

**Icelandair Group hf.**  
Condensed Consolidated  
Interim Financial Statements  
1 January - 30 September 2012

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 September 2012 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.

The Company's functional currency in previous years has been ISK. The transition of the functional currency from ISK to USD was made as of 1 January 2012, because of changes in the focus of the Company's operations and primary economic environment in which it operates. Due to increased international operations the significance of the USD in the Group's operation has increased and is currently recognized as its functional currency. Comparative figures for the previous year have been translated to USD using the conversion rate at year-end 2011.

According to the consolidated statement of comprehensive income, profit for the period from 1 January to 30 September amounted to USD 52.5 million. Total comprehensive income for the period was USD 49.3 million. According to the consolidated statement of financial position, equity at the end of the period amounted to USD 306.4 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 nine months ended 30 September 2012 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.

According to our best knowledge it is our opinion that the condensed consolidated interim financial statements give a true and fair view of the consolidated financial performance of the Group for the nine month period ended 30 September 2012, its assets, liabilities and consolidated financial position as at 30 September 2012 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 September 2012 and confirm them by means of their signatures.

Reykjavík, 31 October 2012

Board of Directors:

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

CEO:

Björgólfur Jóhannsson

# Consolidated Statement of Comprehensive Income

## for the period from 1 January to 30 September 2012

	Notes	2012 1.7.-30.9. Translated*	2011 1.7.-30.9. Translated*	2012 1.1.-30.9. Translated*	2011 1.1.-30.9. Translated*
<b>Operating income</b>					
Transport revenue .....	7	228.853	205.208	480.842	406.436
Aircraft and aircrew lease .....		31.140	33.905	90.657	103.426
Other operating revenue .....	7	57.358	53.447	137.945	117.496
		<u>317.351</u>	<u>292.560</u>	<u>709.444</u>	<u>627.358</u>
<b>Operating expenses</b>					
Salaries and other personnel expenses .....	8	54.518	48.468	150.415	137.055
Aircraft fuel .....		73.617	63.271	170.377	140.294
Aircraft and aircrew lease .....		20.194	23.662	58.491	65.204
Aircraft handling, landing and communication .....		23.621	21.190	51.897	46.591
Aircraft maintenance expenses .....		14.760	16.799	39.458	43.989
Other operating expenses .....	8	52.702	48.584	135.097	108.238
		<u>239.412</u>	<u>221.974</u>	<u>605.735</u>	<u>541.371</u>
<b>Operating profit before depreciation and amortisation (EBITDA)</b>		77.939	70.586	103.709	85.987
Depreciation and amortisation .....		( 16.792)	( 12.798)	( 44.771)	( 34.829)
<b>Operating profit before net finance income (costs) (EBIT)</b> .....		61.147	57.788	58.938	51.158
Finance income .....		5.925	1.474	14.931	5.122
Finance costs .....		( 2.158)	( 5.179)	( 7.708)	( 13.752)
<b>Net finance income (costs)</b> .....	9	3.767	( 3.705)	7.223	( 8.630)
Share of (loss) profit of associates, net of tax .....		( 157)	33	( 220)	115
<b>Profit before tax</b> .....		64.757	54.116	65.941	42.643
Income tax .....		( 13.395)	( 10.358)	( 13.449)	( 4.698)
<b>Profit for the period</b> .....		<u>51.362</u>	<u>43.758</u>	<u>52.492</u>	<u>37.945</u>
<b>Other comprehensive income:</b>					
Foreign currency translation differences of foreign operations .....		324	2.006	( 936)	1.440
Foreign currency translation differences reclassified to profit or loss .....		0	0	( 1.417)	0
Net profit (loss) on hedge of net investment in foreign operation, net of tax .....		( 31)	767	13	465
Effective portion of changes in fair value of cash flow hedge, net of tax .....		1.021	269	( 861)	285
<b>Other comprehensive profit (loss) for the period</b> .....		<u>1.314</u>	<u>3.042</u>	<u>( 3.201)</u>	<u>2.190</u>
<b>Total comprehensive income for the period</b> .....		<u>52.676</u>	<u>46.800</u>	<u>49.291</u>	<u>40.135</u>

\* See note 3

The notes on pages 9 to 14 are an integral part of these interim consolidation financial statements.

