Eimskipafélag Íslands hf.

Consolidated Financial Statements
For the year ended 31 December 2013
EUR

Eimskipafélag Íslands hf.
Korngardar 2
104 Reykjavík
Iceland

Reg. no. 690409-0460

Contents

Endorsement and Statement by the Board of Directors and the CEO

Operations and significant matters in 2013

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

In March 2013 Eimskip made substantial changes to its sailing schedule. The changes included coastal sailings in Iceland, with additional port calls in the Faroe Islands, direct connection to the UK and mainland Europe and shorter transit time and increased frequency to and from the USA. The number of vessels in liner services was increased by one. In connection with the changes, Eimskip opened new offices in Gdynia, Poland and Portland, Maine, USA.

In April 2013 Eimskip entered into an amended agreement regarding the building of two new container vessels. Expected delivery was in the year 2013 but with the amended agreement, delivery was expected in the first half of 2014. As a result of the delay, Eimskip was able to negotiate a reduction of the vessels' purchase price of USD 10 million (EUR 7.3 million) in total. In January 2014 the agreement with the shipyard was further amended, including an additional reduction in the first vessel's purchase price of USD 750 thousand (EUR 544 thousand). Expected delivery of the first vessel was further delayed to the second quarter of 2014. An amendment for the purchase of the second vessel has not been made, but expected delivery has been delayed to the fourth quarter of 2014.

In September 2013 the Icelandic Competition Authority exercised a dawn raid at the premises of Eimskipafélag Íslands hf. and its subsidiaries, Eimskip Ísland ehf. and TVG-Zimsen ehf., based on a ruling from the Reykjavík District Court. The dawn raid was exercised due to alleged breach of Article 10 and 11 of the Icelandic Competition Act. At this point the subject matter of the investigation is not known and any elaboration on the potential outcome of the investigation is premature. The investigation neither affected the income statement nor the statement of financial position of Eimskip as at 31 December 2013. Further information is provided in note 24.

Net earnings for the year 2013 amounted to EUR 10.8 million (2012: 12.7 million) according to the consolidated income statement. Total equity at 31 December 2013 amounted to EUR 205.8 million (2012: 199.6 million) according to the statement of financial position.

The Board of Directors proposes a dividend payment to shareholders in 2014 in the amount of ISK 2.60 per share. The total dividend payment is ISK 504.6 million, or EUR 3.2 million, which represents 30.0% of net earnings for the year 2013.

Share capital and articles of association

The nominal value of the Company's issued share capital amounts to ISK 200 million of which the Company held treasury shares of ISK 5.9 million which is equal to 2.96% of issued shares. The share capital is divided into shares of ISK 1 each with equal rights within a single class of shares listed on the Icelandic Stock Exchange (NASDAQ OMX Iceland). Companies can purchase up to 10% of the nominal value of the Company's shares according to the Icelandic Company's Act.

The Company's Board of Directors consists of five Directors and two alternate Directors and they are all elected at the Annual General Meeting. Those who intend to run for the Board of Directors shall notify the Board of Directors of their candidacy at least five days before a shareholders' meeting. The Company's articles of association may only be amended by a lawful shareholders' meeting, as long as the proposal for the amendment is described in the invitation to the meeting. The decision to amend the articles of association will only be valid if it is approved by 2/3 of the votes and approved by shareholders controlling at least 2/3 of the votes represented at the shareholders' meeting.

Further information on matters related to the share capital is disclosed in note 15. Additional information on shareholders is provided on the Company's website www.eimskip.is/investors. The number of shareholders at year-end was 1,224 which was a decrease of 1,200 from the beginning of year.

Endorsement and Statement by the Board of Directors and the CEO

The Company's largest shareholders at the year-end are the following:

	2013		2012	
Shareholder:	**Number of shares**	**Shares in %**	**Number of shares**	**Shares in %**
Yucaipa American Alliance Fund II, LP	30,504,030	15.72%	30,504,030	15.72%
Lífeyrissjódur verzlunarmanna	29,135,070	15.01%	29,135,070	15.01%
Yucaipa American Alliance (Parallel)	20,095,970	10.35%	20,095,970	10.35%
Lífeyrissjódur starfsmanna ríkisins A-deild	14,624,665	7.54%	0	0.00%
A1988 hf.	8,441,950	4.35%	8,441,950	4.35%
J.P. Morgan Clearing Corporation	7,672,360	3.95%	7,672,360	3.95%
Lífeyrissjódur starfsmanna ríkisins B-deild	6,900,000	3.56%	364,822	0.19%
Stefnir - ÍS 15	5,937,749	3.06%	3,262,795	1.68%
Sameinadi lífeyrissjódurinn	5,442,718	2.80%	2,400,280	1.24%
Stapi lífeyrissjódur	4,717,732	2.43%	642,970	0.33%
IS Hlutabréfasjódurinn	3,145,792	1.62%	3,725,305	1.92%
Landsbankinn hf.	2,786,913	1.44%	1,093,461	0.56%
Other shareholders	54,676,231	28.17%	86,742,167	44.69%
Total outstanding shares	194,081,180	100.00%	194,081,180	100.00%
Treasury shares	5,918,820		5,918,820	
Total issued shares	200,000,000		200,000,000	

Corporate Governance

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

The framework for Corporate Governance practices within Eimskip consists of the provisions of law, the parent company's Articles of Association, general securities regulations and the Icelandic Corporate Governance Guidelines issued by the Iceland Chamber of Commerce, NASDAQ OMX Iceland and the Confederation of Icelandic Employers. Corporate Governance practices are designed to ensure open and transparent relationship between the Company´s management, its Board of Directors, its shareholders and other stakeholders. Further information is provided in the Corporate Governance Statement which is an appendix to these financial statement.

