

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

The condensed consolidated interim financial statements of Icelandair Group hf. for the period from 1 January to 30 June 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 June amounted to USD 1.1 million. Total comprehensive loss for the period was USD 3.4 million. According to the consolidated statement of financial position, equity at the end of the period amounted to USD 253.7 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 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 six month period ended 30 June 2012, its assets, liabilities and consolidated financial position as at 30 June 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 June 2012 and confirm them by means of their signatures.

Reykjavík, 10 August 2012

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

Independent Auditor's Review Report

To the Board of Directors of Icelandair Group hf.

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Icelandair Group hf. as at 30 June 2012, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. 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 condensed consolidated interim financial information as at 30 June 2012 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Reykjavík, 10 August 2012

KPMG ehf.

Alexander Eðvardsson
Guðný H. Guðmundsdóttir

Consolidated Statement of Comprehensive Income

for the period from 1 January to 30 June 2012

	Notes	2012 1.4.-30.6.	2011 1.4.-30.6. Translated*	2012 1.1.-30.6.	2011 1.1.-30.6. Translated*
Operating income					
Transport revenue	7	161.295	130.885	251.989	201.228
Aircraft and aircrew lease		29.106	37.645	59.517	69.521
Other operating revenue	7	43.994	35.623	80.587	64.049
		<u>234.395</u>	<u>204.153</u>	<u>392.093</u>	<u>334.798</u>
Operating expenses					
Salaries and other personnel expenses	8	52.760	50.112	95.897	88.587
Aircraft fuel		58.693	48.442	96.760	77.023
Aircraft and aircrew lease		19.738	23.369	38.297	41.542
Aircraft handling, landing and communication		17.488	15.899	28.276	25.401
Aircraft maintenance expenses		12.541	15.077	24.698	27.190
Other operating expenses	8	44.357	34.238	82.395	59.654
		<u>205.577</u>	<u>187.137</u>	<u>366.323</u>	<u>319.397</u>
Operating profit before depreciation and amortisation (EBITDA)		28.818	17.016	25.770	15.401
Depreciation and amortisation		(14.304)	(11.941)	(27.979)	(22.031)
Operating profit (loss) before net finance costs (EBIT)		14.514	5.075	(2.209)	(6.630)
Finance income		5.603	2.849	9.006	3.648
Finance costs		(2.286)	(4.315)	(5.550)	(8.573)
Net finance income (costs)	9	3.317	(1.466)	3.456	(4.925)
Share of (loss) profit of associates, net of tax		(20)	74	(63)	82
Profit (loss) before tax		17.811	3.683	1.184	(11.473)
Income tax		(3.492)	(351)	(54)	5.660
Profit (loss) for the period		<u>14.319</u>	<u>3.332</u>	<u>1.130</u>	<u>(5.813)</u>
Other comprehensive income (loss):					
Foreign currency translation differences of foreign operations		319	(44)	(1.260)	(566)
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		109	(74)	44	(302)
Effective portion of changes in fair value of cash flow hedge, net of tax		(2.373)	(2.537)	(1.882)	16
Other comprehensive loss for the period		<u>(1.945)</u>	<u>(2.655)</u>	<u>(4.515)</u>	<u>(852)</u>
Total comprehensive income (loss) for the period		<u>12.374</u>	<u>677</u>	<u>(3.385)</u>	<u>(6.665)</u>

* See note 3b

The notes on pages 10 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 2012, contd.:

	2012	2011	2012	2011
	1.4.-30.6.	1.4.-30.6.	1.1.-30.6.	1.1.-30.6.
	Translated*		Translated*	
Profit (loss) attributable to:				
Owners of the Company	14.308	3.340	1.142	(5.772)
Non-controlling interest	11	(8)	(12)	(41)
Profit (loss) for the period	14.319	3.332	1.130	(5.813)
Total Comprehensive income (loss) attributable to:				
Owners of the Company	12.372	685	(3.353)	(6.624)
Non-controlling interest	2	(8)	(32)	(41)
Total comprehensive income (loss) for the period	12.374	677	(3.385)	(6.665)
Earnings per share:				
Basic earnings (loss) per share (USD)	0,36	0,09	0,03	(0,14)
Diluted earnings (loss) per share (USD)	0,36	0,09	0,03	(0,14)

* See note 3b

The notes on pages 10 to 15 are an integral part of these interim consolidation financial statements.

