



Eimskipafélag Íslands hf.

Condensed Consolidated Interim Financial Statements  
1 January to 30 September 2018  
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

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## 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 22 March 2018 a dividend payment to shareholders of ISK 6.80 per share. The total dividend payment amounted to ISK 1,269.1 million or EUR 10.4 million. The payment date was 18 April 2018.

On shareholders meeting 24 July 2018, it was approved to reduce the nominal value of the Company's share capital by ISK 13.0 million, by reducing the Company's treasury shares. The reduction of share capital was executed in August 2018. The share capital of the company is now ISK 187.0 million and the number of Company's treasury shares is ISK 361 thousand.

Net earnings for the first nine months of the year 2018 amounted to EUR 9.3 million according to the Consolidated Income Statement. Total equity at 30 September 2018 amounted to EUR 242.5 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 2018 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 nine months ended 30 September 2018, its assets, liabilities and consolidated financial position as at 30 September 2018 and its consolidated cash flows for the nine month period ended 30 September 2018.

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 30 September 2018 and confirm them by means of their signatures.

Reykjavík, 20 November 2018

### Board of Directors:

Baldvin Thorsteinsson, Chairman

Hrund Rudolfssdóttir

Guðrún Ó. Blöndal

Lárus L. Blöndal

Jóhanna á Bergi

### CEO:

Gylfi Sigfússon

# Consolidated Income Statement

## 1 January to 30 September 2018

	Notes	2018 1.7. - 30.9.	2017 1.7. - 30.9.	2018 1.1. - 30.9.	2017 1.1. - 30.9.
<b>Revenue</b>					
Operating revenue .....	5	182,164	173,868	510,327	488,090
<b>Expenses</b>					
Operating expenses .....		131,203	121,486	367,758	342,477
Salaries and related expenses .....		33,327	33,095	102,771	100,313
	5	164,530	154,581	470,529	442,790
<b>Operating profit, EBITDA</b> .....		17,634	19,287	39,798	45,300
Depreciation and amortization .....		( 7,896)	( 7,561)	( 23,621)	( 22,417)
<b>Results from operating activities, EBIT</b> .....		9,738	11,726	16,177	22,883
Finance income .....		163	3	501	589
Finance expense .....		( 1,283)	( 1,090)	( 3,753)	( 3,426)
Net foreign currency exchange loss .....		( 211)	( 563)	( 94)	( 3,159)
Net finance expense .....	6	( 1,331)	( 1,650)	( 3,346)	( 5,996)
Share of loss of equity accounted investees .....		( 170)	( 20)	( 1,185)	( 193)
<b>Net earnings before income tax</b> .....		8,237	10,056	11,646	16,694
Income tax .....		( 1,968)	( 1,264)	( 2,348)	( 2,775)
<b>Net earnings for the period</b> .....		6,269	8,792	9,298	13,919
<b>Net earnings for the period attributable to:</b>					
Equity holders of the Company .....		6,122	8,622	9,018	13,681
Non-controlling interest .....		147	170	280	238
		6,269	8,792	9,298	13,919
<b>Earnings per share:</b>					
Basic and diluted earnings per share (EUR per share) .....	7	0.0328	0.0462	0.0483	0.0733

The notes on pages 10 to 15 are an integral part of these Condensed Consolidated Interim Financial Statements.

# Consolidated Statement of Comprehensive Income

## 1 January to 30 September 2018

Notes	2018 1.7. - 30.9.	2017 1.7. - 30.9.	2018 1.1. - 30.9.	2017 1.1. - 30.9.
Net earnings for the period .....	6,269	8,792	9,298	13,919
<b>Other comprehensive income:</b>				
<b>Items that are or may subsequently be reclassified the income statement</b>				
Foreign currency translation difference				
of foreign operations .....	( 608)	( 1,379)	( 650)	( 4,504)
Effective portion of changes				
in fair value of cash flow hedges, net of income tax .....	( 87)	43	409	( 30)
Fair value changes of minority put option liability .....	( 280)	0	( 771)	0
Total comprehensive Income for the period .....	5,294	7,456	8,286	9,385
<b>Total comprehensive Income for the period attributable to:</b>				
Equity holders of the Company .....	5,114	7,295	7,970	9,361
Non-controlling interest .....	180	161	316	24
	5,294	7,456	8,286	9,385

The notes on pages 10 to 15 are an integral part of these Condensed Consolidated Interim Financial Statements.

