

**Icelandair Group hf.**  
Condensed Consolidated  
Interim Financial Statements  
1 January - 30 June 2013

USD

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

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# Endorsement and Statement of the Board of Directors and the CEO

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The condensed consolidated interim financial statements of Icelandair Group hf. for the period from 1 January to 30 June 2013 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, profit for the period from 1 January to 30 June amounted to USD 0.2 million. Total comprehensive income for the period was USD 1.0 million. According to the consolidated statement of financial position, equity at the end of the period amounted to USD 285.1 million, including share capital in the amount of USD 40.6 million. Reference is made to the notes 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 six months ended 30 June 2013 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 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 six month period ended 30 June 2013, its assets, liabilities and consolidated financial position as at 30 June 2013 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 30 June and confirm them by means of their signatures.

Reykjavík, 31 July 2013

Board of Directors:

Sigurður Helgason, Chairman of the Board  
Úlfar Steindórsson  
Ásthildur M. Otharsdóttir  
Herdís Dröfn Fjeldsted  
Katrín Olga Jóhannesdóttir  
Magnús Magnússon

CEO:

Björgólfur Jóhannsson

## Consolidated Statement of Comprehensive Income for the period from 1 January to 30 June 2013

	Notes	2013 1.4.-30.6.	2012 1.4.-30.6.	2013 1.1.-30.6.	2012 1.1.-30.6.
<b>Operating income</b>					
Transport revenue .....	7	188.170	161.295	298.237	251.989
Aircraft and aircrew lease .....		29.563	29.106	57.915	59.517
Other operating revenue .....	7	47.867	43.994	82.493	80.587
		<u>265.600</u>	<u>234.395</u>	<u>438.645</u>	<u>392.093</u>
<b>Operating expenses</b>					
Salaries and other personnel expenses .....	8	63.193	52.760	115.279	95.897
Aircraft fuel .....		64.496	58.693	107.919	96.760
Aircraft and aircrew lease .....		17.285	19.738	34.239	38.297
Aircraft handling, landing and communication .....		19.198	17.488	31.591	28.276
Aircraft maintenance expenses .....		11.706	12.541	24.064	24.698
Other operating expenses .....	8	46.786	44.357	90.931	82.395
		<u>222.664</u>	<u>205.577</u>	<u>404.023</u>	<u>366.323</u>
<b>Operating profit before depreciation and amortisation (EBITDA)</b> .....		42.936	28.818	34.622	25.770
Depreciation and amortisation .....		( 18.167)	( 14.304)	( 32.851)	( 27.979)
<b>Operating profit (loss) before net finance costs (EBIT)</b> .....		24.769	14.514	1.771	( 2.209)
Finance income .....		482	5.603	3.032	9.006
Finance costs .....		( 1.891)	( 2.286)	( 4.412)	( 5.550)
<b>Net finance (costs) income</b> .....	9	( 1.409)	3.317	( 1.380)	3.456
Share of loss of associates, net of tax .....		( 55)	( 20)	( 9)	( 63)
<b>Profit before tax</b> .....		23.305	17.811	382	1.184
Income tax .....		( 4.815)	( 3.492)	( 181)	( 54)
<b>Profit for the period</b> .....		<u>18.490</u>	<u>14.319</u>	<u>201</u>	<u>1.130</u>
<b>Other comprehensive income (loss):</b>					
Foreign currency translation differences of foreign operations .....		629	319	1.695	( 1.260)
Foreign currency translation differences reclassified to profit or loss .....		0	0	0	( 1.417)
Net (loss) profit on hedge of net investment in foreign operation, net of tax .....		( 49)	109	38	44
Effective portion of changes in fair value of cash flow hedge, net of tax .....		( 1.357)	( 2.373)	( 961)	( 1.882)
<b>Other comprehensive (loss) profit for the period</b> .....		( 777)	( 1.945)	772	( 4.515)
<b>Total comprehensive income (loss) for the period</b> .....		<u>17.713</u>	<u>12.374</u>	<u>973</u>	<u>( 3.385)</u>

The notes on pages 9 to 15 are an integral part of these interim consolidation financial statements.

