	-1,8%	11.741	-0,6%
Income tax charged to Income Statement .....	<u>(352.190)</u>	18,3%	<u>(355.945)</u>	19,4%

## Notes

### 8. Property, plant and equipment

	Buildings and artwork	Loading bridges and car parks	Fixtures and machinery	Other assets	Total
<b>Cost</b>					
Balance at beginning of period .....	34.288.611	17.270.898	4.876.427	13.267.732	69.703.669
Reclassified .....	0	0	0	3.606	3.606
Additions .....	607.739	766.043	78.597	1.519.490	2.971.869
Disposals .....	0	0	0	(28.691)	(28.691)
Balance at end of period .....	34.896.351	18.036.941	4.955.024	14.762.137	72.650.453
<b>Accumulated depreciation</b>					
Balance at beginning of period .....	7.022.519	2.051.906	2.450.356	3.847.348	15.372.129
Charge for the period .....	459.672	336.117	150.287	585.084	1.531.159
Disposals .....	0	0	0	(21.491)	(21.491)
Balance at end of period .....	7.482.191	2.388.022	2.600.643	4.410.940	16.881.797
<b>Book value</b>					
Book value at beginning of period ..	27.266.092	15.218.993	2.426.071	9.420.385	54.331.540
Book value at end of period .....	27.414.160	15.648.919	2.354.381	10.351.197	55.768.656

Depreciation rates ..... 2-14%                      2-20%                      5-35%                      7-33%

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 .....				3-20 years

Information about the revalued properties at the end of period:

	30.6.2018	31.12.2017
Revalued book value .....	114.210	112.712
Impact of the special revaluation .....	(55.694)	(54.887)
Book value without impact of revaluation .....	58.516	57.825

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

	Assessment value	Insurance value
Buildings and sites .....	23.674.560	52.593.333
Machinery and equipment, asset insurances .....		10.803.841
Other insurances .....		692.686
Halt insurance .....		15.975.126

## Notes

### 9. Intangible assets and amortization

Consolidation	Usage agreement on facilities	Usage agreement on runways	Software and Development cost	Total
<b>Cost</b>				
Balance at beginning of period .....	477.035	5.706.000	1.365.397	7.548.432
Reclassified .....	0	0	(3.606)	(3.606)
Additions .....	0	0	70.660	70.660
Balance at end of period .....	<u>477.035</u>	<u>5.706.000</u>	<u>1.432.452</u>	<u>7.615.487</u>
<b>Amortization</b>				
Balance at beginning of period .....	143.110	1.711.800	520.367	2.375.277
Charge for the period .....	7.995	95.626	62.925	166.546
Balance at end of period .....	<u>151.105</u>	<u>1.807.426</u>	<u>583.292</u>	<u>2.541.824</u>
<b>Book value</b>				
Book value at beginning of period .....	<u>333.925</u>	<u>3.994.200</u>	<u>845.030</u>	<u>5.173.155</u>
Book value at end of period .....	<u>325.930</u>	<u>3.898.574</u>	<u>849.160</u>	<u>5.073.663</u>
Depreciation rates .....	3.3%	3.3%	0-10%	

Due to the development of software intended for sale on the global market in the coming years, the development cost amounts to approximately ISK 62,5 million which was capitalised in calendar years 2012 to 2015. The software development was completed in the second half of calendar year 2015 and are available for sale and already in use by clients. 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
<b>Shares in subsidiaries</b>			
Duty Free Store Ltd., Keflavik Airport .....	100,00%	50.000	Retail and commerce
Tern Systems Ltd., Kopavogur .....	100,00%	80.000	Software and consulting
Domavia Ltd., Reykjavik .....	100,00%	500	Real estate business
Suluk ApS., Greenland .....	100,00%	1.999	Services of air traffic controllers

### 11. Bonds

	30.6.2018	31.12.2017
Bonds .....	204.149	225.226
Current maturities .....	(37.372)	(36.964)
	<u>166.777</u>	<u>188.262</u>

