

Hf. Eimskipafélag Íslands

Condensed Consolidated Interim

Financial Statements

For the period from

1 November 2006 to 31 July 2007

Hf. Eimskipafélag Íslands
Kornгарðar 2
104 Reykjavík
Iceland

Reg. no. 660288-1049

Contents

Endorsement by the Board of Directors and the CEO	3	Consolidated Interim Statement of Changes in Equity	6
Consolidated Interim Income Statement	4	Consolidated Interim Statement of Cash Flows ...	7
Consolidated Interim Balance Sheet	5	Notes to the Consolidated Interim Financial Statements	8

Endorsement by the Board of Directors and the CEO

The Consolidated Interim Financial Statements of Hf. Eimskipafélag Íslands for the period 1 November 2006 to 31 July 2007 have been prepared in accordance with International Financial Reporting Standards (IFRSs) for Interim Financial Statements. The Financial Statements include the Consolidated Interim Financial Statements of the Parent Company and its direct subsidiaries, which numbered nine at period-end.

The Board of Directors of Hf. Eimskipafélag Íslands approved to merge Hf. Eimskipafélag Íslands and its subsidiary Eimskipafélag Íslands ehf., effective as of 1 November 2006. As the subsidiary was wholly owned the merger has no effect on the consolidated financial statements.

The Company's functional currency for the year 2006 was US dollars. The change in functional currency from US dollars to EUR was made as of 1 November 2006 because of changes in the focus of the Company's operations and primary economic environment in which the Company operates. The comparative figures for the year 2006 have been translated to EUR.

According to the Consolidated Interim Income Statement the total operating revenue of the Group amounted to EUR 1.184 million during the period. Net profit for the period amounted to EUR 9 million. According to the Balance Sheet the Group assets were EUR 1.946 million. Equity at period-end amounted to EUR 569 million.

The group acquired all outstanding shares of Versacold Income Fund effective August 1, 2007. Total cash consideration paid for the acquisition was \$CDN 1,178 million. Versacold will be part of the group from August 1,

The Board of Directors of Hf. Eimskipafélag Íslands and the CEO hereby confirm the Company's Consolidated Interim Financial Statements for the period from 1 November 2006 to 31 July 2007, by means of their signatures.

Reykjavík, 18 September, 2007.

Board of Directors:

Magnus Thorsteinsson
Thor Kristjansson
Sindri Sindrason
Eggert Magnusson
Gunnar M. Bjorg

CEO:

Baldur Gudnason

Consolidated Interim Income Statement

November 1, 2006 - July 31, 2007

	Notes	Third quarter		Nine months	
		2007	2006	2007	2006
Revenue	5	387.233	179.761	1.183.652	556.306
Cost of sales		(370.532)	(175.364)	(1.128.398)	(533.632)
Gross profit		16.701	4.398	55.254	22.673
Administrative expenses		(6.877)	(3.592)	(24.119)	(20.326)
Operating profit	5	9.824	806	31.135	2.348
Finance income		2.839	2.009	14.456	5.649
Finance expenses		(18.394)	(11.468)	(62.343)	(56.881)
Net finance cost		(15.555)	(9.459)	(47.887)	(51.232)
Share in profit from associates		18.725	(1.367)	19.624	(1.397)
Profit (loss) before income tax		12.994	(10.020)	2.872	(50.282)
Income tax		1.139	2.230	5.879	7.172
Profit (loss) from continuing operations		14.133	(7.790)	8.751	(43.110)
Profit (loss) from discontinued operations (net of income tax)	6	0	11.550	0	(13.062)
Profit (loss) for the period		14.133	3.760	8.751	(56.172)
Attributable to:					
Equity holders of the parent company		13.745	4.550	2.803	(55.009)
Minority interest		388	(790)	5.948	(1.163)
Profit (loss) for the period		14.133	3.760	8.751	(56.172)
Earnings per share:					
Basic earnings (loss) per share		0,01057	0,0027	0,0044	(0,0324)
Diluted earnings (loss) per share		0,01057	0,0027	0,0044	(0,0324)

