



Eimskipafélag Íslands hf.
Condensed Consolidated Interim Financial Statements
1 January to 30 September 2015
EUR

Eimskipafélag Íslands hf.
Korngardar 2
104 Reykjavík
Iceland

Reg. no. 690409-0460

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Endorsement and Statement by the Board of Directors and the CEO

Operations and significant matters

Eimskip specializes in shipping, logistics and supply chain management and offers its customers solutions on land, sea and air with special emphasis on the handling and storing of any type of temperature-controlled cargo, frozen or chilled, and dry cargo.

The Annual General Meeting of Eimskip approved on 26 March 2015 a dividend payment to shareholders of ISK 5.00 per share. The total dividend payment amounted to ISK 933.2 million or EUR 6.3 million. The payment date was 21 April 2015.

On 31 August 2015 the Company cancelled its building project of 875 teus container vessel in China. Due to the cancellation the Company received on October 13 2015 a cash payment based on a bank guarantee of USD 16.1 million, equal to EUR 14.1 million. Eimskip had capitalized EUR 12.1 million for the vessel construction. The difference between the refund and capitalized amount is EUR 2.0 million and is recorded as operating revenue in the Consolidated Income Statement.

During the year the Company acquired the companies Jac. Meisner Internationaal Expeditiebedrijf B.V., Cargocan Agency Ltd. and Sæferdir ehf., the cold storage operation of St. Anthony Cold Storage Ltd. and established the joint venture Eimskip & KCie GmbH & Co. KG. The companies are included in the Condensed Interim Financial Statements and have an immaterial effect.

Net earnings for the first nine months of the year 2015 amounted to EUR 15.5 million according to the Consolidated Income Statement. Total equity as at 30 September 2015 amounted to EUR 226.0 million according to the Statement of Financial Position

Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Eimskipafélag Íslands hf. and its subsidiaries (together referred to as "Eimskip" or the "Group") for the period 1 January to 30 September 2015 are prepared and presented in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Statements (IAS 34) as adopted by the EU and additional Icelandic disclosure requirements for financial statements of listed companies. The financial statements are presented in thousands of EUR. The Condensed Consolidated Interim Financial Statements have not been reviewed by the Company's independent auditors.

According to the best of our knowledge, it is our opinion that these Condensed Consolidated Interim Financial Statements give a true and fair view of the consolidated financial performance of Eimskip for the nine months ended 30 September 2015, its assets, liabilities and consolidated financial position as at 30 September 2015 and its consolidated cash flows for the nine month period ended 30 September 2015.

Further, in our opinion the Condensed Consolidated Interim Financial Statements and the Endorsement by the Board of Directors and the CEO give a fair view of the development and performance of Eimskip's operations and its position and describes the principal risks and uncertainties faced by Eimskip.

The Board of Directors and the CEO have today discussed the Condensed Consolidated Interim Financial Statements of Eimskipafélag Íslands hf. for the period 1 January to 30 September 2015 and confirm them by means of their signatures.

Reykjavík, 19 November 2015

Board of Directors:

Richard Winston Mark d'Abo, Chairman
Vígundur Thorsteinsson
Hrund Rudolfsdóttir
Helga Melkorka Óttarsdóttir
Lárus L. Blöndal

CEO:

Gylfi Sigfússon

Consolidated Income Statement

1 January to 30 September 2015

	Notes	2015 1.7.-30.9.	2014 1.7.-30.9.	2015 1.1.-30.9.	2014 1.1.-30.9.
Operating revenue:					
Sales	5,11	129,721	119,583	368,971	332,761
Expenses:					
Operating expenses		89,604	87,186	263,479	243,387
Salaries and related expenses		23,757	19,763	70,042	59,673
	5	113,361	106,949	333,521	303,060
Operating profit, EBITDA		16,360	12,634	35,450	29,701
Depreciation and amortization		(5,933)	(5,584)	(17,458)	(17,143)
Results from operating activities, EBIT		10,427	7,050	17,992	12,558
Finance income		131	120	394	563
Finance expense		(837)	(817)	(2,596)	(2,339)
Net foreign currency exchange gain		224	1,889	2,229	2,198
Net finance (expense) income	6	(482)	1,192	27	422
Share of earnings of associated companies		66	171	252	259
Net earnings before income tax		10,011	8,413	18,271	13,239
Income tax		(1,537)	(896)	(2,758)	(1,922)
Net earnings for the period		8,474	7,517	15,513	11,317
Net earnings for the period attributable to:					
Equity holders of the Company		8,237	7,445	15,187	11,190
Non-controlling interest		237	72	326	127
		8,474	7,517	15,513	11,317
Earnings per share:					
Basic and diluted earnings per share (EUR per share)	7	0.0441	0.0399	0.0814	0.0600

The notes on pages 10 to 14 are an integral part of these Consolidated Interim Financial Statements.

Consolidated Statement of Comprehensive Income

1 January to 30 September 2015

	Notes	2015 1.7.-30.9.	2014 1.7.-30.9.	2015 1.1.-30.9.	2014 1.1.-30.9.
Net earnings for the period		8,474	7,517	15,513	11,317
Other comprehensive income:					
Items that may subsequently be reclassified to the income statement					
Foreign currency translation difference of foreign operations		(1,916)	1,553	250	1,669
Total comprehensive income for the period		6,558	9,070	15,763	12,986
Total comprehensive income for the period attributable to:					
Equity holders of the Company		6,443	8,837	15,385	12,687
Non-controlling interest		115	233	378	299
Total comprehensive income for the period		6,558	9,070	15,763	12,986

The notes on pages 10 to 14 are an integral part of these Consolidated Interim Financial Statements.

Consolidated Statement of Financial Position

as at 30 September 2015

	Notes	30.9.2015	31.12.2014
Assets:			
Property, vessels and equipment		193,839	185,384
Intangible assets		26,219	19,383
Investment in associated companies		2,529	2,348
Finance assets		126	90
Deferred tax asset		5,841	7,073
Total non-current assets		228,554	214,278
Inventories		2,325	2,563
Trade and other receivables	8	110,521	75,660
Cash and cash equivalents		29,250	39,539
Total current assets		142,096	117,762
Total assets		370,650	332,040
Equity:			
Share capital		1,165	1,165
Share premium		154,726	154,726
Translation reserve		(2,132)	(2,330)
Retained earnings		68,625	59,729
Total equity attributable to equity holders of the Parent Company		222,384	213,290
Non-controlling interest		3,574	3,182
Total equity		225,958	216,472
Liabilities:			
Loans and borrowings	9	40,524	49,578
Deferred tax liability		253	326
Total non-current liabilities		40,777	49,904
Loans and borrowings	9	41,245	14,854
Trade and other payables	10	62,670	50,810
Total current liabilities		103,915	65,664
Total liabilities		144,692	115,568
Total equity and liabilities		370,650	332,040

The notes on pages 10 to 14 are an integral part of these Consolidated Interim Financial Statements.

Consolidated Statement of Changes in Equity

1 January to 30 September 2015

	Attributable to equity holders of the Company						
	Share capital	Share premium	Trans- lation reserve	Retained earnings	Total	Non controlling interest	Total equity
Changes in Equity 2015:							
Equity at 1 January 2015	1,165	154,726	(2,330)	59,729	213,290	3,182	216,472
Dividend paid (0.0337 EUR per share)				(6,291)	(6,291)		(6,291)
Changes in non-controlling interest					0	14	14
Total comprehensive income for the period			198	15,187	15,385	378	15,763
Equity at 30 September 2015	1,165	154,726	(2,132)	68,625	222,384	3,574	225,958
Changes in Equity 2014:							
Equity at 1 January 2014	1,211	154,680	(2,358)	49,296	202,829	2,942	205,771
Treasury shares received	(46)	46			0		0
Reversal of prior year dividend of treasury shares received				81	81		81
Dividend paid (0.0167 EUR per share)				(3,125)	(3,125)		(3,125)
Changes in non-controlling interest					0	(54)	(54)
Total comprehensive income for the period			1,497	11,190	12,687	299	12,986
Equity at 30 September 2014	1,165	154,726	(861)	57,442	212,472	3,187	215,659

The notes on pages 10 to 14 are an integral part of these Consolidated Interim Financial Statements.