# Consolidated Statement of Financial Position

## as at 30 September 2018

	Notes	30.9.2018	31.12.2017
<b>Assets:</b>			
Property, vessels and equipment .....		242,207	230,165
Intangible assets .....		68,783	66,982
Equity accounted investees .....		12,690	10,229
Finance assets .....		3,581	474
Deferred tax assets .....		5,547	5,679
Total non-current assets		332,808	313,529
Inventories .....		4,638	3,946
Trade and other receivables .....	8	131,168	118,871
Cash and cash equivalents .....		19,330	23,169
Total current assets		155,136	145,986
Total assets		487,944	459,515
<b>Equity:</b>			
Share capital .....		1,165	1,165
Share premium .....		154,726	154,726
Reserves .....		30,150	20,342
Retained earnings .....		51,680	63,878
Total equity attributable to equity holders of the parent company		237,721	240,111
Non-controlling interest .....		4,817	4,499
Total equity		242,538	244,610
<b>Liabilities:</b>			
Loans and borrowings .....	9	121,938	107,808
Other long-term liabilities .....		5,421	4,650
Deferred tax liability .....		4,858	5,156
Total non-current liabilities		132,217	117,614
Loans and borrowings .....	9	30,281	18,176
Trade and other payables .....	10	82,908	79,115
Total current liabilities		113,189	97,291
Total liabilities		245,406	214,905
Total equity and liabilities		487,944	459,515

The notes on pages 10 to 15 are an integral part of these Condensed Consolidated Interim Financial Statements.

# Consolidated Statement of Changes in Equity

## 1 January to 30 September 2018

### Attributable to equity holders of the Company

	Share capital	Share premium	Reserves				Un-distributed profits	Retained earnings	Total	Non-controlling interest	Total equity
			Trans-lation reserve	Hedging reserve	Fair value changes of minority put options						
<b>Changes in Equity 1 January to 30 September 2017:</b>											
Equity at 1 January 2017 .....	1,165	154,726	( 62)	0	0	9,866	73,725	239,420	4,355	243,775	
Dividend paid (0.0717 EUR per share) .....							( 10,585)	( 10,585)		( 10,585)	
Acquisition of subsidiaries with non-controlling interest .....								0	390	390	
Other changes in non-controlling interest .....								0	( 262)	( 262)	
Total comprehensive income for the period .....			( 4,290)	( 30)			13,681	9,361	24	9,385	
Profit of subsidiaries net of dividend received .....						10,439	( 10,439)	0		0	
Equity at 30 September 2017 .....	1,165	154,726	( 4,352)	( 30)	0	20,305	66,382	238,196	4,507	242,703	
Reserves .....						15,923					
<b>Changes in Equity 1 January to 30 September 2018:</b>											
Equity at 1 January 2018 .....	1,165	154,726	( 6,054)	748	0	25,648	63,878	240,111	4,499	244,610	
Dividend paid (0.0555 EUR per share) .....							( 10,360)	( 10,360)		( 10,360)	
Acquisition of subsidiaries with non-controlling interest .....								0	161	161	
Other changes in non-controlling interest .....								0	( 159)	( 159)	
Total comprehensive income for the period .....			( 686)	409	( 771)		9,018	7,970	316	8,286	
Profit of subsidiaries net of dividend received .....						10,856	( 10,856)	0		0	
Equity at 30 September 2018 .....	1,165	154,726	( 6,740)	1,157	( 771)	36,504	51,680	237,721	4,817	242,538	
Reserves .....						30,150					

The notes on pages 10 to 15 are an integral part of these Condensed Consolidated Interim Financial Statements.



