



EIMSKIP

Eimskipafélag Íslands hf.

Condensed Consolidated Financial Statements

1 January to 31 March 2017

EUR

Eimskipafélag Íslands hf.
Korngardar 2
104 Reykjavík
Iceland

Reg. no. 690409-0460

This page has been left blank intentionally

Contents

Endorsement and Statement by the Board of Directors and the CEO	4
Consolidated Income Statement	5
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements	10
Quarterly Statements	15

Endorsement and Statement by the Board of Directors and the CEO

Operations and significant matters

Eimskip is a leading transportation company in the North Atlantic with connections to international markets and is specialized in worldwide freight forwarding services, with the vision of providing excellence in transportation solutions and services. 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 23 March 2017 a dividend payment to shareholders of ISK 6.80 per share. The total dividend payment amounted to ISK 1,269.1 million or EUR 10.6 million. The payment date was 19 April 2017.

In January 2017, Eimskip acquired 80% of the forwarding company Mareco N.V. Mareco focuses on logistics services, especially export to West, Central and South Africa from all over the world. In March 2017, Eimskip acquired the container trading company CSI Group LLC.

In January 2017, Eimskip signed a shipbuilding contract with a Chinese shipbuilding company for the building of two new 2,150 TEUS container vessels. The contract price of each vessel is approximately USD 32 million or EUR 30 million. The vessels are expected to be delivered in 2019.

Net earnings for the first three months of the year 2017 amounted to EUR 0.2 million according to the Consolidated Income Statement. Total equity at 31 March 2017 amounted to EUR 234.9 million according to the Statement of Financial Position.

Statement by the Board of Directors and the CEO

The Condensed Consolidated 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 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 requirements for listed Icelandic 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 2017, its assets, liabilities and consolidated financial position as at 31 March 2017 and its consolidated cash flows for the three month period ended 31 March 2017.

Further, in our opinion the Consolidated 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 describe 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 2017 and confirm them by means of their signatures.

Reykjavík, 23 May 2017

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 31 March 2017

	Notes	2017 1.1. - 31.3.	2016 1.1. - 31.3.
Revenue			
Operating revenue	5	146,936	113,253
Expenses			
Operating expenses		105,755	76,971
Salaries and related expenses		31,871	26,650
	5	137,626	103,621
Operating profit, EBITDA		9,310	9,632
Depreciation and amortization		(7,371)	(6,365)
Results from operating activities, EBIT		1,939	3,267
Finance income		184	136
Finance expense		(1,115)	(669)
Net foreign currency exchange loss		(579)	(832)
Net finance expense	6	(1,510)	(1,365)
Share of (loss) earnings of associated companies		(108)	100
Net earnings before income tax		321	2,002
Income tax		(128)	(157)
Net earnings for the period		193	1,845
Net earnings for the period attributable to:			
Equity holders of the Company		52	1,842
Non-controlling interest		141	3
		193	1,845
Earnings per share:			
Basic and diluted earnings per share (EUR per share)	7	0.0003	0.0099

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

Consolidated Statement of Comprehensive Income

1 January to 31 March 2017

	Notes	2017 1.1. - 31.3.	2016 1.1. - 31.3.
Net earnings for the period		193	1,845
Other comprehensive income:			
Items that are or may subsequently be reclassified to the income statement			
Foreign currency translation difference of foreign operations	(488)	(566)
Effective portion of changes in fair value of cash flow hedges, net of income tax	(274)	0
Total comprehensive income for the period		(569)	1,279
Total comprehensive income for the period attributable to:			
Equity holders of the Company	(680)	1,318
Non-controlling interest		111	(39)
		(569)	1,279

