HF. EIMSKIPAFÉLAG ÍSLANDS

ANNUAL REPORT
2007

Eimskip
adds another
newly-built
reefer vessel,
Storfoss,
to its fleet

14 November

11 January

Eimskip
acquires
a 100%
share in one
of the largest
cold store
companies
in Europe,
Daalimpex

Eimskip
adds another
newly-built
reefer vessel,
Dalfoss,
to its fleet

27 May

29 May

Eimskip
announces
agreement
to acquire
Versacold

Eimskip sells its 49% share in Avion Aircraft Trading

Eimskip opens the largest cold storage in Qingdao, China

06 June

Eimskip acquires 100% share in Innovate in the UK

27 August

01 October

Eimskip completes the sale of properties for CAD 385 million in the USA

06 October

YEAR IN BRIEF

TURNOVER TRIPLED DURING 2007

EBITDA RATIO INCREASED BY 50%

LARGEST COLD STORE COMPANY IN THE WORLD

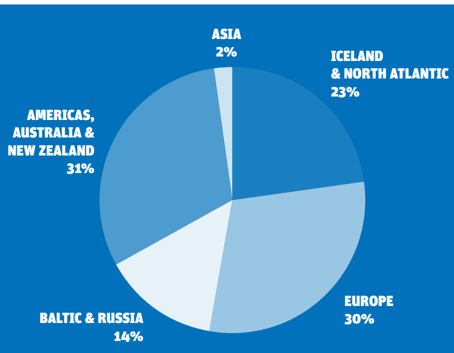
MARKET LEADER IN TRANSPORTATION IN THE NORTH ATLANTIC OFFERING TOTAL SERVICES

LARGEST SHORT-SEA CARRIER IN THE BALTIC, OFFERING DOOR-TO-DOOR TRANSPORTATION SOLUTIONS

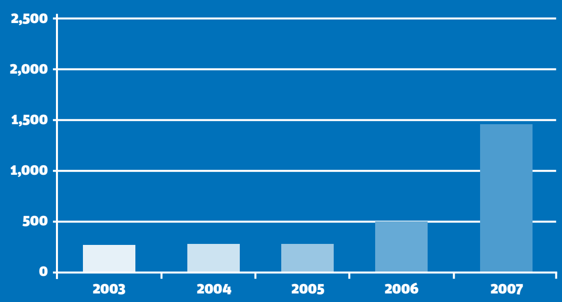
14,000 EMPLOYEES IN 30 COUNTRIES

180 COLD STORES IN FIVE CONTINENTS

GEOGRAPHICAL PRESENCE



REVENUE (mEUR)



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CHAIRMAN'S MESSAGE

SINDRI SINDRASON

The shipping and logistics industries continue to show steady growth. When Eimskip, Iceland's oldest shipping company, first started operations, transportation across the lucrative North Atlantic route was in its infancy.

Almost a century later, the entire world is within our reach, and developing markets like Asia and the Baltic region have become two of our key regions. As the market grows, so does Eimskip. We are now the world's largest cold storage company, managing a complex logistics system for customers across the globe.

Eimskip made a profit of EUR 9 million in the financial year ending 31 October 2007. The company also completed a number of strategically important acquisitions and the disposal of all its aviation-related assets. These decisions served to solidify and focus the company's dominant presence in the shipping and cold storage markets.

STRONG INTERNATIONAL PLAYER

The acquisitions and divestments of 2007 have streamlined Eimskip's operations and made it a key player in its chosen markets. Eimskip's management will continue to focus on these core activities, namely shipping services and logistics services, specifically the operation of cold storage, as the areas with the largest potential growth for the company. After the acquisition of Versacold, Eimskip has a truly global reach, and can count the Asia-Pacific region as one of its territories.

Eimskip has a network covering routes to and from Iceland to Europe and North America, specialist reefer routes in the Nordic countries and container line feeder services in Western Europe and the fast growing Baltic region.

Eimskip's long-term strategy is to build a worldwide network of temperature-controlled transportation and warehousing services. Eimskip is by far the largest cold store company in the world, operating close to 200 cold stores in five continents with 13% market share globally.

Eimskip has exploited its industry knowledge to identify and acquire assets which will complement this strategy. Eimskip's external growth in the past years has been characterised by acquisitions of strong brands which have excellent service delivery and work with the company's existing value chain. Eimskip's growth has been extremely rapid and its revenue base has increased ten fold over the past three years.

RESULTS OF 2007 IN LINE WITH EXPECTATIONS

The group's performance in 2007 was characterised by rapid growth as well as an improvement in profitability. In 2007 a strategic review was made on the aviation related assets in 2007 which resulted in a successful disposal. We find the business of shipping and logistics more profitable and more stable for the company's shareholders in the long term.

Total operating revenue for the financial year 2007 was EUR 1,459 million, compared to EUR 501 million in 2006. Profit from continuing operations in 2007 was EUR 9 million. Earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations was EUR 125 million. No dividend will be payable for the financial year 2007, as profits for the year will be reinvested for further development of the company.

A CLEAR VISION

Eimskip is forecasting an improvement in the company's profitability in all market areas. With a favourable outlook for Eimskip's key markets, notably Asia and the Baltic region, our continued focus will be on strengthening the business and maximising returns for our shareholders.

In 2008, Eimskip's main emphasis will be on the integration of operating units within the company following the recent acquisitions. There are many opportunities to build on this strong base and developing a strong network in cold stores globally. The board finds the business area profitable and stable for the company's shareholders in the long term. Demand for transportation and storage on refrigerated goods is constantly increasing worldwide and we aim to continue to be a key player in the future growth.

Sindri Sindrason
Chairman

CEO'S MESSAGE

STEFAN AGUST MAGNUSSON

The transportation industry has grown steadfastly over the last decades. This growth has largely been driven by globalization and increasing international trade flows.

In the last two to three years, Eimskip has been taking an active part in that globalization, extending its global network by acquiring new companies in different markets and in different market segments within transportation. The main emphasis has been to create a network for our customers that will enable Eimskip to offer a total logistics solution worldwide. In my mind, such a network creation is never over, because with every new day there are new possibilities for Eimskip to add value to our customers throughout the world.

WHAT LIFE IS ALL ABOUT: ACHIEVING OUR GOALS

In the spring of 2007 Eimskip announced its objective to divest all its remaining aviation related operations. That goal was achieved during the year 2007. This means that in 2008 Eimskip's revenues come exclusively from our shipping and logistics businesses.

Another strategic milestone we achieved in 2007 was to become one of the largest players in temperature-controlled transportation globally. Eimskip is now the largest cold store operator in the world, thanks to two major acquisitions in Canada. The two companies were Atlas and Versacold, both listed companies in Canada with approximately 9,000 employees in Canada, US, Australia, New Zealand and Argentina. The PRW part of those companies, combined with the PRW facilities of others, play an important role in the temperature logistics chain worldwide. By continuing to follow our strategy in relation to temperature-controlled logistics Eimskip will continue to grow in this field.

On the shipping side of the business, our vision and strategy was and continues to be to strengthen our position in the North Atlantic and Baltic regions, which is covering the region from the east coast of Canada and the US into St. Petersburg in Russia with connections in Iceland, Scandinavia, the UK and continental Europe. Eimskip took a successful step in 2007 to achieve those goals. After acquiring 65% of the shares in Containerships in Finland at the beginning of the operational year 2007, the Lithuania-based Kursiu Linija, already owned by Eimskip, and Containerships were merged under the name of Containerships. The merger of these companies has been good for Eimskip and has given us a strong foothold in that market, which is one of the areas in the world where significant growth is expected in the coming years. Today Eimskip is one of the leading short sea carriers in our shipping area. That fact and the strong network on the shipping side outside our area, which is based on long lasting relationships with other carriers worldwide, puts Eimskip in a exciting position for the future.

Needless to say, achieving the above goals in 2007 of streamlining the operation, becoming the world largest PRW operator and becoming one of the leading short sea carriers in Europe was not done overnight. To be able to achieve all those goals all stakeholders – shareholders, board of directors, employees, suppliers, banks and loan institutions – at Eimskip have been working as one unit. The last but not least piece in the puzzle is the Eimskip's strong platform before Eimskip went into those new markets and into those acquisitions. Sometime this is underestimated in the market environment today but has proven to be a big factor in the success of Eimskip over the last few years.

THE FUTURE

In 2008, Eimskip will continue to integrate its new acquisitions, within each market, between markets and between different business units. This will be most challenging work for our employees in 2008 and will be the cornerstone for increasing the value for all stakeholders in Eimskip worldwide.

Of course Eimskip has some others goals for 2008: streamlining our balance sheet by paying down debt; getting released from aviation guarantees in relation to our former aviation operations; continuing to build up the fighting spirit in the group; and achieving our financial targets every month and for the whole year.

Our employees are our greatest assets and the entire workforce of Eimskip has driven the business forward over the years. I would like to use this opportunity to thank them all for their efforts as their achievements are exceptional. It is often said that the people are the business and I think I can speak for most people in the worldwide logistics industry when I say that transportation is all about good people and all about good relationships.

Eimskip's operation is stable, ensuring that turbulence on international financial markets does not affect our core activities and so far in 2008 we have not seen any major indicators that will jeopardise our stability.

By achieving our goals in 2008 and by offering total logistics solutions to our customers worldwide, based on our extensive network, Eimskip will add value to our shareholders, who are already taking part in our journey and who will take part in our journey in the future.

Stefán Ágúst Magnússon
Chief Executive Officer

ABOUT EIMSKIP

In the past few years, Eimskip has rapidly evolved from a primarily domestic shipping company to one of the world's leading providers of transportation, logistics and cold storage services, offering its customers tailor-made solutions to all their logistic requirements.

By acquiring Innovate, Daalimpex, Atlas & Versacold and opening a new cold storage facility in Qingdao, China last year, Eimskip has become the largest cold storage service provider in the world. Today Eimskip proudly offers total transportation services and an extensive global reefer logistics service worldwide.

Eimskip and its subsidiaries employ about 14,000 people at its 280 operational and service bases in over 30 countries. A network of 180 cold storages, and the operation of 50 vessels and more than 2000 trucks and trailers provide services in five continents of the world.

Eimskip is the oldest shipping line in Iceland, and was founded in 1914. From the beginning, Eimskip has been a pioneer in its field of business and has retained its place as Iceland's largest transportation company. The company has always held a leading position in transportation and logistics solutions in the North Atlantic and has been a key player in transporting temperature-controlled cargo globally.

Eimskip has used this strong foundation to support further growth and diversification into other areas of transport services, mainly the global temperature-controlled cargo market and the short sea market in the Baltic states and Russia.

In the last few years Eimskip has focused on two clear strategies. One is to work towards the goal of becoming a transport market leader offering total services in the North Atlantic, as well as being the largest short-term provider in the Baltic States and Russia. The second goal is to become a key player in temperature-controlled cargo and cold storage worldwide. Since that time, the management of Eimskip has followed this strategy and acquired companies whose activities complement these goals.

In January 2006 Eimskip was listed on the Icelandic Stock Exchange as part of the Avion Group. The listing of the company was an important part in making the substantial growth of the company possible.

ABOUT THE SERVICES

Eimskip specialises in logistics of the supply chain process. The service portfolio spans the total supply chain from harvesting – through the miscellaneous trail of processing – to retail distribution, providing services in every transaction made in the chain from beginning to end.

Eimskip offers its clients total transportation solutions on land and sea with a special emphasis on the handling and storing of any type of temperature-controlled cargo, frozen or chilled. Eimskip's operating activities are divided into two main business divisions: Shipping and Logistics.

SHIPPING

Eimskip offers total transportation and logistics services through its worldwide shipping network. Its total transport solutions include all cargo handling, administration and information exchange regarding its services.

There are scheduled weekly full container load (FCL) and less than container load (LCL) container services on three new system routes between Iceland and base ports in continental Europe, the UK and Scandinavia, a fortnightly container service to North America and bulk/container service every five weeks to the Baltics. The European and North American services connect through a trans-shipment hub in Reykjavik, Iceland and in that way Eimskip offers Trans-Atlantic services. Eimskip subsidiaries, Coldstore and Transport Group AS in Norway, Eimskip CTG and Faroe Ship, in the Faroe Islands, offer scheduled services between various European ports.

Eimskip's total transport services include land transport, airfreight, warehousing, freight forwarding and expert advice on shipping and logistics. Land transport is usually by truck, train or river barges. Eimskip advises customers on which mode of transport is most cost-effective in each case.

ROUTES

Eimskip's shipping division works in four areas: North Atlantic, Iceland, the Baltic region and Russia.

Eimskip Iceland has four sailing lines – North America route, Northern route, Southern route and Eastern route – with two vessels operating within each sailing line.

The North America route vessels make bi-weekly calls on a number of ports in North America. The Southern route vessels make weekly calls at Immingham and Rotterdam. The Northern route makes weekly calls at Rotterdam, Hamburg, Gothenburg, Aarhus, Fredrikstad and Thorshavn. All routes are connected via Eimskip's terminal in Reykjavik, Iceland, which is the sixth largest port in Scandinavia.

Eimskip also operates a bulk service through its bulk vessel service. Through its subsidiaries, Eimskip operates additional service lines in Europe, the Baltics, North America and Asia.

Eimskip-CTG operates a fleet of reefer vessels, providing a flexible and comprehensive service with direct port-to-port transport of full or part loads of chilled or frozen consignments.

Eimskip-CTG connects Scandinavia/Europe to the North Atlantic, Russia, Poland and the Baltic. The company is also part of a worldwide transportation network for chilled and frozen fish. Providing comprehensive door-to-door logistics solutions, Eimskip-CTG connects continents quickly and efficiently through contacts worldwide. The company operates between 12 to 16 vessels at a time. The company operates four service lines, calling at the UK, the Netherlands, Portugal, Spain, Iceland, North America and along the Norwegian coast line.

Eimskip has added five newly constructed reefer vessels since it introduced a new building programme for reefer vessels in 2004. One additional reefer vessels will be delivered in 2008 so a total of six new vessel have been added to the fleet. These new vessels improve Eimskip's service level and increase its activity towards the seafood industry in the North Atlantic.

Eimskip acquired all shares in Faroe Ship in 2004 which it merged with its own Faroe Islands operation.

Eimskip entered the Faroe Islands' domestic transport market in 2004, acquiring first Faroe Ship and then Heri Thomsen (2005) and Farmaleidir (2006). Through these acquisitions Eimskip acquired a leading position in the Faroe Islands' transport market with the import and export demand in the Faroe Islands similar to Iceland. Faroe Ship's scheduled routes have now been merged with Eimskip's routes to and from Iceland, thereby increasing both frequency and capacity.

THE BALTIC REGION AND RUSSIA

In 2007, Kursiu Linija and Containerships were merged under the name Containerships. Shipping capacity was increased through the use of newer and larger vessels, the number of vessels was reduced, offices were combined and staff was reduced.

Containerships, headquartered in Helsinki, Finland with 16 offices in 13 countries, is the base for the Baltic and Russia Region. Containerships has 40 years of experience in short-sea shipping with a comprehensive door-to-door transport of any containerised cargo in Finland, Northern and Western Europe and the Baltic States. Containerships' in-house logistic services include inland transport and positioning of containers at the requested point to meet its customers' production and planning. The company has regular sailings between several European ports with its six modern, ice-class vessels, capable of operating during severe winter conditions in the Gulf of Finland.

The emphasis of these operations is on maintaining the position as market leader by providing the largest short-sea carrier in the Baltic, offering door-to-door transport solutions by using a combination of vessels and haulage operations. Containerships' merger with Eimskip created the opportunity to gain an edge in the growing Baltic market.

Containerships was the first company to introduce container transportation by sea. They have door-to-door movements of containerised cargoes with 11 ice-classed modern container vessels and a container fleet of 12,500 TEU.

