

Icelandair Group hf.
Condensed Consolidated
Interim Financial Statements
1 January - 30 June 2015

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 June 2015 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 7.8 million. Total comprehensive profit for the period was USD 26.1 million. According to the consolidated statement of financial position, equity at the end of the period amounted to USD 373.2 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 six months ended 30 June 2015 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 six month period ended 30 June 2015, its assets, liabilities and consolidated financial position as at 30 June 2015 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, 27 July 2015.

Board of Directors:

Sigurður Helgason, Chairman of the Board

Úlfar Steindórsson

Ásthildur M. Otharsdóttir

Katrín Olga Jóhannesdóttir

Magnús Magnússon

CEO:

Björgólfur Jóhannsson

Consolidated Statement of Comprehensive Income for the period from 1 January to June 30 2015

	Notes	2015 1.4.-30.6.	2014 1.4.-30.6.	2015 1.1.-30.6.	2014 1.1.-30.6.
Operating income					
Transport revenue	5	224.415	219.918	352.754	341.498
Aircraft and aircrew lease		18.266	16.539	38.445	38.500
Other operating revenue	5	51.531	61.336	89.088	109.072
		<u>294.212</u>	<u>297.793</u>	<u>480.287</u>	<u>489.070</u>
Operating expenses					
Salaries and other personnel expenses		71.359	77.405	128.446	138.294
Aviation expenses		115.636	120.636	197.539	210.053
Other operating expenses		56.952	54.512	106.305	108.787
	6	<u>243.947</u>	<u>252.553</u>	<u>432.290</u>	<u>457.134</u>
Operating profit before depreciation and amortisation (EBITDA)		50.265	45.240	47.997	31.936
Depreciation and amortisation		(21.872)	(19.390)	(38.883)	(36.686)
Operating profit (loss) before net finance costs (EBIT)		28.393	25.850	9.114	(4.750)
Finance income		1.270	741	3.697	1.201
Finance costs		(1.740)	(1.817)	(3.282)	(4.964)
Net finance (costs) income	7	(470)	(1.076)	415	(3.763)
Share of profit (loss) of associates, net of tax		0	2	90	(73)
Profit (loss) before tax		27.923	24.776	9.619	(8.586)
Income tax		(5.558)	(4.976)	(1.806)	1.665
Profit (loss) from continuing operations		<u>22.365</u>	<u>19.800</u>	<u>7.813</u>	<u>(6.921)</u>
Discontinued operation					
Profit from discontinued operation, net of tax		0	2.593	0	2.593
Profit (loss) for the period		<u>22.365</u>	<u>22.393</u>	<u>7.813</u>	<u>(4.328)</u>
Other comprehensive income (loss):					
Foreign currency translation differences of foreign operations		1.615	(75)	(2.362)	682
Net profit on hedge of investment, net of tax		0	17	0	64
Effective portion of changes in fair value of cash flow hedge, net of tax		13.591	2.384	20.624	37
Other comprehensive profit for the period		<u>15.206</u>	<u>2.326</u>	<u>18.262</u>	<u>783</u>
Total comprehensive income (loss) for the period		<u>37.571</u>	<u>24.719</u>	<u>26.075</u>	<u>(3.545)</u>
Profit (loss) attributable to:					
Owners of the Company		22.352	22.368	7.850	(4.353)
Non-controlling interest		13	25	(37)	25
Profit (loss) for the period		<u>22.365</u>	<u>22.393</u>	<u>7.813</u>	<u>(4.328)</u>
Total Comprehensive income (loss) attributable to:					
Owners of the Company		37.553	24.693	26.121	(3.576)
Non-controlling interest		18	26	(46)	31
Total comprehensive income (loss) for the period		<u>37.571</u>	<u>24.719</u>	<u>26.075</u>	<u>(3.545)</u>
Earnings (loss) per share:					
Basic earnings per share expressed in USD cent per share		0,45	0,45	0,16	(0,09)
Diluted earnings per share expressed in USD cent per share		0,45	0,45	0,16	(0,09)
Earnings (loss) per share from continuing operations:					
Basic earnings per share expressed in USD cent per share		0,45	0,40	0,16	(0,14)
Diluted earnings per share expressed in USD cent per share		0,45	0,40	0,16	(0,14)

The notes on pages 8 to 14 are an integral part of these interim consolidation financial statements.