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

The Company is of the opinion that it follows and complies with the Guidelines. However the Company has not established a Nomination Committee as the Board of Directors has considered it unneccessary.

Statement by the Board of Directors and the CEO

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

According to the best of our knowledge, it is our opinion that these annual consolidated financial statements give a true and fair view of the consolidated financial performance of Eimskip for the year 2013, its assets, liabilities and consolidated financial position as at 31 December 2013 and its consolidated cash flows for the year 2013.

Further, in our opinion the consolidated financial statements and the Endorsement by the Board of Directors and the CEO give a fair view of the development and performance of Eimskip's operations and its position and describe the principal risks and uncertainties faced by Eimskip.

The Board of Directors and the CEO have today discussed the consolidated financial statements of Eimskipafélag Íslands hf. for the year 2013 and confirm them by means of their signatures. The Board of Directors and the CEO recommend that the consolidated financial statements will be approved at the Annual General Meeting of Eimskipafélag Íslands hf.

Endorsement and Statement by the Board of Directors and the CEO

Reykjavík, 27 February 2014

Board of Directors:
Richard Winston Mark d'Abo, Chairman
Gunnar Karl Gudmundsson
Hrund Rudolfsdóttir
Helga Melkorka Óttarsdóttir
Marc Jason Smernoff
Víglundur Thorsteinsson

CEO:
Gylfi Sigfússon

Independent Auditors' Report

To the Board of Directors and Shareholders of Eimskipafélag Íslands hf.

We have audited the accompanying consolidated financial statements of Eimskipafélag Íslands hf., which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated income statement and statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 Eimskipafelag Island hf. as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on the Board of Directors report

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statement Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors accompanying the consolidated financial statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the consolidated financial statements.

Reykjavík, 27 February 2014

KPMG ehf.

Alexander G. Edvardsson

Ólafur Már Ólafsson

Consolidated Income Statement
1 January to 31 December 2013

	Notes	2013	2012
Operating revenue:			
Sales	2,4	433,824	423,653
Expenses:			
Operating expenses	2,4	321,368	312,086
Salaries and related expenses	5	75,402	70,803
Other expenses	4	0	4,596
		396,770	387,485
Operating profit (EBITDA)		37,054	36,168
Depreciation and amortization	8,9	(21,143)	(22,436)
Results from operating activities		15,911	13,732
Finance income		704	657
Finance expense		(3,938)	(3,640)
	6	(3,234)	(2,983)
Share of earnings of associated company	10	2	0
Net earnings before income tax		12,679	10,749
Income tax	7	(1,862)	1,982
Net earnings for the year		10,817	12,731
Net earnings for the year attributable to:			
Equity holders of the Company		10,743	12,519
Non-controlling interest		74	212
		10,817	12,731
Earnings per share:			
Basic and diluted earnings per share (EUR)	16	0.0554	0.0645

The notes on pages 12 to 34 are an integral part of these Consolidated Financial Statements.

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Consolidated Statement of Comprehensive Income
1 January to 31 December 2013

	Notes	2013	2012
Net earnings for the year		10,817	12,731
Other comprehensive income:			
Items that may subsequently be reclassified to the income statement			
Foreign currency translation difference of foreign operations		(2,061)	(735)
Total comprehensive income for the year		8,756	11,996
Total comprehensive income for the year attributable to:			
Equity holders of the Company		8,928	11,888
Non-controlling interest		(172)	108
Total comprehensive income for the year		8,756	11,996

The notes on pages 12 to 34 are an integral part of these Consolidated Financial Statements.

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Consolidated Statement of Financial Position as at 31 December 2013

	Notes	2013	2012
Assets:			
Property, vessels and equipment	8	186,471	180,440
Intangible assets	9	20,372	19,647
Investment in associated company	10	546	0
Financial assets	11	888	984
Deferred tax assets	12	7,819	8,652
Total non-current assets		216,096	209,723
Inventories		2,745	3,114
Trade and other receivables	13,20	69,154	63,140
Cash and cash equivalents	14	26,370	37,304
Total current assets		98,269	103,558
Total assets		314,365	313,281
Equity:			
Share capital		1,211	1,211
Share premium		154,680	154,680
Translation reserve		(2,358)	(543)
Retained earnings		49,296	41,208
Total equity attributable to equity holders of the parent	15	202,829	196,556
Non-controlling interest		2,942	3,043
Total equity		205,771	199,599
Liabilities:			
Loans and borrowings	17	44,300	51,088
Deferred tax liability	12	136	0
Total non-current liabilities		44,436	51,088
Loans and borrowings	17	15,098	8,166
Trade and other payables	18	49,060	54,428
Total current liabilities		64,158	62,594
Total liabilities		108,594	113,682
Total equity and liabilities		314,365	313,281

The notes on pages 12 to 34 are an integral part of these Consolidated Financial Statements.

