

Icelandair Group hf.
Condensed Consolidated
Interim Financial Statements
1 January - 30 June 2014

USD

Contents

Endorsement and Statement by the Board of Directors and the CEO	3
Consolidated Statement of Comprehensive Income	4
Consolidated Statement of Financial Position	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9

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 2014 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, loss for the period from 1 January to 30 June amounted to USD 4.3 million. Total comprehensive loss for the period was USD 3.5 million. According to the consolidated statement of financial position, equity at the end of the period amounted to USD 323.5 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 2014 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 2014, its assets, liabilities and consolidated financial position as at 30 June 2014 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, 30 July 2014.

Board of Directors:

Sigurður Helgason, Chairman of the Board

Úlfar Steindórsson

Ásthildur M. Otharsdóttir

Elín Jónsdóttir

Katrín Olga Jóhannesdóttir

Magnús Magnússon

CEO:

Björgólfur Jóhannsson

Consolidated Statement of Comprehensive Income for the period from 1 January to June 30 2014

	Notes	2014 1.4.-30.6.	2013 1.4.-30.6.	2014 1.1.-30.6.	2013 1.1.-30.6.
Operating income					
Transport revenue	7	219.918	188.170	341.498	298.237
Aircraft and aircrew lease		16.539	29.563	38.500	57.915
Other operating revenue	7	61.336	47.867	109.072	82.493
		<u>297.793</u>	<u>265.600</u>	<u>489.070</u>	<u>438.645</u>
Operating expenses					
Salaries and other personnel expenses	8	77.405	63.500	138.294	115.780
Aircraft fuel		74.631	64.434	122.602	108.030
Aircraft lease		7.032	8.505	13.039	18.143
Aircraft handling, landing and communication		22.231	19.517	36.603	32.193
Aircraft maintenance expenses		16.742	19.273	37.809	37.676
Other operating expenses	8	54.512	47.435	108.787	92.201
		<u>252.553</u>	<u>222.664</u>	<u>457.134</u>	<u>404.023</u>
Operating profit before depreciation and amortisation (EBITDA)		45.240	42.936	31.936	34.622
Depreciation and amortisation		(19.390)	(16.792)	(36.686)	(32.851)
Operating profit (loss) before net finance costs (EBIT)		25.850	24.769	(4.750)	1.771
Finance income		741	482	1.201	3.032
Finance costs		(1.817)	(1.891)	(4.964)	(4.412)
Net finance costs	9	(1.076)	(1.409)	(3.763)	(1.380)
Share of profit (loss) of associates, net of tax		2	(157)	(73)	(9)
Profit (loss) before tax		24.776	23.305	(8.586)	382
Income tax		(4.976)	(4.815)	1.665	(181)
Profit (loss) from continuing operations		<u>19.800</u>	<u>18.490</u>	<u>(6.921)</u>	<u>201</u>
Discontinued operation					
Profit from discontinued operation, net of tax	6	2.593	0	2.593	0
Profit (loss) for the period		<u>22.393</u>	<u>18.490</u>	<u>(4.328)</u>	<u>201</u>
Other comprehensive income (loss):					
Foreign currency translation differences of foreign operations		(70)	629	682	1.695
Net profit (loss) on hedge of net investment in foreign operation, net of tax		17	(49)	64	38
Effective portion of changes in fair value of cash flow hedge, net of tax		2.384	(1.357)	37	(961)
Other comprehensive profit (loss) for the period		<u>2.331</u>	<u>(777)</u>	<u>783</u>	<u>772</u>
Total comprehensive income (loss) for the period		<u>24.724</u>	<u>17.713</u>	<u>(3.545)</u>	<u>973</u>

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

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

	2014 1.4.-30.6.	2013 1.4.-30.6.	2014 1.1.-30.6.	2013 1.1.-30.6.
Profit (loss) attributable to:				
Owners of the Company	22.368	18.467	(4.353)	203
Non-controlling interest	25	23	25 (2)
Profit (loss) for the period	22.393	18.490	(4.328)	201
Total Comprehensive income (loss) attributable to:				
Owners of the Company	24.693	17.694	(3.576)	1.043
Non-controlling interest	26	19	31 (70)
Total comprehensive income (loss) for the period	24.719	17.713	(3.545)	973
Earnings (loss) per share:				
Basic earnings per share expressed in USD cent per share	0,45	0,37	(0,09)	0,00
Diluted earnings per share expressed in USD cent per share	0,45	0,37	(0,09)	0,00
Earnings (loss) per share from continuing operations:				
Basic earnings per share expressed in USD cent per share	0,40	0,37	(0,14)	0,00
Diluted earnings per share expressed in USD cent per share	0,40	0,37	(0,14)	0,00