Consolidated Statement of Financial Position as at 30 June 2015

	Notes	30.6.2015	31.12.2014
Assets			
Operating assets	8	336.847	319.340
Intangible assets and goodwill		174.009	175.973
Investments in associates		3.244	2.324
Deferred cost		146	153
Non-current receivables and deposits		19.537	16.413
Non-current assets		533.783	514.203
Inventories		25.068	22.906
Trade and other receivables		128.343	96.470
Marketable securities		36.305	30.879
Cash and cash equivalents		314.903	184.762
Current assets		504.619	335.017
Total assets		1.038.402	849.220
Equity			
Share capital		40.575	40.576
Share premium		154.705	154.705
Reserves	9	21.466	3.195
Retained earnings		156.278	166.371
Equity attributable to equity holders of the Company		373.024	364.847
Non-controlling interest		162	208
Total equity		373.186	365.055
Liabilities			
Loans and borrowings	10	66.056	49.671
Other payables		7.365	8.291
Deferred tax liabilities		30.846	24.681
Non-current liabilities		104.267	82.643
Loans and borrowings	10	12.443	12.263
Trade and other payables		237.198	214.315
Deferred income		311.308	174.944
Current liabilities		560.949	401.522
Total liabilities		665.216	484.165
Total equity and liabilities		1.038.402	849.220

The notes on pages 8 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 June 2015

	Attributable to equity holders of the Company						
	Share capital	Share premium	Reserves	Retained earnings	Total	Non-con- trolling interest	Total equity
1 January to 30 June 2014							
Equity 1.1.2014	40.576	154.705	31.706	118.856	345.843	239	346.082
Total comprehensive income			777	(26.721)	(28.269)	5	(28.264)
Dividend (0.24 USD cent per share) .				(19.091)	(19.091)		(19.091)
Equity 30.6.2014	40.576	154.705	32.483	73.044	298.483	244	298.727
 1 January to 30 June 2015							
Equity 1.1.2015	40.576	154.705	3.195	166.371	364.847	208	365.055
Total comprehensive income			18.271	7.850	26.121	(46)	26.075
Dividend (0.50 USD cent per share) .				(17.943)	(17.943)		(17.943)
Equity 30.6.2015	40.576	154.705	21.466	156.278	373.025	162	373.187

Information on changes in reserves are provided in note 9.

The notes on pages 8 to 14 are an integral part of these interim consolidation financial statements.

Consolidated Statement of Cash Flows for the six months ended 30 June 2015

	Notes	2015 1.4.-30.6.	2014 1.4.-30.6.	2015 1.1.-30.6	2014 1.1.-30.6
Cash flows from operating activities					
Profit (loss) for the period		22.365	22.393	7.813	(4.328)
Adjustments for:					
Depreciation and amortisation		21.872	19.390	38.883	36.686
Other operating items	18	5.374	8.487	4.079	5.363
Working capital from operations		<u>49.611</u>	<u>50.270</u>	<u>50.775</u>	<u>37.721</u>
Net change in operating assets and liabilities	19	37.113	33.355	153.636	167.275
Net cash from operating activities		<u>86.724</u>	<u>83.625</u>	<u>204.411</u>	<u>204.996</u>
Cash flows used in investing activities:					
Acquisition of operating assets		(29.988)	(11.228)	(55.867)	(38.641)
Proceeds from the sale of operating assets		182	161	305	393
Acquisition of intangible assets		(482)	(585)	(739)	(1.115)
Deferred cost, change		(6.256)	1.150	(6.467)	(1.845)
Non-current receivables, change		(1.002)	3.246	(3.984)	1.592
Marketable securities, change		2.987	(6.753)	(5.418)	(8.339)
Net cash used in investing activities		<u>(34.559)</u>	<u>(14.009)</u>	<u>(72.170)</u>	<u>(47.955)</u>
Cash flows used in financing activities:					
Dividend paid		(17.943)	(18.994)	(17.943)	(18.994)
Proceeds from non-current borrowing		0	0	23.660	0
Repayment of non-current borrowings		(2.773)	(33.922)	(6.553)	(63.060)
Net cash used in financing activities		<u>(20.716)</u>	<u>(52.916)</u>	<u>(836)</u>	<u>(82.054)</u>
Increase in cash and cash equivalents		31.449	16.700	131.405	74.987
Effect of exchange rate fluctuations on cash held		799	80	(1.264)	468
Cash and cash equivalents at beginning of the period ...		<u>282.655</u>	<u>250.213</u>	<u>184.762</u>	<u>191.538</u>
Cash and cash equivalents at 30 June		<u>314.903</u>	<u>266.993</u>	<u>314.903</u>	<u>266.993</u>

The notes on pages 8 to 14 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 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates. The Group primarily operates 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 2014 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. Basis of accounting

These interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2014.

