



Eimskipafélag Íslands hf.
Condensed Consolidated Interim Financial Statements
1 January to 30 September 2016
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 17 March 2016 a dividend payment to shareholders of ISK 6.50 per share. The total dividend payment amounted to ISK 1,213.2 million or EUR 8.6 million. The payment date was 14 April 2016.

In October 2016 Eimskip purchased all shares in the company Extraco Internationale Expeditie B.V. in the Netherlands. The purchase was closed in October. In November 2016 Eimskip signed an agreement to acquire the Norwegian shipping and logistics company Nor Lines AS. The purchase is subject to approval by the Norwegian Competition Authority. These acquisitions have no effect on these Condensed Consolidated Interim Financial Statements.

Net earnings for the first nine months of the year 2016 amounted to EUR 20.0 million according to the Consolidated Income Statement. Total equity as at 30 September 2016 amounted to EUR 240.1 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 2016 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 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 2016, its assets, liabilities and consolidated financial position as at 30 September 2016 and its consolidated cash flows for the nine month period ended 30 September 2016.

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 September 2016 and confirm them by means of their signatures.

Reykjavík, 17 November 2016

Board of Directors:

Richard Winston Mark d'Abo, Chairman

Víglundur Thorsteinsson

Helga Melkorka Óttarsdóttir

Hrund Rudolfsdóttir

Lárus L. Blöndal

CEO:

Gylfi Sigfússon

Consolidated Income Statement

1 January to 30 September 2016

	Notes	2016 1.7.-30.9.	2015 1.7.-30.9.	2016 1.1.-30.9.	2015 1.1.-30.9.
Revenue					
Operating revenue	5	134,070	129,721	373,425	368,971
Expenses					
Operating expenses		86,427	89,604	244,318	263,479
Salaries and related expenses		29,883	23,757	85,537	70,042
	5	116,310	113,361	329,855	333,521
Operating profit, EBITDA		17,760	16,360	43,570	35,450
Depreciation and amortization		(6,917)	(5,933)	(20,079)	(17,458)
Results from operating activities, EBIT		10,843	10,427	23,491	17,992
Finance income		141	131	774	394
Finance expense		(972)	(837)	(2,641)	(2,596)
Net foreign currency exchange gain		462	224	839	2,229
Net finance (expense) income	6	(369)	(482)	(1,028)	27
Share of earnings of associated companies		196	66	411	252
Net earnings before income tax		10,670	10,011	22,874	18,271
Income tax		(1,289)	(1,537)	(2,893)	(2,758)
Net earnings for the period		9,381	8,474	19,981	15,513
Net earnings for the period attributable to:					
Equity holders of the Company		9,152	8,237	19,703	15,187
Non-controlling interest		229	237	278	326
		9,381	8,474	19,981	15,513
Earnings per share:					
Basic and diluted earnings per share (EUR per share)	7	0.0491	0.0441	0.1056	0.0814

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 September 2016

	Notes	2016 1.7.-30.9.	2015 1.7.-30.9.	2016 1.1.-30.9.	2015 1.1.-30.9.
Net earnings for the period		9,381	8,474	19,981	15,513
Other comprehensive income:					
Items that may subsequently be reclassified to the income statement					
Foreign currency translation difference of foreign operations		766	(1,916)	677	250
Total comprehensive income for the period		10,147	6,558	20,658	15,763
Total comprehensive income for the period attributable to:					
Equity holders of the Company		9,973	6,443	20,404	15,385
Non-controlling interest		174	115	254	378
Total comprehensive income for the period		10,147	6,558	20,658	15,763

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 September 2016

	Notes	30.9.2016	31.12.2015
Assets:			
Property, vessels and equipment		202,055	198,312
Intangible assets		27,688	26,209
Investment in associated companies		2,972	2,609
Unlisted shares		238	127
Deferred tax assets		4,925	6,023
Total non-current assets		237,878	233,280
Inventories		1,984	1,983
Trade and other receivables	8	94,127	83,911
Cash and cash equivalents		45,122	35,983
Total current assets		141,233	121,877
Total assets		379,111	355,157
Equity:			
Share capital		1,165	1,165
Share premium		154,726	154,726
Undistributed profits	10	20,600	0
Translation reserve		(1,588)	(2,289)
Retained earnings		61,274	70,781
Total equity attributable to equity holders of the Parent Company		236,177	224,383
Non-controlling interest		3,884	3,741
Total equity		240,061	228,124
Liabilities:			
Loans and borrowings	9	50,630	54,999
Deferred tax liability		642	551
Total non-current liabilities		51,272	55,550
Loans and borrowings	9	29,328	16,402
Trade and other payables	11	58,450	55,081
Total current liabilities		87,778	71,483
Total liabilities		139,050	127,033
Total equity and liabilities		379,111	355,157