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

Consolidated Statement of Financial Position as at 30 June 2014

	Notes	30.6.2014	31.12.2013
Assets			
Operating assets	10	303.704	299.197
Intangible assets and goodwill		179.330	179.676
Investments in associates		2.117	2.035
Long-term cost		199	258
Non-current receivables and deposits		17.429	15.791
Non-current assets		502.779	496.957
Inventories		23.263	22.166
Trade and other receivables		138.261	114.259
Marketable securities		16.294	7.955
Cash and cash equivalents		266.993	191.538
Current assets		444.811	335.918
Total assets		947.590	832.875
Equity			
Share capital		40.576	40.576
Share premium		154.705	154.705
Reserves	11	32.483	31.706
Retained earnings		95.509	118.856
Equity attributable to equity holders of the Company		323.273	345.843
Non-controlling interest		270	239
Total equity		323.543	346.082
Liabilities			
Loans and borrowings	12	46.553	78.489
Other payables		25.274	23.742
Deferred tax liabilities		26.840	27.995
Non-current liabilities		98.667	130.226
Loans and borrowings	12	13.652	43.528
Trade and other payables		216.423	159.504
Deferred income		295.305	153.535
Current liabilities		525.380	356.567
Total liabilities		624.047	486.793
Total equity and liabilities		947.590	832.875

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

Consolidated Statement of Changes in Equity for the period from 1 January to 30 June 2014

	Attributable to equity holders of the Company						Non-con- trolling interest	Total equity
	Share capital	Share premium	Reserves	Retained earnings	Total			
1 January to 30 June 2013								
Equity 1.1.2013	40.576	154.705	26.164	74.230	295.675	257	295.932	
Total comprehensive income			840	203	1.043	(70)	973	
Dividend (0.24 USD cent per share) .				(11.760)	(11.760)		(11.760)	
Equity 30.6.2013	40.576	154.705	27.004	62.673	284.958	187	285.145	
 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 loss			777	(4.353)	(3.576)	31	(3.545)	
Dividend (0.38 USD cent per share) .				(18.994)	(18.994)		(18.994)	
Equity 30.6.2014	40.576	154.705	32.483	95.509	323.273	270	323.543	

Information on changes in reserves are provided in note 11.

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

Consolidated Statement of Cash Flows for the six months ended 30 June 2014

	Notes	2014 1.4.-30.6.	2013 1.4.-30.6.	2014 1.1.-30.6	2013 1.1.-30.6
Cash flows from operating activities					
Profit (loss) for the period		22.393	18.490	(4.328)	201
Adjustments for:					
Depreciation and amortisation		19.390	18.167	36.686	32.851
Other operating items	18	8.487	11.497	5.363	13.621
Working capital from operations		<u>50.270</u>	<u>48.154</u>	<u>37.721</u>	<u>46.673</u>
Net change in operating assets and liabilities	19	33.355	58.282	167.275	138.216
Net cash from operating activities		<u>83.625</u>	<u>106.436</u>	<u>204.996</u>	<u>184.889</u>
Cash flows used in investing activities:					
Acquisition of operating assets		(11.228)	(23.886)	(38.641)	(64.917)
Proceeds from the sale of operating assets		161	84	393	259
Acquisition of intangible assets		(585)	(885)	(1.115)	(1.414)
Long-term cost, change		1.150	(2.458)	(1.845)	(4.000)
Long-term receivables, change		3.246	1.656	1.592	545
Marketable securities, change		(6.753)	10.012	(8.339)	13.255
Net cash used in investing activities		<u>(14.009)</u>	<u>(15.477)</u>	<u>(47.955)</u>	<u>(56.272)</u>
Cash flows used in financing activities:					
Dividend paid		(18.994)	(11.760)	(18.994)	(11.760)
Repayment of long term borrowings		(33.922)	(3.930)	(63.060)	(15.169)
Net cash used in financing activities		<u>(52.916)</u>	<u>(15.690)</u>	<u>(82.054)</u>	<u>(26.929)</u>
Increase in cash and cash equivalents		16.700	75.269	74.987	101.688
Effect of exchange rate fluctuations on cash held		80	116	468	595
Cash and cash equivalents at beginning of the period ...		<u>250.213</u>	<u>143.958</u>	<u>191.538</u>	<u>117.060</u>
Cash and cash equivalents at 30 June		<u>266.993</u>	<u>219.343</u>	<u>266.993</u>	<u>219.343</u>

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 six months ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates. The Group is primarily involved 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 2013 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 preparation

a. 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 2013. 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 July 2014.

