



Eimskipafélag Íslands hf.
Condensed Consolidated Interim Financial Statements
1 January to 31 March 2016
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 17 March 2016 a dividend payment to shareholders of ISK 6.50 per share. The total dividend payment amounted to ISK 1,213.2 million or EUR 8.6 million. The payment date was 14 April 2016.

Net earnings for the first three months of the year 2016 amounted to EUR 1.8 million according to the Consolidated Income Statement. Total equity as at 31 March 2016 amounted to EUR 220.8 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 31 March 2016 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 audited or 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 three months ended 31 March 2016, its assets, liabilities and consolidated financial position as at 31 March 2016 and its consolidated cash flows for the three month period ended 31 March 2016.

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 31 March 2016 and confirm them by means of their signatures.

Reykjavík, 26 May 2016

Board of Directors:

Richard Winston Mark d'Abo, Chairman
Víglundur Thorsteinsson
Lárus L. Blöndal
Marc J. Smernoff

CEO:

Gylfi Sigfússon

Consolidated Income Statement

1 January to 31 March 2016

	Notes	2016 1.1.-31.3.	2015 1.1.-31.3.
Revenue			
Operating revenue	5,11	113,253	112,663
Expenses			
Operating expenses		76,971	84,715
Salaries and related expenses		26,650	22,164
	5	103,621	106,879
Operating profit, EBITDA		9,632	5,784
Depreciation and amortization		(6,365)	(5,735)
Results from operating activities, EBIT		3,267	49
Finance income		136	112
Finance expense		(669)	(855)
Net foreign currency exchange (loss) gain		(832)	2,913
Net finance (expense) income	6	(1,365)	2,170
Share of earnings of associated companies		100	92
Net earnings before income tax		2,002	2,311
Income tax		(157)	(787)
Net earnings for the period		1,845	1,524
Net earnings for the period attributable to:			
Equity holders of the Company		1,842	1,362
Non-controlling interest		3	162
		1,845	1,524
Earnings per share:			
Basic and diluted earnings per share (EUR per share)	7	0.0099	0.0073

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 31 March 2016

	Notes	2016 1.1.-31.3.	2015 1.1.-31.3.
Net earnings for the period		1,845	1,524
Other comprehensive income:			
Items that may subsequently be reclassified to the income statement			
Foreign currency translation difference of foreign operations		(566)	3,166
Total comprehensive income for the period		1,279	4,690
Total comprehensive income for the period attributable to:			
Equity holders of the Company		1,318	4,528
Non-controlling interest		(39)	162
Total comprehensive income for the period		1,279	4,690

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

Consolidated Statement of Financial Position

as at 31 March 2016

	Notes	31.3.2016	31.12.2015
Assets:			
Property, vessels and equipment		202,403	198,312
Intangible assets		26,155	26,209
Investment in associated companies		2,676	2,609
Unlisted shares		128	127
Deferred tax assets		6,276	6,023
Total non-current assets		237,638	233,280
Inventories		1,734	1,983
Trade and other receivables	8	81,759	83,911
Cash and cash equivalents		47,337	35,983
Total current assets		130,830	121,877
Total assets		368,468	355,157
Equity:			
Share capital		1,165	1,165
Share premium		154,726	154,726
Translation reserve		(2,813)	(2,289)
Retained earnings		64,013	70,781
Total equity attributable to equity holders of the Parent Company		217,091	224,383
Non-controlling interest		3,705	3,741
Total equity		220,796	228,124
Liabilities:			
Loans and borrowings	9	53,495	54,999
Deferred tax liability		528	551
Total non-current liabilities		54,023	55,550
Loans and borrowings	9	27,269	16,402
Dividend payable		8,610	0
Trade and other payables	10	57,770	55,081
Total current liabilities		93,649	71,483
Total liabilities		147,672	127,033
Total equity and liabilities		368,468	355,157

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 31 March 2016

	<u>Attributable to equity holders of the Company</u>						Total equity
	Share capital	Share premium	Trans- lation reserve	Retained earnings	Total	Non controlling interest	
Changes in Equity 1 January to 31 March 2015:							
Equity at 1 January 2015	1,165	154,726	(2,330)	59,729	213,290	3,182	216,472
Dividend declared (0.0337 EUR per share)				(6,291)	(6,291)		(6,291)
Other changes in non-controlling interest					0	8	8
Total comprehensive income for the period			2,908	1,620	4,528	162	4,690
Equity at 31 March 2015	<u>1,165</u>	<u>154,726</u>	<u>578</u>	<u>55,058</u>	<u>211,527</u>	<u>3,352</u>	<u>214,879</u>
Changes in Equity 1 January to 31 March 2016:							
Equity at 1 January 2016	1,165	154,726	(2,289)	70,781	224,383	3,741	228,124
Dividend declared (0.0461 EUR per share)				(8,610)	(8,610)		(8,610)
Changes in non-controlling interest					0	3	3
Total comprehensive income for the period			(524)	1,842	1,318	(39)	1,279
Equity at 31 March 2016	<u>1,165</u>	<u>154,726</u>	<u>(2,813)</u>	<u>64,013</u>	<u>217,091</u>	<u>3,705</u>	<u>220,796</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 31 March 2016

