



Eimskipafélag Íslands hf.
Condensed Consolidated Interim Financial Statements
1 January to 30 June 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 six months of the year 2016 amounted to EUR 10.6 million according to the Consolidated Income Statement. Total equity as at 30 June 2016 amounted to EUR 229.9 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 June 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 six months ended 30 June 2016, its assets, liabilities and consolidated financial position as at 30 June 2016 and its consolidated cash flows for the six month period ended 30 June 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 30 June 2016 and confirm them by means of their signatures.

Reykjavík, 25 August 2016

Board of Directors:

Richard Winston Mark d'Abo, Chairman

Víglundur Thorsteinsson

Helga Melkorka Óttarsdóttir

Hrund Rudolfsdóttir

Lárus L. Blöndal

CEO:

Gylfi Sigfússon

Consolidated Income Statement

1 January to 30 June 2016

	Notes	2016 1.4.-30.6.	2015 1.4.-30.6.	2016 1.1.-30.6.	2015 1.1.-30.6.
Revenue					
Operating revenue	5,11	126,102	126,587	239,355	239,250
Expenses					
Operating expenses		80,920	89,160	157,891	173,875
Salaries and related expenses		29,004	24,121	55,654	46,285
	5	109,924	113,281	213,545	220,160
Operating profit, EBITDA		16,178	13,306	25,810	19,090
Depreciation and amortization		(6,797)	(5,790)	(13,162)	(11,525)
Results from operating activities, EBIT		9,381	7,516	12,648	7,565
Finance income		497	151	633	263
Finance expense		(1,000)	(904)	(1,669)	(1,759)
Net foreign currency exchange gain (loss)		1,209	(908)	377	2,005
Net finance income (expense)	6	706	(1,661)	(659)	509
Share of earnings of associated companies		115	94	215	186
Net earnings before income tax		10,202	5,949	12,204	8,260
Income tax		(1,447)	(434)	(1,604)	(1,221)
Net earnings for the period		8,755	5,515	10,600	7,039
Net earnings for the period attributable to:					
Equity holders of the Company		8,709	5,588	10,551	6,950
Non-controlling interest		46	(73)	49	89
		8,755	5,515	10,600	7,039
Earnings per share:					
Basic and diluted earnings per share (EUR per share)	7	0.0466	0.0299	0.0565	0.0372

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 June 2016

	Notes	2016 1.4.-30.6.	2015 1.4.-30.6.	2016 1.1.-30.6.	2015 1.1.-30.6.
Net earnings for the period		8,755	5,515	10,600	7,039
Other comprehensive income:					
Items that may subsequently be reclassified to the income statement					
Foreign currency translation difference of foreign operations		477	(1,000)	(89)	2,166
Total comprehensive income for the period		9,232	4,515	10,511	9,205
Total comprehensive income for the period attributable to:					
Equity holders of the Company		9,113	4,414	10,431	8,942
Non-controlling interest		119	101	80	263
Total comprehensive income for the period		9,232	4,515	10,511	9,205

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 June 2016

	Notes	30.6.2016	31.12.2015
Assets:			
Property, vessels and equipment		200,531	198,312
Intangible assets		26,969	26,209
Investment in associated companies		2,813	2,609
Unlisted shares		181	127
Deferred tax assets		5,777	6,023
Total non-current assets		<u>236,271</u>	<u>233,280</u>
Inventories		1,932	1,983
Trade and other receivables	8	85,337	83,911
Cash and cash equivalents		47,463	35,983
Total current assets		<u>134,732</u>	<u>121,877</u>
Total assets		<u>371,003</u>	<u>355,157</u>
Equity:			
Share capital		1,165	1,165
Share premium		154,726	154,726
Undistributed profits	10	10,870	0
Translation reserve		(2,409)	(2,289)
Retained earnings		61,852	70,781
Total equity attributable to equity holders of the Parent Company		<u>226,204</u>	<u>224,383</u>
Non-controlling interest		3,724	3,741
Total equity		<u>229,928</u>	<u>228,124</u>
Liabilities:			
Loans and borrowings	9	50,375	54,999
Deferred tax liability		582	551
Total non-current liabilities		<u>50,957</u>	<u>55,550</u>
Loans and borrowings	9	28,471	16,402
Trade and other payables	11	61,647	55,081
Total current liabilities		<u>90,118</u>	<u>71,483</u>
Total liabilities		<u>141,075</u>	<u>127,033</u>
Total equity and liabilities		<u>371,003</u>	<u>355,157</u>

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 June 2016

	Attributable to equity holders of the Company							Total equity
	Share capital	Share premium	Trans- lation reserve	Un- distributed profits	Retained earnings	Total	Non controlling interest	
Changes in Equity 1 January to 30 June 2015:								
Equity at 1 January 2015	1,165	154,726	(2,330)	0	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			1,992		6,950	8,942	263	9,205
Equity at 30 June 2015	1,165	154,726	(338)	0	60,388	215,941	3,459	219,400
Changes in Equity 1 January to 30 June 2016:								
Equity at 1 January 2016	1,165	154,726	(2,289)	0	70,781	224,383	3,741	228,124
Dividend paid (0.0461 EUR per share)				0	(8,610)	(8,610)	0	(8,610)
Changes in non-controlling interest						0	(97)	(97)
Total comprehensive income for the period			(120)	10,870	(319)	10,431	80	10,511
Equity at 30 June 2016	1,165	154,726	(2,409)	10,870	61,852	226,204	3,724	229,928