Maturities of bonds are specified in the following years:

	30.6.2018	31.12.2017
Period 1.7 2018 - 30.6 2019 / 1.1 2018 - 31.12 2018 .....	37.372	36.964
Period 1.7 2019 - 30.6 2020 / 1.1 2019 - 31.12 2019 .....	37.704	37.277
Period 1.7 2020 - 30.6 2021 / 1.1 2020 - 31.12 2020 .....	38.050	37.605
Period 1.7 2021 - 30.6 2022 / 1.1 2021 - 31.12 2021 .....	38.413	37.947
Period 1.7 2022 - 30.6 2023 / 1.1 2022 - 31.12 2022 .....	23.791	38.305
Period 1.7 2023 - 30.6 2024 / 1.1 2023 - 31.12 2023 .....	9.187	8.678
Maturities later .....	19.632	28.449
	<u>204.149</u>	<u>225.226</u>

## Notes

### 12. Inventories

	30.6.2018	31.12.2017
Goods for resale .....	563.163	538.977
Goods in transit .....	126.596	19.841
Allowance for old and obsolete inventory .....	(13.761)	(12.097)
	<u>675.998</u>	<u>546.721</u>
Insurance value of inventories .....	<u>686.549</u>	<u>686.549</u>

### 13. Other financial assets

#### Accounts receivables

	30.6.2018	31.12.2017
Domestic receivables .....	4.184.257	2.963.459
Foreign receivables .....	807.806	645.247
Income not invoiced .....	1.370	109.165
Allowances for doubtful accounts .....	(161.603)	(132.026)
Receivables Joint Finance agreement .....	1.258.646	1.068.034
	<u>6.090.476</u>	<u>4.653.881</u>

#### Aging and allowance for doubtful accounts

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

	30.6.2018		31.12.2017	
	Gross amount	Allowance	Gross amount	Allowance
Receivables not yet due .....	3.397.068	59.343	2.007.007	24.914
Receivables, overdue 1-90 days .....	1.210.705	31.362	1.471.454	56.057
Receivables, overdue 91-180 days .....	74.205	14.363	183.902	24.787
Receivables, overdue 181-270 days .....	166.324	14.326	30.367	17.682
Receivables, overdue 271 days and older .....	145.130	42.209	25.141	8.585
	<u>4.993.432</u>	<u>161.603</u>	<u>3.717.872</u>	<u>132.026</u>

Changes in the allowance for doubtful accounts:

	30.6.2018	31.12.2017
At the beginning of the year .....	(132.026)	(58.289)
Impairment loss recognized on receivables .....	(29.578)	(73.737)
At end of period .....	<u>(161.603)</u>	<u>(132.026)</u>

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

#### Other receivables

	30.6.2018	31.12.2017
Value added tax, receivables .....	4.978.549	4.005.085
Prepaid expenses .....	102.725	96.191
Capital income tax .....	39.799	34.709
Accrued interest .....	27.559	0
Prepaid salaries .....	56.419	60.032
Other receivables .....	446.066	320.464
	<u>5.651.118</u>	<u>4.516.482</u>

## Notes

### 13. Other financial assets (continued)

The company's claim for value added tax consists mainly of unprocessed VAT reports from the Directorate of Internal Revenue for the period September 2016 to June 2018. The Directorate of Internal Revenue has questioned the validity of the assumption of value added tax registration that the company serves international flights at Keflavík Airport, according to article 12 in the Act on Value Added Tax, and the company does not therefore have the right to use a zero tax rate method and get VAT refunded from purchased supplies and services at the same time. The company fully disagrees with the Directorate of Internal Revenue, and believes that this important assumption was in place when the company was established. The Directorate of Internal Revenue has not ruled on the matter.

If the ruling of the matter becomes unfavorable for the company, the impact can be significant. The estimated effect on the financial statements for the first six months of the year will be a decrease in the operating income for the period by 797 million ISK, increase in tangible fixed assets by 4.174 million ISK while the corresponding decrease in other short-term claims is the same and finally a decrease in equity by 637 million ISK.

