



Eimskipafélag Íslands hf.
Condensed Consolidated Interim Financial Statements
1 January to 30 September 2013
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

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

In March 2013 Eimskip made substantial changes in its sailing schedule. The changes included weekly coastal sailings in Iceland, with additional port calls in the Faroe Islands, direct connection to the UK and mainland Europe and shorter transit time and increased frequency to and from the USA. The number of vessels in liner services was increased by one. In connection with the changes, Eimskip opened a new office in Gdynia, Poland and Portland, Maine, USA.

In April 2013 Eimskip entered into an amended agreement regarding the building of two new container vessels. Expected delivery was in the year 2013 but with the amended agreement, delivery is expected in the first half of 2014. As a result of the delay, Eimskip was able to negotiate a reduction of the vessels' purchase price of USD 10 million in total.

Net earnings for the nine months ended 30 September 2013 amounted to EUR 9.6 million according to the consolidated statement of comprehensive income. Total equity at 30 September 2013 amounted to EUR 205.1 million according to the consolidated 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 ("Eimskip") for the period 1 January to 30 September 2013 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 2013, its assets, liabilities and financial position as at 30 September 2013 and its consolidated cash flows for the nine month period ended 30 September 2013.

Further, in our opinion the 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 2013 and confirm them by means of their signatures.

Reykjavík, 21 November 2013

Board of Directors:

Richard Winston Mark d'Abo, Chairman

Hrund Rudolfsdóttir

Helga Melkorka Óttarsdóttir

Marc Jason Smernoff

Víglundur Thorsteinsson

CEO:

Gylfi Sigfússon

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Consolidated Statement of Comprehensive Income

1 January to 30 September 2013

	Notes	2013 1.7.-30.9.	2012 1.7.-30.9.	2013 1.1.-30.9.	2012 1.1.-30.9.
Operating revenue:					
Sales	2,6	113,524	112,574	326,949	315,725
Expenses:					
Operating expenses		83,732	84,270	242,442	234,017
Salaries and related expenses		17,673	17,465	55,332	51,827
	2,6	<u>101,405</u>	<u>101,735</u>	<u>297,774</u>	<u>285,844</u>
Operating profit, EBITDA		12,119	10,839	29,175	29,881
Depreciation and amortization		(5,494)	(5,026)	(15,656)	(16,318)
Results from operating activities, EBIT		6,625	5,813	13,519	13,563
Finance income		163	936	460	846
Finance expense		(1,437)	(832)	(2,852)	(2,780)
Net finance income (expense)	7	(1,274)	104	(2,392)	(1,934)
Net earnings before income tax		5,351	5,917	11,127	11,629
Income tax	5	(272)	(169)	(1,478)	2,095
Net earnings for the period		<u>5,079</u>	<u>5,748</u>	<u>9,649</u>	<u>13,724</u>
Income for the period attributable to:					
Equity holders of the Company		5,084	5,723	9,653	13,598
Non-controlling interest		(5)	25	(4)	126
		<u>5,079</u>	<u>5,748</u>	<u>9,649</u>	<u>13,724</u>
Earnings per share:					
Basic earnings per share expressed in EUR cent per share	8	0.0262	0.0304	0.0497	0.0723
Diluted earnings per share expressed in EUR cent per share	8	0.0262	0.0293	0.0497	0.0697

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 2013

	Notes	2013 1.7.-30.9.	2012 1.7.-30.9.	2013 1.1.-30.9.	2012 1.1.-30.9.
Net earnings for the period		5,079	5,748	9,649	13,724
Other comprehensive income:					
Foreign currency translation difference of foreign operations		(659)	(585)	(1,440)	(390)
Total comprehensive income for the period		<u>4,420</u>	<u>5,163</u>	<u>8,209</u>	<u>13,334</u>
Total comprehensive income for the period attributable to:					
Equity holders of the Company		4,357	5,340	8,164	13,263
Non-controlling interest		63	(177)	45	71
Total comprehensive income for the period		<u>4,420</u>	<u>5,163</u>	<u>8,209</u>	<u>13,334</u>