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 September 2016

	Attributable to equity holders of the Company							Total equity
	Share capital	Share premium	Trans-lation reserve	Un-distributed profits	Retained earnings	Total	Non controlling interest	
Changes in Equity 1 January to 30 September 2015:								
Equity at 1 January 2015	1,165	154,726	(2,330)	0	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			198		15,187	15,385	378	15,763
Equity at 30 September 2015	1,165	154,726	(2,132)	0	68,625	222,384	3,574	225,958
Changes in Equity 1 January to 30 September 2016:								
Equity at 1 January 2016	1,165	154,726	(2,289)	0	70,781	224,383	3,741	228,124
Dividend paid (0.0461 EUR per share)					(8,610)	(8,610)	0	(8,610)
Changes in non-controlling interest						0	(111)	(111)
Total comprehensive income for the period			701	20,600	(897)	20,404	254	20,658
Equity at 30 September 2016	1,165	154,726	(1,588)	20,600	61,274	236,177	3,884	240,061

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 September 2016

	Notes	2016 1.7.-30.9.	2015 1.7.-30.9.	2016 1.1.-30.9.	2015 1.1.-30.9.
Cash flows from operating activities:					
Net earnings for the period		9,381	8,474	19,981	15,513
Adjustments for:					
Depreciation and amortization		6,917	5,933	20,079	17,458
Net finance expense (income)	6	369	482	1,028	(27)
Share of earnings of associated companies		(196)	(66)	(411)	(252)
Change in deferred taxes		904	693	1,215	1,168
Other changes		(111)	(2,167)	(694)	(3,167)
		17,264	13,349	41,198	30,693
Changes in operating assets and liabilities:					
Inventories, change		(38)	1,034	26	288
Receivables, change		(6,445)	(13,770)	(8,891)	(14,780)
Payables, change		(4,175)	6,838	4,075	7,855
Change in operating assets and liabilities		(10,658)	(5,898)	(4,790)	(6,637)
Interest paid		(870)	(629)	(2,333)	(2,269)
Interest received		162	178	405	304
Taxes paid		(67)	(111)	(298)	(308)
Net cash from operating activities		5,831	6,889	34,182	21,783
Cash flows used in investing activities:					
Acquisition of property, vessels and equipment		(6,257)	(16,026)	(22,190)	(31,325)
Acquisition of intangible assets		(1,185)	(333)	(2,563)	(2,864)
Proceeds from the sale of property and equipment		191	245	2,755	1,800
Dividend received		79	3	79	162
Investments in subsidiaries net of cash acquired		0	331	558	(7,011)
Investment in unlisted shares		(53)	0	(104)	0
Net cash used in investing activities		(7,225)	(15,780)	(21,465)	(39,238)
Cash flows (used in) provided by financing activities:					
Dividend paid		0	0	(8,610)	(6,291)
Changes in non-controlling interest		(14)	0	(111)	14
Proceeds from loans and borrowings		2,035	3,567	13,158	19,234
Repayment of loans and borrowings		(3,234)	(1,691)	(7,892)	(6,519)
Net cash (used in) provided by financing activities		(1,213)	1,876	(3,455)	6,438
Changes in cash and cash equivalents		(2,607)	(7,015)	9,262	(11,017)
Cash and cash equivalents at the beginning of the period		47,463	37,011	35,983	39,539
Effects of exchange rate fluctuations on cash held		266	(746)	(123)	728
Cash and cash equivalents at the end of the period		45,122	29,250	45,122	29,250
Investing activities not affecting cash flows:					
Receivables, change		0	(14,117)	0	(14,117)
Proceeds from sale of vessel under construction		0	14,117	0	14,117
Acquisition of property, vessels and equipment		(1,122)	(1,269)	(1,343)	(2,079)
Proceeds from loans and borrowings		1,122	1,269	1,343	2,079

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" 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 2016 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 at Nasdaq Iceland.

2. Basis of preparation

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 2015, 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 17 November 2016.

3. Significant accounting policies

The accounting policies have been applied consistently to all periods presented in these Condensed Consolidated Interim Financial Statements for the nine month period ended 30 September 2016, and have been applied consistently by Group entities.

These Condensed Consolidated Interim Financial Statements are presented in Euro (EUR), which is the Company's functional currency. All financial information presented in EUR has been rounded to the nearest thousand.