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

Consolidated Statement of Financial Position

as at 31 March 2017

	Notes	31.3.2017	31.12.2016	
Assets:				
Property, vessels and equipment		200,217	202,912	
Intangible assets		55,464	41,558	
Investment in associated companies		2,741	2,871	
Unlisted shares		353	271	
Deferred tax assets		6,385	5,644	
Total non-current assets		265,160	253,256	
Inventories		3,170	2,281	
Trade and other receivables	8	104,966	96,611	
Cash and cash equivalents		41,356	39,543	
Total current assets		149,492	138,435	
Total assets		414,652	391,691	
Equity:				
Share capital		1,165	1,165	
Share premium		154,726	154,726	
Translation reserve	(520)	(62)
Hedging reserve	(274)	(0)
Undistributed profits		13,667	9,866	
Retained earnings		59,391	73,725	
Total equity attributable to equity holders of the parent company		228,155	239,420	
Non-controlling interest		6,724	4,355	
Total equity		234,879	243,775	
Liabilities:				
Loans and borrowings	9	67,644	62,105	
Deferred tax liability		2,289	2,351	
Total non-current liabilities		69,933	64,456	
Loans and borrowings	9	24,089	19,044	
Dividend payable		10,605	0	
Trade and other payables	10	75,146	64,416	
Total current liabilities		109,840	83,460	
Total liabilities		179,773	147,916	
Total equity and liabilities		414,652	391,691	

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

Consolidated Statement of Changes in Equity

1 January to 31 March 2017

	Attributable to equity holders of the Company							Non-controlling interest	Total equity
	Share capital	Share premium	Translation reserve	Hedging reserve	Un-distributed profits	Retained earnings	Total		
Changes in Equity 1 January to 31 March 2016:									
Equity at 1 January 2016	1,165	154,726	(2,289)	0	0	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	1,165	154,726	(2,813)	0	0	64,013	217,091	3,705	220,796
Changes in Equity 1 January to 31 March 2017:									
Equity at 1 January 2017	1,165	154,726	(62)	0	9,866	73,725	239,420	4,355	243,775
Dividend declared (0.0717 EUR per share)						(10,585)	(10,585)		(10,585)
Acquisition of subsidiaries with non-controlling interest							0	2,296	2,296
Other changes in non-controlling interest							0	(38)	(38)
Total comprehensive income for the period			(458)	(274)		52	(680)	111	(569)
Profit of subsidiaries net of dividend received					3,801	(3,801)	0		0
Equity at 31 March 2017	1,165	154,726	(520)	(274)	13,667	59,391	228,155	6,724	234,879

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

Consolidated Statement of Cash Flows

1 January to 31 March 2017

	Notes	2017 1.1. - 31.3.	2016 1.1. - 31.3.
Cash flows from operating activities:			
Net earnings for the period		193	1,845
Adjustments for:			
Depreciation and amortization		7,371	6,365
Net finance expense	6	1,510	1,365
Share of loss (earnings) of associated companies		108	(100)
Change in deferred taxes		(731)	(255)
Other changes		31	(291)
		8,482	8,929
Changes in current assets and liabilities:			
Inventories, change		(898)	256
Receivables, change		(9,324)	888
Payables, change		10,487	3,264
Change in current assets and liabilities		265	4,408
Interest paid		(894)	(587)
Interest received		106	129
Taxes paid		(424)	(199)
Net cash from operating activities		7,535	12,680
Cash flows used in investing activities:			
Acquisition of property, vessels and equipment		(5,295)	(10,872)
Acquisition of intangible assets		(898)	(162)
Proceeds from the sale of property, vessels and equipment		2,819	529
Investment in subsidiaries net of cash acquired		(14,022)	558
Investment in unlisted shares		(83)	0
Net cash used in investing activities		(17,479)	(9,947)
Cash flows from financing activities:			
Changes in non-controlling interest		2,258	(3)
Proceeds from non-current loans and borrowings		7,336	11,190
Repayment of non-current loans and borrowings		(2,427)	(2,326)
Short term borrowings, change		4,466	0
Net cash from financing activities		11,633	8,861
Changes in cash and cash equivalents		1,689	11,594
Cash and cash equivalents at the beginning of the year		39,543	35,983
Effects of exchange rate fluctuations on cash held		124	(240)
Cash and cash equivalents at the end of the period		41,356	47,337
Investing and financing activities not affecting cash flows:			
Acquisition of property, vessels, equipment and intangible assets	8,9	(219)	(126)
Proceeds from non-current loans and borrowings		219	126
Dividend declared		10,585	8,610
Payables, change		(10,585)	(8,610)

The notes on pages 10 to 14 are an integral part of these Condensed 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 2017 comprise the Company and its subsidiaries (together referred to as "Eimskip" or the "Group"). The Parent Company is an investment company focused on investments in shipping and logistics services. The Company's shares are listed at 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 and additional Icelandic disclosure requirements for consolidated financial information of listed companies in accordance with Icelandic Financial Statements Act No. 3/2006 and rules for issuers of financial instruments on Nasdaq Iceland.

