



Eimskipafélag Íslands hf.
Condensed Consolidated Interim Financial Statements
1 January to 30 June 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 to shareholders of ISK 5.00 per share. The total dividend payment amounted to ISK 933.2 million or EUR 6.3 million. The payment date was 21 April 2015.

During the year the Company acquired the companies Jac. Meisner Internationaal Expeditiebedrijf B.V. and Cargocan Agency Ltd., 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.

Net earnings for the first six months of the year 2015 amounted to EUR 7.0 million according to the Consolidated Income Statement. Total equity as at 30 June 2015 amounted to EUR 219.4 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 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 six months ended 30 June 2015, its assets, liabilities and consolidated financial position as at 30 June 2015 and its consolidated cash flows for the six month period ended 30 June 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 30 June 2015 and confirm them by means of their signatures.

Reykjavík, 27 August 2015

Board of Directors:

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

CEO:

Gylfi Sigfússon

Consolidated Income Statement

1 January to 30 June 2015

	Notes	2015 1.4.-30.6.	2014 1.4.-30.6.	2015 1.1.-30.6.	2014 1.1.-30.6.
Operating revenue:					
Sales	5	126,587	108,978	239,250	213,178
Expenses:					
Operating expenses		89,160	77,789	173,875	156,201
Salaries and related expenses		24,121	20,140	46,285	39,910
	5	113,281	97,929	220,160	196,111
Operating profit, EBITDA		13,306	11,049	19,090	17,067
Depreciation and amortization		(5,790)	(5,903)	(11,525)	(11,559)
Results from operating activities, EBIT		7,516	5,146	7,565	5,508
Finance income		151	322	263	443
Finance expense		(904)	(781)	(1,759)	(1,522)
Net foreign currency exchange (loss) gain		(908)	545	2,005	309
Net finance (expense) income	6	(1,661)	86	509	(770)
Share of earnings of associated companies		94	115	186	88
Net earnings before income tax		5,949	5,347	8,260	4,826
Income tax		(434)	(754)	(1,221)	(1,026)
Net earnings for the period		5,515	4,593	7,039	3,800
Net earnings for the period attributable to:					
Equity holders of the Company		5,588	4,521	6,950	3,745
Non-controlling interest		(73)	72	89	55
		5,515	4,593	7,039	3,800
Earnings per share:					
Basic and diluted earnings per share (EUR per share)	7	0.0299	0.0256	0.0372	0.0201

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 2015

	Notes	2015 1.4.-30.6.	2014 1.4.-30.6.	2015 1.1.-30.6.	2014 1.1.-30.6.
Net earnings for the period		5,515	4,593	7,039	3,800
Other comprehensive income:					
Items that may subsequently be reclassified to the income statement					
Foreign currency translation difference of foreign operations		(1,000)	(79)	2,166	116
Total comprehensive income for the period		4,515	4,514	9,205	3,916
Total comprehensive income for the period attributable to:					
Equity holders of the Company		4,414	4,471	8,942	3,850
Non-controlling interest		101	43	263	66
Total comprehensive income for the period		4,515	4,514	9,205	3,916