LOGISTICS

Eimskip is the largest cold store company in the world with an extensive reefer network between North America, South America, Australia, Europe and Asia – in five continents with a capacity of 804,000,000 cubic feet.

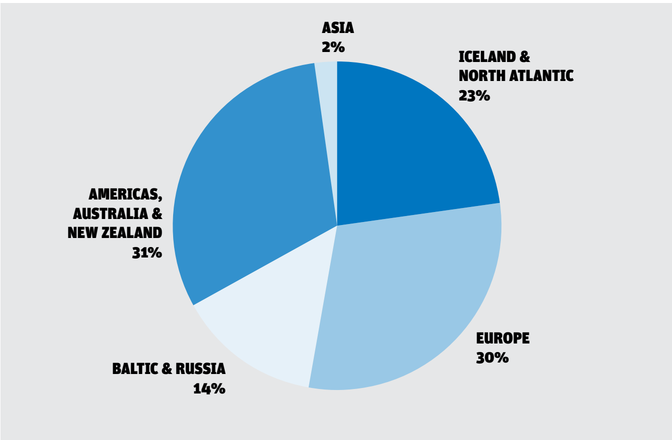
Eimskip operates approximately 180 cold stores on a global scale with a total storage capacity of more than one million tonnes.

Eimskip has an extensive cold store network in North America, especially through its subsidiaries Atlas and Versacold, which operate 100 cold stores in the US and Canada. Eimskip also operates and has ac-

SUMMARY OF COLD STORE FACILITIES

NORTH AMERICA	100 cold stores
SOUTH AMERICA	2 cold stores
AUSTRALIA	23 (14 cold stores Australia and 9 cold stores in New Zealand)
EUROPE	31 cold stores in UK and an extensive inland network
	10 cold stores and 15 reefer vessels between Norway and mainland Europe and Baltic/Russia 6 cold stores in the Netherlands
ASIA	1 cold store in China (largest cold store in China, 55 thousand pallets in Qingdao)

REVENUE BY SEGMENTS 2007



cess to additional cold stores in the US and Canada through its original office network with main cold stores, located in Dutch Harbour (Alaska), Seattle, Norfolk, Boston, St. Anthony and Halifax.

The European region is comprised of Innovate's cold store network, with 31 cold stores at 17 sites and a total storage capacity of 369,000 tonnes, and Daalimpex in the Netherlands with six cold stores.

Eimskip is currently expanding its cold store network in Asia, and the company operates China's largest cold store in Qingdao. The cold store has a capacity of 55,000 tonnes, with a possible expansion to up to 100,000 tonnes. This cold store is located on the Qingdao harbour terminal and is therefore the ideal cold store option in the city. The Port of Qingdao owns the cold store and Eimskip leases and operates it.

AMERICAS

Versacold and Atlas represent the majority of Eimskip's operation in the Americas. The operation of Versacold and Atlas cold stores in New Zealand, Australia and Argentina are also a part of this market area.

Versacold and Atlas now stand together in the dynamic refrigerated warehousing and logistics business. Continuing to operate under their respective banners, Versacold and Atlas pool their talents, assets, and expertise to deliver superior service and supply chain solutions to customers across a broader network. As part of the Eimskip group of companies, the companies are connected to the largest reefer logistics network in the world and can service virtually any aspect of its customers' temperature-controlled food handling needs from the processing, freezing and storage of raw ingredients, to total inventory management, and distribution around town or around the world.

Combined, the two companies control approximately 13% global market share in the cold storage industry. In Canada these two companies control approximately 50% market share and 13% of the total market in the US.

Versacold and Atlas operate more than 100 distribution centres across North America, with a combined storage capacity of 489 million cubic feet. Warehouses meet the highest sanitation and food safety standards, and are modern, safe and secure. Versacold and Atlas transport operations manage roughly 50,000 truckloads per year, maintaining close to 2 billion pounds of product in prime condition. Versacold and Atlas cross docking service allows customers to enjoy the benefits of a comprehensive pooling programme without the requirement to store in its facilities.

Versacold and Atlas' Third Party Logistics Group designs, develops and deploys complex logistics solutions that create exceptional customer value for both manufacturers and retailers.

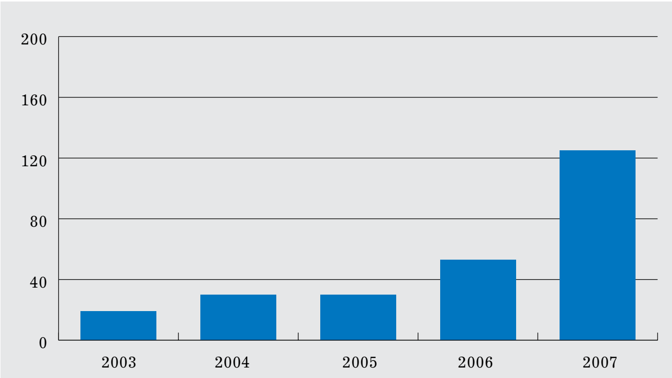
AUSTRALIAN OPERATIONS

Versacold is the second largest operator in the Australian PRW market (based on the IARW, the Logistics Association of Australia and management estimates) with approximately 42.5 million cubic feet of refrigerated warehouse space across 13 facilities. Facilities are located across New South Wales, Victoria, Queensland and Western Australia.

Versacold's facilities are located in and around Australia's four most populous cities, Sydney, Brisbane, Melbourne and Perth, and provide access to the majority of the Australian population and related trade.


DAALIMPEX

EBITDA (mEUR)



NEW ZEALAND OPERATIONS

Versacold is the second largest operator in the New Zealand PRW market with capacity of approximately 16.7 million cubic feet across nine facilities. Versacold is estimated to represent approximately 17% of the New Zealand market based on capacity, and has the leading market position in Auckland, New Zealand's key domestic market. Facilities are located across the North Island in Auckland, Bay of Plenty and Palmerston North and in Christchurch on the South Island. Versacold provides PRW services to the retail, manufacturing, import and export sectors of the New Zealand PRW market.

Versacold's facilities are strategically located around New Zealand's largest population centres and its food and beverage industry, which constitutes a large part of the nation's economic activity. Auckland and Christchurch, where seven of Versacold's nine New Zealand facilities are located, are the two most populous cities.

EUROPE

In Europe the majority of operations are in the UK, where Eimskip is represented by Innovate and Corby Chilled Distribution Limited ("Corby"). The main emphasis of Innovate is property and logistics where Innovate is the largest temperature-controlled logistics business in the UK. The company offers a complete logistics solution over the full range (ambient, confectionary, chilled and frozen) and provides additional supply chain and logistic services. Corby is one of the leading players in the UK temperature-controlled primary food distribution market. Both companies are run by one management team.

Innovate is the largest temperature-controlled cargo logistics businesses in the UK with 25 cold stores at 11 locations throughout the UK, providing storage capacity of 370,000 tonnes. Innovate has 330 trucks and 450 temperature-controlled trailers servicing its 370,000 tonne capacity.

Corby is one of the leading players in the UK temperature-controlled primary food distribution market. Corby has a 14-year track record of growth in the temperature-controlled food distribution market from inception in 1993. It has a long standing relationships with many of the key UK food retailers, manufacturers and growers and is equipped to manage short order lead times while maintaining a superior level of service for its customers.

The main emphasis on the operations in Europe are agency services, cold store projects in defined markets, short-sea network, general forwarding – worldwide and airfreight worldwide.

In Northern Europe Eimskip has agency services in most countries offering total transportation solutions both in connection with liner services as well as general forwarding services.

Daalimpex is the biggest cold store company in the Netherlands and one of the largest in Europe, operating six cold stores in the Netherlands with a total storage capacity of approximately 250,000 tonnes or 1.7 million cubic metres. Daalimpex also offers stevedoring, shipping, transportation and order picking with a customer network located all over the world.

Eimskip acquired 40% of the share capital of Daalimpex Coldstores B.V. in January 2006 and the remaining 60% in January 2007.

ASIA

Eimskip Asia is comprised of Eimskip's offices in China, Japan and Vietnam. The main emphasis of Eimskip's operations in China is reefer freight forwarder export and import in China and cold store service in China. Eimskip transports reefer containers worldwide from its Asian locations. Recently Eimskip, in co-operation with Qingdao Port, formally opened a 50,000-tonne cold store in the port of Qingdao. The building and operation of this cold store is the first step towards Eimskip's aim of developing a bonded cold store service in China and South Korea. A main emphasis of Eimskip Asia is to establish a hub to Europe and Asia from Russia via Qingdao.

Eimskip Asia aims to become a leading reefer logistics service provider in Asia, offering complete reefer services including reefer container, reefer tramper, cold storage operation and distribution.

Eimskip's head office in Asia is in the city of Qingdao, located in the northern part of China with approximately 8 million inhabitants. Qingdao Port is the third largest container port in China. The cold storage project will make Qingdao the largest transit hub for frozen and chilled seafood in Asia.

Eimskip also has offices is Dalian, Shenzhen and Xiamen in China and in 2007 recently it has opened offices in Japan and Vietnam. Further expansion is planned for coming years, including opening more offices and developing cold stores projects.

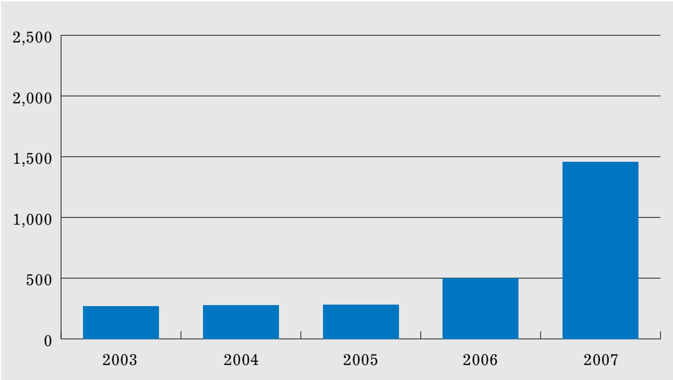
THE FUTURE

Eimskip places a strong emphasis on building long-term relationships with customers. The company is committed to achieving this through partnership, and by offering high quality, value-added services tailored to customer requirements. The staff at Eimskip is trained and skilled in using the extensive transportation network, IT and other resources to meet its customers' cargo needs.

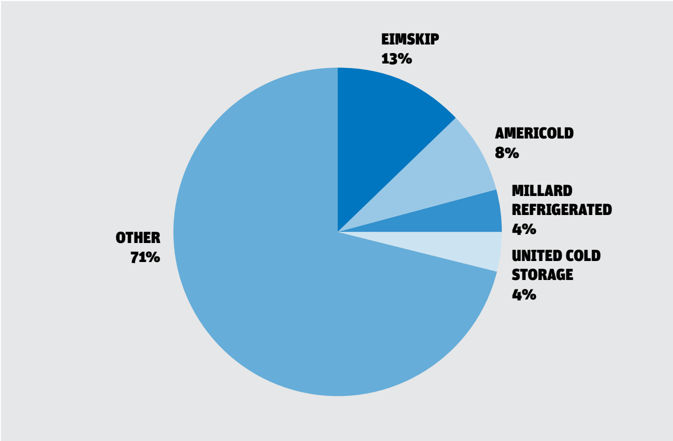
Eimskip's vision is based on continuing to grow the business in the direction of global cold stores and shipping in the North Atlantic and Baltic. All aviation related assets have been sold. Focus is now on further growing and developing the shipping and logistics business and continuing the integration between the two divisions. In 2007 all aviation related assets were sold, Including a 49% share in Avion Aircraft Trading and a 100% share in Air Atlanta.

These disposals concluded Eimskip's withdrawal from airline operations. This was in line with management's focus on shipping and logistics, which is designed to create a more stable operation with higher profitability in the long run.

REVENUE (mEUR)



GLOBAL MARKET SHARE



EIMSKIP'S VALUES

OUR TEAM

Values are fundamental to every company's success. They are the foundation, guiding us into the future, defining who we are and setting us apart from the competition. Decisions and actions should always demonstrate the values of the company.

Eimskips's values are:

ACHIEVEMENT, CO-OPERATION AND TRUST

ACHIEVEMENT

We are ambitious, driven by initiative and eager to implement innovative solutions.

We are efficient in our work and continuously seek to extend our skills and know-how.

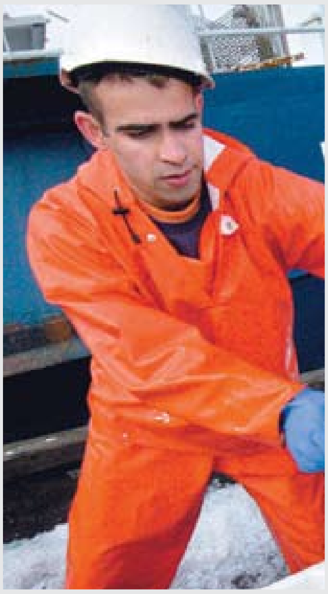
CO-OPERATION

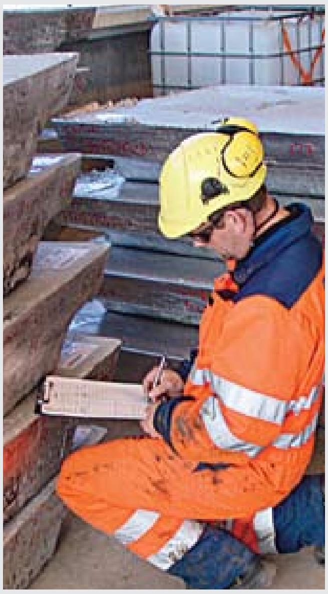
We build successful relationships with our customers and with each other.

TRUST

We respect our customers and each other and keep our promises.

Our work is based on honesty and a strong work ethic.






HUMAN RESOURCES

The Human Resources division has responsibility for any measures which lead to increased staff capability and improved employee morale. The department's purpose is to improve productivity, professionalism and service. Eimskip offers opportunities for professional development within the company. This includes both continuing education and staff rotation, which allows staff the opportunity to undertake new and larger tasks with more responsibility. Capable employees in the right positions are the company's most valuable investment.

EIMSKIP'S HUMAN RESOURCES POLICY:

Eimskip Employs highly qualified individuals who are committed to the company's values of achievement, co-operation and trust.

- We are dedicated to adopting Eimskips's policies and are aware of our role within its operations.
- We are attentive to new opportunites, meet challenges, find new solutions and implement them.
- We provide excellent services to our customers.
- Our terms of employment reflect our responsibilities and professional achievements.
- We give high priority to equality between individuals.

Through emphasising the workplace, recruitment, reward and recognition, training and staff development, we create an enjoyable workplace that reflects our values.

TRAINING AND DEVELOPMENT

In order to allow the company to grow, mature and maintain its competitive advantage in a constantly changing environment, it is important that employees have the opportunity to increase their knowledge and capabilities. Eimskip ensures that new employees receive sufficient and suitable training to perform their jobs well. All employees should receive training on regular basis which yields a return to the company in the form of better internal transactions and customer service, and in addition allows the employee to develop and mature further in the field in which he/she works.

OPINION SURVEYS

The goal of opinion surveys is, among other things, to measure employee satisfaction and employee attitude towards company operations and conditions. These surveys are now a standard tool in company management and are conducted every two years. An impartial, external body implements and processes the data obtained, and precautions are taken to prevent employee responses from being traceable to individuals. Employees can thus state their opinions freely and have a direct impact on their work environment.

EXECUTIVE BIOGRAPHIES

OUR TEAM

STEFAN AGUST MAGNUSSON (B. 1969)
CEO AND PRESIDENT

Stefan Agust Magnusson was Senior Manager of Finances and later Financial Manager of Eimskip from 2002–2005. In 2005, he was appointed Deputy CEO and Executive Vice President of Finance. Stefan is a Cand. Merc. in Finance and Accounting from Copenhagen Business School (1997) and Cand. Oecon. in Business Administration from the University of Iceland (1993).