Consolidated Statement of Financial Position as at 30 June 2012

	Notes	30.6.2012	31.12.2011 Translated*
Assets			
Operating assets		287.743	276.175
Intangible assets and goodwill		176.112	176.664
Investments in associates		1.286	1.411
Long-term cost		4.286	6.207
Long-term receivables and deposits		20.118	22.610
Non-current assets		<u>489.545</u>	<u>483.067</u>
Inventories		16.494	15.081
Trade and other receivables		122.471	118.417
Marketable securities		16.955	27.284
Cash and cash equivalents		172.135	79.405
Assets classified as held for sale	6	4.078	6.485
Current assets		<u>332.133</u>	<u>246.672</u>
Total assets		<u><u>821.678</u></u>	<u><u>729.739</u></u>
Equity			
Share capital		40.576	40.576
Share premium		154.705	154.705
Reserves		27.063	31.558
Retained earnings		31.143	36.309
Equity attributable to equity holders of the Company		<u>253.487</u>	<u>263.148</u>
Non-controlling interest		205	237
Total equity		<u>253.692</u>	<u>263.385</u>
Liabilities			
Loans and borrowings	13	136.711	163.124
Other payables		28.259	27.178
Deferred tax liabilities		6.602	6.289
Non-current liabilities		<u>171.572</u>	<u>196.591</u>
Loans and borrowings	13	30.385	33.744
Trade and other payables		172.189	135.000
Deferred income		193.840	101.019
Current liabilities		<u>396.414</u>	<u>269.763</u>
Total liabilities		<u>567.986</u>	<u>466.354</u>
Total equity and liabilities		<u><u>821.678</u></u>	<u><u>729.739</u></u>

* See note 3b

The notes on pages 10 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 2012

Attributable to equity holders of the Company

Translated* 1 January to 30 June 2011	Share capital	Share premium	Reserves	Retained earnings	Total	Non-con- trolling interest	Total equity
Equity 1.1.2011	40.576	155.085	35.783	0	231.444	228	231.672
Total comprehensive expense			(852)	(5.772)	(6.624)	(41)	(6.665)
Cost of share capital increase		(380)			(380)		(380)
Equity 30.6.2011	40.576	154.705	34.931	(5.772)	224.440	187	224.627
1 January to 30 June 2012							
Equity 1.1.2012	40.576	154.705	31.558	36.309	263.148	237	263.385
Total comprehensive expense			(4.495)	1.142	(3.353)	(32)	(3.385)
Dividend (0.16 USD 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

Information on changes in reserves are provided in note 12.

*See note 3b

The notes on pages 10 to 15 are an integral part of these interim consolidation financial statements.

Consolidated Statement of Cash Flows for the six months ended 30 June 2012

	Notes	2012	2011	2012	2011
		1.4.-30.6.	1.4.-30.6.	1.1.-30.6	1.1.-30.6
			Translated*		Translated*
Cash flows from operating activities					
Profit (loss) for the period		14.319	3.332	1.130	(5.813)
Adjustments for:					
Depreciation and amortisation		14.304	11.941	27.979	22.031
Other operating items	18	9.806	9.925	11.777	4.029
Working capital from operations		38.429	25.198	40.886	20.247
Net change in operating assets and liabilities	19	33.785	17.692	117.466	92.643
Net cash from operating activities		<u>72.214</u>	<u>42.890</u>	<u>158.352</u>	<u>112.890</u>
Cash flows used in investing activities:					
Acquisition of operating assets		(16.681)	(23.988)	(37.693)	(52.569)
Proceeds from the sale of operating assets		5.754	5.767	5.867	6.052
Acquisition of intangible assets		(291)	(367)	(389)	(628)
Cash of subsidiaries held for sale, change		0	(701)	0	(595)
Long-term cost, change		(3.725)	3.230	(5.593)	(1.835)
Long-term receivables, change		(4.077)	3.376	(1.373)	(800)
Marketable securities, change		2.194	(334)	9.846	(15.171)
Net cash used in investing activities		<u>(16.826)</u>	<u>(13.017)</u>	<u>(29.335)</u>	<u>(65.546)</u>
Cash flows used in financing activities:					
Proceeds from shares issued in prior year		0	0	0	21.215
Dividend paid		(6.308)	0	(6.308)	0
Repayment of long term borrowings		(3.906)	(27.977)	(29.620)	(40.114)
Net cash used in financing activities		<u>(10.214)</u>	<u>(27.977)</u>	<u>(35.928)</u>	<u>(18.899)</u>
Increase in cash and cash equivalents		45.174	1.896	93.089	28.445
Effect of exchange rate fluctuations on cash held		381	57	(359)	33
Cash and cash equivalents at beginning of the period		<u>126.580</u>	<u>121.859</u>	<u>79.405</u>	<u>95.334</u>
Cash and cash equivalents at 30 June		<u><u>172.135</u></u>	<u><u>123.812</u></u>	<u><u>172.135</u></u>	<u><u>123.812</u></u>
Investment and financing without cash flow effect:					
Aquisition of operating assets		(4.000)	(5.383)	(4.000)	(5.383)
Long term receivables		4.000	0	4.000	0
Sale of operating assets		(4.950)	(5.612)	0	0
Trade and other receivables		4.950	5.612	0	0
Trade and other payables		0	3.752	0	3.752
Proceeds from long term borrowings		0	1.631	0	1.631

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

* See note 3b

The notes on pages 10 to 15 are an integral part of these interim consolidation financial statements.