These interim financial statements were approved for issue by the Board of Directors on 27 July 2015.

3. Use of judgements and estimates

In preparing these interim financial statements, management has made 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.

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 2014.

a. Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. The management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Group Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Notes, contd.:

4. 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 Fjárnvaka - Icelandair Shared Services.

Tourism services

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

Reportable segments for the six months ended 30 June 2015

	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	254.709	430.082	33.571	49.183	288.280	479.265
Inter-segment revenue	31.894	64.768	2.462	2.830	34.356	67.598
Segment revenue	286.603	494.850	36.033	52.013	322.636	546.863
Segment EBITDAR*	61.965	61.236	5.594	4.673	67.559	65.909
Segment EBITDA	57.223	48.721	3.156	(159)	60.379	48.562
Profit (loss) before taxes	38.919	11.856	2.517	(1.625)	41.436	10.231
Segment assets		815.708		45.738		861.446

Reportable segments for the six months ended 30 June 2014

External revenue	263.840	439.213	34.240	49.852	298.080	489.065
Inter-segment revenue	33.287	66.161	1.396	1.764	34.683	67.925
Segment revenue	297.127	505.374	35.636	51.616	332.763	556.990
Segment EBITDAR*	50.679	49.950	5.216	4.295	55.895	54.245
Segment EBITDA	43.766	35.264	2.451	(864)	46.217	34.400
Profit (loss) before taxes	24.367	(2.696)	1.554	(2.588)	25.921	(5.284)
Segment assets		769.112		44.443		813.555

Reconciliation of reportable segment income

	2015	2014
	1.1.-30.6.	1.1.-30.6.
Total profit (loss) for reportable segments	10.231	(5.284)
Unallocated amounts:		
Other corporate expenses	(702)	(3.229)
Share of profit (loss) of equity accounted investees	90	(73)
Consolidated profit (loss) before income tax	9.619	(8.586)

Other material items 30 June 2015

	Reportable segment	Adjustments	Consolidated
Segment EBITDAR*	65.909	(565)	65.344
Segment EBITDA	48.562	(565)	47.997

* EBITDAR means EBITDA before operating lease expenses.

Seasonality

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

Notes, contd.:

5. Operating income

Transport revenue is specified as follows:

	2015 1.4.-30.6.	2014 1.4.-30.6.	2015 1.1.-30.6	2014 1.1.-30.6
Passengers	214.240	208.614	332.397	319.006
Cargo and mail	10.175	11.304	20.357	22.492
Total transport revenue	<u>224.415</u>	<u>219.918</u>	<u>352.754</u>	<u>341.498</u>

Other operating revenue is specified as follows:

Sale at airports and hotels	17.432	20.901	29.935	34.459
Revenue from tourism	22.230	24.322	36.431	37.625
Aircraft and cargo handling services	7.114	8.767	13.649	16.899
Maintenance revenue	533	3.420	1.049	12.561
Gain on sale of operating assets	55	70	158	139
Other operating revenue	4.167	3.856	7.866	7.389
Total other operating revenue	<u>51.531</u>	<u>61.336</u>	<u>89.088</u>	<u>109.072</u>

6. Operating expenses

Salaries and other personnel expenses are specified as follows:

Salaries	45.534	50.702	80.919	88.668
Salary-related expenses	13.834	13.783	25.136	25.890
Other personnel expenses	11.991	12.920	22.391	23.736
Total salaries and personnel expenses	<u>71.359</u>	<u>77.405</u>	<u>128.446</u>	<u>138.294</u>

Aviation expenses are specified as follows:

Aircraft fuel	67.105	74.631	110.715	122.602
Aircraft lease	6.398	7.032	12.086	13.039
Aircraft handling, landing and communication	21.852	22.231	36.734	36.603
Aircraft maintenance expenses	20.281	16.742	38.004	37.809
Total aviation expenses	<u>115.636</u>	<u>120.636</u>	<u>197.539</u>	<u>210.053</u>

Other operating expenses are specified as follows:

Operating cost of real estate and fixtures	5.650	5.286	10.708	10.855
Communication	4.301	4.252	8.664	8.674
Advertising	4.445	4.059	10.408	9.871
Booking fees and commission expenses	11.615	10.986	23.992	23.242
Cost of goods sold	5.682	6.283	9.895	10.710
Customer services	6.060	5.774	10.057	9.348
Tourism expenses	13.488	14.633	20.477	21.784
Allowance for bad debt	384	(3.064)	202	770
Other operating expenses	5.327	6.303	11.902	13.533
Total other operating expenses	<u>56.952</u>	<u>54.512</u>	<u>106.305</u>	<u>108.787</u>

Notes, contd.:

7. Finance income and finance costs

Finance income and finance costs are specified as follows:

	2015 1.4.-30.6.	2014 1.4.-30.6.	2015 1.1.-30.6	2014 1.1.-30.6
Interest income on bank deposits	569	133	1.006	463
Other interest income	242	608	380	738
Net foreign exchange gain	459	214	2.311	0
Finance income total	<u>1.270</u>	<u>955</u>	<u>3.697</u>	<u>1.201</u>
Interest expenses on loans and borrowings	1.541	1.829	2.905	3.564
Other interest expenses	199	202	377	365
Net foreign exchange loss	0	0	0	1.035
Finance costs total	<u>1.740</u>	<u>2.031</u>	<u>3.282</u>	<u>4.964</u>
Net finance (costs) income	(470)	(1.076)	415	(3.763)

8. Operating assets

Acquisition of operating assets in the first six months of 2015 amounted to USD 55.9 million. Included are two Boeing 757 aircraft, 2 spare engines, overhaul of own engines and aircraft spare parts of USD 34.9 million.

9. Equity

Reserves are specified as follows:

	Hedging reserve	Translation reserve	Total reserves
Reserves 1.1.2014	(108)	31.814	31.706
Changes during the period	37	740	777
Reserves 30.6.2014	<u>(71)</u>	<u>32.554</u>	<u>32.483</u>
Reserves 1.1.2015	(23.941)	27.136	3.195
Changes during the period	20.624	(2.353)	18.271
Reserves 30.6.2015	<u>(3.317)</u>	<u>24.783</u>	<u>21.466</u>

10. 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.

	30.6.2015	31.12.2014
Non-current loans and borrowings are specified as follows:		
Secured bank loans	44.056	49.755
Unsecured loans	34.443	12.179
	<u>78.499</u>	<u>61.934</u>
Current maturities	(12.443)	(12.263)
Total non-current loans and borrowings	<u>66.056</u>	<u>49.671</u>

Terms and debt repayment schedule:

		Nominal interest rates	Year of maturity	Total remaining balance	
	Currency			30.6.2015	31.12.2014
Secured bank loan	USD	5,8%	2017-2022	42.331	47.974
Secured bank loan	ISK	7,2%	2023	930	968
Secured bank loan, indexed	ISK	6,3%	2021-2028	795	813
Unsecured bond issue	USD	4,3%	2020	23.588	0
Unsecured bond issue, indexed	ISK	5,7%	2023	10.855	12.179
Total interest-bearing liabilities				<u>78.499</u>	<u>61.934</u>

Notes, contd.:

11. Contractual repayments of loans and borrowings

Repayments of loans and borrowings are specified as follows:

	2015	2014
Repayments in 2015 (6 months)(2014: 12 months)	5.690	12.263
Repayments in 2016	12.601	12.684
Repayments in 2017	12.671	12.755
Repayments in 2018	8.025	8.125
Repayments in 2019	2.300	2.388
Subsequent repayments	37.212	13.719
Total loans and borrowings	78.499	61.934

12. 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:

	30.6.2015		31.12.2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Derivatives, included in loans and receivables	5.960	5.960	2.016	2.016
Marketable securities	36.305	36.305	30.879	30.879
Unsecured bond issue	(34.443)	(34.176)	(12.179)	(12.479)
Secured bond loans	(44.056)	(45.710)	(49.755)	(52.092)
Derivatives, included in payables and prepayments	(10.355)	(10.355)	(31.925)	(31.925)
Total	(46.589)	(47.976)	(60.964)	(63.601)