GUDMUNDUR P. DAVIDSSON (B. 1958)
CEO EIMSKIP ICELAND

Gudmundur P. Davidsson was the General Manager of Grettir Investments prior to his appointment as the CEO of Eimskip Iceland in September 2007. Gudmundur served as Manager of Marketing and Product Development with Landsbanki Islands from 2003–2007. He was also the General Manager et al. SIF, France, from 2000–2003. Before that he held various management posts with Samskip both in Iceland and abroad.

BRAGI THOR MARINOSSON (B. 1965)
CEO NORTH ATLANTIC

Bragi has been with Eimskip for over ten years. Before his appointment as the CEO of Eimskip North Atlantic in 2006, he was the Manager of Overseas and later International Division of Eimskip, from 2004–2006. He was Manager of Eimskip in the Netherlands and Belgium from 1999–2004 and Manager of Eimskip's Overseas Department from 1997–1999. Bragi was Quality Control Manager of Eimskip's Development Division from 1995–1997. Bragi has an MSc in Business Engineering, from Danmarks Tekniske Universitet, (1993) and an BSc, in Mechanical Engineering from the University of Iceland (1991).

BRENT SUGDEN (B. 1948)
CEO OF EIMSKIP AMERICAS

Brent Sudgen has been the President of Versacold, now Eimskip Americas, since 2001. Before he was appointed CEO of Versacold he held various managerial posts with Tibbet & Britten Group in North America. Before that he worked with Overwater Food Group, Associated Grocers and other companies, for over 25 years.

ARNI R. JONSSON (B. 1960)
EXECUTIVE VICE PRESIDENT, IT

Arni has been the IT Manager of Eimskip since 2003 and was appointed Executive Vice President of IT in 2005. Before joining Eimskip, he was Quality Manager and Manager of Internal Operations at Landssími Íslands from 1999–2003. Árni was Web Technician and later Deputy Manager of EJS Service Department. Arni holds a Diplom Ing., specialising in Industrial Technology and General Electrical Studies, from Technische Unversität in Berlin (1992).

HEIDRUN JONSDOTTIR (B. 1969)
EXECUTIVE VICE PRESIDENT, HUMAN RESOURCES

Before joining Eimskip, Heidrun was a managing director and later partner at LEX legal practice from 2003–2005. She was Senior Manager of Corporate Communications at Siminn from 2001–2003. She has also served as Human Resources Manager at KEA and subsidiaries and as a laywer at Lögmannsstofu Akureyrar. Heidrun holds a Certificate in Brokerage (2006). She studied Human Resource Management at the University of Akureyri (1999), and has been a High Court Barrister since 1996. Heidrun holds a Bachelor of Law degree from the University of Iceland (1995).

HALLDOR KRISTMANNSSON (B. 1974)
EXECUTIVE VICE PRESIDENT, CORPORATE COMMUNICATIONS

Before joining Eimskip in March 2008, Halldor was Managing Director of Corporate Communications and Investor Relations at FL Group from 2007–2008. Previously he was Vice President of Corporate Communications and Investor Relations at Actavis, a global pharmaceutical company. He received his BSc in Business Administration from Birmingham Southern College in 1999.

SIGURJON MARKUSSON (B. 1961)
CEO EIMSKIP RUSSIA AND THE BALTIC

Sigurjon was appointed CEO of Eimskip Russia and the Baltic in 2006. Before that he served as a regional manager of Samskip, Russia, from 1999–2006. Sigurjon has an MBA in Shipping & Logistics from Copenhagen Business School (2005). He also holds an MA in Economics, from the University of Manitoba (1993).

EINAR THOR GUDJONSSON (B. 1972)
EXECUTIVE VICE PRESIDENT EIMSKIP ASIA, EXCLUDING CHINA

Einar Thor was appointed CEO of Eimskip Asia (excluding China) in 2007. Before joining Eimskip, he worked as a general manager in Refrigerated Transport Dept. with Samskip's Foreign Division and held various management posts with Samskip. Einar has a BSc in Business Administration (Product Management) from the Iceland University of Technology (1998).

TAO JAMES LIU (B. 1970)
EXECUTIVE VICE PRESIDENT EIMSKIP CHINA

James Liu has been the Managing Director of Eimskip China since the opening of the office in Qingdao in 2004. Before joining Eimskip, James was the Chief Representative, Bluewater Qingdao, from 2003–2004. James has a Master Business degree from Dade University of Miami (1998) and a BSc in Finance, Xi'an Telecommunication College (1992).

SIGRÚN ÞORLEIFSDÓTTIR (B. 1968)
SENIOR MANAGER – INTERNAL STRUCTURE

Sigrun joined Eimskip ten years ago in 1997. Before joining Eimskip she was a Marketing Manager at Icelandic Freezing Plants Corporation, now Icelandic Group PLC 1992–1997. Since May 2007 Sigrun has held the position of Senior Manager of Internal Structures on corporate level. Next person of responsibilities is Stefan A. Magnusson, CEO. From 1997 Sigrun was a marketing manager in Liner operations. In 2001 she was appointed manager of Eimskip's Domestic Operations and in 2003 Senior Manager of Domestic Operations. In 2006 she was appointed Senior Manager of International Division. Sigrun holds a B.Sc. degree of Business Administration from Bifrost University in Iceland.

STEPHEN SAVAGE (1953)
EXECUTIVE VICE PRESIDENT OF LEGAL AND COMMERCIALS

Stephen Savage has vast experience in transportation and logistic industry. He was theowner of Innovate, since formation in 2003–2007. Stephen is also the owner of Broadbent Office UK Ltd. since 2001. He was Middle Manager of T P Dibden Ltd., in 1988–2001 and a Co-Owner of Grange Wintringham Solicitors, 1976–1988. Stephen holds a degree in Law.

STEPHEN DARGAVEL (1947)
EXECUTIVE VICE PRESIDENT OF ASSETS

Stephen Dargavel has vast experience in transportation and logistics industry. He was the wowner of Innovate, since formation in 2003–2007. Stephen is also the owner of Broadbent Office UK Ltd. since 2001. He has also served as a Business Manager of T P Dibden Ltd., since 1993. Stephen was an owner of Dargavel Consulting, in 1977–1993. Stephen holds a degree in Property Management and Town Planning, from Brixton School of Building.

HF. EIMSKIPAFELAG ISLANDS' SHAREHOLDER INFORMATION

Hf. Eimskipafelag Islands is listed on the OMX Nordic Exchange in Iceland and has the stock symbol HFEIM. Hf. Eimskipafelag Islands is included in the OMX Iceland 15 index, which consists of the 15 largest and most traded companies listed on the OMX Nordic Exchange in Iceland.

Eimskip's Investor Relations division services the financial markets with reliable and accurate information about Eimskip's activities and financial developments. Investor Relations is the main contact for shareholders, institutional investors, analysts and other parties interested in the company's shares.

At the end of 2007 Hf. Eimskipafelag Islands had approximately 22,000 shareholders.

SHARE PERFORMANCE

Over the year Eimskip's share price rose from ISK 35.9 to ISK 42, an increase of 17%. Eimskip's total market capitalization at the end of the 2007 financial year (31 October 2007) reached ISK 60 billion. In terms of market capitalization, Eimskip is now the second largest company listed in the OMX Nordic Exchange in Iceland, excluding financial institutions.

Eimskip's share capital as of 31 October 2007 amounted to ISK 1,876,708,666 in nominal value and is divided into an equal number of shares amounting to one krona each. One vote attaches to each krona.

INCREASED SHARE CAPITAL

On the 25 June 2007 the Board of Directors of Eimskip decided to issue 83,109,531 new shares in the company at 45 ISK per share to pay for a 45% share in Innovate Holdings.

All the new shares were paid to Innovate's former owners, Stephen Dargavel, Stephen Savage and Peter Osborne. After the issue of new shares these individuals became three of the largest shareholders in Eimskip, holding 4.43% of total outstanding shares. The total number of outstanding shares was 1,793,599,135 and the total number of outstanding shares after the issue of new shares is 1,876,708,666.

20 LARGEST SHAREHOLDERS AS OF 1 MARCH 2008

Frontline Holding S.A.	**622,725,097**	**33.18%**
Fjárfestingarfélagið Grettir hf	622,059,592	33.15%
Landsbanki Luxembourg S.A.	**160,834,301**	**8.57%**
Eyfirðingur ehf	67,567,568	3.6%
GLB Hedge	**50,788,947**	**2.71%**
Hlutafélagið Eimskipafélag Ísl	36,681,664	1.95%
Landsbanki Íslands hf,aðalstöðv	**28,761,553**	**1.53%**
Stephen Geoffrey Dargavel	27,703,177	1.48%
Peter Gordon Osborne	**27,703,177**	**1.48%**
Stephen John Savage	27,703,177	1.48%
LI-Hedge	**24,909,348**	**1.33%**
Craqueville	22,215,572	1.18%
Samson eignarhaldsfélag ehf.	**15,830,462**	**0.84%**
Geertruida Maria A. van der Ham	15,267,380	0.81%
Lerkur Sp/f	**12,288,000**	**0.65%**
TM fé ehf	12,033,040	0.64%
Lífeyrissjóður verslunarmanna	**10,435,899**	**0.56%**
Arion safnreikningur	4,634,260	0.25%
Stapi lífeyrissjóður	**4,526,282**	**0.24%**
Landssjóður hf,úrvalsbréfadeild	4,518,588	0.24%
Twenty largest shareholders:	**1,799,187,084**	**95.87%**
Approx. 22,000 smaller shareholders:	77,521,582	4.84%
Total number of outstanding shares:	**1,876,708,666**	

Eimskip's shares are all in one class. The new shares belong to the same class and enjoy the same rights as other Hf. Eimskipafelag Islands shares, and grant their owners rights in the company.

TRADE IN OWN SHARES

Eimskip's owned shareholding amounted to 39,464,312 at the beginning of 2007. During the year, the company purchased a total 15,752,975 of its own shares and sold a total of 102,648,618. These transactions were mainly due to the acquisition of Innovate in the UK. These transactions were also made to finalise the acquisition of Daalimpex in the Netherlands and to finalise the disposal of XL Leisure Group in 2006. At the end of 2007 Eimskip's own shareholding amounted to 1.9% of total outstanding shares.

LARGEST SHAREHOLDERS

Frontline Holding S.A., which controls a 33.18% share in Hf. Eimskipafelag Islands, is fully owned by Magnus Thorsteinsson, former Chairman. All of Magnus' shares in the company are in Frontline Holding S.A.

The investment company Fjarfestingarfelagid Grettir controls a 33.15% share in Hf. Eimskipafelag Islands.

SHAREHOLDER INFORMATION AT A GLANCE

HF. EIMSKIPAFELAG ISLANDS INVESTOR RELATIONS

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Iceland
Tel: + 354 525 7000
Fax: + 354 525 7000

CONTACTS

Halldor Kristmannsson
EVP of Corporate Communications
Email: halldor.kristmannsson @eimskip.is
Tel: + 354 525 7221
Mobile: + 354 825 7221

Dogg Hjaltalin
Director Investor Relations
Email: dogg@eimskip.is
Tel: + 354 525 7225
Mobile: + 354 825 7225

Further information
For Hf. Eimskipafelag Islands shareholder information, please visit the company's website, www.eimskip.com.

FINANCIAL CALENDER

Hf. Eimskipafelag Islands will report its results for the financial year 2008 at quarterly intervals on the following dates:

Q2 9 – 13 June 2008
Q3 8 – 12 June 2008
Q4 15 – 19 January 2009

The financial calender is also available on Hf. Eimskipafelag Islands' website, www.eimskip.com.

ANNUAL REPORT

The annual report is published in English and is available on Eimskip's website, www.eimskip.com. For printed copies contact us at news@eimskip.is.

STOCK EXCHANGE

Eimskip's shares are quoted on the OMX Nordic Exchange in Iceland. http://omxgroup.com/nordicexchange
Symbol: HFEIM
Trading currency: ISK

ANALYST COVERAGE

Analyst coverage for Eimskip can be accessed on the website of the following financial institutions:

LANDSBANKI ISLANDS HF.

Snorri Omarsson
Email:
snorri.omarsson@landsbanki.is
Tel: +354 410 6588
www.landsbanki.com

GLITNIR HF.

Eyjolfur Vilberg Gunnarsson
Email:
eyjolfur.gunnarsson@glitnir.is
Tel: +354 440 2507
www.glitnirbank.com

KAUPTHING BANK HF.

Magnus Edvardsson
Email:
magnus.edvardsson@kaupthing.com
Tel: +354 444 6958
www.kaupthing.com

SHAREPRICE DEVELOPMENT IN 2007

OMX Iceland 15 Index
Hf. Eimskipafelag Islands

BOARD OF DIRECTORS

EIMSKIP'S BOARD OF DIRECTORS CONSISTS OF THE FOLLOWING MEMBERS:

CHAIRMAN

SINDRI SINDRASON

Sindri Sindrason was previously the Chief Executive Officer of Pharmaco (now the Actavis Group). He is a private investor and has been a member of the board since November 2006.

Sindri Sindrason and parties financially connected to him own 36,051,247 shares in Hf. Eimskipafelag Islands.

DIRECTORS

GUNNAR M BJORG

Gunnar is an investor with significant interests in aviation and the financial services. He trained as an aircraft mechanic and early on in his career, he worked for Loftleidir Icelandic Airlines and Cargolux until he started his own successful business in 1981. He has been involved in aviation since 1955 and active in aircraft trading and leasing for 25 years. He is highly respected as one of the senior and most important players in the aviation world following his long and successful career in this field.

Gunnar M Bjorg and parties financially connected to him own 73,014,000 shares in Hf. Eimskipafelag Islands.

EGGERT MAGNUSSON

Eggert has been involved in business all of his professional life, having been the former owner and CEO of import and export food manufacturing companies, Fron and Esja. Eggert has been a prominent member of international football for some years and currently serves on the Executive Committee of UEFA (European Football Association). He has been a member of various committees within both UEFA as well as FIFA (the International Federation of Football Associations) for the last 15 years. He has been President of the Football Association of Iceland for the last 17 years. He also serves as a board member of Straumur–Burdaras Investment bank.

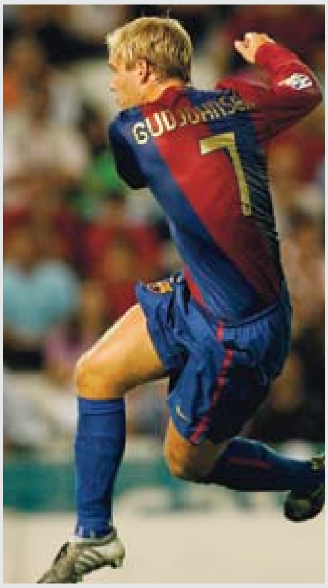
Eggert Magnusson and parties financially connected to him own 2,983,441 shares in Hf. Eimskipafelag Islands.

THOR KRISTJANSSON

Thor Kristjansson is CEO of Brimalda Capital ehf. He holds a degree in business administration from the University of Iceland (1989). Thor has worked in various managerial positions, including financial restructuring projects, both in Iceland and abroad from 1989 until 2001 when he joined Actavis as consultant to the Board of Directors in 2001 and later served as the company's Deputy CEO until late 2004. He currently serves as a director of Landsbanki Íslands hf and Hf. Eimskipafélag Íslands. Among previous directorships is Straumur Burdaras Investment Bank hf , Icelandic Group hf, Arvakur hf, Edda Publishing hf, West Ham United plc, Samson Properties hf and Fjarfestingarfelagid Grettir hf.

Thor Kristjansson and parties financial connected to him own 13,135,592 shares in Hf. Eimskipafelag Islands.

HYSTER
EIMSKIP
VITESSE
HYSTER



CORPORATE SOCIAL RESPONSIBILITY

Eimskip knows the importance of corporate support for charitable and worthy projects. The company invests in several projects in the communities in which it operates, while our employees also actively contribute their time and expertise to help advance the work of several organisations.