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Consolidated Statement of Changes in Equity
for the year ended 31 December 2013

	Attributable to equity holders of the Company							
	Share capital	Share premium	Share option reserve	Translation reserve	Retained earnings	Total	Non controlling interest	Total equity
Changes in Equity 2013:								
Equity at 1 January 2013	1,211	154,680	0	(543)	41,208	196,556	3,043	199,599
Other changes in non-controlling interest						0	71	71
Dividend paid (0.00137 EUR per share)					(2,655)	(2,655)		(2,655)
Total comprehensive income for the year				(1,815)	10,743	8,928	(172)	8,756
Equity at 31 December 2013	1,211	154,680	0	(2,358)	49,296	202,829	2,942	205,771
Changes in Equity 2012:								
Equity at 1 January 2012	104	148,179	425	88	25,077	173,873	2,636	176,509
Effects of share based payment agreements			3,187			3,187		3,187
Stock split	1,070	(1,070)				0		0
Treasury shares sold	37	7,571				7,608		7,608
Cancellation of share options			(3,612)		3,612	0		0
Other changes in non-controlling interest						0	299	299
Total comprehensive income for the year				(631)	12,519	11,888	108	11,996
Equity at 31 December 2012	1,211	154,680	0	(543)	41,208	196,556	3,043	199,599

The notes on pages 12 to 34 are an integral part of these Consolidated Financial Statements.

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Consolidated Statement of Cash Flows
for the year ended 31 December 2013

	Notes	2013	2012
Cash flows from operating activities:			
Net earnings for the year		10,817	12,731
Adjustments for:			
Depreciation and amortization	8,9	21,143	22,436
Share of earnings of associated company	10	(2)	0
Effects of share options		0	3,187
Net finance expense	6	3,234	2,983
Change in deferred taxes	7,12	907	(2,831)
Other changes		(2,493)	(762)
		33,606	37,744
Changes in current assets and liabilities:			
Inventories, change		291	615
Receivables, change		(5,182)	(6,097)
Payables, change		(5,314)	8,366
Change in current assets and liabilities		(10,205)	2,884
Interest paid		(2,493)	(4,131)
Interest received		581	947
Taxes paid		(952)	(572)
Net cash from operating activities		20,537	36,872
Cash flows used in investing activities:			
Investments in non-current assets	8,9	(26,469)	(41,668)
Proceeds from the sale of non-current assets		938	2,480
Investments in subsidiaries net of cash acquired		(565)	0
Investment in associated company	10	(498)	0
Investments in financial assets		(7)	0
Net cash used in investing activities		(26,601)	(39,188)
Cash flows used in financing activities:			
Proceeds from sale of treasury shares		0	7,608
Changes in non-controlling interest		(71)	(299)
Proceeds from long-term borrowings		7,921	359
Repayment of long-term borrowings		(8,753)	(12,037)
Dividend paid		(2,655)	0
Net cash used in financing activities		(3,558)	(4,369)
Changes in cash and cash equivalents		(9,622)	(6,685)
Cash and cash equivalents at the beginning of the year		37,304	43,517
Effects of exchange rate fluctuations on cash held		(1,312)	472
Cash and cash equivalents at year-end		26,370	37,304
Investing and financing activities not affecting cash flows:			
Proceeds from the sale of non-current assets		2,823	0
Repayment of long-term borrowings		(2,823)	0
Investment in non-current assets	8,9	(2,809)	(8,860)
Proceeds from long-term borrowings		2,809	8,860

The notes on pages 12 to 34 are an integral part of these Consolidated Financial Statements.

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Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

1. Reporting entity

Eimskipafélag Íslands hf. (the “Company”) is a public limited liability company domiciled in Iceland. The address of the Company's registered office is Korngardar 2, 104 Reykjavík. The consolidated financial statements of the Company for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as "Eimskip” or the "Group") and the Eimskip's interest in associated companies. The parent company is an investment company focused on investments in shipping and logistic services. The Company is listed on NASDAQ OMX Iceland.

2. Basis of preparation

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The financial statements were approved and authorized for issue by the Company's Board of Directors on 27 February 2014.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis. The methods used to measure fair values are discussed further in note 3.

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 unless otherwise indicated.

d. Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

Note 12 – Measure of the recoverable amounts of deferred tax assets
Note 13 – Trade and other receivables

e. Restatement of comparative figures

One of the Group's subsidiaries restated its comparative amounts for sales and operating expenses for the previous year when preparing the interim financial statements for the first half of 2013. The restatement is due to the fact that in the previous year the subsidiary presented certain sales on net basis but did not report gross amounts of income and expenses. The effect on the consolidated comparative figures is an increase of EUR 9.3 million in sales with a corresponding increase in operating expenses. The restatement of the comparative amounts has no other effect on the consolidated financial statements.

