



EIMSKIP

Eimskipafélag Íslands hf.

Condensed Consolidated Financial Statements

1 January to 30 June 2017

EUR

Eimskipafélag Íslands hf.
Korngardar 2
104 Reykjavík
Iceland

Reg. no. 690409-0460

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Contents

Endorsement and Statement by the Board of Directors and the CEO	4
Consolidated Income Statement	5
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements	10
Quarterly Statements	15

Endorsement and Statement by the Board of Directors and the CEO

Operations and significant matters

Eimskip is a leading transportation company in the North Atlantic with connections to international markets and is specialized in worldwide freight forwarding services, with the vision of providing excellence in transportation solutions and services. 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 23 March 2017 a dividend payment to shareholders of ISK 6.80 per share. The total dividend payment amounted to ISK 1,269.1 million or EUR 10.6 million. The payment date was 19 April 2017.

In January 2017, Eimskip acquired 80% of the forwarding company Mareco N.V. Mareco focuses on logistics services, especially export to West, Central and South Africa from all over the world. In March 2017, Eimskip acquired the container trading company CSI Group LLC. In June 2017, Eimskip acquired 75% shares of the Danish freight forwarding company SHIP-LOG A/S.

In January 2017, Eimskip signed a shipbuilding contract with a Chinese shipbuilding company for the building of two new 2,150 TEUS container vessels. The contract price of each vessel is approximately USD 32 million or EUR 28 million. The vessels are expected to be delivered in 2019.

Net earnings for the first six months of the year 2017 amounted to EUR 5.1 million according to the Consolidated Income Statement. Total equity at 30 June 2017 amounted to EUR 236.7 million according to the Statement of Financial Position.

Statement by the Board of Directors and the CEO

The Condensed Consolidated 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 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 requirements for listed Icelandic 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 six months ended 30 June 2017, its assets, liabilities and consolidated financial position as at 30 June 2017 and its consolidated cash flows for the six month period ended 30 June 2017.

Further, in our opinion the Consolidated 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 describe 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 2017 and confirm them by means of their signatures.

Reykjavík, 24 August 2017

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 June 2017

	Notes	2017 1.4. - 30.6.	2016 1.4. - 30.6.	2017 1.1. - 30.6.	2016 1.1. - 30.6.
Revenue					
Operating revenue	5	173,060	126,102	319,996	239,355
Expenses					
Operating expenses		121,010	80,920	226,765	157,891
Salaries and related expenses		35,347	29,004	67,218	55,654
	5	156,357	109,924	293,983	213,545
Operating profit, EBITDA		16,703	16,178	26,013	25,810
Depreciation and amortization		(7,485)	(6,797)	(14,856)	(13,162)
Results from operating activities, EBIT		9,218	9,381	11,157	12,648
Finance income		402	497	586	633
Finance expense		(1,221)	(1,000)	(2,336)	(1,669)
Net foreign currency exchange (loss) gain		(2,017)	1,209	(2,596)	377
Net finance expense	6	(2,836)	706	(4,346)	(659)
Share of (loss) earnings of associated companies		(65)	115	(173)	215
Net earnings before income tax		6,317	10,202	6,638	12,204
Income tax		(1,383)	(1,447)	(1,511)	(1,604)
Net earnings for the period		4,934	8,755	5,127	10,600
Net earnings for the period attributable to:					
Equity holders of the Company		4,715	8,709	4,767	10,551
Non-controlling interest		219	46	360	49
		4,934	8,755	5,127	10,600
Earnings per share:					
Basic and diluted earnings per share (EUR per share)	7	0.0253	0.0467	0.0255	0.0565

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 30 June 2017

	Notes	2017 1.4. - 30.6.	2016 1.4. - 30.6.	2017 1.1. - 30.6.	2016 1.1. - 30.6.
Net earnings for the period		4,934	8,755	5,127	10,600
Other comprehensive income:					
Items that are or may subsequently be reclassified to the income statement					
Foreign currency translation difference of foreign operations	(2,637)	477	(3,125)	(89)
Effective portion of changes in fair value of cash flow hedges, net of income tax		201	0	(73)	0
Total comprehensive income for the period		2,498	9,232	1,929	10,511
Total comprehensive income for the period attributable to:					
Equity holders of the Company		2,483	9,113	1,803	10,431
Non-controlling interest		15	119	126	80
		2,498	9,232	1,929	10,511