Their interests are integral to the group's business operations and its corporate reputation. Led by its core values – achievement, co-operation, trust – Eimskip maintains a commitment to quality and growth that is equalled by its determination to create value for all its stakeholders. Effective corporate social responsibility requires a high level of commitment from all staff. Eimskip's board and key management lead the process and approve the strategic direction of the group with respect to charitable support.

Eimskip's sponsorship programme focuses on four areas:

- **SPORT (HANDBALL AND FOOTBALL)**
- **CHARITY**
- **EDUCATION**
- **CUSTOMER GOODWILL**

Eimskip sponsors the following individuals and organisations:

EIDUR SMARI GUDJOHNSEN

Eimskip has an agreement with the captain of the Icelandic national football team who plays for European and Spanish champions Barcelona. Eimskip can use Gudjohnsen's name and image in both company promotions and advertisements.

SAFETY HELMETS

Eimskip, the Kiwanis and Safalinn Wholesales are working together on an initiative to improve child road safety. The scheme involves giving a cycle helmet to all children in Iceland during their first year at school. To date, the programme has given away over 20,000 helmets.

THE CHAMPIONS OF EIMSKIP CUP

EIMSKIP BELIEVES IN THE DEVELOPMENT OF CHILDREN'S SAILING

UNIVERSITY OF AKUREYRI

Eimskip provides support that allows the University of Akureyri to maintain its pioneering role in Arctic studies, especially in relation to the Northern Research Forum (NRF), which it oversees in collaboration with the Stefansson Arctic Institute and other international partners. The NRF promotes discussion and debate to increase communication between scientists and other parties with an interest in Arctic affairs.

POLYTECHNIC COLLEGE OF ICELAND

Eimskip and the Polytechnic College of Iceland recently agreed a two-part educational sponsorship arrangement. Firstly, the company will provide funds for the purchase of equipment in the college's Engineering and Ship's Officers departments. Secondly, Eimskip will award annual grants to selected students in those departments. The Anchor Awards, as these grants have been dubbed, are intended to pay for college fees, course material and other costs.

ICELANDIC HANDBALL FEDERATION

Eimskip promotes the development of handball in Iceland. The company also sponsors an annual handball tournament, known as the Eimskip Cup.

THE FOOTBALL ASSOCIATION OF ICELAND

The Football Association of Iceland and Eimskip work together on the continued development of all-weather pitches around Iceland. The project concentrates on building small practice pitches close to schools. To date the project has funded the construction of over 100 pitches.

UNIFEM

Eimskip and UNIFEM in Iceland are working together on the Butterfly Campaign. Eimskip will provide support for this campaign during the sponsorship period, and will also sponsor UNIFEM in Iceland during the final two years of the agreement. Through contributions to the UNIFEM sponsorship fund, the company will support the eradication of violence against women and generate awareness regarding the plight of women in developing countries and areas of conflict.

REYKJAVIK MARITIME MUSEUM

Eimskip is one of the Maritime Museum's principal patrons, standing behind its continued operation and development.

ICELANDIC SAILING ASSOCIATION

Eimskip sponsors the development of the Sailing Association's children and youth activities.

THE ICELANDIC FORESTRY ASSOCIATION

This is a joint project aimed at developing a plantation in Brynjudalur valley in Hvalfjördur, West Iceland.

PROUD SPONSOR OF THE REYKJAVIK MARITIME MUSEUM

CORPORATE GOVERNANCE

In its efforts to strive for the highest standards of corporate governance, Hf. Eimskipafelag Islands has adopted the following corporate governance guidelines. When making the guidelines the company has consulted the corporate governance guidelines introduced by the Chamber of Commerce, the Confederation of Icelandic Employers and the Iceland Stock Exchange.

The annual general meeting of the shareholders elects the members of the board of directors of the company in accordance with our Articles of Association and the Company Act no. 2/1995. The board shall have a maximum of five members and a minimum of three. When a new board is elected, it determines whether an elected director is "independent" as that term is defined in the Guidelines. If a majority of the elected directors is not independent, the finding will be stated in the annual report, together with an explanation.

The board is responsible for protecting the interests of all shareholders, with due consideration for all other stakeholders, and it performs a supervisory role. The board undertakes the company's affairs and shall see to it that the company's organisation and activities be at all times in correct and proper order. The board, together with the managers, handles the management of the company's business.

THE CURRENT BOARD OF DIRECTORS CONSISTS OF FOUR PEOPLE:

CHAIRMAN
SINDRI SINDRASON

DIRECTORS
EGGERT MAGNUSSON
GUNNAR M BJORG
THOR KRISTJANSSON

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The board is responsible for the business affairs of the company in accordance with Icelandic law and the Articles of Association by performing the following tasks:

The board represents the company externally, for instance in courts of law and vis-a-vis government authorities

The board hires the CEOs of the company and determines his or her salary and benefits.

The board monitors the work of the management and has the power to dismiss managers.

The board monitors the operations of the company and shall acquire such information it deems necessary to perform its tasks.

The board ensures that the operational and financial plans are followed and makes decisions regarding reports on the company's credit, major undertakings, important guarantees, finance, cash flow and special risk factors and other matters that are not a part of the day-to-day management of the company.

The board determines how often the management must submit interim accounts.

The board is responsible for compliance with provisions of law and regulations in respect of annual accounts and bookkeeping. It ensures that the necessary basis for audits exists and is responsible for the annual accounts, signed by board members and the auditor, being completed no later than one week before the company's annual general meeting of the shareholders.

The annual accounts for each year include a report from the board, containing information on important factors which do not appear in the balance sheet or profit and loss account or the notes but that are nonetheless material in assessing the company's financial status and performance during the financial year. The report contains the board's proposals for the distribution of dividends, if any, or the adjustment to the equity position in case of loss as a result of the operation during the previous financial year. It reports the number of shareholders at the beginning and end of the financial year, including the percentage holdings of those shareholders who own at least 10% or more of the shares of the company.

The board's report also discusses important events which have taken place after the end of the financial year, the company's future prospects, and research and development work.

The board shall have access to all of the company's books and documents.

The Chairman of the Board ensures that an annual evaluation of the board's performance and work is performed. The Chairman may engage an outside party to carry out the performance evaluation.

RESPONSIBILITIES OF THE CEO

The Board defines the responsibilities of the CEO. This should include at least the items stated below:

The CEO shall deal with the day-to-day operation of the company, and shall in these matters follow the board's policy and instructions.

The CEO cannot make decisions on extraordinary or major matters without the approval of the board of directors, unless this it is necessary to avoid losses for the company and a meeting of the board of directors cannot be called to make the decision. All such decisions made by the CEO must be reported to the board of directors.

The CEO shall ensure that the company's accounts are kept in accordance with law and customary practice, and that the company's assets are handled in a secure manner.

The CEO shall ensure that the company's interests are suitably insured.

The CEO shall submit to the auditor the information and documents which are significant to the audit, and shall provide the auditor with such information, documents, facilities and assistance as the auditor deems necessary for his/her work.

The CEO shall sign the annual accounts, together with the board.

ANNUAL GENERAL MEETING OF THE SHAREHOLDERS

The annual general meeting of the shareholders of the company is held once a year before the end of May. All shareholders are invited to attend. The meeting shall be called upon in accordance with the company's Articles of Association.

The management structure of the company is the board of directors and the CEO.

REMUNERATION OF BOARD AND MANAGEMENT

The remuneration of the board of directors is decided at the annual general meeting of the shareholders. The remuneration of the CEO is decided by the board of directors. A Remuneration Policy, including compensation policy and option plan for CEO and executives, is decided by the annual general meeting of the shareholders.

AUDITING AND COMPLIANCE

An independent auditor is appointed annually by the annual general meeting.

Further information on Hf. Eimskipafelag Island's corporate governance policies can be found at the company's website, www.eimskip.com.

FINANCIAL OVERVIEW 2007

Hf. Eimskipafélag Íslands
– Financial Overview 12 months 2007

Profit of continuing operations 9 m EUR – Three-fold increase in revenues

- Total revenues of EUR 1,459 million
- Total expenses of EUR 1,372 million
- EBITDA EUR 125 million – EBIT EUR 54 million
- Profit from continuing operations
- EUR 9 million
- Loss for the year EUR 9 million
- Total assets
- EUR 2,469 million
- Working capital from operating activities EUR 41 million
- Total equity at year end EUR 451 million – equity ratio 18.3%
- Current ratio 1

The current activities of Eimskip yielded over EUR 9 million in profits in 2007, which is in tune with projections. Results from the core activities of Eimskip met the expectations of the management, although the losses generated by Air Atlanta, amounting to approximately EUR 18 million, mean that the company as a whole shows a loss of EUR 9 million after taxes. It is clear that the aviation operations have had a negative impact on the results of the company over the past few years. Eimskip has sold all aviation-related operations, a move that will considerably lighten the operation of the company. Consequently, we anticipate better results in the future.

Eimskip's turnover tripled during 2007. The 2007 turnover amounted to approximately EUR 1.5 billion, as compared to EUR 0.5 billion in 2006. EBITDA was EUR 140 million in 2007, of which the shipping activities of Eimskip accounted for EUR 125 million and Air Atlanta accounted for EUR 11 million. The EBITDA ratio has increased from 6% in 2006 to just under 9% in 2007.

The year 2007 has been characterised by considerable growth. A great deal of work has been invested in the reorganisation and integration of operating units. These activities have meant a short-term increase in costs. All these restructuring activities are intended to lead to better results in 2008. We intend to continue our restructuring efforts within the company as well as the integration of operating units.

In 2007, Kursiu Linija and Containerships were merged under the name of Containerships. Shipping capacity was increased through the use of newer and larger vessels, the number of vessels was reduced, offices were combined and staff was reduced.

Eimskip took over the operation of Atlas and Versacold in 2007. Systematic work has been invested in integration and restructuring within the companies, an effort that will lead to synergistic effects in 2008. The management teams of the companies have been merged, the headquarters of Atlas in Toronto have been closed, staff has been reduced and other costs have been reduced.

Due to the acquisitions, Eimskip's debt has increased in the short term. Eimskip decided not to increase share capital to finance the acquisitions, instead Eimskip decided to dispose real estates in North America. Assets for a total value of EUR 500 million have now been disposed, and assets for a total value of EUR 700 million are expected to be disposed before the end of second quarter 2008. After the disposal of assets, Eimskip's equity ratio is expected to be approximately 25%.

The year 2008 is a new beginning in the history of Eimskip, giving rise to a stable and well-run company. Eimskip, now that it has divested itself of air carrier operations, can focus on shipping and warehousing operations, a field in which the company has become a global leader. The operations of the company are well distributed between the company's principal markets. These are: North Atlantic and Iceland, North America, Europe, the Baltic States and Russia and Asia.

BALANCE SHEET AT THE CLOSE OF 2007

The balance sheet of the company has changed considerably during the period. The principal reason is the takeover of Versacold at the beginning of Q4. In addition, Atlas Cold Storage, Containerships and Daalimpex were all included in the operations and financial position of the company during the year.

As a result, the company's balance sheet grew considerably during Q4, and total assets at the close of 2007 amounted to EUR 2.5 billion, as compared to EUR 1.5 billion at the beginning of the year. Concurrently with the large growth in financial position, the company's equity decreased from EUR 538 million to EUR 451 million during the period. The decrease in equity can be attributed to the takeover of Versacold and the weakening of the US dollar against the Canadian dollar. The decrease in equity means that the company's equity ratio is 18.3% at the close of 2007.

Plans have been made to sell real property valued at EUR 700 million before the end of Q2, a move that will result in the company's equity ratio being around 25% by the end of Q2 2008.

At the close of 2007, the current ratio was 1, as compared to 1.39 at the close of 2006. At the end of October 2007, the company's total liabilities amounted to EUR 2 billion, as compared to EUR 1 billion at the beginning of the year.

At the end of 2007, the company's cash position was approximately EUR 80 million, as compared to EUR 180 million at the start of the year. The reasons for such a strong cash position at the start of the year were the anticipated purchases of the above companies, which were included in the operations of the group at the beginning of the year.

CASH FLOW

Working capital from operating activities amounted to EUR 41 million in 2007. Cash from operating activities amounted to EUR 93 million. Investment activities amounted to EUR 1,142 million, which can be attributed mostly to the purchase of Versacold, Atlas Cold Storage, Corby Chilled, Containerships and Daalimpex.

HIGHLIGHTS OF 2007

Considerable income increases and improved operating performance characterised operating activities in 2007. At the beginning of January 2007, Eimskip purchased a 60% shareholding in Daalimpex. Eimskip already had a 40% shareholding in the company.

In June, Eimskip acquired a 45% shareholding in Innovate, a major operator in all segments of the logistics market in the UK. Prior to the purchase, Eimskip had acquired a 55% stake in Innovate in May 2006. Innovate holds a leading position in transportation solutions and inventory management. The company's comprehensive experience and specialisation will provide us with opportunity for further growth on a global level.

Over recent years, Eimskip has taken over the companies Atlas and Versacold in Canada, two of the largest cold store facilities in North America. The management of Eimskip had had their eyes on Versacold, the third largest cold store company in Canada and North America, as the company is well run and complements the operation of Atlas, a company acquired by Eimskip in 2006. Furthermore, Versacold is the second largest cold store company in Australia and Argentina and the third largest in New Zealand. The location of the cold store facilities operated by Versacold supports and strengthens the network of storage facilities owned by Eimskip throughout the world.

The total purchase price of Atlas and Versacold amounted to over EUR 1.3 billion. The market value of the real estate owned by the companies was valued at approximately EUR 1.2 billion. Eimskip is well on its way to achieving the goals that were set, both as regards operations and also as regards the sale of real property in connection with the purchases. Today, Versacold is a valuable company operating successfully in Canada, which is very important for Eimskip's future prospects. The acquisition of Versacold and Atlas has increased Eimskip's value enormously in such a short period.

In the later half of the year 2007, Eimskip sold all its aviation-related assets, and therefore Eimskip's interference with aviation has ended. The beginning of October saw the formal opening of the first stage of the cold store facilities in Qingdao. Previously, a letter of intent had been signed for the enlargement of the facilities from 55,000 tonnes to 110,000 tonnes.

EVENTS AFTER THE CLOSE OF Q4 2007

In December, Sindri Sindrason became Chairman of the Board of Eimskip, replacing Magnús Thorsteinsson, who stepped down from the Board.

Eimskip established a new shipping system at the beginning of 2008 which will lead to increased shipping capacity. The system is specifically designed to meet the needs of the company's customers. A new shipping route, the Eastern-route, has been added to the current European routes, i.e. the South route and the North route. The new sailing schedule ensures greater frequency of shipping, sounder services and greater reliability for the customers of Eimskip.

ANNOUNCEMENT OF FINANCIAL RESULTS OF 2008

The financial results for 2008 will be published on:

2Q	9–13	June
3Q	8–12	June
4Q	15–19	January 2009

SHAREHOLDERS

Shareholders in Hf. Eimskipafélag Íslands were approximately 22,000 at October 31 2007. Two shareholders owned more than 10% of total shares in the company at the end of the period: Frontline Holding S.A, with 33.18% ownership, and Fjárfestingarfélagið Grettir, with a 33.15% share.


YANG MING
CMA CGM
07
HYSTER
48-16


HYSTER
IPORT

ENDORSEMENT AND STATEMENT BY THE BOARD OF DIRECTORS AND THE CEO

The Consolidated Financial Statements of Hf. Eimskipafélag Íslands and its subsidiaries (the "Group") are prepared and presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements are stated in thousands of EUR.

Hf. Eimskipafelag Íslands is an international transportation solutions group, which specialises in shipping, logistics and supply chain management, with a special focus on temperature-controlled cargo.

