



Eimskipafélag Íslands hf.
Condensed Consolidated Interim Financial Statements
1 January to 31 March 2015
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 26 March 2015 a dividend payment of ISK 5.00 per share to shareholders. The dividend payment amounted to ISK 933.2 million or EUR 6.3 million. The payment date was 21 April 2015.

Net earnings for the first three months of the year 2015 amounted to EUR 1.5 million according to the Consolidated Income Statement. Total equity as at 31 March 2015 amounted to EUR 214.9 million according to the statement of financial position.

Corporate Governance

Eimskip's management is of the opinion that practicing good Corporate Governance is vital for Eimskip and is in the best interests of shareholders, employees and other stakeholders.

The framework for Corporate Governance practices within Eimskip consists of the provisions of law, the Company's Articles of Association, general securities regulations and the Icelandic Corporate Governance Guidelines issued by the Iceland Chamber of Commerce, Nasdaq Iceland and the Confederation of Icelandic Employers. Corporate Governance practices are designed to ensure open and transparent relationship between the Company's management, its Board of Directors, its shareholders and other stakeholders.

The Corporate Governance in Eimskip is also designed to ensure sound and effective control of the Company's affairs and a high level of business ethics.

The management is of the opinion that it follows and complies with the Guidelines.

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 2015 are prepared and presented in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Statements (IAS 34) as adopted by the EU and additional Icelandic disclosure requirements for financial statements of listed companies. The financial statements are presented in thousands of EUR. The Condensed Consolidated Interim Financial Statements have not been reviewed by the Company's independent auditors.

According to the best of our knowledge, it is our opinion that these Condensed Consolidated Interim Financial Statements give a true and fair view of the consolidated financial performance of Eimskip for the three months ended 31 March 2015, its assets, liabilities and consolidated financial position as at 31 March 2015 and its consolidated cash flows for the three month period ended 31 March 2015.

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 2015 and confirm them by means of their signatures.

Reykjavík, 21 May 2015

Board of Directors:

Richard Winston Mark d'Abo, Chairman
Vígundur Thorsteinsson
Helga Melkorka Óttarsdóttir
Hrund Rudolfsdóttir
Lárus L. Blöndal

Consolidated Income Statement

1 January to 31 March 2015

	Notes	2015 1.1.-31.3.	2014 1.1.-31.3.
Operating revenue:			
Sales	5	112.663	104.200
Expenses:			
Operating expenses		84.715	78.412
Salaries and related expenses		22.164	19.770
	5	106.879	98.182
Operating profit, EBITDA		5.784	6.018
Depreciation and amortization		(5.735)	(5.656)
Results from operating activities, EBIT		49	362
Finance income		3.025	121
Finance expense		(855)	(977)
Net finance income (expense)	6	2.170	(856)
Share of earnings (loss) of associated companies		92	(27)
Net earnings (loss) before income tax		2.311	(521)
Income tax		(787)	(272)
Net earnings (loss) for the period		1.524	(793)
Net earnings (loss) for the period attributable to:			
Equity holders of the Company		1.362	(776)
Non-controlling interest		162	(17)
		1.524	(793)
Earnings (loss) per share:			
Basic and diluted earnings (loss) per share expressed in EUR per share	7	0,0073	(0,0042)

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 2015

	Notes	2015 1.1.-31.3.	2014 1.1.-31.3.
Net earnings (loss) for the period		1.524	(793)
Other comprehensive income:			
Items that may subsequently be reclassified to the income statement			
Foreign currency translation difference of foreign operations		3.166	190
Total comprehensive income (loss) for the period		4.690	(603)
Total comprehensive income (loss) for the period attributable to:			
Equity holders of the Company		4.528	(581)
Non-controlling interest		162	(22)
Total comprehensive income (loss) for the period		4.690	(603)

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 2015

	Notes	31.3.2015	31.12.2014
Assets:			
Property, vessels and equipment		189.400	185.384
Intangible assets		22.949	19.383
Investment in associated companies		2.422	2.348
Financial assets		92	90
Deferred tax assets		6.459	7.073
Total non-current assets		221.322	214.278
Inventories		3.372	2.563
Trade and other receivables		82.418	75.660
Cash and cash equivalents		34.426	39.539
Total current assets		120.216	117.762
Total assets		341.538	332.040
Equity:			
Share capital		1.165	1.165
Share premium		154.726	154.726
Translation reserve		578	(2.330)
Retained earnings		55.058	59.729
Total equity attributable to equity holders of the Parent Company		211.527	213.290
Non-controlling interest		3.352	3.182
Total equity		214.879	216.472
Liabilities:			
Loans and borrowings	8	42.430	49.578
Deferred tax liability		331	326
Total non-current liabilities		42.761	49.904
Loans and borrowings	8	22.273	14.854
Dividend payable		6.291	0
Trade and other payables		55.334	50.810
Total current liabilities		83.898	65.664
Total liabilities		126.659	115.568
Total equity and liabilities		341.538	332.040