# Consolidated Statement of Cash Flows

## 1 January to 30 September 2018

	Notes	2018 1.7. - 30.9.	2017 1.7. - 30.9.	2018 1.1. - 30.9.	2017 1.1. - 30.9.
<b>Cash flows from operating activities:</b>					
Net earnings for the period .....		6,269	8,792	9,298	13,919
Adjustments for:					
Depreciation and amortization .....		7,896	7,561	23,621	22,417
Net finance expense .....	6	1,331	1,650	3,346	5,996
Share of loss of equity accounted investees .....		170	20	1,185	193
Change in deferred taxes .....		1,296	( 19)	( 166)	( 399)
Other changes .....		333	( 124)	( 1,770)	( 617)
		<u>17,295</u>	<u>17,880</u>	<u>35,514</u>	<u>41,509</u>
Changes in current assets and liabilities:					
Inventories, change .....		236	( 211)	( 703)	( 509)
Receivables, change .....		( 5,182)	( 12,806)	( 11,025)	( 18,023)
Payables, change .....		( 293)	4,030	1,216	7,688
Change in current assets and liabilities		<u>( 5,239)</u>	<u>( 8,987)</u>	<u>( 10,512)</u>	<u>( 10,844)</u>
Interest paid .....		( 1,190)	( 1,042)	( 3,984)	( 3,224)
Interest received .....		240	140	484	261
Taxes paid .....		( 459)	( 322)	( 848)	( 878)
Net cash from operating activities		<u>10,647</u>	<u>7,669</u>	<u>20,654</u>	<u>26,824</u>
<b>Cash flows used in investing activities:</b>					
Acquisition of property, vessels and equipment .....		( 8,011)	( 8,938)	( 30,773)	( 33,701)
Acquisition of intangible assets .....		( 409)	( 1,068)	( 1,382)	( 2,957)
Proceeds from the sale of property, vessels and equipment .....		330	116	2,975	3,218
Investment in subsidiaries net of cash acquired .....		( 3,498)	0	( 3,498)	( 16,347)
Investment in equity accounted investees .....		( 1,565)	0	( 2,359)	0
Investment in finance assets .....		( 314)	( 75)	( 3,185)	( 229)
Net cash used in investing activities		<u>( 13,467)</u>	<u>( 9,965)</u>	<u>( 38,222)</u>	<u>( 50,016)</u>
<b>Cash flows from financing activities:</b>					
Dividend paid to equity holders of the Company .....		0	0	( 10,360)	( 10,585)
Dividend paid to minority interest .....		0	( 100)	( 654)	( 1,269)
Proceeds from non-current loans and borrowings .....		2,661	401	30,639	31,122
Repayment of non-current loans and borrowings .....		( 1,992)	( 3,901)	( 6,506)	( 10,099)
Short term borrowings, change .....		39	( 5,782)	( 10)	0
Net cash provided by (used in) financing activities		<u>708</u>	<u>( 9,382)</u>	<u>13,109</u>	<u>9,169</u>
Changes in cash and cash equivalents .....		( 2,112)	( 11,678)	( 4,459)	( 14,023)
Cash and cash equivalents at the beginning of the year .....		21,517	36,608	23,169	39,543
Effects of exchange rate fluctuations on cash held .....		( 75)	( 385)	620	( 975)
<b>Cash and cash equivalents at the end of the period</b> .....		<u>19,330</u>	<u>24,545</u>	<u>19,330</u>	<u>24,545</u>
<b>Investing and financing activities not affecting cash flows:</b>					
Acquisition of property, vessels, equipment and intangible assets ....		( 1,569)	( 9,260)	( 2,016)	( 9,939)
Proceeds from non-current loans and borrowings .....		1,569	9,260	2,016	9,939
Investment in equity accounted investees .....		( 1,330)	0	( 1,330)	0
Payables, change .....		1,330	0	1,330	0

The notes on pages 10 to 15 are an integral part of these Condensed Consolidated Interim Financial Statements.

# Notes to the Consolidated Financial Statements

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## 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 September 2018 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 2017, which is available on the Company's website, [www.eimskip.is](http://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 20 November 2018.

### 3. Significant accounting policies

Except as described below, the accounting policies applied in these Condensed Consolidated Interim Financial Statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

The Group has initially adopted IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* from 1 January 2018.

IFRS 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. IFRS 15 replaces the guidance in IAS 18, IAS 11 and related interpretations. The former practices for recognizing revenue have shown to comply in all material respects with the concepts and principles of IFRS 15. Accordingly the information presented for 2017 has not been restated and there is no impact of transition to IFRS 15 on retained earnings at 1 January 2018.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. IFRS 9 also replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measured at amortised cost, but not to investments in equity instruments. Under IFRS 9, credit losses will be recognised earlier than under IAS 39. The information presented for 2017 has not been restated and there is no impact of transition to IFRS 9 on retained earnings at 1 January 2018.