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 June 2016

	Notes	2016 1.4.-30.6.	2015 1.4.-30.6.	2016 1.1.-30.6.	2015 1.1.-30.6.
Cash flows from operating activities:					
Net earnings for the period		8,755	5,515	10,600	7,039
Adjustments for:					
Depreciation and amortization		6,797	5,790	13,162	11,525
Net finance (income) expense	6	(706)	1,661	659	(509)
Share of earnings of associated companies		(115)	(94)	(215)	(186)
Change in deferred taxes		566	(200)	311	475
Other changes		(292)	(118)	(583)	(1,000)
		15,005	12,554	23,934	17,344
Changes in operating assets and liabilities:					
Inventories, change		(192)	51	64	(746)
Receivables, change		(3,334)	(416)	(2,446)	(10,010)
Payables, change		4,986	533	8,250	10,017
Change in operating assets and liabilities		1,460	168	5,868	(739)
Interest paid		(876)	(988)	(1,463)	(1,640)
Interest received		114	85	243	126
Taxes paid		(32)	(8)	(231)	(197)
Net cash from operating activities		15,671	11,811	28,351	14,894
Cash flows used in investing activities:					
Acquisition of property, vessels and equipment		(5,061)	(9,999)	(15,933)	(15,299)
Acquisition of intangible assets		(1,216)	(381)	(1,378)	(2,531)
Proceeds from the sale of property and equipment		2,035	550	2,564	1,555
Dividend received		0	0	0	159
Investments in subsidiaries net of cash acquired		0	(5,133)	558	(7,342)
Investment in unlisted shares		(51)	0	(51)	0
Net cash used in investing activities		(4,293)	(14,963)	(14,240)	(23,458)
Cash flows (used in) provided by financing activities:					
Dividend paid		(8,610)	(6,291)	(8,610)	(6,291)
Changes in non-controlling interest		(94)	6	(97)	14
Proceeds from loans and borrowings		0	14,557	11,123	15,667
Repayment of loans and borrowings		(2,399)	(2,343)	(4,658)	(4,828)
Net cash (used in) provided by financing activities		(11,103)	5,929	(2,242)	4,562
Changes in cash and cash equivalents		275	2,777	11,869	(4,002)
Cash and cash equivalents at the beginning of the period		47,337	34,426	35,983	39,539
Effects of exchange rate fluctuations on cash held		(149)	(192)	(389)	1,474
Cash and cash equivalents at the end of the period		47,463	37,011	47,463	37,011
Investing activities not affecting cash flows:					
Acquisition of property, vessels and equipment		(95)	(222)	(221)	(810)
Proceeds from loans and borrowings		95	222	221	810

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 30 June 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 25 August 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 six month period ended 30 June 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 30 June 2016			
Revenue, external	179,155	60,200	239,355
Inter-segment revenue	16,377	21,787	38,164
Total	195,532	81,987	277,519
Expenses, external	(153,123)	(60,422)	(213,545)
Inter-segment expense	(21,787)	(16,377)	(38,164)
EBITDA	20,622	5,188	25,810
Depreciation and amortization	(12,441)	(721)	(13,162)
EBIT	8,181	4,467	12,648
Net finance expense	(598)	(61)	(659)
Share of earnings of associated companies	179	36	215
Income tax	(563)	(1,041)	(1,604)
Net earnings for the period	7,199	3,401	10,600

Notes

5. Segment reporting, continued

	Liner services	Forwarding services	Consoli- dated
1 January to 30 June 2015			
Revenue, external	169,647	69,603	239,250
Inter-segment revenue	13,131	17,509	30,640
Total	<u>182,778</u>	<u>87,112</u>	<u>269,890</u>
Expenses, external	(149,989)	(70,171)	(220,160)
Inter-segment expense	(17,509)	(13,131)	(30,640)
EBITDA	<u>15,280</u>	<u>3,810</u>	<u>19,090</u>
Depreciation and amortization	(10,815)	(710)	(11,525)
EBIT	4,465	3,100	7,565
Net finance income	122	387	509
Share of earnings of associated companies	95	91	186
Income tax	(325)	(896)	(1,221)
Net earnings for the period	<u>4,357</u>	<u>2,682</u>	<u>7,039</u>

Information on assets and liabilities

Segment assets as at 30 June 2016	310,143	60,860	371,003
Segment assets as at 31 December 2015	298,129	57,028	355,157
Segment liabilities as at 30 June 2016	112,153	28,922	141,075
Segment liabilities as at 31 December 2015	98,286	28,747	127,033
Capital expenditure for the period 1 January to 30 June 2016	17,153	379	17,532
Capital expenditure for the period 1 January to 30 June 2015	15,062	3,579	18,641