## Consolidated Statement of Comprehensive Income for the period from 1 January to 30 June 2013, contd.:

	2013	2012	2013	2012
	1.4.-30.6.	1.4.-30.6.	1.1.-30.6.	1.1.-30.6.
<b>Profit attributable to:</b>				
Owners of the Company .....	18.467	14.308	203	1.142
Non-controlling interest .....	23	11	( 2)	( 12)
<b>Profit for the period</b> .....	18.490	14.319	201	1.130
<b>Total Comprehensive income (loss) attributable to:</b>				
Owners of the Company .....	17.694	12.372	1.043	( 3.353)
Non-controlling interest .....	19	2	( 70)	( 32)
<b>Total comprehensive income (loss) for the period</b> .....	17.713	12.374	973	( 3.385)
<b>Earnings per share:</b>				
Basic earnings per share expressed in USD cent per share .....	0,37	0,29	0,00	0,02
Diluted earnings per share expressed in USD cent per share .....	0,37	0,29	0,00	0,02

The notes on pages 9 to 15 are an integral part of these interim consolidation financial statements.

## Consolidated Statement of Financial Position as at 30 June 2013

	Notes	30.6.2013	31.12.2012
<b>Assets</b>			
Operating assets .....	10	315.646	282.997
Intangible assets and goodwill .....		177.753	176.715
Investments in associates .....		1.445	1.327
Long-term cost .....		330	3.648
Non-current receivables and deposits .....		9.430	9.223
Non-current assets		504.604	473.910
Inventories .....		20.420	17.417
Trade and other receivables .....		154.196	135.085
Marketable securities .....		2.745	15.734
Cash and cash equivalents .....		219.343	117.060
Assets classified as held for sale .....	6	0	3.689
Current assets		396.704	288.985
<b>Total assets</b>		901.308	762.895
<b>Equity</b>			
Share capital .....		40.576	40.576
Share premium .....		154.705	154.705
Reserves .....	11	27.004	26.164
Retained earnings .....		62.673	74.230
Equity attributable to equity holders of the Company		284.958	295.675
Non-controlling interest .....		187	257
Total equity		285.145	295.932
<b>Liabilities</b>			
Loans and borrowings .....	12	87.433	119.358
Other payables .....		22.720	22.060
Deferred tax liabilities .....		20.376	19.671
Non-current liabilities		130.529	161.089
Loans and borrowings .....	12	49.633	31.548
Trade and other payables .....		206.031	152.237
Deferred income .....		229.970	122.089
Current liabilities		485.634	305.874
Total liabilities		616.163	466.963
<b>Total equity and liabilities</b>		901.308	762.895

The notes on pages 9 to 15 are an integral part of these interim consolidation financial statements.

## Consolidated Statement of Changes in Equity for the period from 1 January to 30 June 2013

<b>Attributable to equity holders of the Company</b>							
	<b>Share capital</b>	<b>Share premium</b>	<b>Reserves</b>	<b>Retained earnings</b>	<b>Total</b>	<b>Non-con- trolling interest</b>	<b>Total equity</b>
<b>1 January to 30 June 2012</b>							
Equity 1.1.2012 .....	40.576	154.705	31.558	36.309	263.148	237	263.385
Total comprehensive loss .....			( 4.495 )	1.142	( 3.353 )	( 32 )	( 3.385 )
Dividend (0.13 USD cent per share) .				( 6.308 )	( 6.308 )		( 6.308 )
Equity 30.6.2012 .....	40.576	154.705	27.063	31.143	253.487	205	253.692
<b>1 January to 30 June 2013</b>							
Equity 1.1.2013 .....	40.576	154.705	26.164	74.230	295.675	257	295.932
Total comprehensive profit .....			840	203	1.043	( 70 )	973
Dividend (0.24 USD cent per share) .				( 11.760 )	( 11.760 )		( 11.760 )
Equity 30.6.2013 .....	40.576	154.705	27.004	62.673	284.958	187	285.145

Information on changes in reserves are provided in note 11.

The notes on pages 9 to 15 are an integral part of these interim consolidation financial statements.