## Consolidated Statement of Comprehensive Income

### for the period from 1 January to 30 September 2012, contd.:

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	2012	2011	2012	2011
	1.7.-30.9.	1.7.-30.9.	1.1.-30.9.	1.1.-30.9.
	Translated*		Translated*	
<b>Profit attributable to:</b>				
Owners of the Company .....	51.272	43.684	52.414	37.912
Non-controlling interest .....	90	74	78	33
<b>Profit for the period</b> .....	51.362	43.758	52.492	37.945
<b>Total Comprehensive income attributable to:</b>				
Owners of the Company .....	52.584	46.726	49.231	40.102
Non-controlling interest .....	92	74	60	33
<b>Total comprehensive income for the period</b> .....	52.676	46.800	49.291	40.135
<b>Earnings per share:</b>				
Basic earnings per share (USD) .....	1,26	1,07	1,29	0,93
Diluted earnings per share (USD) .....	1,26	1,07	1,29	0,93

\* See note 3

The notes on pages 9 to 14 are an integral part of these interim consolidation financial statements.

## Consolidated Statement of Financial Position as at 30 September 2012

	Notes	30.9.2012	31.12.2011 Translated*
<b>Assets</b>			
Operating assets .....		280.917	276.175
Intangible assets and goodwill .....		176.315	176.664
Investments in associates .....		1.145	1.411
Long-term cost .....		3.168	6.207
Long-term receivables and deposits .....		17.230	22.610
Non-current assets		478.775	483.067
Inventories .....		17.152	15.081
Trade and other receivables .....		127.003	118.417
Marketable securities .....		16.123	27.284
Cash and cash equivalents .....		151.552	79.405
Assets classified as held for sale .....	6	4.078	6.485
Current assets		315.908	246.672
<b>Total assets</b>		794.683	729.739
 <b>Equity</b>			
Share capital .....		40.576	40.576
Share premium .....		154.705	154.705
Reserves .....		28.375	31.558
Retained earnings .....		82.415	36.309
Equity attributable to equity holders of the Company		306.071	263.148
Non-controlling interest .....		297	237
Total equity		306.368	263.385
 <b>Liabilities</b>			
Loans and borrowings .....	13	126.682	163.124
Other payables .....		24.588	27.178
Deferred tax liabilities .....		19.715	6.289
Non-current liabilities		170.985	196.591
Loans and borrowings .....	13	31.444	33.744
Trade and other payables .....		173.296	135.000
Deferred income .....		112.590	101.019
Current liabilities		317.330	269.763
Total liabilities		488.315	466.354
<b>Total equity and liabilities</b>		794.683	729.739

\* See note 3

The notes on pages 9 to 14 are an integral part of these interim consolidation financial statements.

## Consolidated Statement of Changes in Equity for the period from 1 January to 30 September 2012

### Attributable to equity holders of the Company

<b>Translated*</b>						<b>Non-con-</b>	
<b>1 January</b>	<b>Share</b>	<b>Share</b>		<b>Retained</b>		<b>trolling</b>	<b>Total</b>
<b>to 30 September 2011</b>	<b>capital</b>	<b>premium</b>	<b>Reserves</b>	<b>earnings</b>	<b>Total</b>	<b>interest</b>	<b>equity</b>
Equity 1.1.2011 .....	40.576	155.085	35.783	0	231.444	228	231.672
Total comprehensive expense .....			2.190	37.912	40.102	33	40.135
Cost of share capital increase .....		( 380 )			( 380 )		( 380 )
Equity 30.9.2011 .....	40.576	154.705	37.973	37.912	271.166	261	271.427
<b>1 January</b>							
<b>to 30 September 2012</b>							
Equity 1.1.2012 .....	40.576	154.705	31.558	36.309	263.148	237	263.385
Total comprehensive income .....			( 3.183 )	52.414	49.231	60	49.291
Dividend ( 0.16 USD per share) ....				( 6.308 )	( 6.308 )		( 6.308 )
Equity 30.9.2012 .....	40.576	154.705	28.375	82.415	306.071	297	306.368

Information on changes in reserves are provided in note 12.

