

Hf. Eimskipafélag Íslands

Condensed Consolidated Interim

Financial Statements

For the period from

1 November 2008 to 30 April 2009

Hf. Eimskipafélag Íslands
Kornagarðar 2
104 Reykjavík
Iceland

Reg. no. 660288-1049

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Endorsement by the Board of Directors and the CEO

The Consolidated Interim Financial Statements of Hf. Eimskipafélag Íslands for the period 1 November 2008 to 30 April 2009 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 were nine at period-end.

According to the Consolidated Interim Income Statement the total operating revenue of the Group amounted to EUR 599 million during the period. Net loss for the period from continuing operations amounts to EUR 225 million. Loss from discontinued operation amounted to EUR 30 million resulting in a net loss of EUR 255 million for the six months. According to the Balance Sheet the Group's total assets were EUR 1.541 million. Equity at period-end was negative and amounted to EUR 390 million.

In February the Dutch cold store company Daalimpex went into administration, as Eimskip was no longer prepared to support Daalimpex financially. The financial effects on Eimskip are minimal, as the Group had fully written off the Daalimpex operations in the fourth quarter of the 2008 financial year.

As previously announced, the company is currently undergoing financial restructuring with the help of Icelandic and foreign consultants. A key component of the restructuring is the disposal of non-core assets, primarily the coldstore operations in N-America. At the end of a formal sales process in February it became clear the offers received were unsatisfactory and well below expectations. Consequently the group recognized an impairment loss of EUR 176m in the second quarter. Eimskip has continued discussion with one bidder regarding the sale of the coldstore operations and a potential involvement in the financial restructuring of the Eimskip Group.

Other Group assets have also been submitted to a disposal process, including shares in the Finnish shipping company Containerships, which were sold in the beginning of May. As a consequence the Containerships operation is included in Discontinued operations and the assets and liabilities of the Containerships group classified as Held for sale.

In connection with the financial restructuring Eimskip will file a petition for a licence to enter into a formal composition process with its creditors. At the successful conclusion of that process the Group's shipping operations will be taken over by the creditors and an external investor.

Reykjavík, 30 June 2009.

Board of Directors:

Sindri Sindrason

Chairman

Orri Hauksson

Tómas Ottó Hansson

Gunnar M. Bjorg

Fri ðrik Jóhannsson

CEO:

Gylfi Sigfússon

Consolidated Interim Income Statement

November 1, 2008 - April 30, 2009

	Notes	Second quarter		Six months	
		2009	2008	2009	2008
Revenue		298,567	319,403	599,332	638,609
Cost of sales		(279,689)	(301,784)	(563,557)	(598,517)
Gross profit		18,879	17,620	35,775	40,092
Administrative expenses		(5,735)	(10,450)	(11,512)	(17,778)
Impairment of assets		(176,071)	0	(176,071)	0
Operating (loss) profit	5	(162,928)	7,170	(151,808)	22,314
Finance income		1,472	811	1,826	2,978
Finance expenses		(23,967)	(52,059)	(69,883)	(108,918)
Net finance cost		(22,494)	(51,248)	(68,057)	(105,940)
Share in profit from associates		24	328	53	242
(Loss) before income tax		(185,398)	(43,750)	(219,812)	(83,385)
Income tax		(4,848)	8,074	(4,838)	12,384
(Loss) from continuing operations		(190,246)	(35,676)	(224,650)	(71,001)
Loss from discontinued operations	6	(24,259)	(65,157)	(30,077)	(68,720)
Loss for the period		<u>(214,505)</u>	<u>(100,834)</u>	<u>(254,727)</u>	<u>(139,721)</u>
Attributable to:					
Equity holders of the parent company		(214,121)	(103,280)	(252,750)	(142,761)
Minority interest		(384)	2,446	(1,978)	3,040
Loss for the period		<u>(214,505)</u>	<u>(100,834)</u>	<u>(254,727)</u>	<u>(139,721)</u>
Earnings per share:					
Basic loss per share		(0.12472)	(0.0591)	(0.14722)	(0.0805)
Diluted loss per share		(0.12472)	(0.0591)	(0.14722)	(0.0805)