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 2015

	Notes	30.6.2015	31.12.2014
Assets:			
Property, vessels and equipment		193,051	185,384
Intangible assets		24,431	19,383
Investment in associated companies		2,480	2,348
Finance assets		91	90
Deferred tax asset		6,690	7,073
Total non-current assets		<u>226,743</u>	<u>214,278</u>
Inventories		3,319	2,563
Trade and other receivables	8	90,594	75,660
Cash and cash equivalents		37,011	39,539
Total current assets		<u>130,924</u>	<u>117,762</u>
Total assets		<u>357,667</u>	<u>332,040</u>
Equity:			
Share capital		1,165	1,165
Share premium		154,726	154,726
Translation reserve		(338)	(2,330)
Retained earnings		60,388	59,729
Total equity attributable to equity holders of the Parent Company		<u>215,941</u>	<u>213,290</u>
Non-controlling interest		3,459	3,182
Total equity		<u>219,400</u>	<u>216,472</u>
Liabilities:			
Loans and borrowings	9	40,645	49,578
Deferred tax liability		384	326
Total non-current liabilities		<u>41,029</u>	<u>49,904</u>
Loans and borrowings	9	36,367	14,854
Trade and other payables	10	60,871	50,810
Total current liabilities		<u>97,238</u>	<u>65,664</u>
Total liabilities		<u>138,267</u>	<u>115,568</u>
Total equity and liabilities		<u>357,667</u>	<u>332,040</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 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 2015:							
Equity at 1 January 2015	1,165	154,726	(2,330)	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	<u>1,165</u>	<u>154,726</u>	<u>(338)</u>	<u>60,388</u>	<u>215,941</u>	<u>3,459</u>	<u>219,400</u>
Changes in Equity 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 prior year dividend of treasury shares received				81	81		81
Dividend paid (0.0167 EUR per share)				(3,125)	(3,125)		(3,125)
Changes in non-controlling interest					0	(55)	(55)
Total comprehensive income for the period			105	3,745	3,850	66	3,916
Equity at 30 June 2014	<u>1,165</u>	<u>154,726</u>	<u>(2,253)</u>	<u>49,997</u>	<u>203,635</u>	<u>2,953</u>	<u>206,588</u>

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

Consolidated Statement of Cash Flows

1 January to 30 June 2015

	Notes	2015 1.4.-30.6.	2014 1.4.-30.6.	2015 1.1.-30.6.	2014 1.1.-30.6.
Cash flows from operating activities:					
Net earnings for the period		5,515	4,593	7,039	3,800
Adjustments for:					
Depreciation and amortization		5,790	5,903	11,525	11,559
Share of earnings of associated companies		(94)	(115)	(186)	(88)
Net finance expense (income)	6	1,661	(86)	(509)	770
Change in deferred taxes		(200)	257	475	164
Other changes		(118)	(241)	(1,000)	(83)
		12,554	10,311	17,344	16,122
Changes in operating assets and liabilities:					
Inventories, change		51	(432)	(746)	(641)
Receivables, change		(416)	(2,643)	(10,010)	(4,134)
Payables, change		533	1,737	10,017	3,858
Change in operating assets and liabilities		168	(1,338)	(739)	(917)
Interest paid		(988)	(864)	(1,640)	(1,466)
Interest received		85	168	126	387
Taxes paid		(8)	(52)	(197)	(204)
Net cash from operating activities		11,811	8,225	14,894	13,922
Cash flows used in investing activities:					
Acquisition of property, vessels and equipment		(9,999)	(5,780)	(15,299)	(8,463)
Acquisition of intangible assets		(381)	(372)	(2,531)	(679)
Proceeds from the sale of property and equipment		550	178	1,555	344
Dividend received		0	0	159	0
Investments in subsidiaries net of cash acquired		(5,133)	0	(7,342)	0
Net cash used in investing activities		(14,963)	(5,952)	(23,458)	(8,776)
Cash flows provided by (used in) financing activities:					
Dividend paid		(6,291)	(3,125)	(6,291)	(3,125)
Changes in non-controlling interest		6	(55)	14	(55)
Proceeds from loans and borrowings		14,557	0	15,667	0
Repayment of loans and borrowings		(2,343)	(1,923)	(4,828)	(3,767)
Net cash provided by (used in) financing activities		5,929	(5,103)	4,562	(6,947)
Changes in cash and cash equivalents		2,777	(2,830)	(4,002)	(1,801)
Cash and cash equivalents at the beginning of the period		34,426	27,487	39,539	26,370
Effects of exchange rate fluctuations on cash held		(192)	161	1,474	249
Cash and cash equivalents at the end of the period		37,011	24,818	37,011	24,818
Investing activities not affecting cash flows:					
Acquisition of property, vessels and equipment		(222)	(681)	(810)	(1,010)
Proceeds from loans and borrowings		222	681	810	1,010