\* See note 3

The notes on pages 9 to 14 are an integral part of these interim consolidation financial statements.

## Consolidated Statement of Cash Flows for the nine months ended 30 September 2012

	Notes	2012 1.7.-30.9.	2011 1.7.-30.9. Translated*	2012 1.1.-30.9.	2011 1.1.-30.9. Translated*
<b>Cash flows from operating activities</b>					
Profit for the period .....		51.362	43.758	52.492	37.945
Adjustments for:					
Depreciation and amortisation .....		16.792	12.798	44.771	34.829
Other operating items .....	18	21.617	19.673	33.394	23.702
Working capital from operations		<u>89.771</u>	<u>76.229</u>	<u>130.657</u>	<u>96.476</u>
Net change in operating assets and liabilities .....	19	( 79.665 )	( 81.509 )	37.801	11.134
Net cash from (used in) operating activities		<u>10.106</u>	<u>( 5.280 )</u>	<u>168.458</u>	<u>107.610</u>
<b>Cash flows used in investing activities:</b>					
Acquisition of operating assets .....		( 6.565 )	( 7.716 )	( 44.258 )	( 60.285 )
Proceeds from the sale of operating assets .....		546	204	6.413	6.256
Acquisition of intangible assets .....		( 708 )	( 432 )	( 1.097 )	( 1.060 )
Cash of subsidiaries held for sale, change .....		0	( 449 )	0	( 1.044 )
Capitalization of long-term cost .....		( 15.666 )	( 7.994 )	( 21.259 )	( 9.829 )
Long-term receivables, change .....		( 408 )	( 546 )	( 1.781 )	( 1.346 )
Marketable securities, change .....		1.312	24	11.158	( 15.147 )
Net cash used in investing activities		<u>( 21.489 )</u>	<u>( 16.909 )</u>	<u>( 50.824 )</u>	<u>( 82.455 )</u>
<b>Cash flows used in financing activities:</b>					
Proceeds from shares issued in prior year .....		0	0	0	21.215
Dividend paid .....		0	0	( 6.308 )	0
Repayment of long term borrowings .....		( 9.401 )	( 19.315 )	( 39.021 )	( 59.429 )
Net cash used in financing activities		<u>( 9.401 )</u>	<u>( 19.315 )</u>	<u>( 45.329 )</u>	<u>( 38.214 )</u>
<b>(Decrease ) increase in cash and cash equivalents .....</b>		<b>( 20.784 )</b>	<b>( 41.504 )</b>	<b>72.305</b>	<b>( 13.059 )</b>
<b>Effect of exchange rate fluctuations on cash held .....</b>		<b>201</b>	<b>245</b>	<b>( 158 )</b>	<b>278</b>
<b>Cash and cash equivalents at beginning of the period .</b>		<u>172.135</u>	<u>123.812</u>	<u>79.405</u>	<u>95.334</u>
<b>Cash and cash equivalents at 30 September .....</b>		<u>151.552</u>	<u>82.553</u>	<u>151.552</u>	<u>82.553</u>
<b>Investment and financing without cash flow effect:</b>					
Aquisition of operating assets .....		0	0	( 4.000 )	( 5.383 )
Long term receivables .....		0	0	4.000	0
Trade and other payables .....		0	0	0	( 3.752 )
Proceeds from long term borrowings .....		0	0	0	9.135

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

\* See note 3

The notes on pages 9 to 14 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 nine months ended 30 September 2012 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 2011 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.omxgroup.com](http://www.omxgroup.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 2011. 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 October 2012.

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 2011.

## 3. Significant accounting policies

### Functional and presentation currency

These condensed Consolidated Interim Financial Statements are presented in USD, which is the Company's functional currency. All financial information presented in USD has been rounded to the nearest thousand.