4. Use of estimates and judgements

The preparation of the Condensed Consolidated Interim Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Consolidated Financial Statements as at and for the year ended 31 December 2015.

5. Segment reporting

Business segments

	Liner services	Forwarding services	Consoli- dated
1 January to 30 September 2016			
Revenue, external	278,562	94,863	373,425
Inter-segment revenue	23,503	33,098	56,601
Total	302,065	127,961	430,026
Expenses, external	(234,297)	(95,558)	(329,855)
Inter-segment expense	(33,098)	(23,503)	(56,601)
EBITDA	34,670	8,900	43,570
Depreciation and amortization	(18,994)	(1,085)	(20,079)
EBIT	15,676	7,815	23,491
Net finance expense	(970)	(58)	(1,028)
Share of earnings of associated companies	335	76	411
Income tax	(1,015)	(1,878)	(2,893)
Net earnings for the period	14,026	5,955	19,981

Notes

5. Segment reporting, continued

	Liner services	Forwarding services	Consoli- dated
1 January to 30 September 2015			
Revenue, external	263,337	105,634	368,971
Inter-segment revenue	20,691	27,423	48,114
Total	<u>284,028</u>	<u>133,057</u>	<u>417,085</u>
Expenses, external	(228,794)	(104,727)	(333,521)
Inter-segment expense	(27,423)	(20,691)	(48,114)
EBITDA	<u>27,811</u>	<u>7,639</u>	<u>35,450</u>
Depreciation and amortization	(16,354)	(1,104)	(17,458)
EBIT	11,457	6,535	17,992
Net finance (income) expense	(411)	438	27
Share of earnings of associated companies	116	136	252
Income tax	(1,135)	(1,623)	(2,758)
Net earnings for the period	<u>10,027</u>	<u>5,486</u>	<u>15,513</u>

Information on assets and liabilities

Segment assets as at 30 September 2016	328,653	50,458	379,111
Segment assets as at 31 December 2015	298,129	57,028	355,157
Segment liabilities as at 30 September 2016	111,514	27,536	139,050
Segment liabilities as at 31 December 2015	98,286	28,747	127,033
Capital expenditure for the period 1 January to 30 September 2016	25,517	579	26,096
Capital expenditure for the period 1 January to 30 September 2015	32,178	4,090	36,268

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 2016	345,413	28,012	373,425
Revenue, external for the period 1 January to 30 September 2015	330,395	38,576	368,971
Geographical location of assets as at 30 September 2016	363,958	15,153	379,111
Geographical location of assets as at 31 December 2015	335,418	19,739	355,157
Capital expenditure for the period 1 January to 30 September 2016	26,070	26	26,096
Capital expenditure for the period 1 January to 30 September 2015	36,239	29	36,268

Notes

6. Finance income and expense

	2016	2015	2016	2015
	1.7. - 30.9.	1.7. - 30.9.	1.1. - 30.9.	1.1. - 30.9.
Finance income is specified as follows:				
Interest income	134	131	690	339
Dividend received	7	0	84	55
Finance income	<u>141</u>	<u>131</u>	<u>774</u>	<u>394</u>
Finance expense is specified as follows:				
Interest on long-term loans	(772)	(670)	(2,030)	(1,912)
Other finance expense	(200)	(167)	(611)	(684)
Finance expense	<u>(972)</u>	<u>(837)</u>	<u>(2,641)</u>	<u>(2,596)</u>
Net foreign currency exchange gain	462	224	839	2,229
Net finance (expense) income	<u>(369)</u>	<u>(482)</u>	<u>(1,028)</u>	<u>27</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:

	30.9.2016	30.9.2015
Net earnings attributable to equity holders of the Company	19,703	15,187
Number of issued shares at 1 January	200,000	200,000
Effect of treasury shares held	(13,361)	(13,361)
Weighted average number of ordinary shares at 30 September	<u>186,639</u>	<u>186,639</u>
Basic and diluted earnings per share (EUR)	0.1056	0.0814

8. Trade and other receivables

Trade and other receivables are specified as follows:

	30.9.2016	31.12.2015
Trade receivables	84,623	77,859
Restricted cash	2,815	1,763
Other receivables	6,689	4,289
Trade and other receivables total	<u>94,127</u>	<u>83,911</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:

	30.9.2016	31.12.2015
Secured bank loans	73,827	65,273
Finance lease liabilities	6,131	6,128
Total loans and borrowings	<u>79,958</u>	<u>71,401</u>