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 30 June 2017

	Notes	30.6.2017	31.12.2016	
Assets:				
Property, vessels and equipment		212,108	202,912	
Intangible assets		59,829	41,558	
Investment in associated companies		2,700	2,871	
Unlisted shares		388	271	
Deferred tax assets		5,640	5,644	
Total non-current assets		280,665	253,256	
Inventories		3,098	2,281	
Trade and other receivables	8	114,019	96,611	
Cash and cash equivalents		36,608	39,543	
Total current assets		153,725	138,435	
Total assets		434,390	391,691	
Equity:				
Share capital		1,165	1,165	
Share premium		154,726	154,726	
Translation reserve	(2,953)	(62)
Hedging reserve	(73)	(0)
Undistributed profits		17,585	9,866	
Retained earnings		60,188	73,725	
Total equity attributable to equity holders of the parent company		230,638	239,420	
Non-controlling interest		6,068	4,355	
Total equity		236,706	243,775	
Liabilities:				
Loans and borrowings	9	89,247	62,105	
Deferred tax liability		1,961	2,351	
Total non-current liabilities		91,208	64,456	
Loans and borrowings	9	25,129	19,044	
Trade and other payables	10	81,347	64,416	
Total current liabilities		106,476	83,460	
Total liabilities		197,684	147,916	
Total equity and liabilities		434,390	391,691	

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 30 June 2017

	Attributable to equity holders of the Company						Total	Non-controlling interest	Total equity
	Share capital	Share premium	Translation reserve	Hedging reserve	Un-distributed profits	Retained earnings			
Changes in Equity 1 January to 30 June 2016:									
Equity at 1 January 2016	1,165	154,726	(2,289)	0	0	70,781	224,383	3,741	228,124
Dividend paid (0.0461 EUR per share)						(8,610)	(8,610)		(8,610)
Changes in non-controlling interest							0	(97)	(97)
Total comprehensive income for the period			(120)		10,870	(319)	10,431	80	10,511
Equity at 30 June 2016	1,165	154,726	(2,409)	0	10,870	61,852	226,204	3,724	229,928
Changes in Equity 1 January to 30 June 2017:									
Equity at 1 January 2017	1,165	154,726	(62)	0	9,866	73,725	239,420	4,355	243,775
Dividend paid (0.0717 EUR per share)						(10,585)	(10,585)		(10,585)
Acquisition of subsidiaries with non-controlling interest							0	2,764	2,764
Other changes in non-controlling interest							0	(1,177)	(1,177)
Total comprehensive income for the period			(2,891)	(73)		4,767	1,803	126	1,929
Profit of subsidiaries net of dividend received					7,719	(7,719)	0		0
Equity at 30 June 2017	1,165	154,726	(2,953)	(73)	17,585	60,188	230,638	6,068	236,706

