

Eimskipafélag Íslands hf.
Condensed Consolidated Interim Financial Statements
1 January to 31 March 2013
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

The condensed consolidated interim financial statements of Eimskipafélag Íslands hf. and its subsidiaries ("Eimskip") for the period 1 January to 31 March 2013 are prepared and presented in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Statements (IAS 34) as adopted by the EU. The financial statements are presented in thousands of EUR.

Eimskip specializes in shipping, logistics and supply chain management and offers its customers solutions on both land and sea with special emphasis on the handling and storing of any type of temperature-controlled cargo, frozen or chilled.

During the first quarter of 2013 Eimskip introduced substantial changes in its sailing schedule. The changes included weekly coastal sailings in Iceland with direct connection to the UK and mainland Europe and shorter transit time to and from the USA. In connection with the changes, Eimskip opened a new office in Gdynia, Poland.

In April 2013 Eimskip entered into an amendment agreement regarding the building of two new container vessels. Expected delivery was in the year 2013 but with the amendment agreement, delivery is expected in the first half of 2014. As a result of the delay, Eimskip was able to negotiate a reduction of the vessels' purchase price of USD 10 million in total.

The annual general meeting of Eimskip approved on 3 April 2013 that the Company would pay a dividend of ISK 2.10 per share to shareholders for the year 2012. The total dividend amounted to ISK 408 million and the payment date was the 26 April 2013.

Net earnings for the first three months of the year 2013 amounted to EUR 2.5 million according to the consolidated statement of comprehensive income. Total equity at 31 March 2013 amounted to EUR 202.2 million according to the statement of financial position.

Four shareholders owned more than 10% share in the Company at period-end, Yucaipa American Alliance Fund II LP, with 15.25% shareholding, Lífeyrissjóður verzlunarmanna with 14,57% shareholding, LBI hf. with 10.4% shareholding and Yucaipa American Alliance (Parallel) Fund II LP, with 10.05% shareholding. The Company holds 2.96% of issued shares. The number of shareholders at period-end was 1,794.

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 in 2009 and revised in 2012 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

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 2013, its assets, liabilities and consolidated financial position as at 31 March 2013 and its consolidated cash flows for the three month period ended 31 March 2013.

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 2013 and confirm them by means of their signatures.

Reykjavík, 23 May, 2013

Board of Directors

Richard Winston Mark d'Abo
Chairman

Gunnar Karl Gudmundsson

Helga Melkorka Óttarsdóttir

Hrund Rudolfsdóttir

Víglundur Thorsteinsson

CEO

Gylfi Sigfússon

Consolidated Statement of Comprehensive Income

1 January to 31 March 2013

	Notes	2013	2012
Operating revenue:			
Sales	5	105,313	93,726
Expenses:			
Operating expenses		79,490	69,871
Salaries and related expenses		18,606	17,079
		<u>98,096</u>	<u>86,950</u>
Operating profit (EBITDA)		7,217	6,776
Depreciation and amortization		(5,134)	(5,462)
Results from operating activities		2,083	1,314
Finance income		1,556	146
Finance expense		(607)	(1,163)
	6	<u>949</u>	<u>(1,017)</u>
Net earnings before income tax		3,032	297
Income tax		(500)	285
Net earnings for the period		<u>2,532</u>	<u>582</u>
Income for the period attributable to:			
Equity holders of the Company		2,505	546
Non-controlling interest		27	36
		<u>2,532</u>	<u>582</u>
Earnings per share:			
Basic earnings per share (EUR)	7	0.0129	0.0029
Diluted earnings per share (EUR)	7	0.0129	0.0028

The notes on pages 10 to 14 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

1 January to 31 March 2013

	Notes	2013	2012
Net earnings for the period		2,532	582
Other comprehensive income:			
Foreign currency translation difference of foreign operations		141	(222)
Total comprehensive income for the period		2,673	360
Total comprehensive income for the year attributable to:			
Equity holders of the Company		2,646	324
Non-controlling interest		27	36
Total comprehensive income for the period		2,673	360