#### Bank balances and cash

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

	30.06.2018	31.12.2017
Bank balances in ISK .....	1.328.287	1.354.884
Bank balances in foreign currencies .....	1.034.120	1.738.149
Cash .....	10.084	8.254
	<u>2.372.491</u>	<u>3.101.287</u>

### 14. Equity

Share capital is specified as follows:

	Shares	Ratio	Amount
Total share capital at end of period .....	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.

### 15. Long term borrowings

	Loans from credit institutions	
	30.06.2018	31.12.2017
Debts in EUR .....	24.074.961	24.611.729
Debts in USD .....	2.731.076	2.764.134
Debts in ISK .....	6.187.423	6.363.030
	<u>32.993.460</u>	<u>33.738.894</u>
Amount due for settlement within 12 months .....	(9.818.186)	(8.223.715)
Non-current liabilities at end of period .....	<u>23.175.274</u>	<u>25.515.178</u>

Installments of non-current liabilities are specified as follows:

	Loans from credit institutions	
	30.06.2018	31.12.2017
Installments 1.7.2018 - 30.6.2019 / 1.1.2018 - 31.12.2018 .....	9.818.186	8.223.715
Installments 1.7.2019 - 30.6.2020 / 1.1.2019 - 31.12.2019 .....	3.043.183	4.634.826
Installments 1.7.2020 - 30.6.2021 / 1.1.2020 - 31.12.2020 .....	1.399.712	1.409.903
Installments 1.7.2021 - 30.6.2022 / 1.1.2021 - 31.12.2021 .....	1.361.413	1.416.623
Installments 1.7.2022 - 30.6.2022 / 1.1.2022 - 31.12.2022 .....	1.319.404	1.332.836
Installments later .....	16.051.561	16.720.991
	<u>32.993.460</u>	<u>33.738.894</u>

## Notes

### 16. Deferred tax liability

	Deferred tax liabilities
Opening balance at beginning of period .....	2.056.586
Income tax payable for the period .....	(325.237)
Calculated income tax for the period .....	352.190
Balance at end of period .....	<u>2.083.539</u>

#### Deferred tax balances consist of the following account balances

	Deferred tax liabilities
Property, plant and equipment .....	2.116.304
Current assets .....	5.372
Deferred exchange rate difference .....	(30.612)
Other items .....	11.800
Tax loss carried forward .....	(19.326)
	<u>2.083.539</u>

### 17. Other financial liabilities

#### Accounts payable

	30.06.2018	31.12.2017
Domestic accounts payable .....	2.130.722	1.890.185
Foreign accounts payable .....	484.298	386.814
	<u>2.615.019</u>	<u>2.276.999</u>

#### Other current liabilities

	30.06.2018	31.12.2017
Value added tax, payable .....	28.024	23.596
Deferred revenue .....	136.312	143.023
Tax, payable .....	440.957	0
Accrued pension contribution to The Pension Fund for State Employees .....	87.529	292.551
Salaries and related expenses payable .....	764.303	645.885
Accrued holiday commitment .....	1.599.540	1.227.694
Accrued interest, payable .....	151.208	150.669
Unfinished contracts .....	48.346	455
Other liabilities .....	104.489	88.311
	<u>3.360.707</u>	<u>2.572.183</u>

#### Current maturities of long-term liabilities

	30.06.2018	31.12.2017
Loans from credit institutions .....	9.818.186	8.223.715
	<u>9.818.186</u>	<u>8.223.715</u>

### 18. Other obligations

The company has guaranteed a bank guarantee of its subsidiary, Tern System Ltd., in the amount of 1,6 million USD. The bank guarantee is because of Tern System Ltd. contractor agreements.

### 19. Approval of financial interim statements

The Condensed Consolidated Interim Financial Statements were approved by the Board of Directors on September 5th, 2018.