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 2016, 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 23 May 2017.

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 2017, 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 2016.

5. Segment reporting

Business segments

	Liner services	Forwarding services	Consoli- dated
1 January to 31 March 2017			
Revenue, external	92,096	54,840	146,936
Inter-segment revenue	9,628	12,193	21,821
Total	101,724	67,033	168,757
Expenses, external	(84,263)	(53,363)	(137,626)
Inter-segment expense	(12,193)	(9,628)	(21,821)
EBITDA	5,268	4,042	9,310
Depreciation and amortization	(6,893)	(478)	(7,371)
EBIT	(1,625)	3,564	1,939
Net finance expense	(1,241)	(269)	(1,510)
Share of earnings (loss) of associated companies	12	(120)	(108)
Income tax	845	(973)	(128)
Net (loss) earnings for the period	(2,009)	2,202	193

Notes

	Liner services	Forwarding services	Consoli- dated
5. Segment reporting, continued			
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
Information on assets and liabilities			
Segment assets as at 31 March 2017	329,273	85,379	414,652
Segment assets as at 31 December 2016	328,353	63,338	391,691
Segment liabilities as at 31 March 2017	139,431	40,342	179,773
Segment liabilities as at 31 December 2016	119,723	28,193	147,916
Capital expenditure for the period 1 January to 31 March 2017	6,059	353	6,412
Capital expenditure for the period 1 January to 31 March 2016	11,100	60	11,160
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 2017	137,042	9,894	146,936
Revenue, external for the period 1 January to 31 March 2016	103,574	9,679	113,253
Geographical location of assets as at 31 March 2017	399,006	15,646	414,652
Geographical location of assets as at 31 December 2016	375,808	15,883	391,691
Capital expenditure for the period 1 January to 31 March 2017	6,411	1	6,412
Capital expenditure for the period 1 January to 31 March 2016	11,160	0	11,160

Notes

	2017	2016
	1.1. - 31.3.	1.1. - 31.3.
6. Finance income and expense		
Finance income is specified as follows:		
Interest income	184	136
Finance income	184	136
Finance expense is specified as follows:		
Interest on long-term loans	(808)	(486)
Other finance expense	(307)	(183)
Finance expense	(1,115)	(669)
Net foreign currency exchange loss	(579)	(832)
Net finance expense	(1,510)	(1,365)

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 period. 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:

	31.3.2017	31.3.2016
Net earnings attributable to equity holders of the Company	52	1,842
Number of issued shares at 1 January	200,000	200,000
Effect of treasury shares	(13,361)	(13,361)
Weighted average number of outstanding shares at 31 December	186,639	186,639
Basic and diluted earnings per share (EUR)	0.0003	0.0099

8. Trade and other receivables

Trade and other receivables are specified as follows:

Trade receivables	93,388	84,961
Restricted cash	3,357	3,119
Other receivables	8,221	8,531
Trade and other receivables total	104,966	96,611

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:

	31.3.2017	31.12.2016
Secured bank loans	80,440	73,831
Finance lease liabilities	6,483	7,187
Bank overdraft and short term borrowing	4,810	131
Total loans and borrowings	91,733	81,149
Current maturities of secured bank loans	(16,238)	(15,653)
Finance lease liabilities payable within one year	(3,041)	(3,260)
Bank overdraft and short term borrowing	(4,810)	(131)
Current loans and borrowings	(24,089)	(19,044)
Non-current loans and borrowings	67,644	62,105

Notes

9. Loans and borrowings, continued

The loan agreements of Eimskip contain restrictive covenants. At the end of March 2017 and at the year-end 2016 Eimskip complied with all restrictive covenants.