The notes on pages 10 to 14 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

as at 31 March 2013

	Notes	31.3.2013	31.12.2012
Assets:			
Property, vessels and equipment		183,836	180,440
Intangible assets		20,009	19,647
Finance assets		904	984
Deferred tax assets		8,386	8,652
Total non-current assets		<u>213,135</u>	<u>209,723</u>
Inventories		4,256	3,114
Trade and other receivables		65,825	63,140
Cash and cash equivalents		23,977	37,304
Total current assets		<u>94,058</u>	<u>103,558</u>
Total assets		<u><u>307,193</u></u>	<u><u>313,281</u></u>
Equity:			
Share capital		1,211	1,211
Share premium		154,680	154,680
Translation reserve		(402)	(543)
Retained earnings		43,713	41,208
Total equity attributable to equity holders of the parent		<u>199,202</u>	<u>196,556</u>
Non-controlling interest		3,017	3,043
Total equity		<u>202,219</u>	<u>199,599</u>
Liabilities:			
Loans and borrowings	9	48,017	51,088
Total non-current liabilities		<u>48,017</u>	<u>51,088</u>
Loans and borrowings	9	7,558	8,166
Trade and other payables		49,399	54,428
Total current liabilities		<u>56,957</u>	<u>62,594</u>
Total liabilities		<u>104,974</u>	<u>113,682</u>
Total equity and liabilities		<u><u>307,193</u></u>	<u><u>313,281</u></u>

The notes on pages 10 to 14 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

1 January to 31 March 2013

	Attributable to equity holders of the Company							Non controlling interest	Total equity
	Share capital	Share premium	Share option reserve	Trans- lation reserve	Retained earnings	Total			
Changes in Equity 2013:									
Equity at 1 January 2013	1,211	154,680	0	(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>0</u>	<u>(402)</u>	<u>43,713</u>	<u>199,202</u>	<u>3,017</u>	<u>202,219</u>	
Changes in Equity 2012:									
Equity at 1 January 2012	104	148,179	425	88	25,077	173,873	2,636	176,509	
Effects of share based payment agreements			106			106		106	
Foreign currency translation difference of foreign operations				(222)		(222)	(68)	(290)	
Net earnings for the period					546	546	36	582	
Equity at 31 March 2012	<u>104</u>	<u>148,179</u>	<u>531</u>	<u>(134)</u>	<u>25,623</u>	<u>174,303</u>	<u>2,604</u>	<u>176,907</u>	

The notes on pages 10 to 14 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

1 January to 31 March 2013

	Notes	2013	2012
Cash flows from operating activities:			
Earnings for the period		2,532	582
Adjustments for:			
Depreciation and amortization		5,134	5,462
Net finance (income) expense .....	(	949)	1,017
Change in deferred taxes		266	(267)
Other changes .....	(	2,276)	(63)
		4,707	6,731
Changes in operating assets and liabilities:			
Inventories, increase .....	(	1,158)	(592)
Receivables, (increase) decrease .....	(	1,098)	1,202
Payables, decrease .....	(	4,057)	(2,791)
Change in operating assets and liabilities	(	6,313)	(2,181)
Interest paid .....	(	640)	(1,000)
Interest received		306	195
Taxes paid .....	(	417)	0
Net cash (to) from operating activities	(	2,357)	3,745
Cash flows used in investing activities:			
Investments in non-current assets .....	(	8,579)	(22,728)
Proceeds from the sale of non-current assets		571	747
Investments in subsidiaries net of cash acquired .....	(	37)	0
Net cash used in investing activities	(	8,045)	(21,981)
Cash flows used in financing activities:			
Repayment of long-term borrowings	9 (	2,616)	(2,503)
Short-term borrowing, change		138	2,039
Net cash used in financing activities	(	2,478)	(464)
Changes in cash and cash equivalents .....	(	12,880)	(18,700)
Cash and cash equivalents at the beginning of the period		37,304	43,517
Effects of exchange rate fluctuations on cash held .....	(	447)	180
Cash and cash equivalents at the end of the period		23,977	24,997
Investing activities not affecting cash flows:			
Proceeds from the sale of non-current assets		2,823	0
Repayment of long-term borrowings .....	(	2,823)	0
Investment in non-current assets		0	(547)
Proceeds from long term borrowings		0	547

The notes on pages 10 to 14 are an integral part of these Consolidated 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 2013 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 2012, which is available on the Company's website, www.eimskip.is and in the NASDAQ OMX Nordic news system.