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") 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 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 27 August 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 six month period ended 30 June 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	Logistic 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	182,778	87,112	269,890
Expenses, external	(149,989)	(70,171)	(220,160)
Inter-segment expense	(17,509)	(13,131)	(30,640)
EBITDA	15,280	3,810	19,090
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	4,357	2,682	7,039

Notes

5. Segment reporting, continued

	Liner services	Logistic services	Consoli- dated
1 January to 30 June 2014			
Revenue, external	158,842	54,336	213,178
Inter-segment revenue	12,934	15,441	28,375
Total	<u>171,776</u>	<u>69,777</u>	<u>241,553</u>
Expenses, external	(142,126)	(53,985)	(196,111)
Inter-segment expense	(15,441)	(12,934)	(28,375)
EBITDA	<u>14,209</u>	<u>2,858</u>	<u>17,067</u>
Depreciation and amortization	(10,934)	(625)	(11,559)
EBIT	3,275	2,233	5,508
Net finance expense	(702)	(68)	(770)
Share of earnings of associated companies	88	0	88
Income tax	(249)	(777)	(1,026)
Net earnings for the period	<u>2,412</u>	<u>1,388</u>	<u>3,800</u>

Information on assets and liabilities

Segment assets as at 30 June 2015	299,673	57,994	357,667
Segment assets as at 31 December 2014	278,360	53,680	332,040
Segment liabilities as at 30 June 2015	111,520	26,747	138,267
Segment liabilities as at 31 December 2014	90,705	24,863	115,568
Capital expenditure for the period 1 January to 30 June 2015	15,062	3,579	18,641
Capital expenditure for the period 1 January to 30 June 2014	9,617	535	10,152

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 2015	212,576	26,674	239,250
Revenue, external for the period 1 January to 30 June 2014	190,368	22,810	213,178
Geographical location of assets as at 30 June 2015	337,655	20,012	357,667
Geographical location of assets as at 31 December 2014	311,345	20,695	332,040
Capital expenditure for the period 1 January to 30 June 2015	18,639	2	18,641
Capital expenditure for the period 1 January to 30 June 2014	10,144	8	10,152

Notes

6. Finance income and expense

	2015	2014	2015	2014
	1.4. - 30.6.	1.4. - 30.6.	1.1. - 30.6.	1.1. - 30.6.
Finance income is specified as follows:				
Interest income	96	273	208	394
Dividend received	55	49	55	49
	<u>151</u>	<u>322</u>	<u>263</u>	<u>443</u>
Finance expense is specified as follows:				
Interest on long-term loans	(654)	(441)	(1,242)	(1,111)
Other finance expense	(250)	(340)	(517)	(411)
	<u>(904)</u>	<u>(781)</u>	<u>(1,759)</u>	<u>(1,522)</u>
Net foreign currency exchange (loss) gain	(908)	545	2,005	309
Net finance (expense) income	<u>(1,661)</u>	<u>86</u>	<u>509</u>	<u>(770)</u>

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:

	30.6.2015	30.6.2014
Net earnings attributable to ordinary shareholders	6,950	3,745
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 30 June	<u>186,639</u>	<u>186,639</u>
Basic earnings per share (EUR)	0.0372	0.0201

8. Trade and other receivables

Trade and other receivables are specified as follows:

	30.6.2015	31.12.2014
Trade receivables	78,747	69,567
Restricted cash	4,394	1,752
Other receivables	7,453	4,341
Trade and other receivables total	<u>90,594</u>	<u>75,660</u>

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:

	30.6.2015	31.12.2014
Secured bank loans	71,876	59,070
Finance lease liabilities	5,136	5,362
	<u>77,012</u>	<u>64,432</u>