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 2013

	Notes	30.9.2013	31.12.2012
Assets:			
Property, vessels and equipment		186,652	180,440
Intangible assets		20,456	19,647
Investment in associated company		530	0
Finance assets		892	984
Deferred tax assets		8,255	8,652
Total non-current assets		216,785	209,723
Inventories		3,693	3,114
Trade and other receivables		73,945	63,140
Cash and cash equivalents		26,676	37,304
Total current assets		104,314	103,558
Total assets		321,099	313,281
Equity:			
Share capital		1,211	1,211
Share premium		154,680	154,680
Translation reserve		(2,032)	(543)
Retained earnings		48,206	41,208
Total equity attributable to equity holders of the parent		202,065	196,556
Non-controlling interest		3,012	3,043
Total equity		205,077	199,599
Liabilities:			
Loans and borrowings	9	53,001	51,088
Deferred tax liability		142	0
Total non-current liabilities		53,143	51,088
Loans and borrowings	9	7,539	8,166
Trade and other payables		55,340	54,428
Total current liabilities		62,879	62,594
Total liabilities		116,022	113,682
Total equity and liabilities		321,099	313,281

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 2013

	Attributable to equity holders of the Company							Total equity
	Share capital	Share premium	Share option reserve	Trans-lation reserve	Retained earnings	Total	Non controlling interest	
Changes in Equity 2013:								
Equity at 1 January 2013	1,211	154,680	0	(543)	41,208	196,556	3,043	199,599
Foreign currency translation difference of foreign operations				(1,489)		(1,489)	49	(1,440)
Other changes in non-controlling interest						0	(76)	(76)
Dividend paid (0.00137 EUR per share)					(2,655)	(2,655)		(2,655)
Net earnings for the period					9,653	9,653	(4)	9,649
Equity at 30 September 2013	<u>1,211</u>	<u>154,680</u>	<u>0</u>	<u>(2,032)</u>	<u>48,206</u>	<u>202,065</u>	<u>3,012</u>	<u>205,077</u>
Changes in Equity 2012:								
Equity at 1 January 2012	104	148,179	425	88	25,077	173,873	2,636	176,509
Effects of share based payment agreements			273			273		273
Stock split	1,070	(1,070)				0		0
Other changes in non-controlling interest						0	299	299
Foreign currency translation difference of foreign operations				(335)		(335)	(55)	(390)
Net earnings for the period					13,598	13,598	126	13,724
Equity at 30 September 2012	<u>1,174</u>	<u>147,109</u>	<u>698</u>	<u>(247)</u>	<u>38,675</u>	<u>187,409</u>	<u>3,006</u>	<u>190,415</u>