3. 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) 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. This fair value is determined for disclosure purpose.

4. Segment reporting

Business segments

Eimskip has two reportable segments, as described below, which are Eimskip's strategic business units. The strategic business units offer different products and services on different markets and are managed separately. The segment reporting is based on an internal reporting function of Eimskip. The following summary describes the operations in each of Eimskip's reportable segments:

Liner services: The main emphasis in Eimskip's operations is the sale of transportation of goods to and from Iceland, Norway and the Faroe Islands through its service routes in the North-Atlantic. This service includes sea transportation, trucking and warehousing and logistic services.

Forwarding services: The second segment represents transportation solutions outside Eimskip's own operating system, utilizing the global network of Eimskip's offices and agency network, mainly in the reefer sector.

Unallocated: The unallocated column consists of costs relating to the forfeited share option agreements and the costs associated with the registration of the Company's shares on NASDAQ OMX Iceland.

The unallocated expense in 2012 is presented as other expenses in the income statement. Specific one-off items are as follows:

	2013	2012
Operating profit (EBITDA)	37,054	36,168
Expenses:		
Effects of cancellation of share based payment agreements	0	2,914
Registration on NASDAQ OMX Iceland	0	1,682
	0	4,596
Operating profit (EBITDA) without specific one-off items	37,054	40,764

Business segments

	Liner services	Forwarding services	Unallocated	Total
For the year 2013				
Revenue, external	319,180	114,644	0	433,824
Inter-segment revenue	32,588	33,336	0	65,924
Total	351,768	147,980	0	499,748
Expenses, external	(287,291)	(109,479)	0	(396,770)
Inter-segment expense	(33,336)	(32,588)	0	(65,924)
EBITDA	31,141	5,913	0	37,054
Depreciation and amortization	(19,728)	(1,415)	0	(21,143)
EBIT	11,413	4,498	0	15,911
Net finance expense	(2,836)	(398)	0	(3,234)
Share of earnings of associated company	2	0	0	2
Income tax	(672)	(1,190)	0	(1,862)
Net earnings for the year	7,907	2,910	0	10,817
Segment assets	269,031	45,334	0	314,365
Segment liabilities	84,128	24,466	0	108,594
Capital expenditure	28,544	734	0	29,278

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4. Segment reporting, continued

For the year 2012	Liner services	Forwarding services	Unallocated	Total
Revenue, external	307,536	116,117	0	423,653
Inter-segment revenue	25,338	26,920	0	52,258
Total	332,874	143,037	0	475,911
Expenses, external	(270,459)	(112,430)	(4,596)	(387,485)
Inter-segment expense	(26,920)	(25,338)	0	(52,258)
EBITDA	35,495	5,269	(4,596)	36,168
Depreciation and amortization	(21,113)	(1,323)	0	(22,436)
EBIT	14,382	3,946	(4,596)	13,732
Net finance expense	(2,516)	(467)	0	(2,983)
Income tax	3,108	(1,126)	0	1,982
Net earnings for the year	14,974	2,353	(4,596)	12,731
Segment assets	267,552	45,729	0	313,281
Segment liabilities	88,576	25,106	0	113,682
Capital expenditure	49,724	804	0	50,528

Geographical segments

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

Geographical segments

	North Atlantic	Other territories	Consoli-dated
For the year 2013			
Revenue, external	385,228	48,596	433,824
Segment assets	300,349	14,016	314,365
Capital expenditure	29,268	10	29,278
For the year 2012			
Revenue, external	367,384	56,269	423,653
Segment assets	295,557	17,724	313,281
Capital expenditure	50,515	13	50,528

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5. Salaries and related expenses

Salaries and related expenses are specified as follows:

	2013	2012
Salaries	62,806	58,756
Defined contribution plan	5,095	4,521
Share based payments expense	0	273
Other related expenses	7,501	7,253
Salaries and related expenses	75,402	70,803
Average number of full-time equivalents during the year	1,343	1,311
Average number of employees	1,373	1,312
Number of employees at year-end	1,408	1,329

6. Finance income and expense

	2013	2012
Finance income is specified as follows:		
Interest income	619	598
Dividend received	85	59
	704	657
Finance expense is specified as follows:		
Interest on long-term loans	(2,187)	(2,528)
Other finance expense	(696)	(856)
Net foreign exchange loss	(1,055)	(256)
	(3,938)	(3,640)
Net finance expense	(3,234)	(2,983)

7. Income tax

(i) Income tax recognized in the income statement:

	2013	2012
Current tax expense:		
Current period	(1,144)	(867)
Deferred tax:		
Origination and reversal of temporary differences	(550)	(816)
Changes in tax rates	0	(6)
Benefit of tax losses recognized	15	3,642
Other changes	(183)	29
	(718)	2,849
Total income tax	(1,862)	1,982