Notes

9. Loans and borrowings, continued

Secured bank loans	30.6.2015		31.12.2014	
	Nominal interest	Carrying amount	Nominal interest	Carrying amount
Secured bank loans are payable as follows:				
Loans in EUR	3.7%	51,628	3.8%	38,595
Loans in USD	2.9%	10,457	2.7%	11,284
Loans in ISK	6.9%	7,716	7.2%	7,370
Loans in other currencies	-	2,075	-	1,821
		71,876		59,070
Current maturities		(11,940)		(5,581)
Short-term borrowings		* (22,038)		(7,208)
Total non-current secured bank loans		37,898		51,862

Aggregated annual maturities are as follows:

	30.6.2015	31.12.2014
On demand or within 12 months	* 33,978	12,789
12 - 24 months	4,302	11,867
24 - 36 months	4,207	4,172
36 - 48 months	4,193	4,172
48 - 60 months	3,449	4,146
More than 60 months	21,747	21,924
	71,876	59,070

*Short-term borrowings that are classified as current liabilities mainly consist of loans taken in relation with the construction of the new cold storage in Hafnarfjörður, the purchase of harbor cranes and an operational credit-line. Long-term loan agreements to refinance the short-term loans in relation with the construction in Hafnarfjörður as well as the purchase of harbor cranes have been secured with the terms of 20 years for the cold storage and 10 years for the cranes.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	30.6.2015		31.12.2014	
	Minimum lease payments	Principal	Minimum lease payments	Principal
Less than one year	2,503	2,389	2,110	2,065
Between one and five years	2,821	2,669	3,522	3,297
More than five years	82	78	0	0
	5,406	5,136	5,632	5,362

Collateral of loans and borrowings is specified as follows:

Loans with collateral in fixed assets	71,876	59,070
Finance leases	5,136	5,362
Total	77,012	64,432

10. Trade and other payables

Trade and other payables are specified as follows:

	30.6.2015	31.12.2014
Trade payables	40,252	32,448
Other payables	20,068	17,609
Income tax payable	551	753
Trade and other payables total	60,871	50,810

Notes

11. 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 11.8 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 30 June 2015 was USD 4.9 million (EUR 4.4 million).

12. Group entities

At period-end the Company owned directly eight subsidiaries that are all included in the consolidation. During the year the subsidiaries of the Company acquired the companies Jac. Meisner Internationaal Expeditiebedrijf B.V. and Cargocan Agency Ltd., 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. The direct subsidiaries owned 49 subsidiaries at period-end. The Company's direct subsidiaries are as follows:

	Country of incorporation	Ownership Interest 30.6.2015	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	The Faroe Islands	100%	100%
Harbour Grace CS Inc.	Canada	51%	51%
Eimskip REIT ehf.	Iceland	100%	100%

In May 2015, Eimskip purchased all shares in the company Seatours (Sæferdir ehf.) depending on the Icelandic Competition Authority's approval. The acquisition has now been approved by the Icelandic Competition Authority. The purchase price is recognized among trade and other receivables in the Statement of Financial Position. The operation of Seatours will be affecting the Consolidated Financial Statements of the Company as of 1 August 2015.

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

	Q1 2015	Q2 2015
Operating revenue	112,663	126,587
Expenses	106,879	113,281
Operating profit, EBITDA	5,784	13,306
Depreciation and amortization	(5,735)	(5,790)
Results from operating activities, EBIT	49	7,516
Net finance income (expense)	2,170	(1,661)
Share of earnings of associated companies	92	94
Net earnings before income tax	2,311	5,949
Income tax	(787)	(434)
Net earnings	1,524	5,515

	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Operating revenue	104,200	108,978	119,583	118,794
Expenses	98,182	97,929	106,949	109,953
Operating profit, EBITDA	6,018	11,049	12,634	8,841
Depreciation and amortization	(5,656)	(5,903)	(5,584)	(6,052)
Results from operating activities, EBIT	362	5,146	7,050	2,789
Net finance (expense) income	(856)	86	1,192	169
Share of (loss) earnings of associated companies	(27)	115	171	(30)
Net earnings before income tax	(521)	5,347	8,413	2,928
Income tax	(272)	(754)	(896)	(638)
Net (loss) earnings	(793)	4,593	7,517	2,290