Consolidated Interim Balance Sheet

as at 30 April 2009

	Notes	30.4.2009	31.10.2008
Assets:			
Property, vessels and equipment	8	948,575	1,039,760
Intangible assets	9	42,048	82,449
Goodwill		132,063	309,214
Investments in equity accounted investees		0	229
Financial assets		10,508	79,473
Deferred tax assets		54,856	73,969
Total non-current assets		1,188,049	1,585,094
Inventories		8,878	10,499
Trade and other receivables		187,678	238,402
Receivable related to sold operations		8,629	9,159
Cash and cash equivalents		51,948	52,073
Assets classified as held for sale		95,396	48,629
Total current assets		352,528	358,761
Total assets		1,540,577	1,943,855
 Equity:			
Share capital		20,720	20,720
Share premium		0	413,878
Reserves		(14,671)	(14,437)
Accumulated deficit		(414,000)	(575,128)
Total equity attributable to equity holders of the parent		(407,951)	(154,967)
Minority interest		17,558	20,730
Total equity		(390,393)	(134,237)
 Liabilities:			
Convertible loan	10	0	67,248
Loans and borrowings	10	909,068	861,228
Provisions and other liabilities		36,729	37,285
Deferred income-tax liability		121,654	154,438
Total non-current liabilities		1,067,451	1,120,199
Loans and borrowings	10	385,621	465,291
Trade and other payables		420,989	443,973
Liabilities classified as held for sale		56,909	48,629
Total current liabilities		863,518	957,893
Total liabilities		1,930,970	2,078,092
Total equity and liabilities		1,540,577	1,943,855

Consolidated Interim Statement of Changes in Equity as at 30 April 2009

	Share Capital	Share premium	Trans- lation reserve	Share option reserve	Fair value reserve	Retained earnings	Total	Minority interest	Total equity
Changes in Equity 2008:									
Equity at 1 November 2007	21,849	448,461	(74,618)	(26,941)	(9,055)	79,077	438,773	12,501	451,274
Loss for the period						(142,737)	(142,737)	3,040	(139,696)
Foreign currency translation			(6,673)				(6,673)	(135)	(6,807)
Change in fair value of available-for-sale asset					(11,024)		(11,024)		(11,024)
Total recognised income and expense			(81,290)	(26,941)	(20,079)	(63,660)	278,340	15,407	293,747
Purchases of treasury shares	(684)	(28,666)		22,665			(6,685)		(6,685)
Recognised on acquisition of subsidiaries						0		782	782
Equity at 30 April 2008	21,165	419,795	(81,290)	(4,276)	(20,079)	(63,660)	271,655	16,190	287,845
Changes in Equity 2009:									
Equity at 1 November 2008	20,720	413,878	(8,812)	(5,625)	0	(575,128)	(154,967)	20,730	(134,237)
Share premium transferred		(413,878)				413,878	0		0
Loss for the period						(252,750)	(252,750)	(1,978)	(254,727)
Foreign currency translation			(234)				(234)	(603)	(837)
Total recognised income and expense			(9,046)	(5,625)	0	(414,000)	(407,951)	18,150	(389,801)
Dividend paid to minority							0	(592)	(592)
Equity at 30 April 2009	20,720	0	(9,046)	(5,625)	0	(414,000)	(407,951)	17,558	(390,393)

Consolidated Interim Statement of Cash Flows

For the period ended 30 April 2009

	Notes	2008/9	2007/8
		1.11-30.4	1.11-30.04
Cash flows from operating activities:			
Loss for the period .....	(	254,727)	(139,721)
Adjustments for:			
Depreciation and impairment of fixed assets		35,913	40,175
Amortization and impairment of intangible assets		207,064	13,134
Net finance expense		29,707	5,071
Capital gains on the sale of assets and other changes		37	85,240
Income tax .....	(	7,383)	(11,524)
		10,609	(7,625)
Changes in current assets		18,679	139,742
Changes in current liabilities .....	(	13,710)	(48,862)
Change in current assets and liabilities		4,969	90,879
Interest received		1,046	745
Interest paid .....	(	4,417)	(29,613)
Income tax paid .....	(	111)	(3,032)
Net cash provided by operating activities		12,097	51,354
Cash flows to investing activities:			
Investment in fixed and intangible assets .....	(	14,942)	(91,526)
Proceeds from sale of fixed and intangible assets		4,553	210,936
Investment in financial assets .....	(	1,040)	(49,888)
Investment in companies .....	(	2,183)	(7,178)
Other changes		1,656	(6,592)
Net cash (used in) provided by investing activities	(	11,956)	55,752
Cash flows to financing activities:			
Contribution from minority shareholders less dividend received .....	(	1,323)	(156)
Long-term debt proceeds		29,730	255,157
Long-term debt repaid .....	(	26,396)	(411,598)
Short-term borrowing, change		1,840	18,952
Change in guarantee deposits		1,449	(5,931)
Net cash provided (used in) by financing activities		5,300	(143,576)
Discontinued operation:			
Net cash from operating activities		7,524	5,182
Net cash (to) investing activities .....	(	7,424)	(3,127)
Net cash (to) financing activities .....	(	1,813)	(7,805)
Changes in cash balance of assets classified as held for sale .....	(	3,302)	2,903
		(5,015)	(2,847)
Increase (decrease) in cash and cash equivalents		426	(39,317)
Cash and cash equivalents at the beginning of the period		52,073	79,682
Effects of exchange rate fluctuations on cash .....	(	551)	(2,892)
Cash and cash equivalents at the end of the period		51,948	37,473