Consolidated Interim Balance Sheet

as at 31 July 2007

	Notes	31.7.2007	31.10.2006	
Assets:				
Goodwill		349.861	245.009	
Other intangible assets		64.374	10.886	
Property, aircraft, vessels and equipment		931.023	354.523	
Investment in associated companies		597	18.371	
Financial assets		65.919	101.323	
Deferred tax assets		11.848	17.692	
Total non-current assets		1.423.622	747.804	
Inventories		15.420	13.650	
Trade receivables		289.044	232.360	
Other receivables		149.875	258.048	
Cash and cash equivalents		66.756	180.025	
Assets classified as held for sale		1.005	19.653	
Total current assets		522.100	703.737	
Total assets		1.945.722	1.451.541	
 Equity:				
Share capital		21.451	20.476	
Share premium		440.628	403.103	
Reserves	(2.685)	(5.285)
Retained earnings		98.357	95.554	
Total equity attributable to equity holders of the parent		557.751	513.848	
Minority interest		11.223	23.782	
Total equity		568.974	537.630	
 Liabilities:				
Convertible loans	9	68.776	0	
Interest bearing loans and borrowings	9	700.707	355.459	
Guarantee deposits		1.317	4.248	
Deferred income		27.841	40.909	
Deferred tax liabilities		54.034	7.699	
Total non-current liabilities		852.675	408.316	
Interest-bearing borrowings	9	207.181	286.098	
Trade payables		150.158	127.889	
Other payables		166.734	91.608	
Total current liabilities		524.073	505.595	
Total liabilities		1.376.748	913.911	
Total equity and liabilities		1.945.722	1.451.541	

Consolidated Interim Statement of Changes in Equity as at 31 July 2007

	Share Capital	Share premium	Trans- lation reserve	Share option reserve	Hedging reserve	Fair value reserve	Retained earnings	Total	Minority interest	Total equity
Changes in Equity 2006:										
Equity at 1 November 2005	18.257	303.046	11.983	0	(2.452)	(1.212)	35.650	365.272	1.240	366.512
Loss for the period	0	0	0	0	0	0	(59.559)	(59.559)	(129)	(59.688)
Foreign currency translation	0	0	(45.907)	0	0	0	0	(45.907)	0	(45.907)
Change in fair value of available-for-sale asset net of tax	0	0	0	0	0	2.549	0	2.549	23	2.572
Total recognised income and expense	0	0	(33.925)	0	(2.452)	1.337	(23.909)	262.355	1.134	263.489
New shares issued	3.627	125.691					129.318	129.318		129.318
Translation difference	(871)	(17.264)	1.495	0	96	(62)	1.151	(15.456)	(44)	(15.500)
Equity at 31 July 2006	21.013	411.473	(32.430)	0	(2.355)	1.276	(22.759)	376.218	1.090	377.308
Changes in Equity 2007:										
Equity at 1 November 2006	20.476	403.103	(1.836)	588	0	(4.037)	95.554	513.848	23.782	537.630
Profit for the period							2.803	2.803	5.948	8.751
Foreign currency translation			5.807					5.807	(555)	5.252
Total recognised income and expense			3.971	588	0	(4.037)	98.357	522.458	29.175	551.633
New shares issued	981	37.701						38.682		38.682
Purchases of treasury shares	(6)	(176)						(182)		(182)
Dividend paid to minority								0	(280)	(280)
Change in share option reserve, net of tax				660				660		660
Change in fair value of available-for-sale asset net of tax						(3.867)		(3.867)		(3.867)
Recognised on acquisition of subsidiaries								0	(17.672)	(17.672)
Equity at 31 July 2007	21.451	440.628	3.971	1.248	0	(7.904)	98.357	557.751	11.223	568.974

