

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

USD

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Endorsement and Statement by the Board of Directors and the CEO

The condensed consolidated interim financial statements of Icelandair Group hf. for the period from 1 January to 30 September 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 September amounted to USD 65.5 million. Total comprehensive income for the period was USD 68.1 million. According to the consolidated statement of financial position, equity at the end of the period amounted to USD 352.2 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 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 audited or reviewed by the Company's independent auditors.

According to our best knowledge it is our opinion that the condensed consolidated interim financial statements give a true and fair view of the financial performance of the Group for the nine month period ended 30 September 2013, its assets, liabilities and consolidated financial position as at 30 September 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 September and confirm them by means of their signatures.

Reykjavík, 30 October 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 September 30 2013

	Notes	2013 1.7.-30.9.	2012 1.7.-30.9.	2013 1.1.-30.9.	2012 1.1.-30.9.
Operating income					
Transport revenue	7	264.430	228.853	562.667	480.842
Aircraft and aircrew lease		28.829	31.140	86.744	90.657
Other operating revenue	7	78.403	57.358	160.896	137.945
		<u>371.662</u>	<u>317.351</u>	<u>810.307</u>	<u>709.444</u>
Operating expenses					
Salaries and other personnel expenses	8	62.020	54.518	177.299	150.415
Aircraft fuel		80.687	73.617	188.606	170.377
Aircraft lease		11.447	20.194	45.686	58.491
Aircraft handling, landing and communication		25.340	23.621	56.931	51.897
Aircraft maintenance expenses		24.335	14.760	48.399	39.458
Other operating expenses	8	65.592	52.702	156.523	135.097
		<u>269.421</u>	<u>239.412</u>	<u>673.444</u>	<u>605.735</u>
Operating profit before depreciation and amortisation (EBITDA)		102.241	77.939	136.863	103.709
Depreciation and amortisation		(20.073)	(16.792)	(52.924)	(44.771)
Operating profit before net finance costs (EBIT)		82.168	61.147	83.939	58.938
Finance income		1.732	5.925	4.764	14.931
Finance costs		(2.038)	(2.158)	(6.450)	(7.708)
Net finance (costs) income	9	(306)	3.767	(1.686)	7.223
Share of loss of associates, net of tax		(11)	(157)	(20)	(220)
Profit before tax		81.851	64.757	82.233	65.941
Income tax		(16.526)	(13.395)	(16.707)	(13.449)
Profit for the period		<u>65.325</u>	<u>51.362</u>	<u>65.526</u>	<u>52.492</u>
Other comprehensive income:					
Foreign currency translation differences of foreign operations		1.016	324	2.711	(936)
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		(80)	(31)	(42)	13
Effective portion of changes in fair value of cash flow hedge, net of tax		820	1.021	(141)	(861)
Other comprehensive profit (loss) for the period		<u>1.756</u>	<u>1.314</u>	<u>2.528</u>	<u>(3.201)</u>
Total comprehensive income for the period		<u>67.081</u>	<u>52.676</u>	<u>68.054</u>	<u>49.291</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 September, contd.:

	2013	2012	2013	2012
	1.7.-30.9.	1.7.-30.9.	1.1.-30.9.	1.1.-30.9.
Profit attributable to:				
Owners of the Company	65.267	51.272	65.470	52.414
Non-controlling interest	58	90	56	78
Profit for the period	65.325	51.362	65.526	52.492
Total Comprehensive income attributable to:				
Owners of the Company	67.015	52.584	68.058	49.231
Non-controlling interest	66	92	(4)	60
Total comprehensive income for the period	67.081	52.676	68.054	49.291
Earnings per share:				
Basic earnings per share expressed in USD cent per share	1,32	1,04	1,32	1,06
Diluted earnings per share expressed in USD cent per share	1,32	1,04	1,32	1,06