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 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:					
Earnings for the period		5,079	5,748	9,649	13,724
Adjustments for:					
Depreciation and amortization		5,494	5,026	15,656	16,318
Net finance income (expense)		1,274	(104)	2,392	1,934
Change in deferred taxes		(96)	(34)	495	(2,438)
Other changes		(91)	(183)	(2,468)	(443)
		<u>11,660</u>	<u>10,453</u>	<u>25,724</u>	<u>29,095</u>
Changes in operating assets and liabilities:					
Inventories, change		(521)	(160)	(654)	(257)
Receivables, change		(3,887)	(1,142)	(10,186)	(5,230)
Payables, change		283	(995)	103	3,110
Change in operating assets and liabilities		<u>(4,125)</u>	<u>(2,297)</u>	<u>(10,737)</u>	<u>(2,377)</u>
Interest paid		(345)	(1,191)	(1,399)	(3,182)
Interest received		299	368	499	774
Taxes paid		(69)	0	(722)	(187)
Net cash from operating activities		<u>7,420</u>	<u>7,333</u>	<u>13,365</u>	<u>24,123</u>
Cash flows used in investing activities:					
Investments in non-current assets		(6,789)	(3,769)	(21,478)	(32,528)
Proceeds from the sale of non-current assets		197	359	920	1,532
Investments in subsidiaries net of cash acquired		0	0	(565)	0
Investment in associated company		(498)	0	(498)	0
Net cash used in investing activities		<u>(7,090)</u>	<u>(3,410)</u>	<u>(21,621)</u>	<u>(30,996)</u>
Cash flows used in financing activities:					
Changes in non-controlling interest		0	0	(76)	(156)
Proceeds from long-term borrowings	9	3,073	600	10,733	880
Repayment of long-term borrowings	9	(4,029)	(2,984)	(9,511)	(8,962)
Dividend paid		0	0	(2,655)	0
Net cash used in financing activities		<u>(956)</u>	<u>(2,384)</u>	<u>(1,509)</u>	<u>(8,238)</u>
Changes in cash and cash equivalents		(626)	1,539	(9,765)	(15,111)
Cash and cash equivalents at the beginning of the period		27,462	27,201	37,304	43,517
Effects of exchange rate fluctuations on cash held		(160)	76	(863)	410
Cash and cash equivalents at the end of the period		<u><u>26,676</u></u>	<u><u>28,816</u></u>	<u><u>26,676</u></u>	<u><u>28,816</u></u>
Investing activities not affecting cash flows:					
Proceeds from the sale of non-current assets		0	0	2,823	0
Repayment of long-term borrowings		0	0	(2,823)	0
Investment in non-current assets		(2,013)	(2,898)	(2,013)	(7,788)
Proceeds from long-term borrowings		2,013	2,898	2,013	7,788

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 2013 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 the NASDAQ OMX 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 2012, which is available on the Company's website, www.eimskip.is and in the NASDAQ OMX Nordic news system.

The condensed interim consolidated financial statements were approved and authorized for issue by the Company's Board of Directors on 21 November 2013.

b. Restatement of comparative figures

One of the Group's subsidiaries restated its comparative amounts for sales and operating expenses for the previous year when preparing the interim financial statements for the first half of 2013. The restatement is due to the fact that in the previous year the subsidiary presented certain sales on net basis but did not report gross amounts of income and expenses. The effect on the consolidated comparative figures is an increase of EUR 6.9 million in sales with a corresponding increase in operating expenses. The restatement of the comparative amounts has no other effect on the consolidated interim financial statements.

3. Significant accounting policies

The accounting policies have been applied consistently to all periods presented in these condensed consolidated interim financial statements for the period ended 30 September 2013, and have been applied consistently by Group entities.

These 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. Judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2012.

5. Income tax

The net taxes for the nine month period 2012 was a benefit despite earnings before taxes. One of the Company's subsidiaries had taxable losses that were not recognized due to uncertainty. Following a purchase of three vessels in 2012 this subsidiary now has operating income that will offset the previously unrecognized tax losses. As a result, tax losses carried-forward amounting to EUR 2.8 million were recognized in the first nine months 2012.

Notes

6. Segment reporting Business segments

	Liner services	Forwarding services	Consoli- dated
1 January to 30 September 2013			
Revenue, external	239,968	86,981	326,949
Inter-segment revenue	22,985	23,857	46,842
Total	<u>262,953</u>	<u>110,838</u>	<u>373,791</u>
Expenses, external	(214,337)	(83,437)	(297,774)
Inter-segment expense	(23,857)	(22,985)	(46,842)
EBITDA	<u>24,759</u>	<u>4,416</u>	<u>29,175</u>
Depreciation and amortization	(14,590)	(1,066)	(15,656)
EBIT	10,169	3,350	13,519
Net finance expense	(2,162)	(230)	(2,392)
Income tax	(513)	(965)	(1,478)
Net earnings for the period	<u>7,494</u>	<u>2,155</u>	<u>9,649</u>
	Liner services	Forwarding services	Consoli- dated
1 January to 30 September 2012			
Revenue, external	230,483	85,242	315,725
Inter-segment revenue	18,083	19,986	38,069
Total	<u>248,566</u>	<u>105,228</u>	<u>353,794</u>
Expenses, external	(202,652)	(83,192)	(285,844)
Inter-segment expense	(19,986)	(18,083)	(38,069)
EBITDA	<u>25,928</u>	<u>3,953</u>	<u>29,881</u>
Depreciation and amortization	(15,366)	(952)	(16,318)
EBIT	10,562	3,001	13,563
Net finance expense	(1,400)	(534)	(1,934)
Income tax	2,784	(689)	2,095
Net earnings for the period	<u>11,946</u>	<u>1,778</u>	<u>13,724</u>
Information on assets and liabilities			
Segment assets as at 30 September 2013	276,078	45,021	321,099
Segment assets as at 31 December 2012	267,552	45,729	313,281
Segment liabilities as at 30 September 2013	91,369	24,653	116,022
Segment liabilities as at 31 December 2012	88,576	25,106	113,682
Capital expenditure for the period 1 January to 30 September 2013 ..	22,972	519	23,491
Capital expenditure for the period 1 January to 30 September 2012 ..	39,656	660	40,316