Consolidated Interim Statement of Cash Flows

For the nine months ended 31 July 2007

	Notes	2007	2006
Cash flows from operating activities:			
Profit (loss) for the period		8.751	(56.172)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and impairment of fixed assets		61.560	42.455
Amortization and impairment of intangible assets		7.132	1.308
Currency fluctuation and indexation		(8.292)	36.947
Capital gains on the sale of assets and other changes		(22.943)	(16.658)
Income tax		(6.329)	(8.676)
Working capital provided by (used in) operating activities		39.879	(795)
Changes in current assets		57.536	(34.313)
Changes in current liabilities		29.038	(103.471)
Net cash provided by (used in) operating activities		<u>126.453</u>	<u>(138.579)</u>
Cash flows from investing activities:			
Investment in fixed and intangible assets	8	(201.265)	(138.463)
Proceeds from sale of fixed and intangible assets		24.251	76.929
Investment in financial assets		13.202	(49.507)
Investment in companies		(415.935)	0
Other changes		13.220	18.645
Net cash used in investing activities		<u>(566.527)</u>	<u>(92.396)</u>
Cash flows from financing activities:			
Increase in share capital		0	128.624
Purchase of treasury shares		(182)	0
Contribution from minority shareholders less dividend received		3.220	0
Long-term debt proceeds		796.978	375.910
Long-term debt repaid	9	(469.889)	(276.512)
Short-term borrowing, change		(3.369)	0
Changes in deferred taxes		0	(868)
Net cash provided by financing activities		<u>326.758</u>	<u>227.154</u>
Discontinued operation:			
Net cash from operating activities		0	104.616
Net cash from investing activities		0	(59.675)
Net cash from financing activities		0	(1.636)
		<u>0</u>	<u>43.304</u>
(Decrease) increase in cash and cash equivalents		(113.316)	39.483
Cash and cash equivalents at the beginning of the period		181.069	124.693
Effects of exchange rate fluctuations on cash		(997)	(11.968)
Cash and cash equivalents at the end of the period		<u>66.756</u>	<u>152.208</u>
Investment and financing activities not affecting cash flows:			
Investment in subsidiaries		(38.682)	0
Issued shares		38.682	0

Notes to the Consolidated Interim Financial Statements

1. Reporting entity

Hf. Eimskipafélag Íslands (the “Company”) is a company domiciled in Iceland. The Consolidated Interim Financial Statements of the Company for the 9 months ended 31 July 2007 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group's interest in associated companies.

The Consolidated Financial Statements of the Group for the year ended 31 October 2006 are available at www.ei.is.

2. Statement of compliance

The Consolidated Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards, IAS 34 Interim Financial Reporting as adopted by EU.

The Consolidated Interim Financial Statements were approved and authorised for issue by the Company's Board of Directors on 18 of September 2007.

3. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 October 2006.

Change in functional currency

The Consolidated Interim Financial Statements are prepared in euros (EUR), which is the Company's functional currency for the year 2007. All financial information presented in EUR has been rounded to the nearest thousand.

The Company's functional currency for the year 2006 was US dollars. The change in functional currency from US dollars to EUR was made as of 1 November 2006 because of changes in the focus of the Company's operations and primary economic environment in which the Company operates. The comparative figures for the year 2006 have been translated to EUR. See further information below for comparative Balance Sheet figures in US dollars and EUR as at 31 October 2006.

The changes are as follows:

Consolidated Balance Sheet For the year ended 31 October 2006	USD	EUR
	31.10.2006	31.10.2006
Total non-current assets	949.110	747.804
Total current assets	893.181	703.737
Total assets	1.842.291	1.451.541
Total equity	682.358	537.630
Total non-current liabilities	518.233	408.316
Total current liabilities	641.700	505.595
Total equity and liabilities	1.842.291	1.451.541

4. Estimates

The preparation of interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Notes, contd.:

5. Segment reporting

For the nine months ended 31 July

Shipping and logistics

Hf. Eimskipafélag Íslands forms the Groups activities that are focused on shipping, logistic and supply chain management. Eimskip has developed from a shipping line into a comprehensive transportation and logistics solutions provider with a specialisation in temperature-controlled food storage. The services provided include the management and implementation of all transportation logistics and door-to-door services. Eimskip's main transportation services include ocean transport, transportation on land and freight forwarding between foreign destinations. The services offered extend to inventory and distribution services, delivery, air freight, customs documentation, agency services, customs warehousing, loading and landing of fishing vessels and passenger transport.