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 September 2013

	Notes	30.9.2013	31.12.2012
Assets			
Operating assets	10	307.515	282.997
Intangible assets and goodwill		178.145	176.715
Investments in associates		2.050	1.327
Long-term cost		294	3.648
Non-current receivables and deposits		8.446	9.223
Non-current assets		<u>496.450</u>	<u>473.910</u>
Inventories		21.520	17.417
Trade and other receivables		141.184	135.085
Marketable securities		2.852	15.734
Cash and cash equivalents		215.484	117.060
Assets classified as held for sale	6	0	3.689
Current assets		<u>381.040</u>	<u>288.985</u>
Total assets		<u><u>877.490</u></u>	<u><u>762.895</u></u>
Equity			
Share capital		40.576	40.576
Share premium		154.705	154.705
Reserves	11	28.752	26.164
Retained earnings		127.940	74.230
Equity attributable to equity holders of the Company		<u>351.973</u>	<u>295.675</u>
Non-controlling interest		253	257
Total equity		<u>352.226</u>	<u>295.932</u>
Liabilities			
Loans and borrowings	12	83.553	119.358
Other payables		17.790	22.060
Deferred tax liabilities		36.524	19.671
Non-current liabilities		<u>137.867</u>	<u>161.089</u>
Loans and borrowings	12	44.909	31.548
Trade and other payables		202.651	152.237
Deferred income		139.837	122.089
Current liabilities		<u>387.397</u>	<u>305.874</u>
Total liabilities		<u>525.264</u>	<u>466.963</u>
Total equity and liabilities		<u><u>877.490</u></u>	<u><u>762.895</u></u>

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 September 2013

Attributable to equity holders of the Company

1 January to 30 September 2012	Share capital	Share premium	Reserves	Retained earnings	Total	Non-con- trolling interest	Total equity
Equity 1.1.2012	40.576	154.705	31.557	36.310	263.148	237	263.385
Total comprehensive loss			(3.183)	52.414	49.231	60	49.291
Dividend (0.13 USD cent per share) ..				(6.308)	(6.308)		(6.308)
Equity 30.9.2012	40.576	154.705	28.374	82.416	306.071	297	306.368
1 January to 30 September 2013							
Equity 1.1.2013	40.576	154.705	26.164	74.230	295.675	257	295.932
Total comprehensive profit			2.588	65.470	68.058	(4)	68.054
Dividend (0.24 USD cent per share) ..				(11.760)	(11.760)		(11.760)
Equity 30.9.2013	40.576	154.705	28.752	127.940	351.973	253	352.226

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 nine months ended 30 September 2013

	Notes	2013 1.7.-30.9.	2012 1.7.-30.9.	2013 1.1.-30.9.	2012 1.1.-30.9.
Cash flows from operating activities					
Profit for the period		65.325	51.362	65.526	52.492
Adjustments for:					
Depreciation and amortisation		20.073	16.792	52.924	44.771
Other operating items	18	25.740	21.617	39.361	33.394
Working capital from operations		<u>111.138</u>	<u>89.771</u>	<u>157.811</u>	<u>130.657</u>
Net change in operating assets and liabilities	19	<u>(80.866)</u>	<u>(79.665)</u>	<u>57.350</u>	<u>37.801</u>
Net cash from operating activities		<u>30.272</u>	<u>10.106</u>	<u>215.161</u>	<u>168.458</u>
Cash flows used in investing activities:					
Acquisition of operating assets		(10.228)	(6.565)	(75.145)	(44.258)
Proceeds from the sale of operating assets		521	546	780	6.413
Acquisition of intangible assets		(496)	(708)	(1.910)	(1.097)
Long-term cost, change		(12.652)	(15.666)	(16.652)	(21.259)
Long-term receivables, change		(1.327)	(408)	(782)	(1.781)
Marketable securities, change		(106)	1.312	13.149	11.158
Net cash used in investing activities		<u>(24.288)</u>	<u>(21.489)</u>	<u>(80.560)</u>	<u>(50.824)</u>
Cash flows used in financing activities:					
Dividend paid		0	0	(11.760)	(6.308)
Repayment of long term borrowings		(10.361)	(9.401)	(25.530)	(39.021)
Net cash used in financing activities		<u>(10.361)</u>	<u>(9.401)</u>	<u>(37.290)</u>	<u>(45.329)</u>
(Decrease) increase in cash and cash equivalents		(4.377)	(20.784)	97.311	72.305
Effect of exchange rate fluctuations on cash held		518	201	1.113	(158)
Cash and cash equivalents at beginning of the period		<u>219.343</u>	<u>172.135</u>	<u>117.060</u>	<u>79.405</u>
Cash and cash equivalents at 30 September		<u>215.484</u>	<u>151.552</u>	<u>215.484</u>	<u>151.552</u>
Investment and financing without cash flow effect:					
Aquisition of operating assets		0	0	0	(4.000)
Long term receivables		0	0	0	4.000

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

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 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 and at The Icelandic Stock Exchange website, 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 30 October 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.:

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 an 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 information 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 Fjárnakur - 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 2013

	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	332.971	730.511	48.184	87.539	381.155	818.050
Inter-segment revenue	33.121	106.887	2.289	4.346	35.410	111.233
Segment revenue	366.092	837.398	50.473	91.885	416.565	929.283
Segment EBITDAR*	103.399	159.417	11.620	14.994	115.019	174.411
Segment EBITDA	94.160	130.574	8.784	7.651	102.944	138.225
Profit before taxes	75.143	80.457	8.142	5.783	83.285	86.240
Segment assets		703.557		37.674		741.231