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 six months ended 30 June 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 and at The Icelandic Stock Exchange website, 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 10 August 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

a. 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 Fjárnvaskur - 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 2012

	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	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

Reportable segments for the six months ended 30 June 2011

Amounts translated to USD

External revenue	183.220	303.517	19.593	29.769	202.813	333.286
Inter-segment revenue	39.006	77.694	204	408	39.210	78.102
Segment revenue	222.226	381.211	19.797	30.177	242.023	411.388
Segment EBITDAR*	28.538	42.680	1.871	1.269	30.409	43.949
Segment EBITDA	15.127	16.016	564	(1.327)	15.691	14.689
Profit (loss) before taxes	2.488	(7.404)	(63)	(2.378)	2.425	(9.782)
Segment assets		701.917		30.131		732.048

Reconciliation of reportable segment income

	2012	2011
	1.1.-30.6.	1.1.-30.6.
Total profit (loss) for reportable segments	2.758	(9.782)
Unallocated amounts:		
Other corporate expenses	(1.511)	(1.773)
Share of (loss) profit of equity accounted investees	(63)	82
Consolidated profit (loss) before income tax	1.184	(11.473)

Other material items 30 June 2012

	Reportable segment	Adjustments	Consolidated
Segment EBITDAR*	53.485	542	54.027
Segment EBITDA	25.228	542	25.770

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

	30.6.2012	31.12.2011
Assets classified as held for sale		
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 1.4.-30.6.	2011 1.4.-30.6. Translated*	2012 1.1.-30.6.	2011 1.1.-30.6. Translated*
Passengers	151.643	122.192	232.348	183.642
Cargo and mail	9.652	8.693	19.641	17.586
Total transport revenue	161.295	130.885	251.989	201.228

Other operating revenue is specified as follows:

Sale at airports and hotels	17.386	12.323	24.047	19.500
Revenue from tourism	15.608	12.037	26.975	18.653
Aircraft and cargo handling services	8.333	6.488	14.791	12.491
Maintenance revenue	842	1.559	4.470	4.265
Gain on sale of operating assets	183	15	2.733	2.399
Other operating revenue	1.642	3.201	7.571	6.741
Total other operating revenue	43.994	35.623	80.587	64.049

8. Operating expenses

Salaries and other personnel expenses are specified as follows:

Salaries	33.256	31.406	60.123	54.669
Salary-related expenses	9.682	9.508	18.398	17.265
Other personnel expenses	9.822	9.198	17.376	16.653
Total salaries and personnel expenses	52.760	50.112	95.897	88.587

Other operating expenses are specified as follows:

Operating cost of real estate and fixtures	4.562	4.059	8.589	7.304
Communication	2.869	2.921	5.939	5.683
Advertising	3.643	3.301	9.218	7.938
Booking fees and commission expenses	7.324	5.995	14.890	12.143
Cost of goods sold	4.568	3.763	7.878	6.402
Customer services	2.882	3.459	4.898	5.369
Tourism expenses	9.869	5.973	14.998	8.362
Allowance for bad debt	2.421	561	3.863	(2.548)
Other operating expenses	6.219	4.206	12.122	9.001
Total other operating expenses	44.357	34.238	82.395	59.654

* See note 3b

Notes, contd.:

9. Finance income and finance costs

Finance income and finance costs are specified as follows:

	2012 1.4.-30.6.	2011 1.4.-30.6. Translated*	2012 1.1.-30.6	2011 1.1.-30.6 Translated*
Interest income on bank deposits	166	296	369	475
Other interest income	473	2.553	1.201	3.173
Net foreign exchange gain	4.964	0	7.436	0
Finance income total	<u>5.603</u>	<u>2.849</u>	<u>9.006</u>	<u>3.648</u>
Interest expenses on loans and borrowings	2.351	3.132	5.455	6.223
Other interest expenses	(65)	776	95	1.216
Net foreign exchange loss	0	407	0	1.134
Finance costs total	<u>2.286</u>	<u>4.315</u>	<u>5.550</u>	<u>8.573</u>
Net finance income (costs)	<u>3.317</u>	<u>(1.466)</u>	<u>3.456</u>	<u>(4.925)</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 six months ended 30 June 2012 was 5 percent (six months ended 30 June 2011; 49 percent). The change in effective tax rate was caused mainly by USD 1 million of tax exempt revenue (1H 2011; adjustment of tax deductible expenses from 2010).