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.

Certain comparative amounts in the income statement and related notes have been restated as a result of change in the classification of revenue and expenses.

### 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 2017.

## Notes

### 5. Segment reporting

#### Business segments

##### 1 January to 30 September 2018

	Liner services	Forwarding services	Consoli- dated
Revenue, external .....	333,001	177,326	510,327
Inter-segment revenue .....	26,086	38,934	65,020
Total .....	359,087	216,260	575,347
Expenses, external .....	( 292,198)	( 178,331)	( 470,529)
Inter-segment expense .....	( 38,934)	( 26,086)	( 65,020)
<b>EBITDA</b> .....	27,955	11,843	39,798
Depreciation and amortization .....	( 22,239)	( 1,382)	( 23,621)
<b>EBIT</b> .....	5,716	10,461	16,177
Net finance (expense) income .....	( 3,550)	204	( 3,346)
Share of (loss) earnings of equity accounted investees .....	( 1,245)	60	( 1,185)
Income tax .....	432	( 2,780)	( 2,348)
Net earnings for the period .....	1,353	7,945	9,298

##### 1 January to 30 September 2017

Revenue, external .....	321,729	166,361	488,090
Inter-segment revenue .....	29,965	39,661	69,626
Total .....	351,694	206,022	557,716
Expenses, external .....	( 281,247)	( 161,543)	( 442,790)
Inter-segment expense .....	( 39,661)	( 29,965)	( 69,626)
<b>EBITDA</b> .....	30,786	14,514	45,300
Depreciation and amortization .....	( 21,067)	( 1,350)	( 22,417)
<b>EBIT</b> .....	9,719	13,164	22,883
Net finance expense .....	( 4,957)	( 1,039)	( 5,996)
Share of loss of equity accounted investees .....	( 16)	( 177)	( 193)
Income tax .....	418	( 3,193)	( 2,775)
Net earnings for the period .....	5,164	8,755	13,919

#### Information on assets and liabilities

Segment assets as at 30 September 2018 .....	406,791	81,153	487,944
Segment assets as at 31 December 2017 .....	377,529	81,986	459,515
Segment liabilities as at 30 September 2018 .....	203,727	41,679	245,406
Segment liabilities as at 31 December 2017 .....	173,256	41,649	214,905
Capital expenditure for the period 1 January to 30 September 2018 .....	32,642	1,529	34,171
Capital expenditure for the period 1 January to 30 September 2017 .....	44,475	2,122	46,597

#### 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 2018 .....	474,113	36,214	510,327
Revenue, external for the period 1 January to 30 September 2017 .....	456,966	31,124	488,090
Geographical location of assets as at 30 September 2018 .....	473,371	14,573	487,944
Geographical location of assets as at 31 December 2017 .....	444,031	15,484	459,515
Capital expenditure for the period 1 January to 30 September 2018 .....	34,153	18	34,171
Capital expenditure for the period 1 January to 30 September 2017 .....	46,593	4	46,597

## Notes

	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>1.7. - 30.9.</b>	<b>1.7. - 30.9.</b>	<b>1.1. - 30.9.</b>	<b>1.1. - 30.9.</b>
<b>6. Finance income and expense</b>				
Finance income is specified as follows:				
Interest income .....	154	( 16)	416	500
Dividend received .....	9	19	85	89
Finance income .....	163	3	501	589
Finance expense is specified as follows:				
Interest on long-term loans .....	( 1,079)	( 872)	( 2,923)	( 2,590)
Other finance expense .....	( 204)	( 218)	( 830)	( 836)
Finance expense .....	( 1,283)	( 1,090)	( 3,753)	( 3,426)
Net foreign currency exchange loss .....	( 211)	( 563)	( 94)	( 3,159)
Net finance expense .....	( 1,331)	( 1,650)	( 3,346)	( 5,996)

## 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:

	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>1.7. - 30.9.</b>	<b>1.7. - 30.9.</b>	<b>1.1. - 30.9.</b>	<b>1.1. - 30.9.</b>
Net earnings attributable to equity holders of the Company .....	6,122	8,622	9,018	13,681
Number of issued shares at 1 January in thousands .....	187,000	200,000	187,000	200,000
Effect of treasury shares in thousands .....	( 361)	( 13,361)	( 361)	( 13,361)
Weighted average number of outstanding shares in thousands .....	186,639	186,639	186,639	186,639
Basic and diluted earnings per share (EUR) .....	0.0328	0.0462	0.0483	0.0733

On shareholders meeting 24 July 2018, it was approved to reduce the nominal value of the Company's share capital by ISK 13.0 million, by reducing the Company's treasury shares. The reduction of share capital was executed in August 2018. The share capital of the company is now ISK 187.0 million and the number of Company's treasury shares is ISK 361 thousands.