The Company's functional currency for the year 2006 was USD. The transition of the functional currency from USD to EUR was made as of 1 November 2006 because of changes in the focus of the Company's operations and primary economic environment in which the Company operates. The comparative figures for the year 2006 have been translated to EUR.

On 1 November 2006, the Group acquired all shares in Atlas Cold Storage Inc., 65% of the shares in Containerships Ltd. Oy, and 51% of the shares in Harbour Grace Inc. In January 2007, the Group acquired the remaining 60% of the shares in Daalimpex Beeher BV. In August, the Group acquired all shares in Versacold Income Trust.

In May 2007, the Group announced a strategic review of its aviation operation where the Group was seeking buyers of Air Atlanta Icelandic and the 49% share in Avion Aircraft Trading. At the end of July 2007, the 49% share in Avion Aircraft Trading was sold, and on 31 October 2007, all the shares in Air Atlanta Icelandic were sold.

Net profit of continuing operation amounted to EUR 9.4 million for the Group. A loss of discontinued operation of EUR 18.5 million result in a net loss of EUR 9.1 million according to the income statement. Total equity amounted to EUR 451.3 million according to the balance sheet. At period-end, shareholders in Hf. Eimskipafélag Islands numbered 21,900, compared to 23,559 at the beginning of the period. Two stockholders owned more than a 10% share in the Company at the end of the period, Frontline Holding S.A with 33.18% ownership and Fjárfestingafélagið Grettir with a 33.15% share.

The Board of Directors does not propose a payment of dividend to shareholders in 2008.

STATEMENT BY THE BOARD OF DIRECTORS AND THE CEO

According to the best of our knowledge, it is our opinion that the annual consolidated financial statements give a true and fair view of the consolidated financial performance of the Group for the financial year 2007, its assets, liabilities and consolidated financial position as at 31 October 2007 and its consolidated cash flows for the financial year 2007.

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 the Group's operations and its position and describes the principal risks and uncertainties faced by the Group.

ENDORSEMENT AND STATEMENT BY THE BOARD OF DIRECTORS AND THE CEO CONTD.:

The Board of Directors and the CEO have today discussed the annual consolidated financial statements of Hf. Eimskipafélag Íslands for the year 2007 and confirm them by means of their signatures. The Board of Directors and the CEO recommend that the consolidated financial statements be approved at the annual general meeting of Hf. Eimskipafélag Íslands.

Reykjavík, 30 January 2008.

BOARD OF DIRECTORS:

Sindri Sindrason
Chairman

Þór Kristjánsson

Gunnar M. Bjorg

Eggert Magnússon

CEO:
Baldur Gudnason


EIMSKIP

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF HF. EIMSKIPAFÉLAG ÍSLANDS

We have audited the accompanying Consolidated Financial Statements of Hf. Eimskipafélag Íslands and its subsidiaries (the "Group"), which comprise the Consolidated Balance Sheet as at 31 October 2007, and the Consolidated Income Statement, the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements, and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the Consolidated Financial Statements give a true and fair view of the consolidated financial position of Hf. Eimskipafélag Íslands as at 31 October 2007, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU.

Reykjavík, 30 January 2008.
KPMG hf.

Alexander G. Edvardsson

Ólafur Már Ólafsson

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 2007

	Notes	2007	2006
Revenue		1,443,728	500,827
Cost of sales		(1,372,202)	(457,172)
Gross profit		71,526	43,655
Other income	8	14,877	5,477
Administrative expenses		(32,765)	(29,090)
Results from operating activities		53,638	20,042
Finance income		16,245	9,066
Finance expenses		(81,956)	(49,747)
Net finance expense	10	(65,711)	(40,681)
Share of the profit of equity-accounted investees, net of income tax	15	19,766	664
Profit before income tax		7,693	(19,975)
Income tax	11	1,705	1,188
Profit (loss) from continuing operations		9,398	(18,787)
(Loss) profit from discontinued operations (net of income tax)	6	(18,499)	82,908
(Loss) profit for the year		(9,101)	64,121
Attributable to:			
Equity holders of the Company		(16,480)	63,260
Minority interest		7,379	860
(Loss) profit for the year		(9,101)	64,120
Earnings per share			
Basic earnings per share (EUR)	22	(0.003)	0.037
Diluted earnings per share (EUR)	22	(0.003)	0.036
Continuing operations			
Basic earnings per share (EUR)	22	0.001	(0.011)
Diluted earnings per share (EUR)	22	0.001	(0.011)

The notes on pages 38 to 62 are an integral part of these Consolidated Financial Statements.

AMOUNTS ARE IN THOUSANDS OF EUR

CONSOLIDATED BALANCE SHEET
AS AT 31 OCTOBER 2007

	Notes	2007	2006
Assets:			
Property, vessels, aircraft and equipment	12	1,287,470	354,523
Other intangible assets	13	93,551	10,886
Goodwill	14	436,677	245,009
Investments in equity-accounted investees	15	1,424	18,371
Financial assets	16	67,398	101,323
Deferred tax assets	17	42,182	17,692
Total non-current assets		1,928,702	747,804
Inventories		8,306	13,650
Trade and other receivables	18	371,039	264,480
Receivable related to sold operations		80,973	225,929
Cash and cash equivalents	19	79,682	180,025
Assets classified as held for sale	20	0	19,653
Total current assets		540,000	703,737
Total assets		2,468,702	1,451,541
Equity:			
Share capital		21,849	20,874
Share premium		448,461	410,936
Reserves		(110,614)	(13,517)
Retained earnings		79,077	95,557
Total equity attributable to equity holders of the parent		438,773	513,850
Minority interest		12,502	23,780
Total equity	21	451,275	537,630
Liabilities:			
Convertible loan	23	76,471	0
Loans and borrowings	23	1,163,416	355,459
Provisions and other liabilities	25	55,200	45,157
Deferred income-tax liability	17	178,257	7,699
Total non-current liabilities		1,473,344	408,315
Loans and borrowings	23	239,289	286,098
Trade and other payables	26	304,794	219,498
Total current liabilities		544,083	505,596
Total liabilities		2,017,427	913,911
Total equity and liabilities		2,468,702	1,451,541

The notes on pages 38 to 62 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 OCTOBER 2007

	Share Capital	Share premium	Trans-lation reserve	Share option reserve	Hedging reserve	Fair value reserve	Retained earnings	Total	Minority interest	Total equity
Changes in Equity 2006:										
Equity at 1 November 2005	17,254	284,756	11,983	0	(2,452)	(1,212)	35,650	345,979	1,240	347,219
Foreign currency translation differences for foreign operations			(21,929)					(21,929)		(21,929)
Net change in fair value of available-for-sale financial assets						(3,040)		(3,040)		(3,040)
Change in fair value of hedges net of tax					2,388			2,388		2,388
Profit for the year							63,261	63,261	860	64,121
Total recognised income and expense			(21,929)	0	2,388	(3,040)	63,261	40,680	860	41,540
New shares issued	3,595	124,888						128,483		128,483
Purchase of treasury shares	(663)	(22,737)						(23,400)		(23,400)
Sale of treasury shares	687	24,029						24,716		24,716
Change in share option reserve, net of tax				614				614		614
Recognised on acquisition of subsidiaries								0	22,321	22,321
Translation difference			(54)	(15)	64	137	(3,354)	(3,222)	(641)	(3,863)
Equity at 31 October 2006	20,873	410,936	(10,000)	599	0	(4,115)	95,557	513,850	23,780	537,630
Changes in Equity 2007:										
Equity at 1 November 2006	20,873	410,936	(10,000)	599	0	(4,115)	95,557	513,850	23,780	537,630
Foreign currency translation differences for foreign operations			(64,618)					(64,618)	(867)	(65,485)
Net change in fair value of available-for-sale assets						(4,939)		(4,939)		
Loss for the year							(16,480)	(16,480)	7,379	(9,101)
Total recognised income and expense			(64,618)	0	0	(4,939)	(16,480)	(86,037)	6,512	(79,525)
New shares issued	981	37,701						38,682		38,682
Purchase of treasury shares	(5)	(176)						(181)		(181)
Dividend paid to minority								0	(280)	(280)
Change in share option reserve, net of tax				659				659		659
Written put options transferred as liability				(28,200)				(28,200)		(28,200)
Recognised on acquisition of subsidiaries								0	(17,510)	(17,510)
Equity at 31 October 2007	21,849	448,461	(74,618)	(26,942)	0	(9,054)	79,077	438,773	12,502	451,275

The notes on pages 38 to 62 are an integral part of these Consolidated Financial Statements.

AMOUNTS ARE IN THOUSANDS OF EUR

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 OCTOBER 2007

Cash flows from operating activities:	Notes	2007	2006
(Loss) profit for the year		(9,101)	64,121
Adjustments for:			
Depreciation	12	62,348	22,418
Amortisation of intangible assets	13	9,151	1,946
Currency fluctuation and indexation		(25,061)	29,764
Capital gains on sale of assets		(9,131)	(3,152)
Gain on sale of subsidiaries/associated companies		(19,766)	(115,432)
Change in deferred taxes		(1,705)	(4,252)
Loss (profit) from discontinued operation	6	18,499	32,569
Other changes		15,599	3,276
Working capital from operating activities		40,833	31,258
Changes in current assets and liabilities			
Inventories, change		772	(1,117)
Receivables, change		71,695	(19,737)
Short-term liabilities, change		31,809	(11,147)
Net cash from (used in) operating activities		145,109	(743)
Cash flows from investing activities:			
Investments in property, vessels and equipment	12	(104,692)	(36,059)
Proceeds from the sale of property, vessels and equipment	12	275,914	3,763
Investments in intangible assets	13	(8,055)	(7,586)
Investments in shares in other companies	7	(1,303,841)	(13,855)
Other changes		(1,685)	(91,764)
Net cash used in investing activities		(1,142,359)	(145,501)
Cash flows from financing activities:			
Increase in share capital		0	126,692
Purchase of treasury shares		(182)	21,377
Contribution from minority shareholders less dividend received		3,220	(49)
Proceeds from long-term borrowings		1,622,015	465,196
Repayment of long-term borrowings		(640,124)	(397,814)
Short-term borrowing, change		(77,924)	58,771
Net cash provided by financing activities		907,005	274,173
Discontinued operations:			
Net cash from operating activities		61,542	(46,642)
Net cash from investing activities		(175,458)	(7,267)
Net cash from financing activities		111,462	(9,071)
		(2,454)	(62,980)
(Decrease) increase in cash and cash equivalents		(92,699)	64,949
Cash and cash equivalents at the beginning of the year		180,025	121,479
Effects of exchange rate fluctuations on cash and held		(7,644)	(6,403)
Cash and cash equivalents at the end of the year		79,682	180,025

The notes on pages 38 to 62 are an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Hf. Eimskipafélag Íslands (the “Company”) is a company domiciled in Iceland. The address of the Company’s registered office is Korngardar 2, 104 Reykjavík. The Consolidated Financial Statements of the Company as at and for the year ended 31 October 2007 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associated companies. The Company is an investment company focused on investments in shipping and logistic services (see note 5). Hf. Eimskipafélag Íslands is listed on the Icelandic Stock Exchange OMX.

The Board of Directors of Hf. Eimskipafélag Íslands merged the Company with its subsidiary Eimskipafélag Íslands ehf. effective as of 1 November 2006. The subsidiary was wholly owned by the Company, and therefore the merger had no effects on the Consolidated Financial Statements.

2. BASIS OF PREPARATION

a. Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

The Financial Statements were approved and authorised for issue by the Company’s Board of Directors on 30 January, 2008.

b. Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for derivative financial instruments and available-for-sale financial assets, which are measured at fair value.

The methods used to measure fair values are discussed further in note 4.

c. Functional and presentation currency

These Consolidated Financial Statements are presented in EUR, which is the Company’s functional currency. All financial information presented in EUR has been rounded to the nearest thousand.

The Company’s functional currency for the year 2006 was USD. The transition of the functional currency from USD to EUR was made as of 1 November 2006. This change is a result of change in the focus of the Company’s operations and primary economic environment in which it operates. The comparative figures for previous year in the notes have been translated to EUR.

d. Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 7	business combinations
Note 14	measurement of the recoverable amounts of cash-generating units containing goodwill
Note 17	utilisation of tax losses
Note 23	accounting for an arrangement containing a lease
Note 25	capital commitments and contingencies

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements, and have been applied consistently by Group entities. Certain comparative amounts have been reclassified to conform with the current year’s presentation. In addition, the comparative Income Statement has been represented as if an operation discontinued during the current year had been discontinued from the start of the comparative year (see note 6).

a. Basis of consolidation

(i) *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align with the policies adopted by the Group.

(ii) *Associates (equity-accounted investees)*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method (equity-accounted investees) and are initially recognised at cost. The Group investment includes goodwill indentified on acquisition, net of any accumulated impairment losses. The Consolidated Financial Statements include the Group’s share of the income and expenses and equity movements of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group’s share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) *Transactions eliminated on consolidation*
Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b. Foreign currency

(i) *Foreign currency transactions*
Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity investments.

(ii) *Foreign operations*
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to EUR at foreign exchange rates at the reporting date. The income and expenses of foreign operations are translated to EUR at the average exchange rate for the year. Foreign currency differences are recognised directly in equity.

c. Financial instruments

(i) *Non-derivative financial instruments*
Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value, through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3 (m).

Held-to-maturity investments
When the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets
The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(h)(i)), and foreign exchange gains and losses on available-for-sale monetary items (see note 3(b)(i)), are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Other
Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) *Derivative financial instruments*
The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are recognised initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in the Income Statement.

Economic hedges
Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as part of foreign currency gains and losses.

(iii) *Share capital*
Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and shares options are recognised as a deduction from equity.

Repurchase of share capital (treasure shares)
When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from share premium.

d. Property, vessels, aircraft and equipment

(i) *Recognition and measurement*

Items of vessels, aircraft, property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of property and equipment at 1 January 2004, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, vessels, aircraft and equipment have different useful lives, they are accounted for as separate items (major components).

(ii) *Subsequent costs*

The cost of replacing part of an item of vessels, aircraft, property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, vessels, aircraft and equipment are recognised in profit or loss as incurred.

(iii) *Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of vessels, property and equipment. Leased assets are depreciated over the shorter of the lease term or their useful lives. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

Buildings	15–50 years
Vessels	5–14 years
Aircraft	4–13 years
Equipment	3–10 years

Depreciation methods, useful lives and residual value are reviewed annually.

e. Intangible assets

(i) *Goodwill*

Goodwill arises on the acquisition of subsidiaries and associates.

Acquisitions prior to 1 January 2004

As part of its transition to IFRSs, the Group elected to restate only those business combinations that occurred on or after 1 January 2004. In respect of acquisitions prior to 1 January 2004, goodwill represents the amount recognised under the Group's previous accounting framework, IS-GAAP.

Acquisitions on or after 1 January 2004

For acquisitions on or after 1 January 2004, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Acquisitions of minority interests

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

(ii) *Other intangible assets*

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and impairment losses.

(iii) *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit and loss when incurred.

(iv) *Amortisation*

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Software	3–5 years
Customer relations	7 years
Market-related intangibles	10 years
Other intangibles	5 years

f. Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases, and the leased assets are not recognised in the Group's balance sheet.

g. Inventories

Inventories are measured at the lower of cost or net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

h. Impairment

(i) *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) *Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use or its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets are measured at the lower of their carrying amount or fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets and deferred tax assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

i. Employee benefits

(i) *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(ii) *Termination benefits*

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iii) *Share-based payment transactions*
The grant date of fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

j. Provisions
A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) *Onerous contracts*
A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract or the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

k. Revenue
(i) *Services*
Revenue of the sale of commodity and service are entered in the Income Statement when a significant part of the risk and benefit is transferred to the buyer. Revenue is not entered in the Income Statement if there is uncertainty about collection or related cost.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

l. Lease payment
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

m. Finance income and expenses
Finance income comprises interest income on funds invested, including available-for-sale financial assets, dividend income, gains on the disposal of available-for-sale financial assets, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

n. Income tax
Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but the intent to settle current tax liabilities and asset basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

o. Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

p. Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

q. Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), and which is subject to risks and rewards that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's-length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

r. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 October 2007, and have not been applied in preparing these Consolidated Financial Statements.

