



Eimskipafélag Íslands hf.
Condensed Consolidated Interim Financial Statements
1 January to 31 March 2014
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

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 27 March 2014 a dividend payment of ISK 2.60 per share to shareholders. The dividend payment amounted to ISK 485.3 million and the payment date was 25 April 2014.

In March, Eimskip received 7,441,950 shares from A1988 hf. The shares correspond to 3.72% of the total share capital of Eimskip, which now holds a total of 13,360,770 shares in treasury corresponding to 6.68% of the total issued share capital.

Net loss for the first three months of the year 2014 amounted to EUR 0.8 million according to the consolidated income statement. Total equity at 31 March 2014 amounted to EUR 202.1 million according to the statement of financial position.

Corporate Governance

Eimskip's management is of the opinion that practicing good Corporate Governance is vital for Eimskip and is in the best interests of the shareholders, employees and other stakeholders.

The framework for Corporate Governance practices within Eimskip consists of the provisions of law, the parent company's Articles of Association, general securities regulations and the Icelandic Corporate Governance guidelines issued by the Iceland Chamber of Commerce, NASDAQ OMX Iceland and the Confederation of Icelandic Employers. Corporate Governance practices are designed to ensure open and transparent relationship between the Company's management, its Board of Directors, its shareholders and other stakeholders.

The Corporate Governance in Eimskip is also designed to ensure sound and effective control of the Company's affairs and a high level of business ethics.

It is the opinion of the Board of Directors that Eimskipafélag Íslands hf. complies, in all material respects, with the Icelandic guidelines for Corporate Governance.

Statement by the Board of Directors and the CEO

The condensed consolidated interim financial statements of Eimskipafélag Íslands hf. and its subsidiaries ("Eimskip") for the period 1 January to 31 March 2014 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 three months ended 31 March 2014, its assets, liabilities and consolidated financial position as at 31 March 2014 and its consolidated cash flows for the three month period ended 31 March 2014.

Further, in our opinion the 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.

Endorsement and Statement by the Board of Directors and the CEO continued

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 31 March 2014 and confirm them by means of their signatures.

Reykjavík, 22 May 2014

Board of Directors:

Richard Winston Mark d'Abo, Chairman

Víglundur Thorsteinsson

Helga Melkorka Óttarsdóttir

Hrund Rudolfsdóttir

Lárus L. Blöndal

Consolidated Statement of Income Statement

1 January to 31 March 2014

	Notes	2014	2013
Operating revenue:			
Sales	5	104,200	105,313
Expenses:			
Operating expenses		78,412	79,490
Salaries and related expenses		19,770	18,606
	5	98,182	98,096
Operating profit (EBITDA)		6,018	7,217
Depreciation and amortization		(5,656)	(5,134)
Results from operating activities (EBIT)		362	2,083
Finance income		121	1,556
Finance expense		(977)	(607)
Net finance (expense) income	6	(856)	949
Share of loss of associated companies		(27)	0
Net (loss) earnings before income tax		(521)	3,032
Income tax		(272)	(500)
Net (loss) earnings for the period		(793)	2,532
Net (loss) earnings for the period attributable to:			
Equity holders of the Company		(776)	2,505
Non-controlling interest		(17)	27
		(793)	2,532
(Loss) earnings per share:			
Basic and diluted (loss) earnings per share expressed in EUR per share	7	(0.0042)	0.0129

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 31 March 2014

	Notes	2014	2013
Net (loss) earnings for the period .....	(	793)	2,532
Other comprehensive (loss) income:			
Items that may subsequently be reclassified to the income statement			
Foreign currency translation difference of foreign operations		190	164
Total comprehensive (loss) income for the period .....	(	603)	2,696
Total comprehensive (loss) income for the period attributable to:			
Equity holders of the Company .....	(	581)	2,646
Non-controlling interest	(22)	50
Total comprehensive (loss) income for the period	(603)	2,696