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 30 June 2017

	Notes	2017 1.4. - 30.6.	2016 1.4. - 30.6.	2017 1.1. - 30.6.	2016 1.1. - 30.6.
Cash flows from operating activities:					
Net earnings for the period		4,934	8,755	5,127	10,600
Adjustments for:					
Depreciation and amortization		7,485	6,797	14,856	13,162
Net finance expense (income)	6	2,836	(706)	4,346	659
Share of loss (earnings) of associated companies		65	(115)	173	(215)
Change in deferred taxes		351	566	(380)	311
Other changes		(524)	(292)	(493)	(583)
		<u>15,147</u>	<u>15,005</u>	<u>23,629</u>	<u>23,934</u>
Changes in current assets and liabilities:					
Inventories, change		600	(192)	(298)	64
Receivables, change		4,107	(3,334)	(5,217)	(2,446)
Payables, change		(6,670)	4,986	3,658	8,250
Change in current assets and liabilities		<u>(1,963)</u>	<u>1,460</u>	<u>(1,857)</u>	<u>5,868</u>
Interest paid		(1,288)	(876)	(2,182)	(1,463)
Interest received		15	114	121	243
Taxes paid		(132)	(32)	(556)	(231)
Net cash from operating activities		<u>11,779</u>	<u>15,671</u>	<u>19,155</u>	<u>28,351</u>
Cash flows used in investing activities:					
Acquisition of property, vessels and equipment		(19,468)	(5,061)	(24,763)	(15,933)
Acquisition of intangible assets		(991)	(1,216)	(1,889)	(1,378)
Proceeds from the sale of property and equipment		283	2,035	3,102	2,564
Investment in subsidiaries net of cash acquired		(4,742)	0	(16,347)	558
Investment in unlisted shares		(71)	(51)	(154)	(51)
Net cash used in investing activities		<u>(24,989)</u>	<u>(4,293)</u>	<u>(40,051)</u>	<u>(14,240)</u>
Cash flows from financing activities:					
Dividend paid to equity holders of the Company		(10,585)	(8,610)	(10,585)	(8,610)
Dividend paid to minority interest		(1,169)	(94)	(1,169)	(97)
Proceeds from non-current loans and borrowings		23,385	0	30,721	11,123
Repayment of non-current loans and borrowings		(3,771)	(2,399)	(6,198)	(4,658)
Short term borrowings, change		1,316	0	5,782	0
Net cash provided by (used in) financing activities		<u>9,176</u>	<u>(11,103)</u>	<u>18,551</u>	<u>(2,242)</u>
Changes in cash and cash equivalents		(4,034)	275	(2,345)	11,869
Cash and cash equivalents at the beginning of the period		41,356	47,337	39,543	35,983
Effects of exchange rate fluctuations on cash held		(714)	(149)	(590)	(389)
Cash and cash equivalents at the end of the period		<u>36,608</u>	<u>47,463</u>	<u>36,608</u>	<u>47,463</u>
Investing and financing activities not affecting cash flows:					
Acquisition of property and equipment	8,9	(460)	(95)	(679)	(221)
Proceeds from non-current loans and borrowings		460	95	679	221

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" 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 June 2017 comprise the Company and its subsidiaries (together referred to as "Eimskip" or the "Group"). The Parent Company is an investment company focused on investments in shipping and logistics services. The Company's shares are listed at 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 and additional Icelandic disclosure requirements for consolidated financial information of listed companies in accordance with Icelandic Financial Statements Act No. 3/2006 and rules for issuers of financial instruments on Nasdaq Iceland.

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 2016, 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 24 August 2017.

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 2017, 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 2016.

5. Segment reporting

Business segments

	Liner services	Forwarding services	Consoli- dated
1 January to 30 June 2017			
Revenue, external	209,554	110,442	319,996
Inter-segment revenue	20,520	26,541	47,061
Total	230,074	136,983	367,057
Expenses, external	(186,503)	(107,480)	(293,983)
Inter-segment expense	(26,541)	(20,520)	(47,061)
EBITDA	17,030	8,983	26,013
Depreciation and amortization	(13,963)	(893)	(14,856)
EBIT	3,067	8,090	11,157
Net finance expense	(3,676)	(670)	(4,346)
Share of loss of associated companies	(27)	(146)	(173)
Income tax	471	(1,982)	(1,511)
Net (loss) earnings for the period	(165)	5,292	5,127