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 2015

	Attributable to equity holders of the Company						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	1.165	154.726	578	55.058	211.527	3.352	214.879
Changes in Equity 1 January to 31 March 2014:							
Equity at 1 January 2014	1.211	154.680	(2.358)	49.296	202.829	2.942	205.771
Treasury shares received	(46)	46			0		0
Reversal of dividend of treasury shares received				81	81		81
Dividend declared (0.0167 EUR per share)				(3.125)	(3.125)		(3.125)
Total comprehensive income (loss) for the period			195	(776)	(581)	(22)	(603)
Equity at 31 March 2014	1.165	154.726	(2.163)	45.476	199.204	2.920	202.124

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 2014

	Notes	2015 1.1.-31.3.	2014 1.1.-31.3.
Cash flows from operating activities:			
Net earnings (loss) for the period		1.524	(793)
Adjustments for:			
Depreciation and amortization		5.735	5.656
Share of (earnings) loss of associated companies		(92)	27
Net finance (income) expense	6	(2.170)	856
Change in deferred taxes		675	(93)
Other changes		(882)	158
		4.790	5.811
Changes in operating assets and liabilities:			
Inventories, change		(797)	(209)
Receivables, change		(9.594)	(1.491)
Payables, change		9.484	2.121
Change in operating assets and liabilities		(907)	421
Interest paid		(652)	(602)
Interest received		41	219
Taxes paid		(189)	(152)
Net cash from operating activities		3.083	5.697
Cash flows used in investing activities:			
Acquisition of property, vessels, equipment and intangible assets		(7.450)	(2.990)
Proceeds from the sale of property, vessels and equipment		1.005	166
Investment in subsidiaries net of cash acquired		(2.209)	0
Dividend received from associated company		159	0
Net cash used in investing activities		(8.495)	(2.824)
Cash flows used in financing activities:			
Changes in non-controlling interest		8	0
Repayment of long-term borrowings		(2.485)	(1.844)
Proceeds from long-term borrowings		1.110	0
Net cash used in financing activities		(1.367)	(1.844)
Changes in cash and cash equivalents		(6.779)	1.029
Cash and cash equivalents at the beginning of the period		39.539	26.370
Effects of exchange rate fluctuations on cash held		1.666	88
Cash and cash equivalents at the end of the period		34.426	27.487
Investing activities not affecting cash flows:			
Acquisition of property, vessels, equipment and intangible assets		(588)	(329)
Proceeds from long-term borrowings		588	329

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") 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 2015 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 2014, 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 21 May 2015.

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 2015, 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. Estimates

The preparation of the Condensed Consolidated Interim Financial Statements 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 2014.

5. Segment reporting

Business segments

	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

Notes

5. Segment reporting, continued

	Liner services	Forwarding services	Consoli- dated
1 January to 31 March 2014			
Revenue, external	76.776	27.424	104.200
Inter-segment revenue	6.392	7.653	14.045
Total	<u>83.168</u>	<u>35.077</u>	<u>118.245</u>
Expenses, external	(70.831)	(27.351)	(98.182)
Inter-segment expense	(7.653)	(6.392)	(14.045)
EBITDA	4.684	1.334	6.018
Depreciation and amortization	(5.353)	(303)	(5.656)
EBIT	(669)	1.031	362
Net finance expense	(821)	(35)	(856)
Share of loss of associated companies	(27)	0	(27)
Income tax	114	(386)	(272)
Net (loss) earnings for the period	<u>(1.403)</u>	<u>610</u>	<u>(793)</u>

Information on assets and liabilities

Segment assets as at 31 March 2015	283.943	57.595	341.538
Segment assets as at 31 December 2014	278.360	53.680	332.040
Segment liabilities as at 31 March 2015	96.729	29.930	126.659
Segment liabilities as at 31 December 2014	90.705	24.863	115.568
Capital expenditure for the period 1 January to 31 March 2015	5.649	2.389	8.038
Capital expenditure for the period 1 January to 31 March 2014	2.976	343	3.319

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 2015	98.265	14.398	112.663
Revenue, external for the period 1 January to 31 March 2014	92.591	11.609	104.200
Geographical location of assets as at 31 March 2015	318.303	23.235	341.538
Geographical location of assets as at 31 December 2014	311.345	20.695	332.040
Capital expenditure for the period 1 January to 31 March 2015	8.011	27	8.038
Capital expenditure for the period 1 January to 31 March 2014	2.976	343	3.319

Notes

6. Finance income and expense

	2015	2014
Finance income is specified as follows:	1.1. - 31.3.	1.1. - 31.3.
Interest income	112	121
Net foreign exchange gain	2.913	0
	<u>3.025</u>	<u>121</u>
Finance expense is specified as follows:		
Interest on long-term loans	(588)	(551)
Other finance expense	(267)	(190)
Net foreign exchange loss	0	(236)
	<u>(855)</u>	<u>(977)</u>
Net finance income (expense)	2.170	(856)