## Consolidated Statement of Cash Flows for the six months ended 30 June 2013

	Notes	2013 1.4.-30.6.	2012 1.4.-30.6.	2013 1.1.-30.6	2012 1.1.-30.6
<b>Cash flows from operating activities</b>					
Profit for the period .....		18.490	14.319	201	1.130
Adjustments for:					
Depreciation and amortisation .....		18.167	14.304	32.851	27.979
Other operating items .....	18	11.497	9.806	13.621	11.777
Working capital from operations		<u>48.154</u>	<u>38.429</u>	<u>46.673</u>	<u>40.886</u>
Net change in operating assets and liabilities .....	19	<u>58.282</u>	<u>33.785</u>	<u>138.216</u>	<u>117.466</u>
Net cash from operating activities		<u>106.436</u>	<u>72.214</u>	<u>184.889</u>	<u>158.352</u>
<b>Cash flows used in investing activities:</b>					
Acquisition of operating assets .....		( 23.886 )	( 16.681 )	( 64.917 )	( 37.693 )
Proceeds from the sale of operating assets .....		84	5.754	259	5.867
Acquisition of intangible assets .....		( 885 )	( 291 )	( 1.414 )	( 389 )
Long-term cost, change .....		( 2.458 )	( 3.725 )	( 4.000 )	( 5.593 )
Long-term receivables, change .....		1.656	( 4.077 )	545	( 1.373 )
Marketable securities, change .....		10.012	2.194	13.255	9.846
Net cash used in investing activities		<u>( 15.477 )</u>	<u>( 16.826 )</u>	<u>( 56.272 )</u>	<u>( 29.335 )</u>
<b>Cash flows used in financing activities:</b>					
Dividend paid .....		( 11.760 )	( 6.308 )	( 11.760 )	( 6.308 )
Repayment of long term borrowings .....		( 3.930 )	( 3.906 )	( 15.169 )	( 29.620 )
Net cash used in financing activities		<u>( 15.690 )</u>	<u>( 10.214 )</u>	<u>( 26.929 )</u>	<u>( 35.928 )</u>
<b>Increase in cash and cash equivalents .....</b>		<b>75.269</b>	<b>45.174</b>	<b>101.688</b>	<b>93.089</b>
<b>Effect of exchange rate fluctuations on cash held .....</b>		<b>116</b>	<b>381</b>	<b>595</b>	<b>( 359 )</b>
<b>Cash and cash equivalents at beginning of the period ....</b>		<b>143.958</b>	<b>126.580</b>	<b>117.060</b>	<b>79.405</b>
<b>Cash and cash equivalents at 30 June .....</b>		<b><u>219.343</u></b>	<b><u>172.135</u></b>	<b><u>219.343</u></b>	<b><u>172.135</u></b>
<b>Investment and financing without cash flow effect:</b>					
Aquisition of operating assets .....		0	( 4.000 )	0	( 4.000 )
Long term receivables .....		0	4.000	0	4.000
Sale of operating assets .....		0	( 4.950 )	0	0
Trade and other receivables .....		0	4.950	0	0

Information on interest paid and received are provided in note 20.

The notes on pages 9 to 15 are an integral part of these interim consolidation financial statements.

# Notes

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## 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 six months ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates. The Group is primarily involved 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 2012 are available upon request from the Company's registered office at Reykjavíkurlugvöllur in Reykjavík, Iceland or at its website address, [www.icelandairgroup.is](http://www.icelandairgroup.is) and at The Icelandic Stock Exchange website, [www.nasdaqomx.com](http://www.nasdaqomx.com).

## 2. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2012. These condensed consolidated interim financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards.

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on 31 July 2013.

Except as described below the accounting policies and methods of computation applied by the Group in these condensed interim consolidated 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 2012.

## 3. Significant accounting policies

### Functional and presentation currency

These condensed Consolidated Interim Financial Statements are presented in U.S. dollars (USD), which is the Company's functional currency. All financial information presented in USD has been rounded to the nearest thousand, except when otherwise indicated.

## Notes, contd.:

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### 3. *Continued:*

The Group has adopted all new standards and amendments to standards with a date of initial application of 1 January 2013 that have been approved by the EU. Of those standards only IFRS 13, *Fair Value Measurements and changes to IAS 34 as part on annual improvements 2009-2011 cycle*. had effects on these condensed interim financial statements.

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which and orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 *financial Instruments: Disclosures*. Some of the disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Group has included additional disclosures in this regard.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative informations for disclosures that were not previously required. Notwithstanding the above the change had no significant impact on the measurement of the Group's assets and liabilities.

### 4. **Judgements and estimates**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, 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 2012.