	Notes	2016 1.1.-31.3.	2015 1.1.-31.3.
Cash flows from operating activities:			
Net earnings for the period		1,845	1,524
Adjustments for:			
Depreciation and amortization		6,365	5,735
Net finance expense (income)	6	1,365 (	2,170)
Share of earnings of associated companies		(100) (	92)
Change in deferred taxes		(255)	675
Other changes		(291) (	882)
		8,929	4,790
Changes in operating assets and liabilities:			
Inventories, change		256 (	797)
Receivables, change		888 (	9,594)
Payables, change		3,264	9,484
Change in operating assets and liabilities		4,408	(907)
Interest paid		(587) (	652)
Interest received		129	41
Taxes paid		(199) (	189)
Net cash from operating activities		12,680	3,083
Cash flows used in investing activities:			
Acquisition of property, vessels and equipment		(10,872) (	5,300)
Acquisition of intangible assets		(162) (	2,150)
Proceeds from the sale of property and equipment		529	1,005
Dividend received		0	159
Investments in subsidiaries net of cash acquired		558 (	2,209)
Net cash used in investing activities		(9,947)	(8,495)
Cash flows provided by (used in) financing activities:			
Changes in non-controlling interest		(3)	8
Proceeds from loans and borrowings		11,190	1,110
Repayment of loans and borrowings		(2,326) (	2,485)
Net cash provided by (used in) financing activities		8,861	(1,367)
Changes in cash and cash equivalents		11,594 (	6,779)
Cash and cash equivalents at the beginning of the period		35,983	39,539
Effects of exchange rate fluctuations on cash held		(240)	1,666
Cash and cash equivalents at the end of the period		47,337	34,426
Investing activities not affecting cash flows:			
Acquisition of property, vessels and equipment		(126) (	588)
Proceeds from loans and borrowings		126	588

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" or the "Parent 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 31 March 2016 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 2015, 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 26 May 2016.

3. Significant accounting policies

The accounting policies have been applied consistently to all periods presented in these Condensed Consolidated Interim Financial Statements for the three month period ended 31 March 2016, 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. Use of estimates and judgements

The preparation of the Condensed Consolidated Interim Financial Statements in conformity with IFRS 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 2015.

5. Segment reporting

Business segments

	Liner services	Forwarding services	Consoli- dated
1 January to 31 March 2016			
Revenue, external	83,215	30,038	113,253
Inter-segment revenue	7,495	9,804	17,299
Total	90,710	39,842	130,552
Expenses, external	(73,171)	(30,450)	(103,621)
Inter-segment expense	(9,804)	(7,495)	(17,299)
EBITDA	7,735	1,897	9,632
Depreciation and amortization	(6,006)	(359)	(6,365)
EBIT	1,729	1,538	3,267
Net finance expense	(1,146)	(219)	(1,365)
Share of earnings of associated companies	64	36	100
Income tax	198	(355)	(157)
Net earnings for the period	845	1,000	1,845

Notes

5. Segment reporting, continued

	Liner services	Forwarding services	Consoli- dated
1 January to 31 March 2015			
Revenue, external	78,609	34,054	112,663
Inter-segment revenue	6,821	8,419	15,240
Total	85,430	42,473	127,903
Expenses, external	(72,413)	(34,466)	(106,879)
Inter-segment expense	(8,419)	(6,821)	(15,240)
EBITDA	4,598	1,186	5,784
Depreciation and amortization	(5,392)	(343)	(5,735)
EBIT	(794)	843	49
Net finance income	1,637	533	2,170
Share of earnings of associated companies	47	45	92
Income tax	(403)	(384)	(787)
Net earnings for the period	487	1,037	1,524

Information on assets and liabilities

Segment assets as at 31 March 2016	311,552	56,916	368,468
Segment assets as at 31 December 2015	298,129	57,028	355,157
Segment liabilities as at 31 March 2016	118,870	28,802	147,672
Segment liabilities as at 31 December 2015	98,286	28,747	127,033
Capital expenditure for the period 1 January to 31 March 2016	11,100	60	11,160
Capital expenditure for the period 1 January to 31 March 2015	5,649	2,389	8,038

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 31 March 2016	103,574	9,679	113,253
Revenue, external for the period 1 January to 31 March 2015	98,265	14,398	112,663
Geographical location of assets as at 31 March 2016	349,733	18,735	368,468
Geographical location of assets as at 31 December 2015	335,418	19,739	355,157
Capital expenditure for the period 1 January to 31 March 2016	11,160	0	11,160
Capital expenditure for the period 1 January to 31 March 2015	8,011	27	8,038