Consolidated Statement of Cash Flows

1 January to 30 September 2015

	Notes	2015 1.7.-30.9.	2014 1.7.-30.9.	2015 1.1.-30.9.	2014 1.1.-30.9.
Cash flows from operating activities:					
Net earnings for the period		8,474	7,517	15,513	11,317
Adjustments for:					
Depreciation and amortization		5,933	5,584	17,458	17,143
Share of earnings of associated companies		(66)	(171)	(252)	(259)
Net finance expense (income)	6	482	(1,192)	(27)	(422)
Change in deferred taxes		693	427	1,168	591
Other changes		(2,167)	(212)	(3,167)	(295)
		13,349	11,953	30,693	28,075
Changes in operating assets and liabilities:					
Inventories, change		1,034	404	288	(237)
Receivables, change		(13,770)	(8,953)	(14,780)	(13,087)
Payables, change		6,838	2,171	7,855	6,029
Change in operating assets and liabilities		(5,898)	(6,378)	(6,637)	(7,295)
Interest paid		(629)	(628)	(2,269)	(2,094)
Interest received		178	53	304	440
Taxes paid		(111)	(32)	(308)	(236)
Net cash from operating activities		6,889	4,968	21,783	18,890
Cash flows used in investing activities:					
Acquisition of property, vessels and equipment		(16,026)	(5,596)	(31,325)	(14,738)
Acquisition of intangible assets		(333)	0	(2,864)	0
Proceeds from the sale of property and equipment		245	443	1,800	787
Dividend received		3	0	162	0
Investments in subsidiaries net of cash acquired		331	0	(7,011)	0
Finance assets, change		0	0	0	22
Net cash used in investing activities		(15,780)	(5,153)	(39,238)	(13,929)
Cash flows provided by financing activities:					
Dividend paid		0	0	(6,291)	(3,125)
Changes in non-controlling interest		0	1	14	(54)
Proceeds from loans and borrowings		3,567	10,556	19,234	10,556
Repayment of loans and borrowings		(1,691)	(2,074)	(6,519)	(5,841)
Net cash provided by financing activities		1,876	8,483	6,438	1,536
Changes in cash and cash equivalents		(7,015)	8,298	(11,017)	6,497
Cash and cash equivalents at the beginning of the period		37,011	24,818	39,539	26,370
Effects of exchange rate fluctuations on cash held		(746)	1,057	728	1,306
Cash and cash equivalents at the end of the period		29,250	34,173	29,250	34,173
Investing activities not affecting cash flows:					
Receivables, change		(14,117)	0	(14,117)	0
Proceeds from sale of vessel under construction		14,117	0	14,117	0
Acquisition of property, vessels and equipment		(1,269)	(688)	(2,079)	(1,698)
Proceeds from loans and borrowings		1,269	668	2,079	1,698

The notes on pages 10 to 14 are an integral part of these Consolidated Interim Financial Statements.

Notes to the Consolidated Financial Statements

1. Reporting entity

Eimskipafélag Íslands hf. (the "Company") is a public limited liability company domiciled in Iceland. The address of the Company's registered office is Korngardar 2, 104 Reykjavík. The Condensed Consolidated Interim Financial Statements of the Company for the period 1 January to 30 September 2015 comprise the Company and its subsidiaries (together referred to as "Eimskip" or the "Group") and Eimskip's interest in associated companies. The Parent Company is an investment company focused on investments in shipping and logistic services. The Company is listed on Nasdaq Iceland.