## Notes, contd.:

### 5. Operating segment

Segment information is presented in the interim 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 two segments, Route network and Tourism services.

#### Route network

Seven companies are categorised as part of the Route Network: Icelandair, Icelandair Cargo, Loftleidir, Air Iceland, Icelandair Ground Services, FERIA ehf. and Fjárvakur - Icelandair Shared Services.

#### Tourism services

Two companies are categorized as part of the Tourism Services: Iceland Travel and Icelandair Hotels.

#### Reportable segments for six months ended 30 June 2013

	Route network		Tourism services		Total	
	1.4.-30.6.	1.1.-30.6.	1.4.-30.6.	1.1.-30.6.	1.4.-30.6.	1.1.-30.6.
External revenue .....	237.562	397.540	27.051	39.355	264.613	436.895
Inter-segment revenue .....	38.021	73.766	1.536	2.057	39.557	75.823
Segment revenue .....	275.583	471.306	28.587	41.412	304.170	512.718
Segment EBITDAR* .....	50.070	56.018	4.088	3.374	54.158	59.392
Segment EBITDA .....	40.806	36.414	1.677	( 1.133 )	42.483	35.281
Profit (loss) before taxes .....	22.948	5.314	909	( 2.359 )	23.857	2.955
Segment assets .....		727.770		38.581		766.351

#### Reportable segments for the six months ended 30 June 2012

##### Amounts translated to USD

External revenue .....	212.459	360.123	20.770	29.707	233.229	389.830
Inter-segment revenue .....	35.225	74.922	532	881	35.757	75.803
Segment revenue .....	247.684	435.045	21.302	30.588	268.986	465.633
Segment EBITDAR* .....	38.931	50.314	3.542	3.171	42.473	53.485
Segment EBITDA .....	26.910	25.638	1.490	( 410 )	28.400	25.228
Profit (loss) before taxes .....	16.551	4.386	915	( 1.628 )	17.466	2.758
Segment assets .....		674.197		31.823		706.020

#### Reconciliation of reportable segment income

	2013	2012
	1.1.-30.6.	1.1.-30.6.
Total profit for reportable segments .....	2.955	2.758
Unallocated amounts:		
Other corporate expenses .....	( 2.564 )	( 1.511 )
Share of loss of equity accounted investees .....	( 9 )	( 63 )
Consolidated profit before income tax .....	382	1.184

#### Other material items 30 June 2013

	Reportable segment	Adjustments	Consolidated
Segment EBITDAR* .....	59.392	( 659 )	58.733
Segment EBITDA .....	35.281	( 659 )	34.622

\* EBITDAR means EBITDA before operating lease expences.

#### Seasonality

The Group's business is highly seasonal with highest demand during the summer months. Accordingly higher revenue and operating profit is expected in the latter half of the year.

## Notes, contd.:

### 6. Assets and liabilities classified as held for sale

At year end 2012 assets held for sale consist of 30% share in Travel Service. In January 2013 an agreement was reached on the sale of the shares for USD 3.7 million.

	30.6.2013	31.12.2012
<b>Assets classified as held for sale</b>		
Investment in other companies .....	0	3.689
	<u>0</u>	<u>3.689</u>

### 7. Operating income

Transport revenue is specified as follows:

	2013	2012	2013	2012
	1.4.-30.6.	1.4.-30.6.	1.1.-30.6	1.1.-30.6
Passengers .....	177.277	151.643	277.253	232.348
Cargo and mail .....	10.893	9.652	20.984	19.641
Total transport revenue .....	<u>188.170</u>	<u>161.295</u>	<u>298.237</u>	<u>251.989</u>

Other operating revenue is specified as follows:

Sale at airports and hotels .....	20.049	17.386	27.876	24.047
Revenue from tourism .....	17.598	15.608	29.325	26.975
Aircraft and cargo handling services .....	8.271	8.333	15.684	14.791
Maintenance revenue .....	1.327	842	2.616	4.470
Gain on sale of operating assets .....	( 61 )	183	0	2.733
Other operating revenue .....	683	1.642	6.992	7.571
Total other operating revenue .....	<u>47.867</u>	<u>43.994</u>	<u>82.493</u>	<u>80.587</u>

### 8. Operating expenses

Salaries and other personnel expenses are specified as follows:

Salaries .....	39.831	33.256	72.042	60.123
Salary-related expenses .....	11.355	9.682	22.104	18.398
Other personnel expenses .....	12.007	9.822	21.133	17.376
Total salaries and personnel expenses .....	<u>63.193</u>	<u>52.760</u>	<u>115.279</u>	<u>95.897</u>

Other operating expenses are specified as follows:

Operating cost of real estate and fixtures .....	5.525	4.562	10.225	8.589
Communication .....	3.542	2.869	7.046	5.939
Advertising .....	3.976	3.643	9.243	9.218
Booking fees and commission expenses .....	8.864	7.324	18.251	14.890
Cost of goods sold .....	5.267	4.568	9.188	7.878
Customer services .....	3.625	2.882	5.855	4.898
Tourism expenses .....	9.924	9.869	16.060	14.998
Allowance for bad debt .....	( 879 )	2.421	1.236	3.863
Other operating expenses .....	6.942	6.219	13.827	12.122
Total other operating expenses .....	<u>46.786</u>	<u>44.357</u>	<u>90.931</u>	<u>82.395</u>

## Notes, contd.:

### 9. Finance income and finance costs

Finance income and finance costs are specified as follows:

	2013 1.4.-30.6.	2012 1.4.-30.6.	2013 1.1.-30.6	2012 1.1.-30.6
Interest income on bank deposits .....	185	166	342	369
Other interest income .....	339	473	880	1.201
Net foreign exchange gain .....	( 42 )	4.964	1.810	7.436
Finance income total .....	482	5.603	3.032	9.006
Interest expenses on loans and borrowings .....	1.807	2.351	4.002	5.455
Other interest expenses .....	84	( 65 )	410	95
Finance costs total .....	1.891	2.286	4.412	5.550
Net finance (costs) income .....	( 1.409 )	3.317	( 1.380 )	3.456

### 10. Operating assets

Acquisition of operating assets in the first six months of 2013 amounted to USD 64.9 million. These include three Boeing 757 aircraft, overhaul of own engines of USD 39.4 million and a PDP payment in the amount of 8.1 million.

### 11. Equity

Reserves are specified as follows:

	Hedging reserve	Translation reserve	Total reserves
Reserves 1.1.2012 .....	329	31.229	31.558
Changes during the period .....	( 1.882 )	( 2.613 )	( 4.495 )
Reserves 30.6.2012 .....	( 1.553 )	28.616	27.063
Reserves 1.1.2013 .....	( 1.338 )	27.502	26.164
Changes during the period .....	( 961 )	1.801	840
Reserves 30.6.2013 .....	( 2.299 )	29.303	27.004

### 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.

	30.6.2013	31.12.2012
Non-current loans and borrowings are specified as follows:		
Secured bank loans .....	123.875	137.532
Unsecured loans .....	13.191	13.374
	137.066	150.906
Current maturities .....	( 49.633 )	( 31.548 )
Total non-current loans and borrowings .....	87.433	119.358

Terms and debt repayment schedule:

		Nominal interest rates	Year of maturity	Total remaining balance	
	Currency			30.6.2013	31.12.2012
Secured bank loan .....	USD	4,6%	2014-2018	89.847	103.110
Secured bank loan .....	EUR	4,0%	2017	16.340	16.972
Secured bank loan .....	ISK	7,7%	2017-2023	16.723	16.538
Secured bank loan, indexed .....	ISK	6,3%	2021-2028	965	912
Unsecured bond issue, indexed ....	ISK	5,7%	2023	13.191	13.374
Total interest-bearing liabilities .....				137.066	150.906

## Notes, contd.:

### 13. Contractual repayments of loans and borrowings

Repayments of loans and borrowings are specified as follows:

	2013	2012
Repayments in 2013 (6 months)(2012: 12 months) .....	16.325	31.548
Repayments in 2014 .....	44.893	44.678
Repayments in 2015 .....	15.803	15.379
Repayments in 2016 .....	15.947	15.851
Repayments in 2017 .....	28.234	28.055
Subsequent repayments .....	15.864	15.395
Total loans and borrowings .....	137.066	150.906