	Shipping and logistics	Aviation services	Elimina- tions	Con- solidated
<i>For nine months 2007</i>				
Segment revenue	962.693	220.959	(7.150)	1.176.502
Segment result	23.635	(14.884)	0	8.751
<i>For nine months 2006</i>				
Segment revenue	316.460	293.809	(53.964)	556.305
Segment result	(8.738)	(34.372)	0	(43.110)
Result from operating activities (discontinued operations)				(13.062)
Result for the period				(56.172)

6. Discontinued operation

The charter and leisure division comprised the XL Leisure Group. The Charter and Leisure division was sold at the end of the fiscal year 2006 but is included in the consolidated financial statements until 31 October 2006.

The figures are stated in the comparative income statement and statement of cash flow as discontinued operations and are separated from the continuing operations.

Revenue from discontinued operation	585.365
Loss from discontinued operation	(13.062)

For further information see note 6 in the Annual report of the Group for the year 2006.

7. Acquisition of subsidiaries

Business combination

In November 2006 the Group acquired 65% of the shares in Containerships Ltd. Oy, in Finland.

On November 2, 2006 the Group acquired all of the shares in Atlas Cold Storage in Canada.

On November 2, 2006 the Group acquired 26% of the shares in Harbour Grace CS Inc, in Canada.

In January 2006 the Group acquired 40% of shares in Daalimpex BV, Nederland. In January 2007 the remaining 60% of shares were acquired. Daalimpex BV is included in the Group from January 1, 2007.

On June 7, 2007 the Group acquired the remaining 45% of the shares in Innovate HQ Ltd. in the UK.

Notes, contd.:

7. contd.:

During the period the Group has acquired all shares in Atlas Cold Storage Inc. and Daalimpex Beeher BV, 65% of shares in Containerships Ltd. Oy, 51% of the shares in Harbour Grace Inc. and the remaining 45% of the shares in Innovate HQ Ltd. These acquisition had the following affect on the Group's assets and liabilities on the date of acquisition:

	Atlas Cold Storage	Container- ships Ltd Oy	Daalimpex Beeher BV	Harbour Grace CS Inc.	Innovate HQ Ltd.	Pre- acquisition carrying amounts	Fair value adjustments	Recognised values on adjustments
Property and equipment	292.975	26.508	75.262	2.287		397.032	88.789	485.820
Intangible assets	5.500	2.671	0	0		8.171	52.970	61.141
Other non current assets	2.956	432	0	5		3.393	(2.956)	437
Inventories	1.347	89	316	16		1.768	0	1.768
Trade and other receivables	35.713	20.000	6.021	809		62.543	289	62.832
Cash and cash equivalents	3.296	1.440	0	167		4.903	0	4.903
Loans and borrowings	0	(15.079)	(42.141)	(2.224)		(59.444)	0	(59.444)
Deferred tax liabilities	(10.131)	(3.431)	(6.315)	0		(19.877)	(46.290)	(66.167)
Trade and other payables	(46.376)	(18.209)	(14.460)	(159)		(79.204)	398	(78.807)
Net identifiable assets and liabilities	285.280	14.421	18.683	901	0	319.285	93.199	412.484
Eimskip acquired	285.280	9.374	18.683	235	28.336	341.907	93.199	435.107
Goodwill on acquisition	56.945	9.339	18.767	270	10.346	95.667		95.667
								530.774
Consideration paid, satisfied by cash and equity	417.278	30.000	37.450	496	38.682			523.906
Consideration paid, directly attributable costs	6.009	851	0	9	0			6.869
Total consideration paid	423.287	30.851	37.450	505	38.682			530.775
Cash acquired	(3.296)	(1.440)	0	(167)				(4.932)
Net cash outflow	419.991	29.411	37.450	338	0			496.438

Notes, contd.:

8. Property, aircraft, vessels and equipment

During the nine months ended 31 July 2007 the Group acquired assets with a cost of EUR 201,2 million, excluding assets acquired through business combinations (see note 7) of EUR 485,8 million.

During the period two new vessels, Storfoss and Dalfoss were delivered to the Group.