The condensed interim consolidated financial statements were approved and authorised for issue by the Company's Board of Directors on 23 May 2013.

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 2013, 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 2012.

5. Segment reporting

Business segments

	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	6,507
Total	81,179	37,654	118,833
Expenses, external	(67,989)	(30,107)	(98,096)
Inter-segment expense	(7,013)	(6,507)	(13,520)
EBITDA	6,177	1,040	7,217
Depreciation and amortization	(4,771)	(363)	(5,134)
EBIT	1,406	677	2,083
Finance income	1,500	56	1,556
Finance expense	(434)	(173)	(607)
Income tax	(348)	(152)	(500)
Non-controlling interest	0	(27)	(27)
Net earnings for the period	2,124	381	2,505

Notes, continued

5. Segment reporting, continued

	Liner services	Forwarding services	Consoli- dated
1 January to 31 March 2012			
Revenue, external	70,012	23,714	93,726
Inter-segment revenue	5,982	6,291	12,273
Total	<u>75,994</u>	<u>30,005</u>	<u>105,999</u>
Expenses, external	(64,007)	(22,943)	(86,950)
Inter-segment expense	(6,291)	(5,982)	(12,273)
EBITDA	5,696	1,080	6,776
Depreciation and amortization	(5,151)	(311)	(5,462)
EBIT	545	769	1,314
Finance income	140	55	195
Finance expense	(943)	(269)	(1,212)
Income tax	419	(134)	285
Non-controlling interest	0	(36)	(36)
Net earnings for the period	<u>161</u>	<u>385</u>	<u>546</u>

Information on assets and liabilities

Segment assets as at 31 March 2013	264,313	42,880	307,193
Segment assets as at 31 December 2012	267,552	45,729	313,281
Segment liabilities as at 31 March 2013	80,895	24,079	104,974
Segment liabilities as at 31 December 2012	88,576	25,106	113,682
Capital expenditure for the period 1 January to 31 March 2013	8,412	167	8,579
Capital expenditure for the period 1 January to 31 March 2012	23,219	56	23,275

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 2013	89,789	15,524	105,313
Revenue, external for the period 1 January to 31 March 2012	82,346	11,380	93,726
Geographical location of assets as at 31 March 2013	290,038	17,155	307,193
Geographical location of assets as at 31 December 2013	295,557	17,724	313,281
Capital expenditure for the period 1 January to 31 March 2013	8,577	2	8,579
Capital expenditure for the period 1 January to 31 March 2012	23,274	1	23,275

Notes, continued

6. Finance income and expense

Finance income is specified as follows:	31.3.2013	31.3.2012
Interest income	246	146
Net foreign exchange gain	1,310	0
	<u>1,556</u>	<u>146</u>
Finance expense is specified as follows:		
Interest on long-term loans	(495)	(709)
Other finance expense	(112)	(327)
Net foreign exchange loss	0	(127)
	<u>(607)</u>	<u>(1,163)</u>
Net finance income (expense)	<u>949</u>	<u>(1,017)</u>

7. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 March 2013 was based on earnings attributable to shareholders and a weighted average number of shares outstanding during the period. Calculations are as follows:

	31.3.2013	31.3.2012
Net earnings attributable to ordinary shareholders	<u>2,505</u>	<u>546</u>
Number of outstanding shares at the beginning of the year	200,000	20,000
Effect of stock split issued in 2012	0	180,000
Effect of treasury shares held	(5,919)	(11,920)
Weighted average number of ordinary shares at 31 March	<u>194,081</u>	<u>188,080</u>
Basic earnings per share (EUR)	0.0129	0.0029

Diluted earnings per share

The calculation of diluted earnings per share at 31 March 2013 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential shares. Calculations are as follows:

	31.3.2013	31.3.2012
Net earnings attributable to ordinary shareholders	<u>2,505</u>	<u>546</u>
Effect of shares issued	200,000	20,000
Effect of stock split issued in 2012	0	180,000
Effect of share options on issue	0	7,000
Effect of treasury shares held	(5,919)	(11,920)
Weighted average number of ordinary shares at 31 March	<u>194,081</u>	<u>195,080</u>
Diluted earnings per share (EUR)	0.0129	0.0028