(ii) Reconciliation of effective tax rate:

	2013		2012	
Net earnings before income tax		12,679		10,749
Income tax using the Company's domestic tax rate	20.0%	2,536	20.0%	2,150
Effect of tax rates in foreign jurisdictions	(3.5%)	(442)	0.6%	60
Effects of tax losses recognized	0.0%	0	(33.9%)	(3,642)
Under / over provided in previous years	2.0%	251	(2.0%)	(209)
Other changes	(3.8%)	(483)	(3.0%)	(341)
Effective tax	14.7%	1,862	(18.4%)	(1,982)

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Notes

8. Property, vessels and equipment

Property, vessels and equipment are specified as follows:

	Land and buildings	Vessels	Vessels under construction	Containers and equipment	Total
Cost					
Balance at 1 January 2012	64,317	74,927	7,126	45,797	192,167
Reclassification of assets	13	368	0	(792)	(411)
Additions	4,169	17,973	8,397	17,563	48,102
Disposals	(709)	(337)	0	(1,811)	(2,857)
Currency adjustments	347	761	0	23	1,131
Balance at 31 December 2012	68,137	93,692	15,523	60,780	238,132
Balance at 1 January 2013	68,137	93,692	15,523	60,780	238,132
Reclassification of assets	0	0	0	2,807	2,807
Additions in acquisition	72	0	0	1,330	1,402
Additions	3,816	5,370	8,456	9,570	27,212
Disposals	(53)	0	0	(3,500)	(3,553)
Currency adjustments	(1,346)	(1,807)	0	(29)	(3,182)
Balance at 31 December 2013	70,626	97,255	23,979	70,958	262,818
Depreciation					
Balance at 1 January 2012	7,203	18,993	0	13,292	39,488
Disposals	(243)	(365)	0	(1,981)	(2,589)
Depreciation	2,934	10,222	0	7,705	20,861
Currency adjustments	181	(315)	0	66	(68)
Balance at 31 December 2012	10,075	28,535	0	19,082	57,692
Balance at 1 January 2013	10,075	28,535	0	19,082	57,692
Reclassification of assets	0	0	0	2,807	2,807
Additions in acquisition	8	0	0	100	108
Disposals	(32)	0	0	(2,029)	(2,061)
Depreciation	3,139	7,678	0	8,218	19,035
Currency adjustments	(842)	(137)	0	(255)	(1,234)
Balance at 31 December 2013	12,348	36,076	0	27,923	76,347
Carrying amounts					
At 1 January 2012	57,109	55,934	7,126	32,510	152,679
At 31 December 2012	58,062	65,157	15,523	41,698	180,440
At 31 December 2013	58,278	61,179	23,979	43,035	186,471

Finance leases

As part of Eimskip's activities, customary leasing agreements are entered into, especially with regard to the chartering of vessels and leasing of containers and other equipment. In some cases, the leasing agreements comprise purchase options and options for extension of the lease term. In the consolidated financial statements, assets held under finance leases are recognized in the same way as owned assets. The carrying amount of assets under finance leases at year end 2013 amounted to EUR 6.9 million (2012: 9.5 million). The commitment according to the lease agreements at the same time amounted to EUR 5.6 million (2012: 8.6 million).

Eimskip's non-ISK finance leases, which amounted to EUR 1.9 million at 31 December 2013, could be subject to recent general legal cases results and legal cases pending court results. Eimskip is not directly a party to those cases but nonetheless the outcome might create a precedent for Eimskip's agreements. Of those lease agreements, approximately 80% were originally lent in non-ISK currency with the installments charged in ISK, while the remainder was originally lent in ISK currency and installments charged in ISK. Court rulings regarding these agreements could in the future have positive impact on Eimskip's financial position.

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8. Property, vessels and equipment, continued

Pledges

Vessels, buildings, etc., with a carrying amount of EUR 60.5 million (2012: 52.9 million) have been pledged as security for loans amounting to EUR 59.1 million (2012: 50.7 million) at year-end.

Borrowing costs

Borrowing costs amounting to EUR 377.7 thousand (2012: 234.9 thousand) have been capitalized due to vessels under construction.

9. Intangible assets

Intangible assets and amortization are specified as follows:

Cost	Brand name	Software	Market and customer related	Total
Balance at 1 January 2012	14,003	11,452	2,701	28,156
Reclassification of assets	0	411	0	411
Additions	0	2,426	0	2,426
Disposals	0	(2)	0	(2)
Currency adjustments	0	3	0	3
Balance at 31 December 2012	14,003	14,290	2,701	30,994
Balance at 1 January 2013	14,003	14,290	2,701	30,994
Reclassification of assets	0	(2,807)	0	(2,807)
Additions in acquisition	0	0	765	765
Additions	0	2,066	0	2,066
Disposals	0	0	0	0
Currency adjustments	0	(3)	0	(3)
Balance at 31 December 2013	14,003	13,546	3,466	31,015
Amortization				
Balance at 1 January 2012	0	9,234	540	9,774
Amortization	0	1,305	270	1,575
Currency adjustments	0	(2)	0	(2)
Balance at 31 December 2012	0	10,537	810	11,347
Balance at 1 January 2013	0	10,537	810	11,347
Reclassification of assets	0	(2,807)	0	(2,807)
Amortization	0	1,838	270	2,108
Currency adjustments	0	(5)		(5)
Balance at 31 December 2013	0	9,563	1,080	10,643
Carrying amounts				
At 1 January 2012	14,003	2,218	2,161	18,382
At 31 December 2012	14,003	3,753	1,891	19,647
At 31 December 2013	14,003	3,983	2,386	20,372