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 2013.

b. Restatement of comparative figures

When preparing the financial statements, new and improved methods of eliminating intercompany transactions were put in place. As the change affects the classification of cost, comparative figures for 2013 have been adjusted accordingly. The effect on the comparative figures is a reduction in Aircraft and aircrew lease of USD 16.1 million and comparative increase in Aircraft maintenance expenses. Insignificant adjustments were made to other line items of operating expenses. The restatement of the comparative amounts has no other effect on the consolidated financial statements.

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.

The Group has adopted all new standards and amendments to standards with a date of initial application of 1 January 2014 that have been approved by the EU.

Notes, contd.:

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 2013.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

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.:

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 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 2014

	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	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

Reportable segments for the six months ended 30 June 2013

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

Reconciliation of reportable segment income

	2014	2013
	1.1.-30.6.	1.1.-30.6.
Total (loss) profit for reportable segments	(5.284)	2.955
Unallocated amounts:		
Other corporate expenses	(3.229)	(2.564)
Share of loss of equity accounted investees	(73)	(9)
Consolidated (loss) profit before income tax	(8.586)	382

Other material items 30 June 2014

	Reportable segment	Adjustments	Consolidated
Segment EBITDAR*	54.245	(2.464)	51.781
Segment EBITDA	34.400	(2.464)	31.936

* EBITDAR means EBITDA before operating lease expenses.

Seasonality

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

Notes, contd.:

6. Discontinued operation

On December 30th 2011 Smartlynx, previously classified as discontinued operations, was sold. Pursuant to the sale Icelandair Group guaranteed aircraft leases on behalf of Smartlynx and had loans to the Company. Since the sale Icelandair Group has made provisions for potential losses due to the guarantees and the loans. At June 30th 2014 all loans were paid and all lease guarantees had expired and the provision was reversed resulting in a net income of 2.6 million USD.

7. Operating income

Transport revenue is specified as follows:

	2014	2013	2014	2013
	1.4.-30.6.	1.4.-30.6.	1.1.-30.6	1.1.-30.6
Passengers	208.614	177.277	319.006	277.253
Cargo and mail	11.304	10.893	22.492	20.984
Total transport revenue	<u>219.918</u>	<u>188.170</u>	<u>341.498</u>	<u>298.237</u>

Other operating revenue is specified as follows:

Sale at airports and hotels	20.901	16.837	34.459	27.876
Revenue from tourism	24.322	17.598	37.625	29.325
Aircraft and cargo handling services	8.767	8.271	16.899	15.684
Maintenance revenue	3.420	1.327	12.561	2.616
Gain (loss) on sale of operating assets	70	(61)	139	0
Other operating revenue	3.856	3.895	7.389	6.992
Total other operating revenue	<u>61.336</u>	<u>47.867</u>	<u>109.072</u>	<u>82.493</u>

8. Operating expenses

Salaries and other personnel expenses are specified as follows:

Salaries	50.702	39.831	88.668	72.042
Salary-related expenses	13.783	11.355	25.890	22.104
Other personnel expenses	12.920	12.508	23.736	21.634
Total salaries and personnel expenses	<u>77.405</u>	<u>63.694</u>	<u>138.294</u>	<u>115.780</u>

Other operating expenses are specified as follows:

Operating cost of real estate and fixtures	5.286	5.525	10.855	10.225
Communication	4.252	3.542	8.674	7.046
Advertising	4.059	3.976	9.871	9.243
Booking fees and commission expenses	10.986	8.864	23.242	18.251
Cost of goods sold	6.283	5.267	10.710	9.188
Customer services	5.774	3.625	9.348	5.855
Tourism expenses	14.633	9.924	21.784	16.060
Allowance for bad debt	(3.064)	(879)	770	1.236
Other operating expenses	6.303	7.591	13.533	15.097
Total other operating expenses	<u>54.512</u>	<u>47.435</u>	<u>108.787</u>	<u>92.201</u>

Notes, contd.:

9. Finance income and finance costs

Finance income and finance costs are specified as follows:

	2014	2013	2014	2013
	1.4.-30.6.	1.4.-30.6.	1.1.-30.6	1.1.-30.6
Interest income on bank deposits	133	185	463	342
Other interest income	608	339	738	880
Net foreign exchange gain (loss)	0	(42)	0	1.810
Finance income total	<u>741</u>	<u>482</u>	<u>1.201</u>	<u>3.032</u>
Interest expenses on loans and borrowings	1.829	1.807	3.564	4.002
Other interest expenses	202	84	365	410
Net foreign exchange (gain) loss	(214)	0	1.035	0
Finance costs total	<u>1.817</u>	<u>1.891</u>	<u>4.964</u>	<u>4.412</u>
Net finance costs	<u>(1.076)</u>	<u>(1.409)</u>	<u>(3.763)</u>	<u>(1.380)</u>

10. Operating assets

Aquisition of operating assets in the first six months of 2014 amounted to USD 38.6 million. Included is one Boeing 757 aircraft, overhaul of own engines and aircraft spare parts of USD 26.8 million.