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Consolidated Statement of Financial Position

as at 31 March 2014

	Notes	31.3.2014	31.12.2013
Assets:			
Property, vessels and equipment		184,212	186,471
Intangible assets		20,148	20,372
Investment in associated companies		1,133	1,150
Financial assets		287	284
Deferred tax assets		7,903	7,819
Total non-current assets		213,683	216,096
Inventories		2,961	2,745
Trade and other receivables		70,641	69,154
Cash and cash equivalents		27,487	26,370
Total current assets		101,089	98,269
Total assets		314,772	314,365
Equity:			
Share capital		1,165	1,211
Share premium		154,726	154,680
Translation reserve		(2,163)	(2,358)
Retained earnings		45,476	49,296
Total equity attributable to equity holders of the parent		199,204	202,829
Non-controlling interest		2,920	2,942
Total equity		202,124	205,771
Liabilities:			
Loans and borrowings	8	43,025	44,300
Deferred tax liability		122	136
Total non-current liabilities		43,147	44,436
Loans and borrowings	8	14,965	15,098
Trade and other payables		54,536	49,060
Total current liabilities		69,501	64,158
Total liabilities		112,648	108,594
Total equity and liabilities		314,772	314,365

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Consolidated Statement of Changes in Equity

1 January to 31 March 2014

	<u>Attributable to equity holders of the Company</u>						Total equity
	Share capital	Share premium	Trans-lation reserve	Retained earnings	Total	Non controlling interest	
Changes in Equity 2014:							
Equity at 1 January 2014	1,211	154,680	(2,358)	49,296	202,829	2,942	205,771
Foreign currency translation difference of foreign operations			195		195	(5)	190
Treasury shares received	(46)	46			0		0
Reversal of dividend of treasury shares received				81	81		81
Dividend declared (0.0167 EUR per share)				(3,125)	(3,125)		(3,125)
Net loss for the period				(776)	(776)	(17)	(793)
Equity at 31 March 2014	<u>1,165</u>	<u>154,726</u>	<u>(2,163)</u>	<u>45,476</u>	<u>199,204</u>	<u>2,920</u>	<u>202,124</u>
Changes in Equity 2013:							
Equity at 1 January 2013	1,211	154,680	(543)	41,208	196,556	3,043	199,599
Foreign currency translation difference of foreign operations			141		141	23	164
Other changes in non-controlling interest					0	(76)	(76)
Net earnings for the period				2,505	2,505	27	2,532
Equity at 31 March 2013	<u>1,211</u>	<u>154,680</u>	<u>(402)</u>	<u>43,713</u>	<u>199,202</u>	<u>3,017</u>	<u>202,219</u>

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 31 March 2014

	Notes	2014	2013
Cash flows from operating activities:			
Net (loss) earnings for the period .....	(	793)	2,532
Adjustments for:			
Depreciation and amortization		5,656	5,134
Share of loss of associated company		27	0
Net finance expenses (income)	6	856	(949)
Change in deferred taxes .....	(	93)	266
Other changes		158	(2,276)
		<u>5,811</u>	<u>4,707</u>
Changes in operating assets and liabilities:			
Inventories, change .....	(	209)	(1,158)
Receivables, change .....	(	1,491)	(1,098)
Payables, change		2,121	(4,057)
Change in operating assets and liabilities		<u>421</u>	<u>(6,313)</u>
Interest paid .....	(	602)	(640)
Interest received		219	306
Taxes paid .....	(	152)	(417)
Net cash from (to) operating activities		<u>5,697</u>	<u>(2,357)</u>
Cash flows used in investing activities:			
Investment in non-current assets .....	(	2,990)	(8,579)
Proceeds from the sale of non-current assets		166	571
Investment in subsidiaries net of cash acquired		0	(37)
Net cash used in investing activities	(	<u>2,824)</u>	<u>(8,045)</u>
Cash flows used in financing activities:			
Repayment of long-term borrowings .....	(	1,844)	(2,616)
Short-term borrowing, change		0	138
Net cash used in financing activities	(	<u>1,844)</u>	<u>(2,478)</u>
Changes in cash and cash equivalents		1,029	(12,880)
Cash and cash equivalents at the beginning of the period		26,370	37,304
Effects of exchange rate fluctuations on cash held		88	(447)
Cash and cash equivalents at the end of the period		<u><u>27,487</u></u>	<u><u>23,977</u></u>
Investing activities not affecting cash flows:			
Proceeds from the sale of non-current assets		0	2,823
Repayment of long-term borrowings		0	(2,823)
Investment in non-current assets .....	(	329)	0
Proceeds from long term borrowings		329	0

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") 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 31 March 2014 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 the NASDAQ OMX 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 2013, which is available on the Company's website, www.eimskip.is and in the NASDAQ OMX Nordic news system.