11. Operating assets

Acquisition of operating assets in first half of 2012 amounted to USD 41,7 million. These include two Boeing 757 aircraft in the amount of USD 16,8 million, two Dash aircraft in the amount of USD 6,2 million and engine overhaul of own aircraft in the amount of USD 7,2 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	16	(868)	(852)
Reserves 30.6.2011	<u>(216)</u>	<u>35.147</u>	<u>34.931</u>
Reserves 1.1.2012	329	31.229	31.558
Changes during the period	(1.882)	(2.613)	(4.495)
Reserves 30.6.2012	<u>(1.553)</u>	<u>28.616</u>	<u>27.063</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.

	30.6.2012	31.12.2011
Non-current loans and borrowings are specified as follows:		
Secured bank loans	153.511	182.594
Unsecured bonds	13.585	14.274
	<u>167.096</u>	<u>196.868</u>
Current maturities	(30.385)	(33.744)
Total non-current loans and borrowings	<u>136.711</u>	<u>163.124</u>
Current loans and borrowings are specified as follows:		
Current maturities of non-current liabilities	30.385	33.744
Total loans and borrowings	<u>167.096</u>	<u>196.868</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 30.6.2012	Total remaining balance 31.12.2011
Secured bank loan	USD	4,1%	2013-2018	115.899	138.597
Secured bank loan	EUR	4,5%	2017	17.958	18.703
Secured bank loan	ISK	6,6%	2013-2017	18.661	24.299
Secured bank loan, indexed	ISK	6,3%	2012-2028	993	995
Unsecured bond issue, indexed	ISK	5,7%	2012-2023	13.585	14.274
Total interest-bearing liabilities				167.096	196.868

15. Contractual repayments of loans and borrowings

Contractual repayments of loans and borrowings are specified as follows:

	2012	2011
Repayments in 2012 (6 months)(2011: 12 months)	15.292	33.744
Repayments in 2013	31.535	42.210
Repayments in 2014	45.166	45.245
Repayments in 2015	15.744	15.816
Repayments in 2016	15.841	15.897
Subsequent repayments	43.518	43.956
Total loans and borrowings	167.096	196.868

16. Off-balance sheet items

As a lessee the Group has in place operating leases for 14 aircraft at the end of June 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 June 2012 the leases are payable as follows:

	Real estate	Aircraft	Other	Total 30.6.2012
In Q3-Q4 2012	5.283	21.488	1.884	28.655
In the year 2013	9.809	29.573	2.508	41.890
In the year 2014	9.689	15.403	1.420	26.512
In the year 2015	9.348	13.431	1.265	24.044
In the year 2016	9.025	6.639	532	16.196
Subsequent	87.473	6.435	532	94.440
Total	130.627	92.969	8.141	231.737

Notes, contd.:

17. Group entities

The Company holds eleven subsidiaries at the end of June 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:

	Share
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:

	2012	2011	2012	2011
	1.4.-30.6.	1.4.-30.6.	1.1.-30.6	1.1.-30.6
		Translated*		Translated*
Expensed long-term cost	7.661	7.315	13.962	13.630
Exchange rate differences	(1.184)	2.782	431	3.793
Gain on sale of operating assets	(183)	(17)	(2.733)	(2.399)
Reversal of provision on assets held for sale	0	(432)	0	(5.253)
Share in loss (profit) of associates	20	(74)	63	(82)
Income tax	3.492	351	54	(5.660)
Other operating items total	<u>9.806</u>	<u>9.925</u>	<u>11.777</u>	<u>4.029</u>

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

Inventories, increase	(711)	(1.264)	(1.413)	(1.688)
Trade and other receivables, decrease (increase) ...	4.903	(5.220)	(3.320)	(8.752)
Trade and other payables, increase	25.369	10.897	29.378	17.724
Deferred income, increase	4.224	13.279	92.821	85.359
Net change in operating assets and liabilities	<u>33.785</u>	<u>17.692</u>	<u>117.466</u>	<u>92.643</u>

20. Additional cash flow information:

Interest expenses paid	1.357	1.909	5.629	6.860
Interest income received	564	2.431	1.848	3.222

21. Ratios

The Group's primary ratios are specified as follows:

	30.6.2012	31.12.2011
Current ratio	0,84	0,91
Equity ratio	0,31	0,36
Intrinsic value of share capital	6,25	6,49

* See note 3b