2. Basis of preparation

a. Statement of compliance

The Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The Condensed Consolidated Interim Financial Statements do not include all of the information required for a complete set of consolidated annual financial statements and should be read in conjunction with the Consolidated Financial Statements of the Company as at and for the year ended 31 December 2014, which is available on the Company's website, www.eimskip.is, and in the company news release distribution network of Nasdaq Nordic.

The Condensed Consolidated Interim Financial Statements were approved and authorized for issue by the Company's Board of Directors on 19 November 2015.

3. Significant accounting policies

The accounting policies have been applied consistently to all periods presented in these Condensed Consolidated Interim Financial Statements for the nine month period ended 30 September 2015, and have been applied consistently by Group entities.

These Condensed Consolidated Interim Financial Statements are presented in Euro (EUR), which is the Company's functional currency. All financial information presented in EUR has been rounded to the nearest thousand.

4. Estimates

The preparation of the Condensed Consolidated Interim 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 expenses. 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 applied to the Consolidated Financial Statements as at and for the year ended 31 December 2014.

5. Segment reporting

Business segments

	Liner services	Forwarding services	Consoli- dated
1 January to 30 September 2015			
Revenue, external	263,337	105,634	368,971
Inter-segment revenue	20,691	27,423	48,114
Total	284,028	133,057	417,085
Expenses, external	(228,794)	(104,727)	(333,521)
Inter-segment expense	(27,423)	(20,691)	(48,114)
EBITDA	27,811	7,639	35,450
Depreciation and amortization	(16,354)	(1,104)	(17,458)
EBIT	11,457	6,535	17,992
Net finance (expense) income	(411)	438	27
Share of earnings of associated companies	116	136	252
Income tax	(1,135)	(1,623)	(2,758)
Net earnings for the period	10,027	5,486	15,513

Notes

5. Segment reporting, continued

	Liner services	Forwarding services	Consoli- dated
1 January to 30 September 2014			
Revenue, external	246,113	86,648	332,761
Inter-segment revenue	20,784	24,330	45,114
Total	<u>266,897</u>	<u>110,978</u>	<u>377,875</u>
Expenses, external	(217,451)	(85,609)	(303,060)
Inter-segment expense	(24,330)	(20,784)	(45,114)
EBITDA	<u>25,116</u>	<u>4,585</u>	<u>29,701</u>
Depreciation and amortization	(16,184)	(959)	(17,143)
EBIT	8,932	3,626	12,558
Net finance income	316	106	422
Share of earnings of associated companies	259	0	259
Income tax	(596)	(1,326)	(1,922)
Net earnings for the period	<u>8,911</u>	<u>2,406</u>	<u>11,317</u>

Information on assets and liabilities

Segment assets as at 30 September 2015	308,951	61,699	370,650
Segment assets as at 31 December 2014	278,360	53,680	332,040
Segment liabilities as at 30 September 2015	113,382	31,310	144,692
Segment liabilities as at 31 December 2014	90,705	24,863	115,568
Capital expenditure for the period 1 January to 30 September 2015	32,178	4,090	36,268
Capital expenditure for the period 1 January to 30 September 2014	15,855	581	16,436

Geographical segments

In presenting information on the basis of geographical segments, segment revenue and assets are based on the geographical location of assets.

	North Atlantic	Other territories	Consoli- dated
Revenue, external for the period 1 January to 30 September 2015	330,395	38,576	368,971
Revenue, external for the period 1 January to 30 September 2014	294,899	37,862	332,761
Geographical location of assets as at 30 September 2015	350,422	20,228	370,650
Geographical location of assets as at 31 December 2014	311,345	20,695	332,040
Capital expenditure for the period 1 January to 30 September 2015	36,239	29	36,268
Capital expenditure for the period 1 January to 30 September 2014	16,426	10	16,436