Notes

9. Loans and borrowings, continued

Secured bank loans	30.9.2016		31.12.2015	
	Nominal interest	Carrying amount	Nominal interest	Carrying amount
Secured bank loans are payable as follows:				
Loans in EUR	2.9%	53,523	3.0%	44,284
Loans in USD	2.7%	9,027	2.6%	10,165
Loans in ISK	7.3%	9,697	7.1%	9,794
Loans in other currencies	-	1,580	-	1,030
Total secured bank loans		73,827		65,273
Current maturities		(15,221)		(12,806)
Short-term borrowings *		(11,131)		(897)
Total non-current secured bank loans		47,475		51,570

Aggregated annual maturities are as follows:

	30.9.2016	31.12.2015
On demand or within 12 months *	26,352	13,703
12 - 24 months	5,795	5,485
24 - 36 months	5,680	5,390
36 - 48 months	4,578	5,361
48 - 60 months	4,102	3,878
More than 60 months	27,320	31,456
	73,827	65,273

*Short-term borrowings that are classified as current liabilities mainly consist of operational credit-lines.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	30.9.2016		31.12.2015	
	Minimum lease payments	Principal	Minimum lease payments	Principal
Less than one year	3,161	2,976	2,849	2,699
Between one and five years	3,309	3,095	3,625	3,429
More than five years	65	60	0	0
	6,535	6,131	6,474	6,128

Collateral of loans and borrowings is specified as follows:

	30.9.2016	31.12.2015
Loans with collateral in fixed assets	73,827	65,273
Finance leases	6,131	6,128
Total	79,958	71,401

10. Undistributed profits

According to law no. 73/2016 on amendments to the law on Financial Statements no. 3/2006, companies are required to recognize share in profit or loss of subsidiaries and associated companies that exceeds dividend received or declared from those companies to a restricted reserve among equity. If a subsidiary or an associated company is sold or liquidated, the undistributed profit or loss relating to that entity shall be transferred to retained earnings. The effect of the law amendment has been estimated but there is still uncertainty regarding its implementation.

Notes

11. Trade and other payables

Trade and other payables are specified as follows:

	30.9.2016	31.12.2015
Trade payables	32,663	33,109
Other payables	25,303	21,223
Income tax payable	484	749
Trade and other payables total	58,450	55,081

12. Group entities

At period-end the Company owned directly nine subsidiaries that are all included in the consolidation. The direct subsidiaries owned 52 subsidiaries at period-end. At period-end the Company's direct subsidiaries are as follows:

	Country of incorporation	Ownership Interest 30.9.2016	Ownership Interest 31.12.2015
Eimskip Ísland ehf.	Iceland	100%	100%
TVG-Zimsen ehf.	Iceland	100%	100%
Eimskip REIT ehf.	Iceland	100%	100%
Sæferdir 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%

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 22 in the Company's Consolidated Financial Statements 2015.

14. Subsequent events

In October 2016 Eimskip purchased all shares in the company Extraco Internationale Expeditie B.V. in the Netherlands. In November 2016 Eimskip signed an agreement to acquire the Norwegian shipping and logistics company Nor Lines AS. The purchase is subject to approval by the Norwegian Competition Authority. These acquisitions have no effect on these Condensed Consolidated Interim Financial Statements.

Quarterly statements

	Q1 2016	Q2 2016	Q3 2016
Operating revenue	113,253	126,102	134,070
Expenses	103,621	109,924	116,310
Operating profit, EBITDA	9,632	16,178	17,760
Depreciation and amortization	(6,365)	(6,797)	(6,917)
Results from operating activities, EBIT	3,267	9,381	10,843
Net finance (expense) income	(1,365)	706	(369)
Share of earnings of associated companies	100	115	196
Net earnings before income tax	2,002	10,202	10,670
Income tax	(157)	(1,447)	(1,289)
Net earnings	1,845	8,755	9,381

	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Operating revenue	112,663	126,587	129,721	130,610
Expenses	106,879	113,281	113,361	120,863
Operating profit, EBITDA	5,784	13,306	16,360	9,747
Depreciation and amortization	(5,735)	(5,790)	(5,933)	(7,271)
Results from operating activities, EBIT	49	7,516	10,427	2,476
Net finance income (expense)	2,170	(1,661)	(482)	392
Share of earnings of associated companies	92	94	66	79
Net earnings before income tax	2,311	5,949	10,011	2,947
Income tax	(787)	(434)	(1,537)	(658)
Net earnings	1,524	5,515	8,474	2,289