9. Interest-bearing borrowings

The following movements in loans and borrowings (non-current and current) due to new issues and repayments during the nine months ended 31 July 2007:

	Currency	Interest rate nominal	Face value	Carrying amount	Year of Maturity
Balance at 1 November 2006				641.557	
New issues:					
Convertible notes	CAD	15,00%	68.908	68.776	2010
Bank loan	CAD	BA + 1,75%	50.648	52.958	2009
Bank loan	CAD	10,00%	53.431	55.021	2011
Bank loan	CAD	12,00%	33.513	34.510	2010
Bank loan	CAD	6,75%	3.874	3.989	2009
Bank loan	USD	Libor +1,75%	108.343	111.568	2009
Bank loan	USD	7,00%	120.338	120.338	2022
Bank loan	USD	3,57%	7.928	7.883	2011
Bank loan	EUR	3,70%	12.597	12.597	2011
Bank loan	EUR	Libor +2,25%	14.393	14.393	2009
Finance lease liabilities	CHF	2,22%	1.622	1.545	2012
Finance lease liabilities	EUR	3,87%	1.580	1.580	2012
Loan acquired (see note 7)	EUR	-	59.444	59.444	-
Bank loan, current	CAD	Libor +1,75%	23.703	23.703	2007
Bank loan, current	ISK	16,30%	274.633	274.633	2007
Currency fluctition				(12.866)	
Repayments:					
Repayments of bank loans				(494.964)	
Balance at 31 July 2007				<u>976.664</u>	

The Holder of the convertible loan has the unilateral right to demand that the debt shall be converted to common shares of the Company at the price ISK 40 per share.

10. Share-based payments

On March 6, 2007 the Group established a share option programme that entitles key management personnel to acquire shares in the Company. In accordance with this programme options are exercisable at the market price of the shares at the date of the grant.

The grantees can only exercise their rights at the vesting dates which are January 15, 2008, January 15, 2009 and January 15, 2010.

Notes, contd.:

11. Quarterly Statements

The Group's operations is specified as follows according to quarters:

	Q3 2006	Q 4 2006	Q1 2007	Q2 2007	Q3 2007
Operating revenue	179.761	284.025	399.323	397.096	387.233
Operating expenses	(178.956)	(295.853)	(388.487)	(386.621)	(377.409)
Operating profit (loss)	806	(11.828)	10.836	10.475	9.824
Finance income and expenses	(9.459)	(594)	(18.393)	(13.939)	(15.555)
Share in profit from associates	(1.367)	664	689	210	18.725
Pre-tax profit (loss)	(10.020)	(11.758)	(6.868)	(3.254)	12.994
Income tax	2.230	21	1.247	3.493	1.139
Result from continuing operations	(7.790)	(11.737)	(5.621)	239	14.133
Discontinued operations	11.550	132.027	0	0	0
Net profit (loss) for the period	3.760	120.290	(5.621)	239	14.133
EBITDA	14.566	5.561	32.289	33.176	34.330

12. Subsequent events

In May 2007 the Group announced a strategic review of its aviation related operation where the Group is seeking buyers of its 100% share in Air Atlanta hf. and the 49% share in Avion Aircraft Trading. In the end of July the 49% shares in Avion Aircraft trading where sold for EUR 20,5 million. Projections for the current financial year estimate that 20% of the Group's turnover will be from the aviation operation. Sale of Air Atlanta Icelandic is expected to be finalized within the next couple of months.

On July 30, 2007 the Group subscribed for preferred shares of Versacold Holdings Corp., a subsidiary of Versacold Income Fund, in the amount of Cdn\$5 million. The Group acquired all the shares of Versacold Income Fund effective August 1, 2007. The total cash consideration paid for the acquisition was \$CDN 1.178 million. The acquisition of Versacold will have the following affects on the Group's assets and liabilities on the date of acquisition:

	Book value	Fair value adjustments	Fair value
Property and equipment	483.124	249.688	732.812
Intangible assets	5.640		5.640
Non current assets	1.214		1.214
Inventories	2.752		2.752
Trade and other receivables	76.547		76.547
Cash and cash equivalents	21.248		21.248
Loans and borrowings	(267.363)	(5.210)	(272.573)
Trade and other payables	(74.989)		(74.989)
Deferred tax liabilities	(5.919)	(168.775)	(174.694)
Net identifiable assets and liabilities	242.255	75.703	317.958
Goodwill on acquisition			247.973
Debt repaid			265.263
			831.194
Consideration paid, satisfied by cash			(831.194)
Cash acquired			21.248
Net cash outflow			(809.946)