Notes

6. Finance income and expense

	2016 1.1. - 31.3.	2015 1.1. - 31.3.
Finance income is specified as follows:		
Interest income	136	112
Finance income	136	112
Finance expense is specified as follows:		
Interest on long-term loans	(486)	(588)
Other finance expense	(183)	(267)
Finance expense	(669)	(855)
Net foreign currency exchange (loss) gain	(832)	2,913
Net finance (expense) income	(1,365)	2,170

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:

	31.3.2016	31.3.2015
Net earnings attributable to equity holders of the Company	1,842	1,362
Number of issued shares at 1 January	200,000	200,000
Effect of treasury shares held	(13,361)	(13,361)
Weighted average number of ordinary shares at 31 March	186,639	186,639
Basic and diluted earnings per share (EUR)	0.0099	0.0073

8. Trade and other receivables

Trade and other receivables are specified as follows:

	31.3.2016	31.12.2015
Trade receivables	74,072	77,859
Restricted cash	2,757	1,763
Other receivables	4,930	4,289
Trade and other receivables total	81,759	83,911

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:

	31.3.2016	31.12.2015
Secured bank loans	75,105	65,273
Finance lease liabilities	5,659	6,128
Total loans and borrowings	80,764	71,401

Notes

9. Loans and borrowings, continued

Secured bank loans	31.3.2016		31.12.2015	
	Nominal interest	Carrying amount	Nominal interest	Carrying amount
Secured bank loans are payable as follows:				
Loans in EUR	3.0%	54,752	3.0%	44,284
Loans in USD	2.7%	9,434	2.6%	10,165
Loans in ISK	7.6%	8,911	7.1%	9,794
Loans in other currencies	-	2,008	-	1,030
Total secured bank loans		75,105		65,273
Current maturities		(12,913)		(12,806)
Short-term borrowings		* (12,027)		* (897)
Total non-current secured bank loans		50,165		51,570

Aggregated annual maturities are as follows:

	31.3.2016	31.12.2015
On demand or within 12 months	* 24,940	13,703
12 - 24 months	5,434	5,485
24 - 36 months	5,333	5,390
36 - 48 months	5,310	5,361
48 - 60 months	3,827	3,878
More than 60 months	30,261	31,456
	75,105	65,273

*Short-term borrowings that are classified as current liabilities mainly consist of an operational credit-line and an overdraft facility.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	31.3.2016		31.12.2015	
	Minimum lease payments	Principal	Minimum lease payments	Principal
Less than one year	2,609	2,329	2,849	2,699
Between one and five years	3,468	3,330	3,625	3,429
More than five years	0	0	0	0
	6,077	5,659	6,474	6,128

Collateral of loans and borrowings is specified as follows:

	31.3.2016	31.12.2015
Loans with collateral in fixed assets	75,105	65,273
Finance leases	5,659	6,128
Total	80,764	71,401

10. Trade and other payables

Trade and other payables are specified as follows:

	31.3.2016	31.12.2015
Trade payables	31,710	33,109
Other payables	25,774	21,223
Income tax payable	286	749
Trade and other payables total	57,770	55,081

Notes

11. Group entities

At period-end the Company owned directly nine subsidiaries that are all included in the consolidation. The direct subsidiaries owned 52 subsidiaries at period-end. The Company's direct subsidiaries are as follows:

	Country of incorporation	Ownership Interest 31.3.2016	Ownership Interest 31.12.2015
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%	100%

12. 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 22 in the Company's Consolidated Financial Statements 2015.

13. Subsequent events

There are no subsequent events to report.

Quarterly statements

	Q1 2016			
Operating revenue	113,253			
Expenses	103,621			
Operating profit, EBITDA	9,632			
Depreciation and amortization	(6,365)			
Results from operating activities, EBIT	3,267			
Net finance expense	(1,365)			
Share of earnings of associated companies	100			
Net earnings before income tax	2,002			
Income tax	(157)			
Net earnings	1,845			
	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Operating revenue	112,663	126,587	129,721	130,610
Expenses	106,879	113,281	113,361	120,863
Operating profit, EBITDA	5,784	13,306	16,360	9,747
Depreciation and amortization	(5,735)	(5,790)	(5,933)	(7,271)
Results from operating activities, EBIT	49	7,516	10,427	2,476
Net finance income (expense).....	2,170	(1,661)	(482)	392
Share of earnings of associated companies	92	94	66	79
Net earnings before income tax	2,311	5,949	10,011	2,947
Income tax	(787)	(434)	(1,537)	(658)
Net earnings	1,524	5,515	8,474	2,289