## 8. Trade and other receivables

Trade and other receivables are specified as follows:

	<b>30.9.2018</b>	<b>31.12.2017</b>
Trade receivables .....	118,351	104,294
Restricted cash .....	557	2,777
Other receivables .....	12,260	11,800
Trade and other receivables total .....	131,168	118,871

## Notes

### 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:

	30.9.2018	31.12.2017
Secured bank loans .....	138,144	112,657
Finance lease liabilities .....	13,963	13,205
Bank overdraft and short term borrowing .....	112	122
<b>Total loans and borrowings .....</b>	<b>152,219</b>	<b>125,984</b>
Current maturities of secured bank loans .....	( 20,047)	( 15,987)
Finance lease liabilities payable within one year .....	( 10,122)	( 2,067)
Bank overdraft and short term borrowing .....	( 112)	( 122)
<b>Current loans and borrowings .....</b>	<b>( 30,281)</b>	<b>( 18,176)</b>
<b>Non-current loans and borrowings .....</b>	<b>121,938</b>	<b>107,808</b>

The loan agreements of Eimskip contain restrictive covenants. At the end of September 2018 and at the year-end 2017 Eimskip complied with all restrictive covenants.

#### Secured bank loans

Secured bank loans are payable as follows:

	30.9.2018		31.12.2017	
	Nominal interest	Carrying amount	Nominal interest	Carrying amount
Loans in EUR .....	2.2%	119,694	2.5%	92,901
Loans in USD .....	5.4%	6,457	4.1%	7,046
Loans in ISK .....	4.9%	10,379	5.1%	10,862
Loans in other currencies .....	-	1,614	-	1,848
<b>Total secured bank loans .....</b>		<b>138,144</b>		<b>112,657</b>

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

	30.9.2017	31.12.2017
On demand or within 12 months .....	20,047	15,987
12 - 24 months .....	5,688	60,312
24 - 36 months .....	36,147	4,214
36 - 48 months .....	6,051	5,572
48 - 60 months .....	5,269	3,963
After 60 months .....	64,942	22,609
<b>Total secured bank loans .....</b>	<b>138,144</b>	<b>112,657</b>

#### Finance lease liabilities

Finance lease liabilities are payable as follows:

	30.9.2018		31.12.2017	
	Minimum lease payments	Principal	Minimum lease payments	Principal
Less than one year .....	10,431	10,122	2,261	2,067
Between one and five years .....	4,053	3,841	11,502	11,138
<b>Total .....</b>	<b>14,484</b>	<b>13,963</b>	<b>13,763</b>	<b>13,205</b>

## Notes

### 10. Trade and other payables

Trade and other payables are attributable to the following:

	30.9.2018	31.12.2017
Trade payables .....	48,982	50,226
Income tax payable .....	665	426
Other payables .....	33,261	28,463
Total .....	82,908	79,115

### 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 32.0 million or EUR 26.0 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 September 2018, USD 12.8 million or EUR 11.7 million has been paid towards the agreements and capitalized as property, vessels and equipment. 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.

### 12. Group entities

At period-end the Company owned directly ten subsidiaries that are all included in the consolidation. In August 2018, Eimskip acquired 51% share of the cold storage company Tromsøterminalen AS. The acquired company is included in the Condensed Consolidated Interim Financial Statements. The direct subsidiaries owned 62 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 30.9.2018	Ownership Interest 31.12.2017
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%
Eimskip Asia B.V. ....	The Netherlands	80%	80%
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.

On 6 June 2018 the Company received first statement of objections from the Icelandic Competition Authority which is a part of the procedure in the investigation that started in 2013. The statement contains the preliminary assessment of the Icelandic Competition Authority, but is neither an administrative act nor a binding decision. The purpose of the statement is to ensure that the case will be fully investigated before a final decision is made and to enable the Company to use its right to put forward its arguments and objections according to the administrative procedure act.