- IFRS 7 *Financial Instruments: Disclosures and the Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures* requires extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the Group's 2008 financial statements, will require extensive additional disclosures with respect to the Group's financial instruments and share capital.

- IFRS 8 *Operating Segments* introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Group's 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 6). Under the management approach, the Group will present segment information in respect of Logistics, Shipping and Aviation (discontinued).

- Revised IAS 23 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions, the Group will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.

- IFRIC 11 IFRS 2 – *Group and Treasury Share Transactions* requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled, share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Group's 2009 financial statements, with retrospective application required. It is not expected to have any impact on the Consolidated Financial Statements.

- IFRIC 12 *Service Concession Arrangements* provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Group's 2009 financial statements, is not expected to have any effect on the Consolidated Financial Statements.

• IFRIC 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Group's 2010 financial statements, is not expected to have any impact on the Consolidated Financial Statements.

• IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when an MFR might give rise to a liability. IFRIC 14 will become mandatory for the Group's 2009 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) *Property, vessels, aircraft and equipment*
The fair value of property, vessels, aircraft and equipment recognised as a result of a business combination is based on market values. The market value of property, vessels and aircraft is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of equipment is based on the quoted market prices for similar items.

(ii) *Intangible assets*
The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iii) *Inventories*
The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iv) *Investments in equity and debt securities*
The fair value of held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(v) *Trade and other receivables*
The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(vi) *Derivatives*
The fair value of forward-exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate based on government bonds.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(vii) *Share-based payment transactions*
The fair value of employee stock options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average of historic volatility adjusted for changes expected due to publicly available information), weighted average of expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

5. SEGMENT REPORTING

Business segments
The Group comprises the following main business segments:

Logistics: Trucking, warehousing and cold store operations of the Group.

Shipping: All transportation by vessels operated by the Group.

Aviation (discontinued): Aviation servieces including charter and leisure.

Geographical segments
In presenting information on the basis of geographical segment, segment revenue and assets are based on the geographical location of assets.

5. CONTD.:

AMOUNTS ARE IN THOUSANDS OF EUR

Business segments

For the year 2007

	Logistics	Shipping	Aviation (Discontinued)	Consolidated	Less Aviation (Discontinued)	Consolidated
Revenue	845,927	612,678	288,659	1,747,264	(288,659)	1,458,605
Expenses	(777,811)	(555,658)	(276,102)	(1,609,571)	276,102	(1,333,469)
EBITDA	68,116	57,020	12,557	137,693	(12,557)	125,136
Depreciation	(36,971)	(34,527)	(34,124)	(105,622)	34,124	(71,498)
EBIT	31,145	22,493	(21,567)	32,071	21,567	53,638
Net financing expense				(68,718)	3,007	(65,711)
Share of the profit of equity accounted investees				19,766	0	19,766
Income tax				6,825	(5,120)	1,705
(Loss) gain on sale of subsidiaries				955	(19,454)	(18,499)
Loss for the year				(9,101)	0	(9,101)

For the year 2006

	Logistics	Shipping	Aviation (Discontinued)	Consolidated	Less Aviation (Discontinued)	Consolidated
Revenue	94,193	412,110	373,077	879,380	(373,077)	506,303
Expenses	(89,023)	(375,239)	(367,807)	(832,069)	367,807	(464,262)
EBITDA	5,170	36,871	5,270	47,311	(5,270)	42,041
Depreciation	(1,352)	(20,647)	(34,792)	(56,791)	34,792	(21,999)
EBIT	3,818	16,224	(29,522)	(9,480)	29,522	20,042
Net financing expense				(49,733)	9,052	(40,681)
Share of the profit of equity accounted investees				664	0	664
Income tax				7,194	(6,006)	1,188
Gain on sale of subsidiaries				115,476	(32,568)	82,908
Profit for the year				64,121	0	64,121

	Logistics	Shipping	Aviation	Unallocated assets	Consolidated
For the year 2007					
Segment assets	1,441,701	931,606		95,395	2,468,702
Segment liabilities	1,580,113	433,341		3,973	2,017,427
Capital expenditure	47,962	99,931			147,893
For the year 2006					
Segment assets	239,541	712,163	499,837		1,451,541
Segment liabilities	175,270	528,524	210,117		913,911
Capital expenditure	3,773	37,385			41,158

Geographical segments

For the year 2007

	North Atlantic	Europe	Baltic	Americas and Pacific	Asia	Consolidated
Revenue from external customers	329,152	435,869	207,001	455,103	31,480	1,458,605
Segment assets	694,979	404,224	94,679	1,271,153	3,667	2,468,702
Capital expenditure	89,498	9,268	9,351	39,178	599	147,894

For the year 2006

	North Atlantic	Europe	Baltic	Americas and Pacific	Asia	Consolidated
Revenue from external customers	254,103	224,082	259	9,689	18,170	506,303
Segment assets	398,277	1,043,116	1,085	3,910	5,153	1,451,541
Capital expenditure	35,308	59,859	12		1,061	96,240

6. Discontinued operations

During the year, the Group sold its Aviation operation. At the end of July 2007, a 49% share in Avion Aircraft Trading was sold, and on 31 October 2007, the remaining part, which consisted of Air Atlanta Icelandic and related companies, was sold. On 31 October 2006, the Group sold its entire Charter and Leisure division.

(Loss) profit attributable to the discontinued operation is specified as follows:

	2007	2006
Result of discontinued operations		
Revenue	290,584	1,381,576
Expenses	(315,158)	(1,416,139)
Result from operating activities	(24,574)	(34,563)
Income tax	5,120	1,994
Result from operating activities, net of income tax	(19,454)	(32,568)
Gain on the sale of discontinued operations	955	115,476
(Loss) profit for the period	(18,499)	82,908
Basic earnings per share	(0.010)	0.048
Diluted earnings per share	(0.009)	0.047
Result of discontinued operations		
Net cash from (to) operating activities	61,542	(46,642)
Net cash to investing activities	(175,458)	(7,267)
Net cash from (to) financing activities	111,462	(9,071)
Net cash (used) in discontinued operations	(2,454)	(62,980)

	31.10.2007
Effect of the disposal on the financial position of the Group	
Goodwill	10,121
Property, vessels, aircraft and equipment	230,178
Financial assets	9,685
Deferred tax assets	13,298
Inventories	7,157
Trade and other receivables	51,710
Cash and cash equivalents	1,798
Assets classified as held for sale	52
Loans and borrowings	(185,162)
Account and other payables	(100,392)
Net identifiable assets and liabilities	38,445
Consideration received, satisfied in cash	0
Cash disposed of	(1,798)
Net cash inflow	(1,798)

AMOUNTS ARE IN THOUSANDS OF EUR

7. Acquisitions of subsidiaries and minority interests

Business combination

On 1 November 2006, the Group acquired all shares in Atlas Cold Storage Inc., 65% of the shares in Containerships Ltd. Oy, and 51% of the shares in Harbour Grace Inc. In January 2007, the Group acquired the remaining 60% of the shares in Daalimpex Beeher BV. In August, the Group acquired all shares in Versacold Income Trust. These acquisitions had the following effect on the Group's assets and liabilities on the date of acquisition:

	Atlas Cold Storage	Container-ships Ltd Oy	Daalimpex Beeher BV	Harbour Grace CS Inc.	Versacold Income Trust	Preacquisition carrying amounts	Fair value adjustments	Recognised values on adjustments
Property, vessels and equipment	292,975	26,508	75,262	2,287	483,124	880,156	338,477	1,218,633
Intangible assets	5,500	2,671	0	0	5,640	13,811	52,970	66,781
Other non-current assets	2,956	432	0	5	1,214	4,607	(2,956)	1,651
Inventories	1,347	89	316	16	2,752	4,520	0	4,520
Trade and other receivables	35,713	20,000	6,021	809	76,547	139,090	289	139,379
Cash and cash equivalents	3,296	1,440	0	167	21,248	26,151	0	26,151
Interest-bearing borrowings	0	(15,079)	(42,141)	(2,224)	(267,363)	(326,807)	(5,210)	(332,017)
Deferred tax liabilities	(10,131)	(3,431)	(6,315)	0	(5,919)	(25,796)	(215,065)	(240,861)
Trade and other payables	(46,376)	(18,209)	(14,460)	(159)	(74,989)	(154,193)	397	(153,796)
Net identifiable assets and liabilities	285,280	14,421	18,683	901	242,254	561,539	168,902	730,441
Goodwill on acquisition	56,945	9,339	18,767	270	247,973			333,294
Minority interest								(5,712)
Consideration paid, satisfied by cash	417,278	30,000	37,450	496	831,194			1,316,418
Consideration paid, directly attributable costs	6,009	851	0	9	8,438			15,307
Total consideration paid	423,287	30,851	37,450	505	839,632			1,331,725
Cash acquired	(3,296)	(1,440)	0	(167)	(21,248)			(26,151)
Net cash outflow	419,991	29,411	37,450	338	818,384			1,305,574

Pre-acquisition carrying amounts were determined based on applicable IFRSs immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values (see note 4 for methods used in determining fair values).

The goodwill recognised on the acquisition is attributable mainly to the skills and technical talent of the acquired business's work force and the synergies expected to be achieved from integrating the companies into the Group's existing business.

Acquisition of minority interest

In June 2007 the Group acquired an additional 45% share in Innovate HQ Ltd. for EUR 38,7 million in shares on the Parent Company Hf. Eimskipafélag Íslands, increasing its ownership from 55% to 100%. The Parent Company issued 83,109,531 new shares upon the acquisition. The carrying amount of Innovate's net assets in the Consolidated Financial Statements on the date of acquisition was EUR 34 million. The Group recognised a decrease in minority interest of EUR 15 million and goodwill of EUR 38 million.

8. Other income

	2007	2006
Gain on sale of property, vessels and equipment	9,643	5,477
Gain on assets classified as held for sale	5,229	0
Other revenue	5	0
	14,877	5,477

9. Salaries and related expenses

(i) Salaries and related expenses are specified as follows:

Salaries	340,895	87,336
Contribution to defined contribution plans	24,834	6,292
Other salary-related expenses	12,822	7,207
Equity-settled, share-based payment transactions	703	749
	379,254	101,584

Average number of positions	9,507	2,366
Number of employees at year-end	12,617	2,426

(ii) Payment of salaries to the key executives for work performed for the companies within the Group, stock options and ownership in the Company are specified as follows:

Board of Directors:	Salaries	Stock options (number of shares '000)	Put options (number of shares '000)	Number of shares owned ('000)
Sindri Sindrason, Chairman	0			32,222
Magnus Thorsteinsson, former Chairman	44			622,725
Eggert Magnusson	8			2,983
Gunnar M. Bjorg	15			73,014
Thor Kristjansson	0			13,136
CEO:				
Baldur Gudnason	644	9,000	65,568	67,568

The shares owned by Board members are either owned by them personally or through holding companies.

At a board meeting held 20 December 2007, Magnus Thorsteinsson resigned as Chairman and as a member of the board and Sindri Sindrason was elected instead as a Chairman.
A formal stock option plan was issued 27 February 2007 for the aforementioned stock options.

(iv) Fees to Auditors:

	2007	2006
Audit of Financial Statements	1,981	1,131
Review of Financial Statements	337	267
Other services	136	465
	2,454	1,863

The amount includes payments to elected auditors of all companies within the Group.

AMOUNTS ARE IN THOUSANDS OF EUR

10. Finance income and expenses

	2007	2006
Finance income is specified as follows:		
Interest income	16,154	8,242
Dividends received	91	824
	16,245	9,066
Finance expense is specified as follows:		
Interest on long-term loans	(85,094)	(31,588)
Borrowing fees	(5,696)	(551)
Expenses	(9,805)	(46)
Net foreign exchange gain/loss	18,639	(17,562)
	(81,956)	(49,747)
Net finance expense	(65,711)	(40,681)

11. Income tax

(i) Income tax recognised in the Income Statement:

	2007	2006
Current tax expense:		
Current period	(16,322)	3,163
Adjustment for prior periods	(29)	0
	(16,351)	3,163
Deferred tax:		
Origination and reversal of temporary differences	18,576	(131)
Changes in tax rates	268	0
Change in unrecognised temporary differences	(1,166)	(1,895)
Recognition of previously unrecognised tax losses	1,893	0
Other changes	(1,515)	51
	18,056	(1,975)
Income tax excluding tax on the sale of discontinued operation and share of income tax of equity-accounted investees	1,705	1,188
Income tax from continuing operations	1,705	1,188
Income tax from discontinued operations (excluding gain on sale)	5,120	1,994
Total income tax	6,825	3,182

(ii) Reconciliation of effective tax rate:

		2007		2006
Profit (loss) before income tax		7,693		(19,975)
Income tax using the Company's domestic tax rate	18.0%	1,385	8.0%	(3,596)
Effect of tax rates in foreign jurisdictions	(48.6%)	(3,737)	(4.3%)	865
Non-deductable expenses	18.9%	1,453	15.6%	(3,124)
Tax exempt income	1.2%	96	(24.6%)	4,923
Effect of tax losses not utilised	1.1%	86	(1.4%)	277
Under / over provided	0.0%	0	(5.5%)	1,105
Other differences	(12.8%)	(988)	8.2%	(1,638)
Effective tax	(22.2%)	(1,705)	5.9%	(1,188)

12. Property, vessels, aircraft and equipment

Property, vessels, aircraft and equipment are specified as follows:

Cost	Land and buildings	Vessels	Containers and equipment	Aircraft	Total
Balance at 1 November 2005	123,984	105,702	84,102	186,547	500,335
Acquisitions through business combinations	16,950	3,615	32,577		53,142
Other additions	8,485	21,317	11,805	140,954	182,561
Transfer to available for sale	(1,012)		(5,490)		(6,502)
Sales and disposals during the year	(23,830)		(7,743)	(130,115)	(161,688)
Currency adjustments during the year	(5,823)	(3,104)	(7,004)	(36,184)	(52,115)
Balance at 31 October 2006	118,754	127,530	113,737	155,712	515,733
Balance at 1 November 2006	118,754	127,530	113,737	155,712	515,733
Acquisitions through business combinations (see note 7)	1,050,242	13,616	189,736		1,253,594
Other additions	18,144	46,951	38,904	201,450	305,449
Sales and disposals during the year	(186,612)	(8,201)	(14,705)	(311,243)	(520,761)
Currency adjustments during the year	(72,950)	(422)	(7,183)	(45,919)	(126,474)
Balance at 31 October 2007	927,578	179,474	320,489	0	1,427,541
Depreciation and impairment losses					
Balance at 1 November 2005	15,514	26,081	35,063	38,573	115,231
Sales and disposals during the year	(2,409)		(2,699)	(8,501)	(13,609)
Depreciation for the year	4,035	7,907	13,916	33,949	59,807
Currency adjustments during the year	(30)	(181)	(3,113)	3,105	(219)
Balance at 31 October 2006	17,110	33,807	43,167	67,126	161,210
Balance at 1 November 2006	17,110	33,807	43,167	67,126	161,210
Sales and disposals during the year	(11,754)	(5,714)	(2,938)	(75,757)	(96,163)
Depreciation for the year	17,505	10,867	30,379	32,459	91,210
Currency adjustments during the year	(409)	(120)	8,171	(23,828)	(16,186)
Balance at 31 October 2007	22,452	38,840	78,779	0	140,071
Carrying amounts					
At 1 November 2005	108,470	79,621	49,039	147,974	385,104
At 31 October 2006	101,644	93,723	70,570	88,586	354,523
At 31 October 2007	905,126	140,634	241,710	0	1,287,470

AMOUNTS ARE IN THOUSANDS OF EUR

13. Intangible assets

Intangible assets, depreciation and impairment losses are specified as follows:

Cost	Software	Market and customer related	Total
Balance at 1 November 2005	9,529	17,953	27,482
Effects of movements in foreign exhange rates	(1,791)	(463)	(2,254)
Acquisition through business combinations	161	0	161
Additions during the year	4,093	0	4,093
Sales and disposals during the year	(768)	(17,490)	(18,258)
Balance at 31 October 2006	11,224	0	11,224
Balance at 1 November 2006	11,224	0	11,224
Currency adjustments during the year	396	(3,155)	(2,759)
Acquisitions through business combinations (see note 7)	3,900	87,487	91,387
Additions during the year	8,055	0	8,055
Sales and disposals during the year	(1,896)	0	(1,896)
Balance at 31 October 2007	21,679	84,332	106,011
Amortisation and impairment losses			
Balance at 1 November 2005	1,288	843	2,131
Effects of movements in foreign exhange rates	(468)	(22)	(490)
Sales and disposals during the year	(482)	(821)	(1,303)
Balance at 31 October 2006	338	0	338
Balance at 1 November 2006	338	0	338
Currency adjustments during the year	67	(501)	(434)
Amortisation for the year	4,368	8,378	12,746
Sales and disposals during the year	(190)	0	(190)
Balance at 31 October 2007	4,583	7,877	12,460
Carrying amounts			
At 1 November 2005	8,241	17,110	25,351
At 31 October 2006	10,886	0	10,886
At 31 October 2007	17,096	76,455	93,551

Amortisation and impairment charge

The amortisation is allocated to the cost of sales in the Income Statement.