In 2013 the subsidiary TVG-Zimsen ehf. acquired all shares in Gára ehf. Following the business combination the purchase price in excess of the equity value of Gára ehf. on the acquisition date was allocated to market and customer related intangible assets.

Amortization

Intangible assets other than brand name, such as software and customer related developments acquired, are stated at cost less accumulated amortization.

The carrying amount of Eimskip's brand name is stated at allocated amount and is tested annually for impairment. No impairment has been recognized.

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Notes

10. Investment in associated company

TVG-Zimsen ehf., a subsidiary of Eimskipafélag Íslands hf., acquired in July 2013 a 31.9% equity interest in Truenorth Ísland ehf. which is an Icelandic film production services and event management company.

	Ownership	Book value	Share in profit
Truenorth Ísland ehf.	31.9%	546	2

11. Financial assets

Non-current finance assets	2013	2012
Interest-bearing bonds	0	75
Unlisted equity shares	888	909
	888	984

12. Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

	Assets	Liabilities	Net
2013			
Intangible assets	413	(9)	404
Property, vessels and equipment	595	(434)	161
Current assets	1,045	(10)	1,035
Current liabilities	28	0	28
Other	100	(40)	60
Tax loss carried-forward	5,995	0	5,995
Total tax assets (liabilities)	8,176	(493)	7,683
Set off tax	(357)	357	0
Net tax assets	7,819	(136)	7,683
2012			
Intangible assets	131	(258)	(127)
Property, vessels and equipment	1,145	(57)	526
Current assets	1,207	0	1,207
Current liabilities	62	(1)	61
Other	268	(7)	261
Tax loss carried-forward	6,162	0	6,724
Total tax assets (liabilities)	8,975	(323)	8,652
Set off tax	(323)	323	0
Net tax assets	8,652	0	8,652

13. Trade and other receivables

Trade and other receivables are specified as follows:	2013	2012
Trade receivables	61,441	56,176
Restricted cash	2,480	1,953
Other receivables	5,233	5,011
Trade and other receivables total	69,154	63,140

Restricted cash consists of deposits for guarantees issued by Eimskipafélag Íslands hf. on behalf of its subsidiaries for, among other, tax authorities, customs, port authorities and leases of office buildings.

Allowance for impairment losses of trade receivables are specified as follows:		
Balance at beginning of year	(6,913)	(7,772)
Write-offs	794	746
Changes in allowance for impairment losses	(389)	113
Balance at year-end	(6,508)	(6,913)

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14. Cash and cash equivalents

	2013	2012
Cash and cash equivalents are specified as follows:		
Bank balances and cash on hand	26,370	34,385
Marketable securities	0	2,919
Cash and cash equivalents	26,370	37,304

15. Capital and reserves

Share capital

The Company's capital stock is nominated in Icelandic krónur. The nominal value of each share is one ISK and one vote is attached to each share. Total authorized and issued shares were 200.000.000 both in the beginning and at the end of the year. Total outstanding shares were 194.081.180 both in the beginning and at the end of the year. The EUR amount of capital stock was 1.2 million at year-end 2013.

Shares issued to A1988 hf.

According to the composition agreement for A1988 hf., finalized in 2009, a 4.2% shareholding in Eimskipafélag Íslands hf. was not distributed to creditors but reserved for A1988 hf. to satisfy contingent claims that could have arisen in periods resulting from events prior to the composition agreement. The shares do not have voting rights attached to them.

A1988 hf. concluded its composition agreements with creditors over four years ago, or in September 2009. Therefore, no further claims can be made against A1988 hf. that can be considered composition claims. The shares that are not needed to satisfy contingent claims will be transferred back to Eimskipafélag Íslands hf. without any compensation. The shares are not recognized in the statement of financial position at year-end.

Share premium

Share premium represents excess of payment above nominal value that shareholders have paid for shares sold by the Company. The balance of the share premium account can be used to offset losses not covered by other reserves or to offset stock splits.

Translation reserve

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

Dividend

Shareholders are entitled to receive dividend as declared from time to time. According to a decision made on the Company's 2013 Annual General Meeting, a dividend of EUR 2.7 million or 2.1 ISK per share was paid out to shareholders, which represents 20% of the Company's profits for the year 2012.

The Board of Directors proposes a dividend payment to shareholders in 2014 in the amount of ISK 2.60 per share. The total dividend payment is ISK 504.6 million, or EUR 3.2 million, which represents 30.0% of net earnings for the year 2013. Treasury shares are not entitled to receive dividend.