Notes

5. Segment reporting, continued	Liner services	Forwarding services	Consolidated
1 January to 30 June 2016			
Revenue, external	179,155	60,200	239,355
Inter-segment revenue	16,377	21,787	38,164
Total	195,532	81,987	277,519
Expenses, external	(153,123)	(60,422)	(213,545)
Inter-segment expense	(21,787)	(16,377)	(38,164)
EBITDA	20,622	5,188	25,810
Depreciation and amortization	(12,441)	(721)	(13,162)
EBIT	8,181	4,467	12,648
Net finance expense	(598)	(61)	(659)
Share of earnings of associated companies	179	36	215
Income tax	(563)	(1,041)	(1,604)
Net earnings for the period	7,199	3,401	10,600
Information on assets and liabilities			
Segment assets as at 30 June 2017	349,721	84,669	434,390
Segment assets as at 31 December 2016	328,353	63,338	391,691
Segment liabilities as at 30 June 2017	155,109	42,575	197,684
Segment liabilities as at 31 December 2016	119,723	28,193	147,916
Capital expenditure for the period 1 January to 30 June 2017	25,988	1,342	27,330
Capital expenditure for the period 1 January to 30 June 2016	17,153	379	17,532
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	Consolidated
Revenue, external for the period 1 January to 30 June 2017	300,282	19,714	319,996
Revenue, external for the period 1 January to 30 June 2016	221,782	17,573	239,355
Geographical location of assets as at 30 June 2017	420,652	13,738	434,390
Geographical location of assets as at 31 December 2016	375,808	15,883	391,691
Capital expenditure for the period 1 January to 30 June 2017	27,326	4	27,330
Capital expenditure for the period 1 January to 30 June 2016	17,527	5	17,532

Notes

6. Finance income and expense	2017		2016	
	1.4. - 30.6.	1.4. - 30.6.	1.1. - 30.6.	1.1. - 30.6.
Finance income is specified as follows:				
Interest income	332	420	516	556
Dividend received	70	77	70	77
Finance income	402	497	586	633
Finance expense is specified as follows:				
Interest on long-term loans	(910)	(772)	(1,718)	(1,258)
Other finance expense	(311)	(228)	(618)	(411)
Finance expense	(1,221)	(1,000)	(2,336)	(1,669)
Net foreign currency exchange (loss) gain	(2,017)	1,209	(2,596)	377
Net finance (expense) income	(2,836)	706	(4,346)	(659)

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 period. 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:

	2017		2016	
	1.4. - 30.6.	1.4. - 30.6.	1.1. - 30.6.	1.1. - 30.6.
Net earnings attributable to equity holders of the Company	4,715	8,709	4,767	10,551
Number of issued shares at 1 January	200,000	200,000	200,000	200,000
Effect of treasury shares	(13,361)	(13,361)	(13,361)	(13,361)
Weighted average number of outstanding shares	186,639	186,639	186,639	186,639
Basic and diluted earnings per share (EUR)	0.0253	0.0467	0.0255	0.0565

8. Trade and other receivables

Trade and other receivables are specified as follows:

	30.6.2017	31.12.2016
Trade receivables	101,389	84,961
Restricted cash	3,118	3,119
Other receivables	9,512	8,531
Trade and other receivables total	114,019	96,611

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:

	30.6.2017	31.12.2016
Secured bank loans	101,963	73,831
Finance lease liabilities	6,277	7,187
Bank overdraft and short term borrowing	6,136	131
Total loans and borrowings	114,376	81,149
Current maturities of secured bank loans	(16,249)	(15,653)
Finance lease liabilities payable within one year	(2,744)	(3,260)
Bank overdraft and short term borrowing	(6,136)	(131)
Current loans and borrowings	(25,129)	(19,044)
Non-current loans and borrowings	89,247	62,105

Notes

9. Loans and borrowings, continued

The loan agreements of Eimskip contain restrictive covenants. At the end of June 2017 and at the year-end 2016 Eimskip complied with all restrictive covenants.