Reportable segments for the nine months ended 30 September 2012

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

Reconciliation of reportable segment income

	2013 1.1.-30.9.	2012 1.1.-30.9.
Total profit for reportable segments	86.240	68.248
Unallocated amounts:		
Other corporate expenses	(3.987)	(2.087)
Share of loss of equity accounted investees	(20)	(220)
Consolidated profit before income tax	82.233	65.941

Other material items 30 September 2013

	Reportable segment	Adjust- ments	Consolid- ated
Segment EBITDAR*	174.411	(1.362)	173.049
Segment EBITDA	138.225	(1.362)	136.863

* EBITDAR means EBITDA before operating lease expences.

Seasonality

The Group's business is highly seasonal with highest demand during the summer months.

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.

	30.9.2013	31.12.2012
Assets classified as held for sale		
Investment in other companies	0	3.689

7. Operating income

Transport revenue is specified as follows:

	2013 1.7.-30.9.	2012 1.7.-30.9.	2013 1.1.-30.9.	2012 1.1.-30.9.
Passengers	254.085	219.287	531.338	451.635
Cargo and mail	10.345	9.566	31.329	29.207
Total transport revenue	<u>264.430</u>	<u>228.853</u>	<u>562.667</u>	<u>480.842</u>

Other operating revenue is specified as follows:

Sale at airports and hotels	23.893	20.379	51.769	44.426
Revenue from tourism	32.559	24.771	61.884	51.746
Aircraft and cargo handling services	8.246	7.656	23.930	22.447
Maintenance revenue	9.729	1.642	12.345	6.112
Gain (loss) on sale of operating assets	283	(210)	283	2.523
Other operating revenue	3.693	3.120	10.685	10.691
Total other operating revenue	<u>78.403</u>	<u>57.358</u>	<u>160.896</u>	<u>137.945</u>

8. Operating expenses

Salaries and other personnel expenses are specified as follows:

Salaries	42.618	38.882	114.660	99.005
Salary-related expenses	8.387	6.847	30.491	25.245
Other personnel expenses	11.015	8.789	32.148	26.165
Total salaries and personnel expenses	<u>62.020</u>	<u>54.518</u>	<u>177.299</u>	<u>150.415</u>

Other operating expenses are specified as follows:

Operating cost of real estate and fixtures	6.098	5.588	16.323	14.177
Communication	3.257	3.104	10.303	9.043
Advertising	5.289	4.050	14.532	13.268
Booking fees and commission expenses	11.210	8.724	29.461	23.614
Cost of goods sold	6.290	6.015	15.478	13.893
Customer services	5.795	4.347	11.650	9.245
Tourism expenses	21.415	15.299	37.475	30.297
Allowance for bad debt	(464)	(40)	772	3.823
Other operating expenses	6.702	5.615	20.529	17.737
Total other operating expenses	<u>65.592</u>	<u>52.702</u>	<u>156.523</u>	<u>135.097</u>

Notes, contd.:

9. Finance income and finance costs

Finance income and finance costs are specified as follows:

	2013	2012	2013	2012
	1.7.-30.9.	1.7.-30.9.	1.1.-30.9.	1.1.-30.9.
Interest income on bank deposits	185	179	527	548
Other interest income	128	688	1.008	1.889
Net foreign exchange gain	1.419	5.058	3.229	12.494
Finance income total	<u>1.732</u>	<u>5.925</u>	<u>4.764</u>	<u>14.931</u>
Interest expenses on loans and borrowings	1.589	2.005	5.591	7.460
Other interest expenses	449	153	859	248
Finance costs total	<u>2.038</u>	<u>2.158</u>	<u>6.450</u>	<u>7.708</u>
Net finance (costs) income	<u>(306)</u>	<u>3.767</u>	<u>(1.686)</u>	<u>7.223</u>

10. Operating assets

Aquisition of operating assets in the first nine months of 2013 amounted to USD 75.1 million. Included are three Boeing 757 aircraft and overhaul of own engines of USD 45.2 million and a PDP payment in the amount of 7.9 million.

11. Equity

Reserves are specified as follows:

	Hedging	Translation	Total
	reserve	reserve	reserves
Reserves 1.1.2012	329	31.228	31.557
Changes during the period	(861)	(2.322)	(3.183)
Reserves 30.9.2012	<u>(532)</u>	<u>28.906</u>	<u>28.374</u>
Reserves 1.1.2013	(1.338)	27.502	26.164
Changes during the period	(141)	2.729	2.588
Reserves 30.9.2013	<u>(1.479)</u>	<u>30.231</u>	<u>28.752</u>

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.