The Company's functional currency in previous years has been ISK. The transition of the functional currency from ISK to USD was made as of 1 January 2012 because of changes in the focus of the Company's operations and primary economic environment in which it operates. Due to increased international operations the significance of the USD in the Group's operation has increased and is currently recognized as its functional currency. Comparative figures for the previous year have been translated to USD using the conversion rate at year-end 2011.

## 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 and 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 2011.

## 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 Fjárnvörðun - Icelandair Shared Services.

#### Tourism services

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

### Reportable segments for nine months ended 30 September 2012

	Route network		Tourism services		Total	
	1.7.-30.9.	1.1.-30.9.	1.7.-30.9.	1.1.-30.9.	1.7.-30.9.	1.1.-30.9.
External revenue .....	280.681	640.804	36.129	65.836	316.810	706.640
Inter-segment revenue .....	36.581	111.503	2.456	3.337	39.037	114.840
Segment revenue .....	317.262	752.307	38.585	69.173	355.847	821.480
Segment EBITDAR* .....	83.627	133.941	9.255	12.426	92.882	146.367
Segment EBITDA .....	71.512	97.150	6.644	6.234	78.156	103.384
Profit before taxes .....	59.286	63.672	6.204	4.576	65.490	68.248
Segment assets .....		631.342		30.972		662.314

### Reportable segments for the nine months ended 30 September 2011

#### Amounts translated to USD

	1.7.-30.9.	1.1.-30.9.	1.7.-30.9.	1.1.-30.9.	1.7.-30.9.	1.1.-30.9.
External revenue .....	303.517	559.981	35.362	65.131	338.879	625.112
Inter-segment revenue .....	39.206	116.900	571	979	39.777	117.879
Segment revenue .....	342.723	676.881	35.933	66.110	378.656	742.991
Segment EBITDAR* .....	79.098	121.778	7.304	8.573	86.402	130.351
Segment EBITDA .....	65.522	81.538	4.947	3.620	70.469	85.158
Profit before taxes .....	49.402	41.998	4.138	1.760	53.540	43.758
Segment assets .....		549.398		33.346		582.744

### Reconciliation of reportable segment income

	2012	2011
	1.1.-30.9.	1.1.-30.9.
Total profit for reportable segments .....	68.248	43.758
Unallocated amounts:		
Other corporate expenses .....	( 2.087 )	( 1.230 )
Share of (loss) profit of equity accounted investees .....	( 220 )	115
Consolidated profit before income tax .....	65.941	42.643

### Other material items 30 September 2012

	Reportable segment	Adjustments	Consolidated
Segment EBITDAR* .....	146.367	325	146.692
Segment EBITDA .....	103.384	325	103.709

\* EBITDAR means EBITDA before operating lease expenses.

### 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 the end of September 2012, assets held for sale consist of 30% share in Travel Service. Assets classified as held for sale are specified as follows:

	30.9.2012	31.12.2011
<b>Assets classified as held for sale</b>		
Operating assets .....	0	2.407
Investments in other companies .....	4.078	4.078
	4.078	6.485

### 7. Operating income

Transport revenue is specified as follows:

	2012 1.7.-30.9.	2011 1.7.-30.9. Translated*	2012 1.1.-30.9.	2011 1.1.-30.9. Translated*
Passengers .....	219.287	196.058	451.635	379.700
Cargo and mail .....	9.566	9.150	29.207	26.736
Total transport revenue .....	228.853	205.208	480.842	406.436

Other operating revenue is specified as follows:

Sale at airports and hotels .....	20.379	18.560	44.426	38.060
Revenue from tourism .....	24.771	22.490	51.746	41.143
Aircraft and cargo handling services .....	7.656	6.640	22.447	19.131
Maintenance revenue .....	1.642	1.725	6.112	5.990
Gain on sale of operating assets .....	( 210 )	82	2.523	2.481
Other operating revenue .....	3.120	3.950	10.691	10.691
Total other operating revenue .....	57.358	53.447	137.945	117.496

### 8. Operating expenses

Salaries and other personnel expenses are specified as follows:

Salaries .....	38.882	33.191	99.005	87.860
Salary-related expenses .....	6.847	6.293	25.245	23.558
Other personnel expenses .....	8.789	8.984	26.165	25.637
Total salaries and personnel expenses .....	54.518	48.468	150.415	137.055

Other operating expenses are specified as follows:

Operating cost of real estate and fixtures .....	5.588	4.647	14.177	11.951
Communication .....	3.104	2.473	9.043	8.156
Advertising .....	4.050	4.189	13.268	12.127
Booking fees and commission expenses .....	8.724	8.079	23.614	20.222
Cost of goods sold .....	6.015	5.068	13.893	11.470
Customer services .....	4.347	3.241	9.245	8.610
Tourism expenses .....	15.299	14.633	30.297	22.995
Allowance for bad debt .....	( 40 )	908	3.823	( 1.640 )
Other operating expenses .....	5.615	5.346	17.737	14.347
Total other operating expenses .....	52.702	48.584	135.097	108.238

\* See note 3

## Notes, contd.:

### 9. Finance income and finance costs

Finance income and finance costs are specified as follows:

	2012 1.7.-30.9.	2011 1.7.-30.9. Translated*	2012 1.1.-30.9.	2011 1.1.-30.9. Translated*
Interest income on bank deposits .....	179	194	548	669
Other interest income .....	688	1.280	1.889	4.453
Net foreign exchange gain .....	5.058	0	12.494	0
Finance income total .....	<u>5.925</u>	<u>1.474</u>	<u>14.931</u>	<u>5.122</u>
Interest expenses on loans and borrowings .....	2.005	2.505	7.460	8.728
Other interest expenses .....	153	143	248	734
Derivatives, change .....	0	( 625 )	0	0
Net foreign exchange loss .....	0	3.156	0	4.290
Finance costs total .....	<u>2.158</u>	<u>5.179</u>	<u>7.708</u>	<u>13.752</u>
Net finance income (costs) .....	<u>3.767</u>	<u>( 3.705 )</u>	<u>7.223</u>	<u>( 8.630 )</u>

### 10. Income tax

Income tax expense is recognised based on management's best estimate of the income tax rate for the year applied to the pre-tax income of the interim period. The Group's consolidated effective tax rate in respect of continuing operations for the nine months ended 30 September 2012 was 20.4 percent (Q1-Q3 2011; 11.0 percent). The change in effective tax rate was caused mainly by tax exempt cost (Q1-Q3 2011; adjustment of tax deductible expenses from 2010).

### 11. Operating assets

Aquisition of operating assets in the first nine months of 2012 amounted to USD 44.3 million. These include two Boeing 757 aircraft in the amount of USD 16,0 million, two Dash aircraft in the amount of USD 6,3 million and engine overhaul of own aircraft in the amount of USD 8.9 million.

### 12. Equity

Reserves are specified as follows:

	Hedging reserve	Translation reserve	Total reserves
Reserves 1.1.2011 .....	( 232 )	36.015	35.783
Changes during the period .....	285	1.905	2.190
Reserves 30.9.2011 .....	<u>53</u>	<u>37.920</u>	<u>37.973</u>
Reserves 1.1.2012 .....	329	31.229	31.558
Changes during the period .....	( 861 )	( 2.322 )	( 3.183 )
Reserves 30.9.2012 .....	<u>( 532 )</u>	<u>28.907</u>	<u>28.375</u>

### 13. 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.

	30.9.2012	31.12.2011
Non-current loans and borrowings are specified as follows:		
Secured bank loans .....	144.530	182.594
Unsecured bonds .....	13.596	14.274
	<u>158.126</u>	<u>196.868</u>
Current maturities .....	( 31.444 )	( 33.744 )
Total non-current loans and borrowings .....	<u>126.682</u>	<u>163.124</u>

## Notes, contd.:

### 14. Non-current loans and borrowings

Non-current loans and borrowings are specified as follows between currencies and indexation:

	Currency	Nominal interest rates	Year of maturity	Total remaining balance 30.9.2012	Total remaining balance 31.12.2011
Secured bank loan .....	USD	4,4%	2014-2018	107.858	138.597
Secured bank loan .....	EUR	4,3%	2017	17.605	18.703
Secured bank loan .....	ISK	7,1%	2017-2023	18.074	24.299
Secured bank loan, indexed .....	ISK	6,3%	2021-2028	993	995
Unsecured bond issue, indexed .....	ISK	5,7%	2023	13.596	14.274
Total interest-bearing liabilities .....				158.126	196.868

### 15. Contractual repayments of loans and borrowings

Contractual repayments of loans and borrowings are specified as follows:

	2012	2011
Repayments in 2012 (3 months)(2011: 12 months) .....	5.990	33.744
Repayments in 2013 .....	31.576	42.210
Repayments in 2014 .....	45.207	45.245
Repayments in 2015 .....	15.785	15.816
Repayments in 2016 .....	15.883	15.897
Subsequent repayments .....	43.685	43.956
Total loans and borrowings .....	158.126	196.868

### 16. Off-balance sheet items

As a lessee the Group has in place operating leases for 14 aircraft at the end of September 2012. The leases are for 9 Boeing 757 aircraft and 5 Boeing 767 aircraft. The Group also has in place operating leases for storage facilities, accommodations, equipment and fixtures for its operations, the longest until the year 2032. At the end of September 2012 the leases are payable as follows:

	Real estate	Aircraft	Other	Total 30.9.2012
In Q4 2012 .....	2.603	10.460	885	13.948
In the year 2013 .....	10.395	29.687	3.044	43.126
In the year 2014 .....	9.859	15.498	1.579	26.936
In the year 2015 .....	9.516	12.044	1.405	22.965
In the year 2016 .....	9.062	5.466	539	15.067
Subsequent .....	99.511	5.703	538	105.752
Total .....	140.946	78.858	7.990	227.794

## Notes, contd.:

### 17. Group entities

The Company holds eleven subsidiaries at the end of September 2012. Addition from last year is FERIA ehf., a company in Route network segment which started operation in January 2012. The subsidiaries included in the consolidated interim financial statements are as follows:

	<b>Share</b>
Route network:	
Air Iceland ehf. ....	100%
Fjárvakur - Icelandair Shared Services ehf. ....	100%
Feria 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 16 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:

	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>1.7.-30.9.</b>	<b>1.7.-30.9.</b>	<b>1.1.-30.9.</b>	<b>1.1.-30.9.</b>
		<b>Translated*</b>		<b>Translated*</b>
Long-term cost and non-current accruals .....	8.050	7.651	22.012	21.281
Exchange rate differences .....	( 195 )	( 2.846 )	236	947
Loss (gain) on sale of operating assets .....	210	( 72 )	( 2.523 )	( 2.471 )
Reversal of provision on assets held for sale .....	0	4.615	0	( 638 )
Share in loss (profit) of associates .....	157	( 33 )	220	( 115 )
Income tax .....	13.395	10.358	13.449	4.698
Other operating items total .....	<u>21.617</u>	<u>19.673</u>	<u>33.394</u>	<u>23.702</u>

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

Inventories, increase .....	( 658 )	( 808 )	( 2.071 )	( 2.496 )
Trade and other receivables, increase .....	( 1.616 )	( 12.659 )	( 4.936 )	( 21.411 )
Trade and other payables, increase .....	3.859	1.256	33.237	18.980
Deferred income, (decrease) increase .....	( 81.250 )	( 69.298 )	11.571	16.061
Net change in operating assets and liabilities .....	<u>( 79.665 )</u>	<u>( 81.509 )</u>	<u>37.801</u>	<u>11.134</u>

### 20. Additional cash flow information:

Interest expenses paid .....	2.909	3.760	8.538	10.620
Interest income received .....	961	905	2.809	4.127

### 21. Ratios

The Group's primary ratios are specified as follows:

	<b>30.9.2012</b>	<b>31.12.2011</b>
Current ratio .....	1,00	0,91
Equity ratio .....	0,39	0,36
Intrinsic value of share capital .....	7,55	6,49

\* See note 3