Notes

6. Finance income and expense

	2015	2014	2015	2014
	1.7. - 30.9.	1.7. - 30.9.	1.1. - 30.9.	1.1. - 30.9.
Finance income is specified as follows:				
Interest income	131	120	339	514
Dividend received	0	0	55	49
	<u>131</u>	<u>120</u>	<u>394</u>	<u>563</u>
Finance expense is specified as follows:				
Interest on long-term loans	(670)	(713)	(1,912)	(1,705)
Other finance expense	(167)	(104)	(684)	(634)
	<u>(837)</u>	<u>(817)</u>	<u>(2,596)</u>	<u>(2,339)</u>
Net foreign currency exchange gain	224	1,889	2,229	2,198
Net finance (expense) income	<u>(482)</u>	<u>1,192</u>	<u>27</u>	<u>422</u>

7. Earnings per share

Basic and diluted earnings per share

The calculation of basic earnings per share was based on earnings attributable to shareholders and a weighted average number of shares outstanding during the year. Diluted earnings per share is equal to earnings per share whereas Eimskip has not issued convertible bonds nor granted stock options. Calculations are as follows:

	30.9.2015	30.9.2014
Net earnings attributable to ordinary shareholders	15,187	11,190
Number of issued shares at the beginning of the year	200,000	200,000
Effect of treasury shares held	(13,361)	(13,361)
Weighted average number of ordinary shares at 30 September	<u>186,639</u>	<u>186,639</u>
Basic earnings per share (EUR)	0.0814	0.0600

8. Trade and other receivables

Trade and other receivables are specified as follows:

	30.9.2015	31.12.2014
Trade receivables	85,930	69,567
Restricted cash	1,784	1,752
Other receivables	22,807	4,341
Trade and other receivables total	<u>110,521</u>	<u>75,660</u>

A refund guarantee payment of EUR 14.1 million due to the cancelation of the vessel building project in China is categorized under other receivables (see note 11).

9. Loans and borrowings

This note provides information on the contractual terms of Eimskip's interest bearing loans and borrowings.

Loans and borrowings consist of the following:

	30.9.2015	31.12.2014
Secured bank loans	75,962	59,070
Finance lease liabilities	5,807	5,362
	<u>81,769</u>	<u>64,432</u>

Notes

9. Loans and borrowings, continued

Secured bank loans	30.9.2015		31.12.2014	
	Nominal interest	Carrying amount	Nominal interest	Carrying amount
Secured bank loans are payable as follows:				
Loans in EUR	3.2%	54,705	3.8%	38,595
Loans in USD	2.7%	10,172	2.7%	11,284
Loans in ISK	6.9%	9,892	7.2%	7,370
Loans in other currencies	-	1,193	-	1,821
		75,962		59,070
Current maturities		(19,674)		(5,581)
Short-term borrowings		* (18,871)		(7,208)
Total non-current secured bank loans		37,417		51,862

Aggregated annual maturities are as follows:

	30.9.2015	31.12.2014
On demand or within 12 months	* 38,545	12,789
12 - 24 months	4,364	11,867
24 - 36 months	4,269	4,172
36 - 48 months	4,250	4,172
48 - 60 months	3,149	4,146
More than 60 months	21,385	21,924
	75,962	59,070

*Short-term borrowings that are classified as current liabilities mainly consist of loans taken in relation with the construction of the new cold storage in Hafnarfjörður, the purchase of harbor cranes, an operational credit-line and an overdraft facility. Long-term loan agreements to refinance the short-term loans in relation with the construction in Hafnarfjörður as well as the purchase of harbor cranes have been secured with the terms of 20 years for the cold storage and 10 years for the cranes.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	30.9.2015		31.12.2014	
	Minimum lease payments	Principal	Minimum lease payments	Principal
Less than one year	2,833	2,700	2,110	2,065
Between one and five years	3,185	3,013	3,522	3,297
More than five years	100	94	0	0
	6,118	5,807	5,632	5,362

Collateral of loans and borrowings is specified as follows:

	30.9.2015	31.12.2014
Loans with collateral in fixed assets	75,962	59,070
Finance leases	5,807	5,362
Total	81,769	64,432