Secured bank loans

Secured bank loans are payable as follows:

	30.6.2017		31.12.2016	
	Nominal interest	Carrying amount	Nominal interest	Carrying amount
Loans in EUR	2.7%	81,505	2.9%	52,496
Loans in USD	2.7%	7,974	2.7%	9,250
Loans in ISK	6.4%	11,163	7.0%	10,384
Loans in other currencies	-	1,321	-	1,701
Total secured bank loans		101,963		73,831

Aggregated annual maturities of secured-bank loans are as follows:

	30.6.2017	31.12.2016
On demand or within 12 months	16,249	15,653
12 - 24 months	47,558	16,493
24 - 36 months	5,097	5,446
36 - 48 months	4,370	3,986
48 - 60 months	4,044	5,393
After 60 months	24,646	26,860
Total secured bank loans	101,963	73,831

Finance lease liabilities

Finance lease liabilities are payable as follows:

	30.6.2017		31.12.2016	
	Minimum lease payments	Principal	Minimum lease payments	Principal
Less than one year	2,935	2,744	3,631	3,260
Between one and five years	3,750	3,506	4,241	3,821
More than five years	30	27	110	106
Total	6,715	6,277	7,982	7,187

10. Trade and other payables

Trade and other payables are attributable to the following:

	30.6.2017	31.12.2016
Trade payables	45,534	37,530
Income tax payable	2,221	1,068
Other payables	33,592	25,818
Total	81,347	64,416

11. Capital commitments

In January 2017, Eimskip signed a shipbuilding contract with a Chinese shipbuilding company for the building of two new 2,150 TEU container vessels. The contract price of each vessel is approximately USD 32 million or EUR 28 million. The vessels are expected to be delivered in 2019. The payment profile of the vessels is that 40% of the contract price is paid during the building period and 60% upon delivery. As of the end of the quarter, USD 12.8 million or EUR 11.7 million has been paid towards the agreements and capitalized as property, vessels and equipment. In April 2017, Eimskip secured the financing of the vessel buildings with a German bank KfW IPEX Bank GmbH for 80% of the contract price with a 15 year term.

Notes

12. Group entities

At period-end the Company owned directly nine subsidiaries that are all included in the consolidation. In January 2017, Eimskip acquired 80% share in the forwarding company Mareco N.V. In March 2017, Eimskip acquired 51% share in the container trading company CSI Group LLC. In June 2017 Eimskip acquired 75% share in the logistics company SHIP-LOG A/S. The acquired companies are included in the Condensed Consolidated Interim Financial Statements. The direct subsidiaries owned 60 subsidiaries at period-end. The Company holds the majority of voting power in all of its subsidiaries. Assets, liabilities, revenues and expenses in Consolidated Financial Statements that include a non-controlling interest are immaterial to the Group.

The Group's direct subsidiaries are as follows:

	Country of incorporation	Ownership Interest 30.6.2017	Ownership Interest 31.12.2016
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.	Netherlands	100%	100%
P/f Skipafélagid Føroyar	Faroe Islands	100%	100%
Harbour Grace CS Inc.	Canada	51%	51%
Eimskip REIT ehf.	Iceland	100%	100%
Sæferdir ehf.	Iceland	100%	100%

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

Year 2017	Q1 2017	Q2 2017			
Revenue	146,936	173,060			
Expenses	137,626	156,357			
Operating profit, EBITDA	9,310	16,703			
Depreciation and amortization	(7,371)	(7,485)			
Results from operating activities, EBIT	1,939	9,218			
Net finance expense	(1,510)	(2,836)			
Share of earnings loss of associated companies	(108)	(65)			
Net earnings before income tax	321	6,317			
Income tax	(128)	(1,383)			
Net earnings	193	4,934			
Year 2016	Q1 2016	Q2 2016	Q3 2016	Q4 2016	2016
Revenue	113,253	126,102	134,070	140,497	513,922
Expenses	103,621	109,924	116,310	130,592	460,447
Operating profit, EBITDA	9,632	16,178	17,760	9,905	53,475
Depreciation and amortization	(6,365)	(6,797)	(6,917)	(7,998)	(28,077)
Results from operating activities, EBIT	3,267	9,381	10,843	1,907	25,398
Net finance (expense) income	(1,365)	706	(369)	683	(345)
Share of earnings (loss) of associated companies	100	115	196	(201)	210
Net earnings before income tax	2,002	10,202	10,670	2,389	25,263
Income tax	(157)	(1,447)	(1,289)	(475)	(3,368)
Net earnings	1,845	8,755	9,381	1,914	21,895