	30.9.2013	31.12.2012
Non-current loans and borrowings are specified as follows:		
Secured bank loans	114.784	137.532
Unsecured loans	13.678	13.374
	<u>128.462</u>	<u>150.906</u>
Current maturities	(44.909)	(31.548)
Total non-current loans and borrowings	<u>83.553</u>	<u>119.358</u>

Terms and debt repayment schedule:

		Nominal		Total	
	Currency	interest	Year of	remaining balance	
		rates	maturity	30.9.2013	31.12.2012
Secured bank loan	USD	4,7%	2014-2018	80.881	103.110
Secured bank loan	EUR	3,7%	2017	16.359	16.972
Secured bank loan	ISK	7,7%	2017-2023	16.544	16.538
Secured bank loan, indexed	ISK	6,3%	2021-2028	1.000	912
Unsecured bond issue, indexed	ISK	5,7%	2023	13.678	13.374
Total interest-bearing liabilities				<u>128.462</u>	<u>150.906</u>

Notes, contd.:

13. Contractual repayments of loans and borrowings

Repayments of loans and borrowings are specified as follows:

	2013	2012
Repayments in 2013 (3 months)(2012: 12 months)	6.128	31.548
Repayments in 2014	45.087	44.678
Repayments in 2015	15.999	15.379
Repayments in 2016	16.146	15.851
Repayments in 2017	28.873	28.055
Subsequent repayments	16.229	15.395
Total loans and borrowings	128.462	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:

	30.9.2013		31.12.2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables	149.630	149.630	144.308	144.308
Marketable securities	2.852	2.852	15.734	15.734
Cash and cash equivalents	215.484	215.484	117.060	117.060
Unsecured bond issue	(13.678)	(16.431)	(13.374)	(16.378)
Secured bond loans	(114.784)	(125.013)	(137.532)	(153.598)
Payables and prepayments	(220.441)	(220.441)	(174.297)	(174.297)
Total	19.063	6.081	(48.101)	(67.171)

15. Off-balance sheet items

As a lessee the Group has in place operating leases for 13 aircraft at the end of September 2013. The leases are for 7 Boeing 757 aircraft, 4 Boeing 767 aircraft and 2 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 September 2013 the leases are payable as follows in nominal amounts for each year:

				Total
	Real estate	Aircraft	Other	30.9.2013
In Q4 2013	4.246	6.845	684	11.775
In the year 2014	12.820	20.035	2.019	34.874
In the year 2015	13.097	18.521	818	32.436
In the year 2016	13.849	12.639	683	27.171
In the year 2017	13.884	9.309	691	23.884
Subsequent	183.755	16.189		199.944
Total	241.651	83.538	4.895	330.084

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 September 2013. The subsidiaries included in the consolidated interim financial statements are as follows:

	Share
Route network:	
Air Iceland ehf.	100%
Feria ehf.	100%
Fjárnakur - Icelandair Shared Services ehf.	100%
Icelandair ehf.	100%
Icelandair Cargo ehf.	100%
IGS ehf.	100%
Loftleiðir - 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
	1.7.-30.9.	1.7.-30.9.	1.1.-30.9.	1.1.-30.9.
Expensed long-term cost	8.011	8.050	20.371	22.012
Exchange rate differences	1.499	(195)	2.546	236
(Gain) loss on sale of operating assets	(307)	210	(283)	(2.523)
Share in loss of associates	11	157	20	220
Income tax	16.526	13.395	16.707	13.449
Other operating items total	<u>25.740</u>	<u>21.617</u>	<u>39.361</u>	<u>33.394</u>

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

Inventories, increase	(1.100)	(658)	(4.103)	(2.071)
Trade and other receivables, decrease (increase)	9.080	(1.616)	(7.384)	(4.936)
Trade and other payables, increase	378	3.859	51.089	33.237
Deferred income, (decrease) increase	(90.133)	(81.250)	17.748	11.571
Net change in operating assets and liabilities	<u>(81.775)</u>	<u>(79.665)</u>	<u>57.350</u>	<u>37.801</u>

20. Additional cash flow information:

Interest expenses paid	2.645	2.909	6.844	8.538
Interest income received	325	961	2.462	2.809

21. Ratios

The Group's primary ratios are specified as follows:

	30.9.2013	31.12.2012
Current ratio	0,98	0,94
Equity ratio	0,40	0,39
Intrinsic value of share capital	8,68	7,29