### 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:

	30.6.2013		31.12.2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables .....	163.626	163.626	144.308	144.308
Marketable securities .....	2.745	2.745	15.734	15.734
Cash and cash equivalents .....	219.343	219.343	117.060	117.060
Unsecured bond issue .....	( 13.191)	( 15.758)	( 13.374)	( 16.378)
Secured bond loans .....	( 123.875)	( 136.833)	( 137.532)	( 153.598)
Payables and prepayments .....	( 228.751)	( 228.751)	( 174.297)	( 174.297)
Total .....	19.897	4.372	( 48.101)	( 67.171)

### 15. Off-balance sheet items

As a lessee the Group has in place operating leases for 12 aircraft at the end of June 2013. The leases are for 7 Boeing 757 aircraft, 4 Boeing 767 aircraft and 1 Boeing 737 aircraft. The Group also has in place operating leases for storage facilities, accommodations, equipment and fixtures for its operations, the longest until the year 2037. At the end of June 2013 the leases are payable as follows in nominal amounts for each year:

				Total
	Real estate	Aircraft	Other	30.6.2013
In Q3-Q4 2013 .....	6.550	13.850	1.491	21.891
In the year 2014 .....	12.462	16.975	1.779	31.216
In the year 2015 .....	11.755	14.074	861	26.690
In the year 2016 .....	11.491	8.406	661	20.558
In the year 2017 .....	11.525	6.249	670	18.444
Subsequent .....	131.958	5.480		137.438
Total .....	185.741	65.034	5.462	256.237

### 16. Capital commitments

In February 2013 Icelandair Group and Boeing finalized a purchase agreement for the purchase of sixteen 737 MAX8 and 737 MAX9 aircraft with purchase rights for additional eight aircraft. The first delivery to Icelandair is scheduled in the first half of 2018. The commitment for all sixteen aircraft is valued at USD 1.6 billion at Boeing list prices in 2011 USD. Through negotiations with Boeing, the Company received acceptable discounts which due to confidentiality agreements cannot be disclosed. The Company intends to fund the acquisition partly by internal resources of the Company and partly by loans from commercial banks.

## Notes, contd.:

### 17. Group entities

The Company held eleven subsidiaries at the end of June 2013. The subsidiaries included in the consolidated interim financial statements are as follows:

	Share
Route network:	
Air Iceland ehf. ....	100%
Feria ehf. ....	100%
Fjárvakur - Icelandair Shared Services ehf. ....	100%
Icelandair ehf. ....	100%
Icelandair Cargo ehf. ....	100%
IGS ehf. ....	100%
Lofhleðir - Icelandic ehf. ....	100%
Tourism services:	
Iceland Travel ehf. ....	100%
Icelandair Hotels ehf. ....	100%
Other operations:	
A320 ehf. ....	100%
IceCap Ltd., Guernsey .....	100%

The subsidiaries further own 17 subsidiaries that are all included in the consolidated interim financial statements.

### 18. Statement of cash flows

Other operating items in the statement of cash flows are specified as follows:

	2013	2012	2013	2012
	1.4.-30.6.	1.4.-30.6.	1.1.-30.6	1.1.-30.6
Expensed long-term cost .....	5.989	7.661	12.360	13.962
Exchange rate differences .....	553	( 1.184 )	1.047	431
Loss (gain) on sale of operating assets .....	85	( 183 )	24	( 2.733 )
Share in loss of associates .....	55	20	9	63
Income tax .....	4.815	3.492	181	54
Other operating items total .....	11.497	9.806	13.621	11.777

### 19. Net change in operating assets and liabilities in the statement of cash flows is specified as follows:

Inventories, increase .....	( 232 )	( 711 )	( 3.003 )	( 1.413 )
Trade and other receivables, decrease (increase) ...	2.462	5.256	( 16.479 )	( 3.320 )
Trade and other payables, increase .....	41.123	24.361	49.817	29.378
Deferred income, increase .....	14.020	4.224	107.881	92.821
Net change in operating assets and liabilities .....	57.373	33.130	138.216	117.466

### 20. Additional cash flow information:

Interest expenses paid .....	784	1.357	4.199	5.629
Interest income received .....	1.454	564	2.137	1.848

### 21. Ratios

The Group's primary ratios are specified as follows:

	30.6.2013	31.12.2012
Current ratio .....	0,82	0,94
Equity ratio .....	0,32	0,39
Intrinsic value of share capital .....	7,03	7,29