# Notes

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## 13. Other matters, continued

The investigation period is from 2008 up to and including 2013. It is the preliminary assessment of the Icelandic Competition Authority that during this period Eimskip, and its competitor Samskip, committed a continuous illegal collusion which had as its main objective to restrict competition within the meaning of competition law. At this stage of the investigation, it is the assessment of the Competition Authority that the essence of the continuous collusion did not in the least entail the following: Collusion on limiting transportation supply; Market sharing by customers; Market sharing by regions in Iceland; Price collusion; Sharing of information on sensitive business matters.

Icelandic Competition Authority aims to send the Company additional statement of objections, statement of objections II, as soon as possible. The Company has no information on when it will be received.

On 11 May 2018 the CEO and the Executive Vice President of International Operations and Logistics went to the office of the District Prosecutor for formal questioning and both received a status of defendant on the same day. The investigation of the District Prosecutor concerns Article 10 of the competition law and whether concerted practices, regarding price or distortion of markets, has taken place.

The Company received data which the statement of objection no. 1 is based on in September 2018. The Company is working on the information received. Any elaboration on the potential outcome of the investigation is premature, and no information is available on potential fines, or if they will materialize. The investigation has had little effect on the Company's Financial Statements other than for the period January to September 2018 the Company has expensed EUR 0.3 million in legal and advisory cost. For further information, see note 23 in the Company's Consolidated Financial Statements 2014.

### **Tax related matters**

The Icelandic Directorate of Internal Revenue ruled in December 2017 that the Company should pay EUR 0.2 million in income tax for operations of foreign vessel subsidiaries in 2013 and 2014. The Company does not agree with the ruling and has appealed it to the Internal Revenue Board. The Company has paid the EUR 0.2 million in income tax, but has not expensed the tax in the Income Statement. If the Company loses the case due for the years 2013 to 2018, it is estimated that the Company will have to expense EUR 3.3 million in the Income Statement and pay EUR 0.6 million, as well as utilizing tax loss carried-forward.

## 14. Subsequent events

There are no subsequent events to report.

## Quarterly statements

<b>Year 2018</b>	<b>Q1 2018</b>	<b>Q2 2018</b>	<b>Q3 2018</b>		
<b>Revenue</b> .....	155,532	172,631	182,164		
<b>Expenses</b> .....	148,281	157,718	164,530		
<b>Operating profit, EBITDA</b> .....	7,251	14,913	17,634		
Depreciation and amortization .....	( 7,807)	( 7,918)	( 7,896)		
<b>Results from operating activities, EBIT</b> .....	( 556)	6,995	9,738		
<b>Net finance expense</b> .....	( 1,114)	( 901)	( 1,331)		
Share of loss of equity accounted investees .....	( 670)	( 345)	( 170)		
<b>Net (loss) earnings before income tax</b> .....	( 2,340)	5,749	8,237		
Income tax .....	754	( 1,134)	( 1,968)		
<b>Net (loss) earnings</b> .....	( 1,586)	4,615	6,269		
<b>Year 2017</b>	<b>Q1 2017</b>	<b>Q2 2017</b>	<b>Q3 2017</b>	<b>Q4 2017</b>	<b>2017</b>
<b>Revenue</b> .....	143,499	170,722	173,868	175,884	663,973
<b>Expenses</b> .....	134,189	154,019	154,581	163,986	606,775
<b>Operating profit, EBITDA</b> .....	9,310	16,703	19,287	11,898	57,198
Depreciation and amortization .....	( 7,371)	( 7,485)	( 7,561)	( 7,731)	( 30,148)
<b>Results from operating activities, EBIT</b> .....	1,939	9,218	11,726	4,167	27,050
<b>Net finance expense</b> .....	( 1,510)	( 2,836)	( 1,650)	( 1,240)	( 7,236)
Share of loss of equity accounted investees .....	( 108)	( 65)	( 20)	( 146)	( 339)
<b>Net earnings before income tax</b> .....	321	6,317	10,056	2,781	19,475
Income tax .....	( 128)	( 1,383)	( 1,264)	104	( 2,671)
<b>Net earnings</b> .....	193	4,934	8,792	2,885	16,804