The condensed consolidated interim financial statements were approved and authorized for issue by the Company's Board of Directors on 22 May 2014.

3. Significant accounting policies

The accounting policies have been applied consistently to all periods presented in these condensed consolidated interim financial statements for the period ended 31 March 2014, and have been applied consistently by Group entities.

These 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 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.

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 2013.

5. Segment reporting

Business segments

	Liner services	Forwarding services	Consoli- dated
1 January to 31 March 2014			
Revenue, external	76,776	27,424	104,200
Inter-segment revenue	6,392	7,653	14,045
Total	83,168	35,077	118,245
Expenses, external	(70,831)	(27,351)	(98,182)
Inter-segment expense	(7,653)	(6,392)	(14,045)
EBITDA	4,684	1,334	6,018
Depreciation and amortization	(5,353)	(303)	(5,656)
EBIT	(669)	1,031	362
Net finance expense	(821)	(35)	(856)
Share of loss of associated company	(27)	0	(27)
Income tax	114	(386)	(272)
Net (loss) earnings for the period	(1,403)	610	(793)

Notes

5. Segment reporting, continued

	Liner services	Forwarding services	Consoli- dated
1 January to 31 March 2013			
Revenue, external	74,672	30,641	105,313
Inter-segment revenue	6,507	7,013	13,520
Total	<u>81,179</u>	<u>37,654</u>	<u>118,833</u>
Expenses, external	(67,989)	(30,107)	(98,096)
Inter-segment expense	(7,013)	(6,507)	(13,520)
EBITDA	<u>6,177</u>	<u>1,040</u>	<u>7,217</u>
Depreciation and amortization	(4,771)	(363)	(5,134)
EBIT	1,406	677	2,083
Net finance income (expense)	1,066	(117)	949
Income tax	(348)	(152)	(500)
Net earnings for the period	<u>2,124</u>	<u>408</u>	<u>2,532</u>

Information on assets and liabilities

Segment assets as at 31 March 2014	268,814	45,958	314,772
Segment assets as at 31 December 2013	269,031	45,334	314,365
Segment liabilities as at 31 March 2014	86,443	26,205	112,648
Segment liabilities as at 31 December 2013	84,128	24,466	108,594
Capital expenditure for the period 1 January to 31 March 2014	2,976	343	3,319
Capital expenditure for the period 1 January to 31 March 2013	8,412	167	8,579

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 31 March 2014	92,591	11,609	104,200
Revenue, external for the period 1 January to 31 March 2013	89,789	15,524	105,313
Geographical location of assets as at 31 March 2013	297,879	16,893	314,772
Geographical location of assets as at 31 December 2013	300,349	14,016	314,365
Capital expenditure for the period 1 January to 31 March 2014	3,319	0	3,319
Capital expenditure for the period 1 January to 31 March 2013	8,577	2	8,579

Notes

6. Finance income and expense

Finance income is specified as follows:	31.3.2014	31.3.2013
Interest income	121	246
Net foreign exchange gain	0	1,310
	<u>121</u>	<u>1,556</u>
Finance expense is specified as follows:		
Interest on long-term loans	(551)	(495)
Other finance expense	(190)	(112)
Net foreign exchange loss	(236)	0
	<u>(977)</u>	<u>(607)</u>
Net finance (expense) income	<u>(856)</u>	<u>949</u>

7. Earnings per share

Basic and diluted (loss) earnings per share

The calculation of basic and diluted (loss) earnings per share at 31 March 2014 was based on loss attributable to shareholders and a weighted average number of shares outstanding during the period. Calculations are as follows:

	31.3.2014	31.3.2013
Net (loss) earnings attributable to ordinary shareholders	(776)	2,505
Number of outstanding shares at the beginning of the year	200,000	200,000
Effect of treasury shares held	(13,361)	(5,919)
Weighted average number of ordinary shares at 31 March	<u>186,639</u>	<u>194,081</u>
Basic (loss) earnings per share (EUR)	(0.0042)	0.0129

8. Loans and borrowings

This note provides information on the contractual terms of Eimskip's interest bearing loans and borrowings.