Notes to the Consolidated Interim Financial Statements

1. Reporting entity

Hf. Eimskipafélag Íslands (the “Company”) is a limited liability company domiciled in Iceland. The Consolidated Interim Financial Statements of the Company for the 6 months ended 30 April 2009 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group's interest in associated companies.

The Group's Consolidated Financial Statements for the year ended 31 October 2008 are available at www.eimskip.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 30 of June 2009.

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 2008.

Functional currency

The Consolidated Interim Financial Statements are prepared in euros (EUR), which is the Company's functional currency for the year 2009. All financial information presented in EUR has been rounded to the nearest thousand.

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.

5. Segment reporting

Business segments

The Group comprises the following main business segments:

Logistics: Forwarding, warehousing and coldstore operations of the Group.

Shipping: All transportation in vessels operated by the Group.

Notes, contd.:

5. contd.:

For the six months ended 30 April 2009

<i>For six months 2009</i>	Shipping	Logistics	Unallocated	Elimination	Consolidated
Revenue	172,704	464,135	297	(37,804)	599,332
Expenses	(154,510)	(407,622)	(8,583)	37,804	(532,911)
EBITDA	18,194	56,513	(8,286)	0	66,421
Depreciation	(11,729)	(27,174)	(3,255)		(42,158)
Impairment of assets	0	(176,071)			(176,071)
EBIT	6,466	(146,732)	(11,542)	0	(151,808)
Net finance cost					(68,057)
Share of the earnings of equity accounted investees					53
Income tax					(4,838)
Loss from continuing operation					(224,650)
Loss from discontinued operations (net of income tax)					(30,077)
Loss for the period					<u>(254,727)</u>

<i>For six months 2008</i>	Shipping	Logistics	Unallocated	Elimination	Consolidated
Revenue	244,673	444,639	346	(51,049)	638,609
Expenses	(213,679)	(392,086)	(14,291)	51,049	(569,006)
EBITDA	30,994	52,553	(13,945)	0	69,602
Depreciation	(10,115)	(33,196)	(3,977)		(47,288)
Impairment of assets	0	0	0		0
EBIT	20,879	19,357	(17,922)	0	22,314
Net finance cost					(105,940)
Share in loss of equity accounted investees					242
Income tax					12,384
Loss from continuing operation					(71,000)
Loss from discontinued operations (net of income tax)					(68,720)
Loss for the period					<u>(139,721)</u>

Geographical segments:

<i>For six months 2009</i>	North Atlantic	Europe	Baltic	North America	Asia	Consolidated
Segment revenue	120,447	30,468	0	424,495	23,922	599,332
<i>For six months 2008</i>						
Segment revenue	170,477	41,565	0	397,274	29,293	638,609

Notes, contd.:

6. Discontinued operation

Included in Discontinued operations is Containerships (2008 & 2009) , Daalimpex (2008) and Innovate (2008). As the Group will retain a controlling share of the Canadian subsidiaries Versacold and Atlas, they are no longer included in Discontinued operations.

The financial information for the companies clarified as discontinued operation is stated in the comparative income statement and statement of cash flow as discontinued operations and are separated from the continuing operations.

Loss attributable to the discontinued operation is specified as follows:

	Six months 2009	Six months 2008
<i>Result of discontinued operations:</i>		
Revenue	76,962	182,496
Expenses	(83,155)	(177,428)
Result from operating activities	(6,193)	5,068
Impairment loss	(24,723)	(72,977)
Net finance cost	(2,174)	(3,653)
Income tax	2,168	2,842
Loss for the period	(30,922)	(68,720)

7. Acquisition of subsidiaries

Business combination

The Group has made no material acquisitions during the period.