14. Goodwill

Goodwill, amortisation and impairment losses are specified as follows:

	2007	2006
Cost		
Balance at 1 November	245,009	394,916
Currency adjustments during the year	(24,790)	(22,132)
Recognised on acquisition of subsidiaries	246,096	47,521
Sales during year	(10,318)	(174,220)
Impairment loss	(1,117)	(1,076)
Reallocated to intangible assets and other assets	(18,203)	0
Balance at 31 October	436,677	245,009

14. CONTD.:

	2007	2006
The impairment of goodwill classified by operational categories, is specified as follows:		
Aviation services	0	971
Shipping and logistics	1,117	105
	1,117	1,076

Impairment testing for cash-generating units

For the purpose of impairment testing, goodwill is allocated to the Group's operating entity which represents the lowest level within the Group, as goodwill is monitored for internal management purposes.

	2007	2006
The aggregated carrying amounts of goodwill allocated to each unit are as follows:		
Logistics	230,331	63,134
Shipping	206,346	171,557
Aviation service	0	10,318
Total	436,677	245,009

Amortisation and impairment charge

The amortisation is allocated to the cost of sales in the Income Statement.

Impairment test

At the end of the fiscal year, impairment tests were performed on the Company's goodwill. When evaluating the impairment, an expected discounted cash flow, was used. When calculating present value, an interest rate corresponding to the weighted average of financial expenses was used, i.e. costs due to liabilities and equity, taxes provided. If fair value of goodwill (current expected cash flow) results in being lower than the book value, the difference will be recognised as an expense in the Income Statement. According to test results, the goodwill has suffered an impairment loss amounting to EUR 1.1 million during 2007. The impairmen is due to a warehouse operation in Sweden and Logistics operation in the USA.

Cash flows were projected based on the next year's business plan and expected growth in the next 4 years. Cash flows for future periods is extrapolated using a constant growth rate. Management believes that a constant growth rate of 2.5% a year is close to the expected inflation for the period.

The anticipated annual revenue growth rate in the cash flow projection was 2.5% for the years 2008–2011.

The discount rate of 13–14% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the Company's weighted average cost of capital.

15. Equity-accounted investees

The Group's share of profit in its equity-accounted investees for the year was EUR 20 million (2006: EUR 1 million).

Summary financial information for equity-accounted investees:

2007	Ownership	Balance at the beginning of the year	Acquisitions/ sales during the year	Share in net profit / (loss) of associate	Other adjustments	Balance at the end of the year
Daalimpex BV, Holland	40%	15,420			(15,420)	0
Harbour Grace, Inc., Canada	25%	560			(560)	0
Freshport BV, Holland	25%	0		100		100
Traxx Intercon. BV, Holland	20%	89	(89)			0
Euro Container Line AS, Norway	50%	0		1,328	(23)	1,305
Avion Aircraft Trading ehf.	49%	2,288	(20,612)	18,324		0
Shares in 2 other associates	-	14			5	19
Total		18,371	(20,701)	19,752	(15,998)	1,424

15. CONTD.:

AMOUNTS ARE IN THOUSANDS OF EUR

2006	Ownership	Balance at the beginning of the year	Acquisitions/ sales during the year	Share in net profit / (loss) of associate	Other adjustments	Balance at the end of the year
Daalimpex BV, Holland	40%		15,000	420		15,420
Harbour Grace, Inc., Canada	25%	580		27	(47)	560
Freshport BV, Holland	25%			132	(132)	0
Traxx Interconti. BV, Holland	20%	69		20		89
Euro Container Line AS, Norway	50%			64	(64)	0
Avion Aircraft Trading ehf.	49%		2,288			2,288
Shares in 2 other associates	-	34	(25)	1	4	14
Total		683	17,263	664	(239)	18,371

The associates use other reporting dates than the Group does, and the share in net profit/loss are adjusted accordingly. During the year 2007, Daalimpex BV and Harbour Grace Inc. became subsidiaries and were reclassified.

In share of net profit from Avion Aircraft Trading ehf. the gain on sale of the company is also included.

16. Financial assets

Non-current financial assets	2007	2006
Interest-bearing bonds	41,587	42,274
Other financial assets	25,811	59,049
Available-for-sale financial assets	67,398	101,323

17. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

2007	Assets	Liabilities	Net
Intangible assets	7,240	(11,469)	(4,229)
Operating fixed assets	2	(152,884)	(152,882)
Receivables	114	0	114
Long-term liabilities	13,406	(4,925)	8,481
Employee benefits	2,262	0	2,262
Current liabilities	6,036	(8,210)	(2,174)
Other	3,589	(6,160)	(2,571)
Tax loss carry-forwards	14,905	19	14,924
Total tax assets (liabilities)	47,554	(183,629)	(136,075)
Set off tax	(5,372)	5,372	0
Net tax assets (liabilities)	42,182	(178,257)	(136,075)

17. CONTD.:

2006

	Assets	Liabilities	Net
Intangible assets	21	(46)	(25)
Operating fixed assets	0	(10,963)	(10,963)
Long-term investments	876	0	876
Receivables	1,225	(76)	1,149
Long-term liabilities	0	(162)	(162)
Employee benefits	132	0	132
Current liabilities	0	39	39
Other	982	20	1,002
Tax loss carry-forwards	15,472	2,473	17,945
Total tax assets (liabilities)	18,708	(8,715)	9,993
Set off tax	(1,016)	1,016	0
Net tax assets (liabilities)	17,692	(7,699)	9,993

Movement in temporary differences during the year

2007	Balance at 1 November	Recognised in profit and loss	Recognised in equity	Acquired in business combinations (discontinued operation)	Effect of movements in foreign exchange rates	Balance 31 October
Intangible assets	(25)	(1,640)	(3,241)	730	(53)	(4,229)
Operating fixed assets	(10,963)	36,587	2,408	(177,272)	(3,642)	(152,882)
Receivables	1,149	(17)		(1,022)	4	114
Long-term liabilities	(162)	10,615	488	(3,222)	762	8,481
Employee benefits	132	(372)		2,428	74	2,262
Current liabilities	39	688	(79)	(2,768)	(54)	(2,174)
Other	1,878	(1,099)	(151)	(3,288)	89	(2,571)
Tax loss carry-forwards	17,945	(29,189)	281	26,736	(849)	14,924
Tax assets and (liabilities)	9,993	15,573	(294)	(157,678)	(3,669)	(136,075)
2006						
Intangible assets	54	(1,757)	1,678			(25)
Operating fixed assets	(9,975)	(3,654)		3,008	(342)	(10,963)
Receivables	1,487	(293)			(45)	1,149
Long-term liabilities	68	(230)				(162)
Employee benefits	36	230	(135)		1	132
Current liabilities	0	40			(1)	39
Other	1,212	(57)	669		54	1,878
Tax loss carry-forwards	11,310	5,152		314	1,169	17,945
Tax assets and (liabilities)	4,192	(569)	2,212	3,322	836	9,993

AMOUNTS ARE IN THOUSANDS OF EUR

18. Trade and other receivables

Trade and other receivables are specified as follows:

	2007	2006
Trade receivable, par value	272,174	170,263
Prepaid expenses	33,600	32,120
Current maturities of long-term notes	16,895	9,559
Other receivables	56,567	31,061
Loans to associated companies	0	37,856
Impairment losses	(8,197)	(16,379)
Trade and other receivables total	371,039	264,480

The impairment loss recognised in the current year was EUR 2.5 million. (2006: EUR 3.8 million.)

19. Cash and cash equivalents

Cash and cash equivalents are specified as follows:

Bank balances	67,481	179,947
Marketable securities	12,201	78
Cash and cash equivalents	79,682	180,025
Cash restricted to use by the Group	(8,918)	(87,602)
Cash available for use by the Group	70,764	92,423

20. Assets classified as held for sale

Assets classified as held for sale are specified as follows:

Property	0	14,300
Aircraft and engines	0	5,353
Assets classified as held for sale total:	0	19,653

21. Capital and reserves

The Company's capital stock is nominated in Icelandic kronur. The nominal value of each share is one ISK, and one vote is attached to each share. The shareholders are entitled to receive dividends as declared from time to time. The EUR amount of capital stock was 22 million at year-end 2007 (2006: EUR 21 million). During the year, the capital stock was increased by EUR 0.9 million of nominal value and sold for EUR 36 million. Issued capital is converted to EUR using the exchange rate at subscription date. The total number of shares at period-end was 1,841 million. The Articles of Association of Hf. Eimskipafelag Íslands authorises the Board of Directors to issue up to 323 million new shares to meet obligations.

	Number of shares in thousands	EUR
Outstanding capital stock at 1 November 2005	1,472,077	17,254
Proceeds from sale of new shares	285,094	3,595
Trading with treasury shares	(3,022)	(663)
Allocation of treasure stock due to acquisitions of subsidiaries	4,271	687
Outstanding capital stock at 1 November 2006	1,758,420	20,873
Proceeds from sale of new shares	83,110	981
Purchase of treasury shares	(493)	(5)
Outstanding at the end of the year	1,841,037	21,849

21. CONTD.:

Share premium
Share premium represents excess of payment above nominal value that shareholders have paid for shares sold by the Company.

Translation reserve
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Share option reserve
The share option reserve represents the liability the Company has toward its employees regarding share-based payments.

Hedging reserve
The hedging reserve comprises the effective portion of cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. Due to the sale of Charter and Leisure division the Group had no hedge accounting in force on October 31, 2007.

Fair value reserve
The fair value reserve comprises the cumulative net change in fair value of available-for-sale financial assets until the investment is impaired.

Dividend
The Company has neither paid dividend nor declared payments of dividend.

22. Earnings per share

Basic earnings per share
The calculation of basic and diluted earnings per share at 31 October 2007 was based on the loss attributable to ordinary shareholders of the parent company of 16 million (2006: profit 63 million) and a weighted average number of ordinary shares outstanding of 1,803 million (2006: 1,726 million), calculateds as follows:

	2007			2006		
In thousands EUR	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Net profit (loss) attributable to ordinary shareholders	2,019	(18,499)	(16,480)	(18,787)	82,048	63,261

	2007 '000	2006 '000
Issued ordinary shares at the beginning of the year	1,754,135	1,472,075
Effect of shares issued	48,481	251,266
Effect of own shares	926	2,959
Weighted average number of ordinary shares at 31 October	1,803,542	1,726,300

22. CONTD.: AMOUNTS ARE IN THOUSANDS OF EUR

Diluted earnings per share

The calculation of basic and diluted earnings per share at 31 October 2007 was based on the loss attributable to ordinary shareholders of the parent company of 5 million (2006: profit 63 million) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 1,955 million (2006: 1,748 million), calculateds as follows:

In thousands EUR	2007 Continuing operations	2007 Discontinued operations	2007 Total	2006 Continuing operations	2006 Discontinued operations	2006 Total
Net profit attributable to shareholders (basic)	2,019	(18,499)	(16,480)	(18,787)	82,048	63,261
Interest on convertible bond, net of tax	11,821	0	11,821	0	0	0
	13,840	(18,499)	(4,659)	(18,787)	82,048	63,261

	2007 '000	2006 '000
Weighted average number of ordinary shares (basic)	1,803,541	1,726,300
Effect of share option in issue	0	21,900
Effect of convertible bonds	151,225	0
Weighted average number of ordinary shares (diluted) at 31 October	1,954,766	1,748,200

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

23. Loans and borrowings

This note provides information on the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to foreign currency risk, see note 27:

Non-current loans and borrowings at the end of the year consists of the following:	2007	2006
Convertible loan	76,471	0
Loans and borrowings	1,163,416	355,459
	1,239,887	355,459

	Nominal interest 2007	Carrying amount 2007	Nominal interest 2006	Carrying amount 2006
Loans in EUR	4,0–7,0%	455,460	3,7–5,0%	70,479
Loans in CAD	4,7–15%	422,219	-	-
Loans in USD	4,8–8,0%	326,163	5,8–7,7%	288,968
Loans in ISK	5,3–16,5%	118,578	5,3–7,0%	107,005
Loans in GBP	4,8–9,1%	39,826	6,2–7,5%	125,783
Loans in CHF	2,5–4,1%	25,857	2,4–3,0%	20,708
Loans in JPY	2,0–2,4%	13,419	1,6–2,9%	11,013
Loans in other currencies	6,0–6,8%	14,365	4,1–5,0%	17,601
		1,415,887		641,557
Current maturities		(176,000)		(286,098)
		1,239,887		355,459

23. CONTD.:

Aggregated annual maturities are as follows:	2007	2006
Less than one year	176,000	286,098
Between one and five years	1,148,081	194,812
More than five years	91,806	160,647
	1,415,887	641,557

Collateral of loans and borrowings is specified as follows:		
Convertible loan	83,648	0
Loans with collateral in fixed assets	828,449	217,243
Loans with collateral in accounts receivable and stocks	262,846	227,111
Unsecured bond issued	240,944	197,203
Total	1,415,887	641,557

The holder of the convertible loan has the unilateral right to demand that the debt shall be converted to common shares of the Company at the price ISK 40 per share.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2007			2006		
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Less than one year	15,025	2,060	12,965	1,717	101	1,616
Between one and five years	39,907	7,437	32,469	3,500	163	3,337
More than five years	36,412	11,677	24,735	4	0	4
	91,344	21,174	70,169	5,221	264	4,957

24. Share-based payments

On 19 January 2006, the Group established a share option programme that entitled key management personnel to purchase shares in the Company. Under this programmem 49,500 shares have been issued. This programme was cancelled, and all options under it were also cancelled on 27 February 2007.

On 27 February 2007, the Group established a new share option programme that entitles key management personnel to purchase shares in the Company. In accordance with these programmes, options are exercisable at the market price of the shares at the date of grant.

The grantees can only exercise their rights at the vesting dates, which are 15 January 2008, 2009 and 2010.