13. Off-balance sheet items

As a lessee the Group has in place operating leases for 9 aircraft at the end of June 2015. The leases are for 4 Boeing 757 aircraft, 2 Boeing 767 aircraft and 3 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 2039. At the end of June 2015 the leases are payable as follows in nominal amounts for each year:

				Total
	Real estate	Aircraft	Other	30.6.2015
In Q3 - Q4 2015	7.064	10.943	2.918	20.925
In the year 2016	14.187	16.443	2.503	33.133
In the year 2017	14.429	13.113	1.112	28.654
In the year 2018	14.289	11.211	1.013	26.513
In the year 2019	14.129	5.010	1.009	20.148
Subsequent	161.582	5.565	17.307	184.454
Total	225.681	62.285	25.862	313.827

14. Guarantees

IG Invest, a former subsidiary of the Company, has signed an agreement with Boeing for the purchase of one Boeing 787 Dreamliner aircraft to be delivered in the year 2017. Despite the disposal of IG Invest, Icelandair Group is still guarantor for these capital commitments.

As a part of the financial restructuring of the Company's balance sheet in 2010 the Company divested assets to its creditors for USD 59.1 million. Icelandair Group guarantees that the final sale price will be at least USD 31.4 million (ISK 4.0 billion), however the maximum guarantee is USD 3.9 million (ISK 0.5 billion). Based on the managements estimate the Company has fully provided for potential losses due to the guarantee.

Notes, contd.:

15. Capital commitments

In February 2013 Icelandair Group and Boeing finalized an agreement for the purchase of sixteen 737 MAX8 and 737 MAX9 aircraft with an option to purchase additional eight aircraft. The delivery of the first aircraft 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 when the agreement was finalized. The Company received acceptable discounts which due to confidentiality agreements cannot be disclosed. Prepayments according to the agreement will be made over the construction period. The acquisition will be funded by internal resources and from aviation finance products.

16. Reassessment of taxes

On 15 April the Internal Revenue Board issued a ruling where a decision made by the Director of Internal Revenue was confirmed. The ruling disallows the Company to recognize as expenses for tax purposes certain interest expenses on loans that were transferred to the Company as a result of a reverse acquisition in 2006. The management does not agree with the ruling and an appeal to the District Court of Reykjavik is in process. The effect of the ruling has not been recognized in the interim financial statements, but if the court case will be lost the Company's equity would be reduced by approximately USD 10 million.

17. Group entities

The Company held eleven subsidiaries at the end of June 2015. 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%
Lofleiðir - 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:

	2015	2014	2015	2014
	1.4.-30.6.	1.4.-30.6.	1.1.-30.6	1.1.-30.6
Expensed deferred cost	2.950	3.400	5.841	6.479
Exchange rate differences	534	400	293	831
Gain on sale of operating assets	(56)	(70)	(159)	(139)
Gain on sale of shares	0	(216)	0	(216)
Share in (profit) loss of associates	0	(2)	(90)	73
Income tax	1.946	4.975	(1.806)	(1.665)
Other operating items total	<u>5.374</u>	<u>8.487</u>	<u>4.079</u>	<u>5.363</u>

Notes, contd.:

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

Inventories, (increase) decrease	(3.870)	1.674	(2.318)	(1.097)
Trade and other receivables, decrease (increase) ...	13.890	(4.289)	(5.035)	(23.245)
Trade and other payables, increase	14.975	42.045	25.581	49.845
Deferred income, increase	12.118	47.911	135.408	141.772
Net change in operating assets and liabilities	<u>37.113</u>	<u>87.341</u>	<u>153.636</u>	<u>167.275</u>

20. Additional cash flow information:

Interest expenses paid	1.107	1.600	3.085	4.622
Interest income received	114	364	591	572

21. Ratios

The Group's primary ratios are specified as follows:

	30.6.2015	31.12.2014
Current ratio	0,90	0,83
Equity ratio	0,36	0,43
Intrinsic value of share capital	9,20	9,00

22. Significant accounting policies

The accounting policies and methods of computation applied in these interim 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 2014.

These 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.