Notes, contd.:

8. Property, vessels and equipment

	Land and buildings	Vessels	Containers & equipment	Total
Cost				
Balance at 1 November 2008	749,835	204,044	283,309	1,237,188
Assets classified as held for sale	(146)	(22,773)	(55,822)	(78,741)
Currency adjustments during the period	(7,635)	(1)	(800)	(8,435)
Additions	4,240	264	12,500	17,003
Sales and disposals during the year	(12,010)	0	(2,120)	(14,131)
	<u>734,283</u>	<u>181,533</u>	<u>237,067</u>	<u>1,152,884</u>
Depreciation and impairment losses				
Balance at 1 November 2008	56,277	59,522	81,630	197,428
Assets classified as held for sale	(75)	(2,656)	(18,843)	(21,574)
Currency adjustments during the period	(1,215)	(1)	(610)	(1,826)
Sales and disposals during the period	(2,600)	0	(7,086)	(9,686)
Amortisation and impairment for the period	12,654	6,884	20,429	39,967
	<u>65,040</u>	<u>63,749</u>	<u>75,520</u>	<u>204,309</u>
Carrying amounts				
At 31 October 2008	693,558	144,522	201,679	1,039,760
At 30 April 2009	669,244	117,784	161,547	948,575

9. Intangible assets

	Software	Market & customer related	Total
Cost			
Balance at 1 November 2008	22,253	101,501	123,754
Assets classified as held for sale	(2,631)	(2,631)	(5,262)
Currency adjustments during the period	(26)	(7,831)	(7,857)
Additions	277	428	705
Sales and disposals during the year	0	(4,434)	(4,434)
	<u>19,874</u>	<u>89,663</u>	<u>109,537</u>
Amortisation and impairment losses			
Balance at 1 November 2008	7,190	34,115	41,305
Assets classified as held for sale	(1,582)	0	(1,582)
Currency adjustments during the period	(12)	(6,619)	(6,631)
Sales and disposals during the period	0	(4,432)	(4,432)
Depreciation and impairment for the period	11,702	27,128	38,830
	<u>17,297</u>	<u>50,192</u>	<u>67,489</u>
Carrying amounts			
At 31 October 2008	15,064	67,386	82,449
At 31 April 2009	2,576	39,471	42,048

Notes, contd.:

10. Borrowings

	30.4.2009	31.10.2008
Non-current:		
Bank borrowings	738,640	700,827
Debentures and other non-current liabilities	95,171	123,767
Finance lease liabilities	75,257	103,882
	<u>909,068</u>	<u>928,476</u>
Current:		
Bank loans	14,946	29,669
Current maturities and other loans	347,887	416,488
Finance lease liabilities	22,787	19,134
	<u>385,621</u>	<u>465,291</u>
Total borrowings	<u>1,294,689</u>	<u>1,393,766</u>
Liabilities in currency:		
Liabilities in EUR	582,959	600,867
Liabilities in CAD	191,722	259,541
Liabilities in USD	385,350	396,395
Liabilities in ISK	39,514	39,285
Liabilities in GBP	5,009	5,683
Liabilities in CHF	27,253	27,284
Liabilities in JPY	17,540	17,919
Liabilities in other currencies	45,341	46,794
	<u>1,294,688</u>	<u>1,393,766</u>

11. Other matters

In February the Dutch cold store company Daalimpex went into administration, as Eimskip was no longer prepared to support Daalimpex financially. The financial effects on Eimskip are minimal, as the Group had fully written off Daalimpex operations in the fourth quarter of 2008 financial year.

Notes, contd.:

12. Quarterly Statements

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

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009
Revenue	319,205	319,403	332,304	334,223	300,765	298,567
Cost of sales	(296,733)	(301,784)	(314,638)	(368,104)	(283,869)	(279,689)
Gross profit (loss)	22,472	17,620	17,665	(33,881)	16,896	18,879
Administrative expenses	(7,328)	(10,450)	(8,102)	(7,153)	(5,777)	(5,735)
Impairment of assets	0	0	0	(100,633)	0	(176,071)
Operating profit (loss)	15,144	7,170	9,563	(141,667)	11,120	(162,928)
Net finance cost	(54,692)	(51,248)	(32,471)	(76,138)	(45,562)	(22,494)
Share in profit from associates	(86)	328	321	2,933	29	24
Pre-tax (loss) profit	(39,634)	(43,750)	(22,587)	(214,872)	(34,413)	(185,398)
Income tax	4,310	8,074	(2,151)	8,377	9	(4,848)
Loss from continuing operations	(35,324)	(35,676)	(24,738)	(206,495)	(34,404)	(190,246)
Discontinued operations	(3,563)	(65,158)	5,007	(282,478)	(5,819)	(24,259)
Net loss for the period	(38,888)	(100,834)	(19,731)	(488,973)	(40,223)	(214,505)
EBITDA from continuing operations	39,198	30,792	30,983	24,926	31,761	34,663
EBITDA from discontinuing operations	2,998	9,222	10,146	5,362	(2,432)	787
EBITDA total	42,196	40,014	41,129	30,288	29,329	35,450