The terms and condition of the grants are as follows, and all options are settled by delivery of shares:

Grant date/employees entitled	Number of shares ‘000	Vesting condition	Contractual life of option
Option granted to key management 27 February 2007	14,700	Employee must be working for the Group on 15 January 2008	1 day
Option granted to key management 27 February 2007	14,700	Employee must be working for the Group on 15 January 2009	1 day
Option granted to key management 27 February 2007	14,700	Employee must be working for the Group on 15 January 2010	1 day

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The number and exercise price of the share options are as follows:

	2007		2006	
	Exercise price ISK	Number of options '000	Exercise price ISK	Number of options '000
Outstanding at the beginning of the period	38.3	21,900	-	0
Cancelled during period	38.3	(21,900)	-	0
Granted during period	38.3	44,100	38.3	49,500
Forfeited during period	38.3	(2,100)	38.3	(27,600)
Outstanding 31 October	38.3	42,000	38.3	21,900
Exercisable at 31 October		0		0

The options outstanding at 31 October have an exercise price of ISK 38.3 per share and a contractual life of one day.

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial lattice model, with the following inputs:

	Key management personnel	
	2007	2006
Fair value at grant date	4,402	2,899
Share price	38.3	38.3
Exercise price	38.3	38.3
Expected volatility (weighted average volatility)	26.1%	28.8%
Option life (expected average life)	3	3
Expected dividend	0%	10%
Risk-free interest rate (based on government bonds)	11.7%	9.4%
Fair value at grant date	38.3	38.3

Expensed in income statement is EUR 0.7 million. (2006: EUR 0.7 million.)

25. Provisions

	Onerous contracts	Other	Total
Balance at 1 November 2006	39,997	5,160	45,157
Provisions made during the period	16,903	40,587	57,490
Provisions reversed during the period	(42,831)	(2,738)	(45,569)
Currency adjustments	(920)	812	(108)
Provisions under current liabilities	0	(1,770)	(1,770)
Balance at 31 October 2007	13,149	42,051	55,200

Onerous contracts
The Group entered into a non-cancellable lease for buildings, which it is currently not using or subletting. Some of the facilities have been sublet for the remaining lease term, but changes in market conditions have had the effect that the rental income is lower than the rental expense. The obligation for the discounted future payments, net of expected rental income, has been provided for.

Other
Other provisions are against claims, and as part of the sale-leaseback transaction in Canada, the Group is obligated to repair certain capital items over the next 3 years.

26. Trade and other payables

Trade and other payables are attributable to the following:

	2007	2006
Accounts payable	115,748	127,889
Other payables	189,046	91,608
Total	304,794	219,497

27. Financial instruments and risk management

Exposure to currency risks arises in the normal course of the Group's business. Derivatives are used to hedge exposure to fluctuations in foreign exchange rates.

a. *Financial risk management and hedging activities*

The principal objective of risk management is to reduce financial risk in the Group and to increase its financial stability. Eimskip's risk management policy constitutes a framework of guidelines and rules covering areas such as foreign exchange, interest, vessel fuel price and use of derivatives, as well as liquidity risk.

Exposure to fuel prices, currency and interest rate risk and liquidity risk arises in the normal course of the Group's business. The Group has established formal risk management policies and guidelines that are approved by the Board of Directors to manage such risks. When deemed appropriate, risk exposures are reduced by the use of derivatives. Derivative financial instruments are used primarily to reduce exposure to fluctuations in fuel prices, foreign exchange rates and interest rates in line with the Group's documented risk management policies and strategy.

b. *Interest rate risk*

The Group has it's interest rate risk exposure from its debt, and lease liabilities. The Group aims to limit the interest rate risk and to achieve optimal ratios regarding fixed to float interest rate exposure and the duration of interest-bearing liabilities. The debt and leasing contracts are denominated mainly in EUR.

c. *Foreign currency risk*

Exposure to foreign exchange rates arises from transactions in currencies other than the Group's base currency, which is the EUR. The Group differentiates between risk from operations and risk from investments. The currencies giving rise to this risk are primarily the USD, GBP and the ISK, though transactions also occur in a number of other currencies. Whenever possible, internal hedging principles (matching of foreign currency in- and outflows) are applied. The Group then hedges its net transaction exposure externally in the foreign exchange markets. The Group uses forward exchange contracts and currency options to hedge its foreign currency risk.

d. *Liquidity risk*

Corporate treasury is responsible for the Group's liquidity management and funding. The Group aims at maintaining sufficient reserves of cash and cash equivalents in order to meet its liquidity requirements.

Sensitivity analysis

In managing currency risks, the Group aims at reducing the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange will have an impact on profit.

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28. Operating leases

Leases as lessee

	2007	2006
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	83,983	97,118
Between one and five years	283,870	187,051
More than five years	1,062,205	659,996
Total	1,430,058	944,165

The Group leases a number of warehouses and trucks under operating leases. The leases typically run for a period of 5–25 years.

29. Capital commitments

A loan in the amount of USD 280 million which was a partial payment to Hf. Eimskipafelag Íslands for the sale of the XL Leisure Group in 2006 is guaranteed by the Company. The loan is to be repaid in full on 5 March 2008.

The Company is currently the Guarantor to lessors for leases of 14 aircraft with XL Airways in the UK. The leases for those aircraft will expire in the years 2009–2018. The management of XL is working on releasing the Company from those guarantees. In case of default, the lessor does have a legal obligation to mitigate its damages, which does include re-letting the aircrafts to a different operator. The monthly lease payments for those 14 aircraft is USD 5.1 million, and the total deposit for those aircraft held by the lessors is USD 12.6 million.

The Company has received an industry view for leases of aircraft, made by Alize Worldwide Ltd. According to their view, there is a strong market for these aircraft types in question. Accordingly, the exposure for Eimskip would be the downtime required for the lessor to remarket the aircraft on same or better terms and conditions. A conservative view is a downtime of 3 months, which equals to 3 months lease rentals for each aircraft.

The Company guaranteed loans in Air Atlanta Icelandic amounting to USD 280 million in the end of October. Behind that loan portfolio at that time were 13 aircraft. In middle of January, Air Atlanta Icelandic sold 2 aircraft out of those 13, so when the Financial Statements for the Company are published on 30 January, the amount of guarantees that the Company has in relation to the remaining 11 aircraft has been reduced to USD 185 million. According to a valuation report, signed by Santos Dumont in Dublin in January 2008, the value of those 11 aircraft the amount that the Company is guaranteeing and also the amount that the Company has outstanding with Air Atlanta Icelandic.

The Company has guaranteed to the German Aviation Authorties to secure for Star XL Germany the payment of up to EUR 7.0 million due to their flight operation. The guarantee will remain unchanged to 30 September 2008.

Star Airlines was acquired in January 2006 and sold again in October 2006. A part of the purchase price (EUR 4.6 million) was to be paid only if certain conditions concerning financial position and operational performance were met. The Company's management believes that the performance of Star Airlines did not meet these conditions and the Company is therefore not obliged to make the payment. The seller, which is now in receivership, has stated that he disagrees with this view, but no further action has been taken. According to information received from the Company's lawyer, the outcome of a possible dispute on this matter will not be material.

30. Related parties

The Company's related parties are subsidiaries (see note 31), and associated companies (see note 15).

In the fiscal year, associated companies acquired service from Group companies for EUR 0.4 million (2006: EUR 0.8 million) and the Group companies received service from associated companies for EUR 0.5 million (2006: EUR 0.8 million). At the end of the fiscal year, the associated companies owed to Group companies a total of EUR 2.2 million (2006: EUR 0.1 million). The value of transactions with associates is based on market value. Associated companies paid no dividend during the year.

31. Group entities

At year-end, the Company owned directly nine subsidiaries that are all included in the consolidation. The direct subsidiaries further owned 164 subsidiaries at year-end. The subsidiaries that are included in the Group are as follows:

	Country of incorporation	Ownership Interest 2007	2006
TVG – Zimsen ehf.	Iceland	100%	100%
Eimskip Holdings Ltd. (Parent of Versacold Inc.)	Canada	100%	-
Eimskip Atlas Canada Inc.	Canada	100%	-
Eimskip USA Inc.	USA	100%	100%
Eimskip UK Ltd.	England	100%	100%
Eimskip Nederland BV	Holland	100%	100%
P/F Faroe Ship	Faroe Islands	100%	100%
Harbour Grace CS Inc.,	Canada	51%	25%
Containership Ltd. OY	Finland	65%	-

32. Subsequent events

On 19 December 2007, the Icelandic Competition Authority published its decision stating that Eimskip had violated the Competition Act during the years 2001 and 2002. The Authority imposed an ISK 310 million fine on the Company for these violations. Eimskip has appealed the decision to the Competition Appeals Committee. A decision from the Committee is expected in April–May 2008.

Eimskip's principal reasoning in the case is that the Company is not party to the case and that the case is improperly directed at the Company. In addition, the Company is of the opinion that it was not a market dominant company when the alleged violations occurred and, finally, that the alleged violations were a normal part of competitive business during the period and therefore not violations of the Competition Act. In conclusion, Eimskip is of the opinion that the matter has expired.

Furthermore, several comments are submitted with respect to the procedures used by the Competition Authority. Among others, Eimskip is of the opinion that the Authority violated the investigative rules of administrative law as well as the provisions on prompt handling contained in the Act on Administrative Procedures, as it took the Authority over 5 years to reach a decision in the case.

In January 2008, the Company finalised the sale and lease-back of assets in Canada and USA for EUR 222 million which was introduced in the end of October 2007. The proceeds from the sale will be used to repay long-term debt of EUR 167 million.

33. Other matters

The Company's management intends to finalise a sale and lease-back of assets for EUR 670 million in Q2 2008. The proceeds from the sale will be used to repay debt of EUR 550 to 600 million. The buyer is a company that will be owned 49% by the Company and 51% owned by a real estate company.

UNAUDITIED INFORMATION

AMOUNTS ARE IN THOUSANDS OF EUR

Quarterly Statements

The Company's operations are specified as follows by quarters:

	Q 1 2007	Q 2 2007	Q 3 2007	Q 4 2007	Total 2007
Revenue	306,192	316,452	318,930	502,154	1,443,728
Cost of sales	(294,660)	(300,366)	(297,153)	(480,023)	(1,372,202)
Gross profit	11,532	16,086	21,777	22,131	71,526
Gain on sale of assets	9,238	1,799	0	3,840	14,877
Administrative expenses	(9,145)	(8,569)	(6,877)	(8,174)	(32,765)
Operating profit	11,625	9,316	14,900	17,797	53,638
Financial income and expenses	(16,581)	(14,116)	(14,493)	(20,521)	(65,711)
Share of the profit of associates	689	210	18,725	142	19,766
Pre-tax profit	(4,267)	(4,590)	19,132	(2,582)	7,693
Income tax	1,074	2,134	70	(1,573)	1,705
Profit (loss) from continuing operations	(3,193)	(2,456)	19,202	(4,155)	9,398
Loss from discontinued operations	(2,428)	(7,387)	(5,069)	(3,615)	(18,499)
Loss for the year	(5,621)	(9,843)	14,133	(7,770)	(9,101)
EBITDA from continuing operations	25,519	24,592	31,551	43,474	125,136

APPENDIX 2

(ii) Payment of salaries to the key executives for work performed for the companies within the Group, stock options and ownership in the Company are specified as follows:

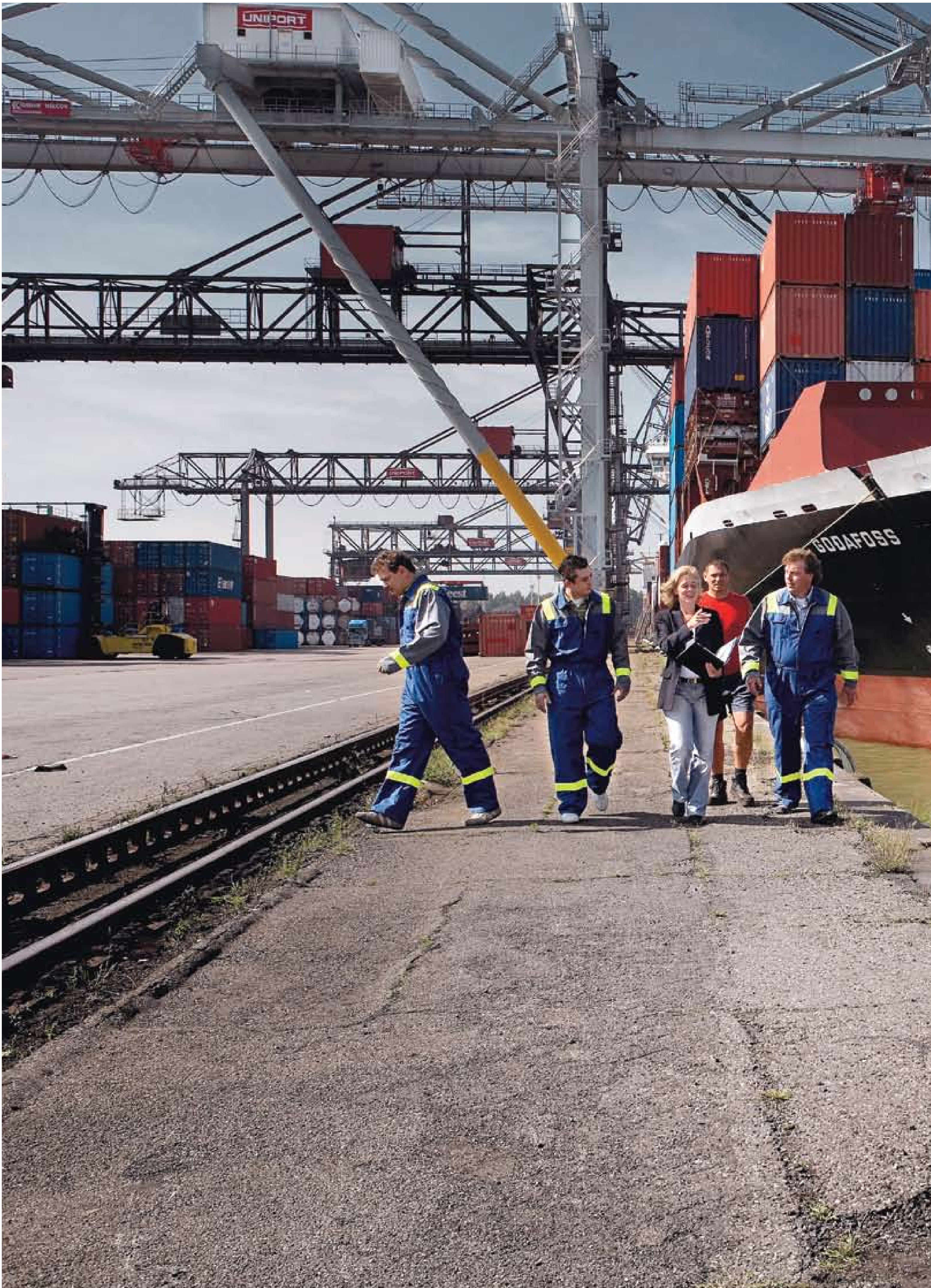
Board of Directors:	Salaries	Stock options (number of shares '000)	Put options (number of shares '000)	Number of shares owned ('000)
Sindri Sindrason, Chairman	0	0	0	32,222
Magnus Thorsteinsson, former Chairman	44	0	0	622,725
Eggert Magnusson	8	0	0	2,983
Gunnar M. Bjorg	15	0	0	73,014
Thor Kristjansson	0	0	0	13,136
CEO:				
Baldur Gudnason	644	9,000	67,568	67,568
Other members of key management (8)	1,704	14,550	0	28,303

The shares owned by Board members and top management are either owned by them personally or through holding companies.

Baldur Gudnason has a put option of the shares he owns originally for three years or until 24.4.2010 at the share price 37.76 and the option can be realised at any time during that period. The Company has made an agreement with Baldur that he will work for the company no less than the next three years.

At a board meeting held 20 December 2007, Magnus Thorsteinsson resigned as Chairman and as a member of the board and Sindri Sindrason was elected as a Chairman.

A formal stock option plan was issued on 6 March 2007 for the aforementioned stock options.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HYUNDAI
HYUNDAI