Non-current loans and borrowings consist of the following:

	31.3.2014	31.12.2013
Finance lease liabilities	5,286	5,383
Secured bank loans	52,704	54,015
	<u>57,990</u>	<u>59,398</u>

Secured bank loans

Secured bank loans are payable as follows:

	31.3.2014		31.12.2013	
	Nominal interest	Carrying amount	Nominal interest	Carrying amount
Loans in EUR	4.0%	40,796	3.9%	41,530
Loans in USD	1.7%	2,448	1.7%	2,937
Loans in other currencies	-	9,460	-	9,548
		<u>52,704</u>		<u>54,015</u>
Current maturities		<u>(12,901)</u>		<u>(13,078)</u>
Total non-current secured bank loans		<u>39,803</u>		<u>40,937</u>

Notes

8. Loans and borrowings, continued

Aggregated annual maturities are as follows:

	31.3.2014	31.12.2013
On demand or within 12 months	12,901	13,078
12 - 24 months	10,940	11,304
24 - 36 months	3,110	3,117
36 - 48 months	3,110	3,108
48 - 60 months	3,197	3,108
After 60 months	19,446	20,300
	<u>52,704</u>	<u>54,015</u>

* A bridge loan of EUR 7.6 million related to vessels under construction is included in these amounts. The Company has secured a long-term financing of the vessels upon delivery. The new loans will have repayment terms of ten years.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	31.3.2014		31.12.2013	
	Minimum lease payments	Principal	Minimum lease payments	Principal
Less than one year	2,175	2,064	2,129	2,020
Between one and five years	3,372	3,221	3,391	3,242
More than five years	1	1	128	121
	<u>5,548</u>	<u>5,286</u>	<u>5,648</u>	<u>5,383</u>

Collateral of loans and borrowings is specified as follows:

Loans with collateral in fixed assets	52,704	54,015
Finance leases	5,286	5,383
Total	<u>57,990</u>	<u>59,398</u>

9. Capital commitments

In 2011 Eimskip entered into an agreement with a Chinese shipbuilding company for the building of two new container vessels in which the first vessel is scheduled to be delivered in the second quarter of 2014 and the second vessel in the year 2015. After renegotiations where the purchase price was reduced by USD 10.75 million, the remaining obligation as at 31 March was USD 8.3 million or EUR 6.0 million.

10. Group entities

At period-end the Company owned directly nine subsidiaries that are all included in the consolidation. The direct subsidiaries further owned 41 subsidiaries at period-end. The Group's subsidiaries are as follows:

	Country of incorporation	Ownership	Ownership
		Interest	Interest
		31.3.2014	31.12.2013
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.	Holland	100%	100%
P/F Skipafélagið Føroyar	Faroe Islands	100%	100%
Avia Technical Services Ltd.	England	100%	100%
Harbour Grace CS Inc.	Canada	51%	51%
Eimskip REIT ehf.	Iceland	100%	100%

Notes

11. Other matters

On 10 September 2013 the Icelandic Competition Authority exercised a dawn raid at the premises of Eimskipafélag Íslands hf. and its subsidiaries, Eimskip Ísland ehf. and TVG-Zimsen ehf., based on a ruling from the Reykjavík District Court. The dawn raid was exercised due to alleged breach of Article 10 and 11 of the Icelandic Competition Act. The companies requested access to the information behind the Competition Authority's request for court ruling. Access was denied by the Competition Authority but the companies appealed to the Competition Authority Appeal Committee. The Appeal Committee ruled on 23 December 2013 that the decision made by the Competition Authority declining Eimskip access to the requested information was unlawful and therefore rescinded. The companies are still waiting for The Competition Authority to make the information available. 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.

12. Subsequent events

There are no subsequent events to report.

Quarterly statements

	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Operating revenue	104,200	106,875	113,524	108,112	105,313
Operating expenses	98,182	98,996	101,405	98,273	98,096
Operating profit (EBITDA)	6,018	7,879	12,119	9,839	7,217
Depreciation and amortization	(5,656)	(5,487)	(5,494)	(5,028)	(5,134)
Results from operating activities (EBIT)	362	2,392	6,625	4,811	2,083
Net finance income (expense)	(856)	(842)	(1,274)	(2,067)	949
Share of earnings of associated company	(27)	2	0	0	0
Net (loss) earnings before income tax	(521)	1,552	5,351	2,744	3,032
Income tax	(272)	(384)	(272)	(706)	(500)
Net (loss) earnings	(793)	1,168	5,079	2,038	2,532