Notes

6. Segment reporting, continued

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 2013	285,419	41,530	326,949
Revenue, external for the period 1 January to 30 September 2012	276,244	39,481	315,725
Geographical location of assets as at 30 September 2013	304,502	16,597	321,099
Geographical location of assets as at 31 December 2012	295,557	17,724	313,281
Capital expenditure for the period 1 January to 30 September 2013 ...	23,485	6	23,491
Capital expenditure for the period 1 January to 30 September 2012 ...	39,656	660	40,316

7. Finance income and expense

	2013 1.7. - 30.9.	2012 1.7. - 30.9.	2013 1.1. - 30.9.	2012 1.1. - 30.9.
Finance income is specified as follows:				
Interest income	129	117	375	277
Dividend received	34	6	85	53
Fair value changes of financial instruments	0	(56)	0	42
Net foreign exchange gain	0	869	0	474
	163	936	460	846
Finance expense is specified as follows:				
Interest on long-term loans	(555)	(753)	(1,619)	(2,157)
Other finance expense	(220)	(79)	(493)	(623)
Net foreign exchange loss	(662)	0	(740)	0
	(1,437)	(832)	(2,852)	(2,780)
Net finance income (expense)	(1,274)	104	(2,392)	(1,934)

8. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 September 2013 was based on earnings attributable to shareholders and a weighted average number of shares outstanding during the period. Calculations are as follows:

	30.9.2013	30.9.2012
Net earnings attributable to ordinary shareholders	9,653	13,598
Number of outstanding shares at the beginning of the year	200,000	20,000
Effect of stock split issued in 2012	0	180,000
Effect of treasury shares held	(5,919)	(11,920)
Weighted average number of ordinary shares at 30 September	194,081	188,080
Basic earnings per share expressed in EUR cent per share	0.0497	0.0723

Notes

8. Earnings per share, continued

Diluted earnings per share

The calculation of diluted earnings per share at 30 September 2013 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential shares. Calculations are as follows:

	30.9.2013	30.9.2012
Net earnings attributable to ordinary shareholders	9,653	13,598
Number of outstanding shares at the beginning of the year	200,000	20,000
Effect of stock split issued in 2012	0	180,000
Effect of share options on issue	0	7,000
Effect of treasury shares held	(5,919)	(11,920)
Weighted average number of ordinary shares at 30 September	<u>194,081</u>	<u>195,080</u>
Diluted earnings per share expressed in EUR cent per share	0.0497	0.0697

9. Loans and borrowings

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

Non-current loans and borrowings consist of the following:

	30.9.2013	31.12.2012
Finance lease liabilities	5,152	8,538
Loans and borrowings	<u>55,388</u>	<u>50,716</u>
	<u>60,540</u>	<u>59,254</u>

	30.9.2013		31.12.2012	
	Nominal interest	Carrying amount	Nominal interest	Carrying amount
Loans in EUR	3.9%	42,276	3.9%	42,470
Loans in USD	1.8%	3,499	1.8%	5,116
Loans in other currencies	-	9,613	-	3,130
		<u>55,388</u>		<u>50,716</u>
Current maturities		(5,657)		(5,568)
		<u>49,731</u>		<u>45,148</u>