16. Earnings per share

Basic and diluted earnings per share

The calculation of basic earnings per share for the year 2013 was based on earnings attributable to shareholders and a weighted average number of shares outstanding during the year. Diluted earnings per share is equal to earnings per share whereas Eimskip has not issued convertible bonds nor granted stock options. Calculations are as follows:

	2013	2012
Net earnings attributable to ordinary shareholders	10,743	12,519
Number of outstanding shares at the beginning of the year	200,000	20,000
Effect of stock split issued in 2012	0	180,000
Effect of treasury shares held	(5,919)	(5,919)
Weighted average number of ordinary shares at 31 December	194,081	194,081
Basic and diluted earnings per share (EUR)	0.0554	0.0645

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16. Earnings per share, continued

Earnings per share without specific one-off items

The calculation of basic and diluted earnings per share for the year 2012 adjusted for specific one-off items was based on profit attributable to ordinary shareholders without the effects of the share option program cancellation and with the registration of the Company's shares on NASDAQ OMX Iceland and a weighted average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential shares. Calculations are as follows:

	2013	2012
Net earnings, without specific one-off items attributable to ordinary shareholders (see note 4)	10,743	17,115
Basic and diluted earnings per share (EUR)	0.0554	0.0882

17. Loans and borrowings

This note provides information on the contractual terms of Eimskip's interest bearing loans and borrowings. For more information about Eimskip’s exposure to foreign currency risk, see note 20:

Non-current loans and borrowings consist of the following:

	2013	2012
Finance lease liabilities	5,383	8,538
Secured bank loans	54,015	50,716
	59,398	59,254

Secured bank loans

Secured bank loans are payable as follows:	2013 Nominal interest	2013 Carrying amount	2012 Nominal interest	2012 Carrying amount
Loans in EUR	3.9%	41,530	3.9%	42,470
Loans in USD	1.7%	2,937	1.8%	5,116
Loans in other currencies	-	9,548	-	3,130
		54,015		50,716
Current maturities		(13,078) *		(5,568)
Total non-current secured bank loans		40,937		45,148

Aggregated annual maturities are as follows:

	2013	2012
On demand or within 12 months	13,078 *	5,568
12 - 24 months	11,304	11,158
24 - 36 months	3,117	4,373
36 - 48 months	3,108	3,120
48 - 60 months	3,108	3,120
After 60 months	20,300	23,377
	54,015	50,716

* Included in current maturities is a EUR 7.6 million bridge loan, related to vessels under construction. The Company has made an agreement for long-term financing of the vessels upon delivery. The new loans will have a term of ten years.

Finance lease liabilities

Finance lease liabilities are payable as follows:	2013 Minimum lease payments	2013 Principal	2012 Minimum lease payments	2012 Principal
Less than one year	2,129	2,020	2,604	2,598
Between one and five years	3,391	3,242	4,743	4,731
More than five years	128	121	1,210	1,209
	5,648	5,383	8,557	8,538

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17. Loans and borrowings, continued

Collateral of loans and borrowings is specified as follows:	2013	2012
Loans with collateral in property and vessels	54,015	50,716
Finance leases	5,383	8,538
Total	59,398	59,254

18. Trade and other payables

Trade and other payables are attributable to the following:

Trade payables	32,672	40,649
Income tax payable	182	648
Other payables	16,206	13,131
Total	49,060	54,428

19. Share-based payment

Share option program (equity settled)

In 2010, 2011 and 2012 share option programs that entitled executive management to purchase shares in the Company were established and unanimously ratified at each annual shareholders meeting. The share options were to be settled by the sale of shares to executive management at a specific exercise price against payment in cash or equity-settled-share-based-payments. The cost of the agreements was, until year-end 2012, recognized in the financial statements over the option period which was 10 years for these agreements.

Cancellation of share option agreements

In connection with the Company's listing on NASDAQ OMX Iceland, in 2012, the executive management decided to forfeit their share options granted under the Company's stock option program. The management forfeiture and the Company's disclosure to the stock exchange had the effect that the total cost of the agreements was expensed in full in the income statement of 2012.

The derived value of the share options was EUR 3.6 million according to the Black-Scholes Option Pricing Model. Total cost that had been recognized at 30 September 2012 was EUR 0.7 million and therefore the remaining balance of EUR 2.9 million was expensed in the fourth quarter of 2012. The expense had a direct effect on net income and EPS but had no effect on the Company's cash flows or the amount of total equity.

20. Financial risk management

Overview

Eimskip has exposure to the following risks from its use of financial instruments:
- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about Eimskip's exposure to each of the above risks, Eimskip's objectives, policies and processes for measuring and managing risk, and Eimskip's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of Eimskip's risk management framework.

Eimskip's risk management policies are established to identify and analyze the risks faced by Eimskip, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Eimskip's activities. Eimskip, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with Eimskip's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by Eimskip.

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20. Financial risk management, continued

(i) Credit risk

Credit risk is the risk of financial loss to Eimskip if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Eimskip's receivables from customers and investment securities.