11. Equity

Reserves are specified as follows:

	Hedging	Translation	Total
	reserve	reserve	reserves
Reserves 1.1.2013	(1.338)	27.502	26.164
Changes during the period	(961)	1.801	840
Reserves 30.6.2013	<u>(2.299)</u>	<u>29.303</u>	<u>27.004</u>
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>

12. Loans and borrowings

This note provides information on the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

	30.6.2014	31.12.2013
Non-current loans and borrowings are specified as follows:		
Secured bank loans	46.467	107.621
Unsecured loans	13.738	14.396
	<u>60.205</u>	<u>122.017</u>
Current maturities	(13.652)	(43.528)
Total non-current loans and borrowings	<u>46.553</u>	<u>78.489</u>

Terms and debt repayment schedule:

		Nominal		Total	
	Currency	interest	Year of	remaining balance	
		rates	maturity	30.6.2014	31.12.2013
Secured bank loan	USD	5,6%	2014-2018	44.283	74.921
Secured bank loan	EUR			0	15.518
Secured bank loan	ISK	7,9%	2023	1.178	16.209
Secured bank loan, indexed	ISK	6,3%	2021-2028	1.006	973
Unsecured bond issue, indexed	ISK	5,7%	2023	13.738	14.396
Total interest-bearing liabilities				<u>60.205</u>	<u>122.017</u>

Notes, contd.:

13. Contractual repayments of loans and borrowings

Repayments of loans and borrowings are specified as follows:

	2014	2013
Repayments in 2014 (6 months)(2013: 12 months)	7.404	43.528
Repayments in 2015	11.559	15.898
Repayments in 2016	12.014	16.350
Repayments in 2017	12.097	29.471
Repayments in 2018	7.483	7.430
Subsequent repayments	9.648	9.340
Total loans and borrowings	60.205	122.017

14. Financial instruments and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	30.6.2014		31.12.2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Derivatives, included in loans and receivables	736	736	1.853	1.853
Marketable securities	16.294	16.294	7.955	7.955
Unsecured bond issue	(13.738)	(15.846)	(14.396)	(17.398)
Secured bond loans	(46.467)	(52.009)	(107.621)	(177.219)
Derivatives, included in payables and prepayments	(645)	(645)	(2.050)	(2.050)
Total	(43.820)	(51.470)	(114.259)	(186.859)

15. Off-balance sheet items

As a lessee the Group has in place operating leases for 10 aircraft at the end of June 2014. The leases are for 5 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 2014 the leases are payable as follows in nominal amounts for each year:

				Total
	Real estate	Aircraft	Other	30.6.2014
In Q3 - Q4 2014	6.973	12.330	2.479	21.782
In the year 2015	14.925	22.293	2.290	39.508
In the year 2016	16.055	16.443	815	33.313
In the year 2017	14.789	13.113	749	28.651
In the year 2018	14.700	11.211	0	25.911
Subsequent	177.043	10.575	0	187.618
Total	244.485	85.965	6.332	336.783

16. 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. 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.

Notes, contd.:

17. Group entities

The Company held eleven subsidiaries at the end of June 2014. The subsidiaries included in the consolidated interim financial statements are as follows:

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

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

18. Statement of cash flows

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

	2014	2013	2014	2013
	1.4.-30.6.	1.4.-30.6.	1.1.-30.6	1.1.-30.6
Expensed long-term cost	3.400	5.989	6.479	12.360
Exchange rate differences	400	553	831	1.047
(Gain) loss on sale of operating assets	(70)	85	(139)	24
Gain on sale of shares	(216)	0	(216)	0
Share in loss of associates	(2)	55	73	9
Income tax	4.975	4.815	(1.665)	181
Other operating items total	8.487	11.497	5.363	13.621

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

Inventories, decrease (increase)	253	(232)	(1.097)	(3.003)
Trade and other receivables, decrease (increase) ...	(382)	2.477	(23.245)	(16.479)
Trade and other payables, increase	28.361	42.017	49.845	49.817
Deferred income, increase	5.123	14.020	141.772	107.881
Net change in operating assets and liabilities	33.355	58.282	167.275	138.216

20. Additional cash flow information:

Interest expenses paid	1.600	784	4.622	4.199
Interest income received	364	1.454	572	2.137

21. Ratios

The Group's primary ratios are specified as follows:

	30.6.2014	31.12.2013
Current ratio	0,85	0,94
Equity ratio	0,34	0,42
Intrinsic value of share capital	7,97	8,53