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 June 2016	221,782	17,573	239,355
Revenue, external for the period 1 January to 30 June 2015	212,576	26,674	239,250
Geographical location of assets as at 30 June 2016	352,637	18,366	371,003
Geographical location of assets as at 31 December 2015	335,418	19,739	355,157
Capital expenditure for the period 1 January to 30 June 2016	17,527	5	17,532
Capital expenditure for the period 1 January to 30 June 2015	18,639	2	18,641

Notes

6. Finance income and expense

	2016	2015	2016	2015
	1.4. - 30.6.	1.4. - 30.6.	1.1. - 30.6.	1.1. - 30.6.
Finance income is specified as follows:				
Interest income	420	96	556	208
Dividend received	77	55	77	55
Finance income	497	151	633	263
Finance expense is specified as follows:				
Interest on long-term loans	(772)	(654)	(1,258)	(1,242)
Other finance expense	(228)	(250)	(411)	(517)
Finance expense	(1,000)	(904)	(1,669)	(1,759)
Net foreign currency exchange gain (loss)	1,209	(908)	377	2,005
Net finance income (expense)	706	(1,661)	(659)	509

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:

	30.6.2016	30.6.2015
Net earnings attributable to equity holders of the Company	10,551	6,950
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 30 June	186,639	186,639
Basic and diluted earnings per share (EUR)	0.0565	0.0372

8. Trade and other receivables

Trade and other receivables are specified as follows:

	30.6.2016	31.12.2015
Trade receivables	77,462	77,859
Restricted cash	2,500	1,763
Other receivables	5,375	4,289
Trade and other receivables total	85,337	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:

	30.6.2016	31.12.2015
Secured bank loans	73,614	65,273
Finance lease liabilities	5,232	6,128
Total loans and borrowings	78,846	71,401

Notes

9. Loans and borrowings, continued

Secured bank loans	30.6.2016		31.12.2015	
	Nominal interest	Carrying amount	Nominal interest	Carrying amount
Secured bank loans are payable as follows:				
Loans in EUR	2.9%	53,770	3.0%	44,284
Loans in USD	2.6%	9,381	2.6%	10,165
Loans in ISK	7.1%	8,512	7.1%	9,794
Loans in other currencies	-	1,951	-	1,030
Total secured bank loans		73,614		65,273
Current maturities		(14,461)		(12,806)
Short-term borrowings *		(11,344)		(897)
Total non-current secured bank loans		47,809		51,570

Aggregated annual maturities are as follows:

	30.6.2016	31.12.2015
On demand or within 12 months *	25,805	13,703
12 - 24 months	5,455	5,485
24 - 36 months	5,347	5,390
36 - 48 months	4,600	5,361
48 - 60 months	3,848	3,878
More than 60 months	28,559	31,456
	73,614	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:

	30.6.2016		31.12.2015	
	Minimum lease payments	Principal	Minimum lease payments	Principal
Less than one year	2,861	2,666	2,849	2,699
Between one and five years	2,758	2,566	3,625	3,429
	5,619	5,232	6,474	6,128

Collateral of loans and borrowings is specified as follows:

	30.6.2016	31.12.2015
Loans with collateral in fixed assets	73,614	65,273
Finance leases	5,232	6,128
Total	78,846	71,401

10. Undistributed profits

According to law no. 73/2016 on amendments to the law on Financial Statements no. 3/2006, companies are required to recognize share in profit or loss of subsidiaries and associated companies that exceeds dividend received or declared from those companies to a restricted reserve among equity. If a subsidiary or an associated company is sold or liquidated, the undistributed profit or loss relating to that entity shall be transferred to retained earnings. The effect of the law amendment has been estimated but there is still uncertainty regarding its implementation.

Notes

11. Trade and other payables

Trade and other payables are specified as follows:

	30.6.2016	31.12.2015
Trade payables	32,840	33,109
Other payables	28,109	21,223
Income tax payable	698	749
Trade and other payables total	61,647	55,081

12. 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 30.6.2016	Ownership Interest 31.12.2015
Eimskip Ísland ehf.	Iceland	100%	100%
TVG-Zimsen ehf.	Iceland	100%	100%
Eimskip REIT ehf.	Iceland	100%	100%
Sæferdir 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%

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 22 in the Company's Consolidated Financial Statements 2015.

14. Subsequent events

There are no subsequent events to report.

Quarterly statements

	Q1 2016	Q2 2016
Operating revenue	113,253	126,102
Expenses	103,621	109,924
Operating profit, EBITDA	9,632	16,178
Depreciation and amortization	(6,365)	(6,797)
Results from operating activities, EBIT	3,267	9,381
Net finance (expense) income	(1,365)	706
Share of earnings of associated companies	100	115
Net earnings before income tax	2,002	10,202
Income tax	(157)	(1,447)
Net earnings	1,845	8,755

	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