Aggregated annual maturities are as follows:

	30.9.2013	31.12.2012
On demand or within 12 months	5,657	5,568
Within 24 months	19,256	11,158
Within 36 months	3,259	4,373
Within 48 months	3,111	3,120
Within 60 months	3,111	3,120
After 60 months	20,994	23,377
	<u>55,388</u>	<u>50,716</u>

Collateral of loans and borrowings is specified as follows:

Loans with collateral in fixed assets	55,388	50,716
Finance leases	5,152	8,538
Total	<u>60,540</u>	<u>59,254</u>

Notes

9. Loans and borrowings, continued

Finance lease liabilities

Finance lease liabilities are payable as follows:

	30.9.2013		31.12.2012	
	Minimum lease payments		Minimum lease payments	
	Principal	Principal	Principal	Principal
Less than one year	1,886	1,882	2,604	2,598
Between one and five years	3,044	3,034	4,743	4,731
More than five years	239	236	1,210	1,209
	<u>5,169</u>	<u>5,152</u>	<u>8,557</u>	<u>8,538</u>

10. Capital commitments

In 2011 Eimskip entered into an agreement with a Chinese shipbuilding company for the building of two new container vessels which are expected to be delivered in the first half of 2014. The total commitment according to the agreement is USD 40.4 million or EUR 30.6 million, after a renegotiation where the purchase price was reduced by USD 10 million, mainly due to delay in the delivery of the vessels. The remaining obligation as at 30 September was USD 11.8 million or EUR 8.8 million.

11. Group entities

At period-end the Company owned directly nine subsidiaries that are all included in the consolidation. The direct subsidiaries further owned 43 subsidiaries at period-end. The Company's subsidiaries are as follows:

	Country of incorporation	Ownership Interest	Ownership Interest
		30.9.2013	31.12.2012
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.	Holland	100%	100%
P/F Skipafelagid Føroyar	Faroe Islands	100%	100%
Avia Technical Services Ltd.	England	100%	100%
Harbour Grace CS Inc.	Canada	51%	51%
Eimskip REIT ehf.	Iceland	100%	100%

12. Other matters

On 10 September 2013 the Icelandic Competition Authority exercised a dawn raid at the premises of Eimskipafélag Íslands hf. and its subsidiaries, Eimskip Ísland ehf. and TVG-Zimsen ehf. based on a ruling from the Reykjavík District Court. The dawn raid was exercised due to alleged breach of Article 10 and 11 of the Icelandic Competition Act. The companies requested access to the information behind the Competition Authority's request for court ruling. Access was denied and therefore the companies submitted an appeal to the competent authorities, which is to be resolved. 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 neither affected the income statement nor the statement of financial position of Eimskip as at 30 September 2013.

Quarterly statements

	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Operating revenue	113,524	108,112	105,313	107,929	112,574
Salaries and operating expenses	101,405	98,273	98,096	97,727	101,054
Other expenses	0	0	0	3,915	681
Operating expenses	101,405	98,273	98,096	101,642	101,735
Operating profit, EBITDA	12,119	9,839	7,217	6,287	10,839
Depreciation and amortization	(5,494)	(5,028)	(5,134)	(6,118)	(5,026)
Results from operating activities, EBIT	6,625	4,811	2,083	169	5,813
Finance income	163	51	1,556	(189)	541
Finance expense	(1,437)	(2,118)	(607)	(860)	(437)
Net finance (expense) income	(1,274)	(2,067)	949	(1,049)	104
Net earnings before income tax	5,351	2,744	3,032	(880)	5,917
Income tax	(272)	(706)	(500)	(113)	(169)
Net earnings (loss)	5,079	2,038	2,532	(993)	5,748
Reconciliation of EBITDA, adjusted for one-off items:					
Operating profit, EBITDA	12,119	9,839	7,217	6,287	10,839
IPO costs	0	0	0	1,001	681
Share options forfeited by management	0	0	0	2,914	0
Operating profit, EBITDA, adjusted for one-off items	12,119	9,839	7,217	10,202	11,520