Secured bank loans

Secured bank loans are payable as follows:

	31.3.2017		31.12.2016	
	Nominal interest	Carrying amount	Nominal interest	Carrying amount
Loans in EUR	2.8%	59,359	2.9%	52,496
Loans in USD	2.7%	8,816	2.7%	9,250
Loans in ISK	7.0%	10,763	7.0%	10,384
Loans in other currencies	-	1,502	-	1,701
Total secured bank loans		80,440		73,831

Aggregated annual maturities of secured-bank loans are as follows:

	31.3.2017	31.12.2016
On demand or within 12 months	16,238	15,653
12 - 24 months	24,503	16,493
24 - 36 months	5,512	5,446
36 - 48 months	4,397	3,986
48 - 60 months	4,004	5,393
After 60 months	25,786	26,860
Total secured bank loans	80,440	73,831

Finance lease liabilities

Finance lease liabilities are payable as follows:

	31.3.2017		31.12.2016	
	Minimum lease payments	Principal	Minimum lease payments	Principal
Less than one year	3,235	3,041	3,631	3,260
Between one and five years	3,600	3,381	4,241	3,821
More than five years	65	61	110	106
Total	6,900	6,483	7,982	7,187

10. Trade and other payables

Trade and other payables are attributable to the following:

	31.3.2017	31.12.2016
Trade payables	45,320	37,530
Income tax payable	2,448	1,068
Other payables	27,378	25,818
Total	75,146	64,416

11. Capital commitments

In January 2017, Eimskip signed a shipbuilding contract with a Chinese shipbuilding company for the building of two new 2,150 TEUS container vessels. The contract price of each vessel is approximately USD 32 million or EUR 30 million. The vessels are expected to be delivered in 2019. The payment profile of the vessels is that 40% of the contract price is paid during the building period and 60% upon delivery. As of the end of the quarter, nothing has been paid towards the agreements. In April 2017, Eimskip secured the financing of the vessel building with a German bank KfW IPEX Bank GmbH for 80% of the contract price with a 15 year term.

Notes

12. Group entities

At period-end the Company owned directly nine subsidiaries that are all included in the consolidation. In January 2017, Eimskip acquired the forwarding company Mareco N.V. In March 2017, Eimskip acquired the container trading company CSI Group LLC. The acquired companies are included in the Condensed Consolidated Interim Financial Statements. The direct subsidiaries owned 57 subsidiaries at period-end. The Company holds the majority of voting power in all of its subsidiaries. Assets, liabilities, revenues and expenses in Consolidated Financial Statements that include a non-controlling interest are immaterial to the Group.

The Group's direct subsidiaries are as follows:

	Country of incorporation	Ownership Interest 31.3.2017	Ownership Interest 31.12.2016
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 Skipafélagid Føroyar	Faroe Islands	100%	100%
Harbour Grace CS Inc.	Canada	51%	51%
Eimskip REIT ehf.	Iceland	100%	100%
Sæferdir ehf.	Iceland	100%	100%

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

Year 2017	Q1 2017				
Revenue	146,936				
Expenses	137,626				
Operating profit, EBITDA	9,310				
Depreciation and amortization	(7,371)				
Results from operating activities, EBIT	1,939				
Net finance expense	(1,510)				
Share of loss of associated companies	(108)				
Net earnings before income tax	321				
Income tax	(128)				
Net earnings	193				
Year 2016	Q1 2016	Q2 2016	Q3 2016	Q4 2016	2016
Revenue	113,253	126,102	134,070	140,497	513,922
Expenses	103,621	109,924	116,310	130,592	460,447
Operating profit, EBITDA	9,632	16,178	17,760	9,905	53,475
Depreciation and amortization	(6,365)	(6,797)	(6,917)	(7,998)	(28,077)
Results from operating activities, EBIT	3,267	9,381	10,843	1,907	25,398
Net finance (expense) income	(1,365)	706	(369)	683	(345)
Share of earnings (loss) of associated companies	100	115	196	(201)	210
Net earnings before income tax	2,002	10,202	10,670	2,389	25,263
Income tax	(157)	(1,447)	(1,289)	(475)	(3,368)
Net earnings	1,845	8,755	9,381	1,914	21,895