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:

	31.3.2013	31.12.2012
Finance lease liabilities	5,949	8,538
Loans and borrowings	49,626	50,716
	<u>55,575</u>	<u>59,254</u>

Notes, continued

9. Loans and borrowings, continued

	31.3.2013		31.12.2012	
	Nominal interest	Carrying amount	Nominal interest	Carrying amount
Loans in EUR	3.9%	41,809	3.9%	42,470
Loans in USD	1.8%	4,744	1.8%	5,116
Loans in other currencies	-	3,073	-	3,130
		<u>49,626</u>		<u>50,716</u>
Current maturities		(5,606)		(5,568)
		<u>44,020</u>		<u>45,148</u>

Aggregated annual maturities are as follows:

	31.3.2013	31.12.2012
On demand or within 12 months	5,606	5,568
Within 24 months	11,234	11,158
Within 36 months	3,953	4,373
Within 48 months	3,119	3,120
Within 60 months	3,119	3,120
After 60 months	22,595	23,377
	<u>49,626</u>	<u>50,716</u>

Collateral of loans and borrowings is specified as follows:

Loans with collateral in fixed assets	49,626	50,716
Finance leases	5,949	8,538
Total	<u>55,575</u>	<u>59,254</u>

Finance lease liabilities

Finance lease liabilities are payable as follows:

	31.3.2013		31.12.2012	
	Minimum lease payments	Principal	Minimum lease payments	Principal
Less than one year	1,956	1,952	2,604	2,598
Between one and five years	3,532	3,521	4,743	4,731
More than five years	479	476	1,210	1,209
	<u>5,967</u>	<u>5,949</u>	<u>8,557</u>	<u>8,538</u>

10. Capital commitments

In 2011 Eimskip entered into an agreement with a Chinese shipbuilding company for the building of two new container vessels which were to be delivered in 2013. The total commitment as at 31 March was USD 50.4 million or EUR 38.9 million. The remaining obligation as at 31 March was USD 24.2 million or EUR 18.9 million.

An amendment agreement, as discussed in note 12, has resulted in a reduction of the vessels' purchase price to USD 40.4 million or EUR 31.1 million and the remaining obligation has been reduced to USD 14.2 million or EUR 11.1 million.

Notes, continued

11. 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 Interest 31.3.2013	Ownership Interest 31.12.2012
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 Faroe Ship	Faroe Islands	100%	100%
Avia Technical Services Ltd.	England	100%	100%
Harbour Grace CS Inc.,	Canada	51%	51%
Eimskip REIT ehf.	Iceland	100%	100%

12. Subsequent events

In 2011 Eimskip entered into an agreement with a Chinese shipbuilding company for the building of two new container vessels which were to be delivered in 2013. An amendment agreement with the shipyard expects delivery of the vessels in the first half of 2014. Besides negotiating the delay, Eimskip has negotiated a reduction of the vessels' purchase price of USD 10 million in total.

The annual general meeting of Eimskip approved on 3 April 2013 that the Company would pay a dividend of ISK 2.10 per share to shareholders for the year 2012. The total dividend amounted to 408 million ISK and the payment date was the 26 April 2013.

Quarterly statements

	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Operating revenue	105,313	105,508	110,744	104,352	93,726
Salaries and operating expenses	98,096	95,306	99,224	92,086	86,950
Other expenses	0	3,915	681	0	0
Operating expenses	98,096	99,221	99,905	92,086	86,950
Operating profit (EBITDA)	7,217	6,287	10,839	12,266	6,776
Depreciation and amortization	(5,134)	(6,118)	(5,026)	(5,830)	(5,462)
Results from operating activities	2,083	169	5,813	6,436	1,314
Finance income	1,556	(189)	541	110	146
Finance expense	(607)	(860)	(437)	(1,131)	(1,163)
Net finance income (expense)	949	(1,049)	104	(1,021)	(1,017)
Net earnings before income tax	3,032	(880)	5,917	5,415	297
Income tax	(500)	(113)	(169)	1,979	285
Net earnings (loss)	2,532	(993)	5,748	7,394	582
Operating profit (EBITDA) adjusted for one-off items	7,217	10,202	11,520	12,266	6,776