7. Earnings per share

Basic and diluted earnings (loss) 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:

	31.3.2015	31.3.2014
Net earnings (loss) attributable to ordinary shareholders	1.362	(776)
Number of issued shares at the beginning of the year	200.000	200.000
Effect of treasury shares held	(13.361)	(13.361)
Weighted average number of ordinary shares at 31 March	<u>186.639</u>	<u>186.639</u>
Basic earnings (loss) per share (EUR)	0,0073	(0,0042)

8. Loans and borrowings

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

Non-current loans and borrowings consist of the following:

	31.3.2015	31.12.2014
Secured bank loans	59.157	59.070
Finance lease liabilities	5.546	5.362
	<u>64.703</u>	<u>64.432</u>

Secured bank loans

	31.3.2015		31.12.2014	
	Nominal interest	Carrying amount	Nominal interest	Carrying amount
Secured bank loans are payable as follows:				
Loans in EUR	3.8%	37.492	3.8%	38.595
Loans in USD	2.7%	11.804	2.7%	11.284
Loans in ISK	6,9%	7.708	7.2%	7.370
Loans in other currencies	-	2.153	-	1.821
		<u>59.157</u>		<u>59.070</u>
Current maturities		(20.182)		(12.789)
Total non-current secured bank loans		<u>38.975</u>		<u>46.281</u>

Notes

8. Loans and borrowings, continued

Aggregated annual maturities are as follows:

	31.3.2015	31.12.2014
On demand or within 12 months	20.182	12.789
12 - 24 months	4.349	11.867
24 - 36 months	4.254	4.172
36 - 48 months	4.247	4.172
48 - 60 months	3.861	4.146
More than 60 months	22.264	21.924
	59.157	59.070

Finance lease liabilities

Finance lease liabilities are payable as follows:

	31.3.2015		31.12.2014	
	Minimum lease payments	Principal	Minimum lease payments	Principal
Less than one year	2.209	2.091	2.110	2.065
Between one and five years	3.619	3.455	3.522	3.297
	5.828	5.546	5.632	5.362

Collateral of loans and borrowings is specified as follows:

Loans with collateral in fixed assets	59.157	59.070
Finance leases	5.546	5.362
Total	64.703	64.432

9. Capital commitments

In 2011 Eimskip entered into an agreement with a Chinese shipbuilding company for the building of two new container vessels. The first vessel, Lagarfoss, was delivered in the second quarter of 2014. The process of building the 875 TEU container vessel Bakkafoss is not proceeding on schedule and the company is expecting further delay in respect of delivery, which was planned to take place in the fourth quarter this year. Eimskip is considering available options due to the delay. The total amount already invested in the project is EUR 11.6 million. The payments made to the shipyard are guaranteed by a first class state owned Chinese bank if Eimskip decides to seek a refund of the payments already made. The remaining obligation of Bakkafoss as at 31 March 2015 was USD 4.9 million (EUR 4.6 million).

10. Group entities

At period-end the Company owned directly eight subsidiaries that are all included in the consolidation. During the year the Company acquired the company Jac. Meisner Internationaal Expeditiebedrijf B.V, the cold storage operation of St. Anthony Cold Storage Ltd. and established the joint venture Eimskip & KCie GmbH & Co. KG. The companies are included in the Condensed Interim Financial Statements and have an immaterial effect. In February 2015 Eimskip signed an agreement to purchase all shares in the company Cargocan Agency Ltd. The purchase was closed in April.

Notes

10. Group entities, continued

The direct subsidiaries further owned 50 subsidiaries at period-end. The Group's subsidiaries are as follows:

	Country of incorporation	Ownership Interest 31.3.2015	Ownership Interest 31.12.2014
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	Faroe Islands	100%	100%
Harbour Grace CS Inc.	Canada	51%	51%
Eimskip REIT ehf.	Iceland	100%	100%

11. 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.

12. Subsequent events

There are no material subsequent events to report.

Quarterly statements

	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Operating revenue	112.663	118.794	119.583	108.978	104.200
Expenses	106.879	109.953	106.949	97.929	98.182
Operating profit, EBITDA	5.784	8.841	12.634	11.049	6.018
Depreciation and amortization	(5.735)	(6.052)	(5.584)	(5.903)	(5.656)
Results from operating activities, EBIT	49	2.789	7.050	5.146	362
Net finance income (expense)	2.170	169	1.192	86	(856)
Share of earnings (loss) of associated companies	92	(30)	171	115	(27)
Net earnings (loss) before income tax	2.311	2.928	8.413	5.347	(521)
Income tax	(787)	(638)	(896)	(754)	(272)
Net earnings (loss)	1.524	2.290	7.517	4.593	(793)