10. Trade and other payables

Trade and other payables are specified as follows:

	30.9.2015	31.12.2014
Trade payables	33,383	32,448
Other payables	28,323	17,609
Income tax payable	964	753
Trade and other payables total	62,670	50,810

Notes

11. Capital commitments

In 2011 Eimskip entered into an agreement with a Chinese shipbuilding company for the building of two new container vessels. The first vessel, Lagarfoss, was delivered in the second quarter of 2014. The process of building the second vessel was not proceeding according to plan and on 31 August 2015 the Company decided to cancel the vessel building project. The Company received on 13 October 2015 a cash payment based on a bank guarantee in the amount of USD 16.1 million, equal to EUR 14.1 million. The Company had capitalized EUR 12.1 million for the vessel construction. The difference between the refund and the capitalized amount is EUR 2.0 million and is recorded as operating revenue. The amount is considered as a gain on disposal of assets and indemnity which is recorded as operating revenue.

12. Group entities

At period-end the Company owned directly nine subsidiaries that are all included in the consolidation. During the year the Company acquired the company Sæferdir ehf. and subsidiaries of the Company acquired the companies Jac. Meisner Internationaal Expeditiebedrijf B.V. and Cargocan Agency Ltd., the cold storage operation of St. Anthony Cold Storage Ltd. and established the joint venture Eimskip & KCie GmbH & Co. KG. The companies are included in the Condensed Interim Financial Statements and have an immaterial effect. The direct subsidiaries owned 49 subsidiaries at period-end. The Company's direct subsidiaries are as follows:

	Country of incorporation	Ownership Interest 30.9.2015	Ownership Interest 31.12.2014
Eimskip Ísland ehf.	Iceland	100%	100%
TVG-Zimsen ehf.	Iceland	100%	100%
Eimskip USA, Inc.	USA	100%	100%
Eimskip UK Ltd.	England	100%	100%
Eimskip Holding B.V.	The Netherlands	100%	100%
P/f Skipafélagið Føroyar	The Faroe Islands	100%	100%
Harbour Grace CS Inc.	Canada	51%	51%
Eimskip REIT ehf.	Iceland	100%	100%
Sæferdir ehf.	Iceland	100%	0%

13. Other matters

Eimskipafélag Íslands hf. and its subsidiaries, Eimskip Ísland ehf. and TVG-Zimsen ehf., have been under investigation of the Icelandic Competition Authority since 10 September 2013. At this point the subject matter of the investigation is not known and any elaboration on the potential outcome of the investigation is premature. The investigation has had no effect on the Company's Financial Statements. For further information, see note 23 in the Company's Consolidated Financial Statements 2014.

14. Subsequent events

There are no subsequent events to report.

Quarterly statements

	Q1 2015	Q2 2015	Q3 2015
Operating revenue	112,663	126,587	129,721
Expenses	106,879	113,281	113,361
Operating profit, EBITDA	5,784	13,306	16,360
Depreciation and amortization	(5,735)	(5,790)	(5,933)
Results from operating activities, EBIT	49	7,516	10,427
Net finance income (expense)	2,170	(1,661)	(482)
Share of earnings of associated companies	92	94	66
Net earnings before income tax	2,311	5,949	10,011
Income tax	(787)	(434)	(1,537)
Net earnings	1,524	5,515	8,474

	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Operating revenue	104,200	108,978	119,583	118,794
Expenses	98,182	97,929	106,949	109,953
Operating profit, EBITDA	6,018	11,049	12,634	8,841
Depreciation and amortization	(5,656)	(5,903)	(5,584)	(6,052)
Results from operating activities, EBIT	362	5,146	7,050	2,789
Net finance (expense) income	(856)	86	1,192	169
Share of (loss) earnings of associated companies	(27)	115	171	(30)
Net earnings before income tax	(521)	5,347	8,413	2,928
Income tax	(272)	(754)	(896)	(638)
Net (loss) earnings	(793)	4,593	7,517	2,290