Trade and other receivables

Eimskip's exposure to credit risk is influenced mainly by the individual characteristics of each customer. No single customer accounts for more than 10% of Eimskip's revenue from sales transactions. Geographically, there is some concentration of credit risk.

Eimskip has established a credit policy under which each new customer is analyzed individually for creditworthiness before Eimskip's standard payment and delivery term and conditions are offered. Eimskip's review includes external ratings, when available, and in some cases bank references. Customers that fail to meet Eimskip's benchmark creditworthiness may transact with Eimskip only on a prepayment basis.

Goods that are shipped or transported may be with-held until payment for service rendered has been received. Eimskip usually does not require collateral in respect to trade and other receivable.

Eimskip establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Note	2013 Carrying amount	2012 Carrying amount
Interest-bearing bonds	11	0	75
Other financial assets	11	888	909
Trade and other receivables	13	69,154	63,140
Cash and cash equivalents	14	26,370	37,304
		96,412	101,428

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was as follows:

	Carrying amount	Carrying amount
North Atlantic	58,301	50,023
Other regions	10,853	13,117
	69,154	63,140

Impairment risk

The aging of trade receivables at the reporting date was as follows:

	Gross 2013	Impairment 2013	Gross 2012	Impairment 2012
Not past due	50,765	(659)	48,633	(661)
Past due 1 - 90 days	16,688	(979)	14,801	(1,390)
Past due 91 - 180 days	3,739	(820)	3,755	(1,998)
More than 180 days	4,470	(4,050)	2,864	(2,864)
	75,662	(6,508)	70,053	(6,913)

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20. Financial risk management, continued

(ii) Liquidity risk

Liquidity risk is the risk that Eimskip will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Eimskip's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Eimskip's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Non-derivative financial liabilities:	Carrying amount	Contractual cash flow	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
31.12.2013						
Secured bank loans	54,015	(65,644)	(15,641)	(12,557)	(12,320)	(25,126)
Finance lease liabilities	5,383	(5,879)	(2,574)	(1,868)	(1,437)	0
Trade and other payables ..	49,060	(49,060)	(49,060)	0	0	0
	108,458	(120,583)	(67,275)	(14,425)	(13,757)	(25,126)
31.12.2012						
Secured bank loans	50,716	(76,221)	(8,064)	(7,646)	(15,582)	(44,929)
Finance lease liabilities	8,538	(12,164)	(2,994)	(2,388)	(6,594)	(188)
Trade and other payables ..	54,428	(54,428)	(54,428)	0	0	0
	113,682	(142,813)	(65,486)	(10,034)	(22,176)	(45,117)

Cash flows included in the maturity analysis are not expected to occur significantly earlier, or at significantly different amounts.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect Eimskip's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of the Group entities. At year-end 2013 the primary risks are attached to the US Dollar (USD), the Canadian Dollar (CAD), Swiss Franc (CHF), but also the Icelandic Krona (ISK) as can be seen in the table below.

Exposure to currency risk

Eimskip's exposure to foreign currency risk is as follows based on notional amounts:

31 December 2013	ISK	USD	CAD	CHF	Other
Trade and other receivables	16,450	14,704	720	0	9,642
Cash and cash equivalents	(1,398)	7,219	402	0	2,498
Loans and borrowings	(9,691)	(2,937)	0	(936)	(599)
Trade and other payables	(11,354)	(8,782)	(284)	(1)	(9,351)
Gross balance sheet exposure	(5,993)	10,204	838	(937)	2,190

31 December 2012	ISK	USD	DKK	RMB	Other
Trade and other receivables	12,189	20,729	1,951	5,153	3,717
Cash and cash equivalents	2,448	4,997	3,789	281	3,904
Loans and borrowings	(2,995)	(8,016)	0	(763)	(1,248)
Trade and other payables	(8,107)	(17,577)	(2,276)	(2,954)	(2,496)
Gross balance sheet exposure	3,535	133	3,464	1,717	3,877

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20. Financial risk management, continued

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2013	2012	2013	2012
ISK	162.2205	160.8073	158.5000	168.9500
USD	1.3283	1.2851	1.3791	1.3194
DKK	7.4580	7.4437	7.4593	7.4610
RMB	8.1660	8.1075	8.3491	8.2207
NOK	7.7968	7.4752	8.3630	7.3483

Sensitivity analysis

A 10% strengthening of the EUR against the following currencies at 31 December would have increased result after income tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for the year 2012.

	2013	2012
ISK	475	(277)
USD	(809)	(10)
CAD	(66)	(58)
CHF	74	98
DKK	(21)	(271)
RMB	(57)	(135)

A 10% weakening of the EUR against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above on the basis that all other variables remain constant.

Interest rate risk

At the reporting date the interest rate profile of Eimskip's interest bearing financial instruments was:

	Carrying amount	
	2013	2012
Variable rate instruments		
Financial assets	26,370	37,304
Financial liabilities	(59,181)	(57,562)
Net exposure	(32,811)	(20,258)

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) result after income tax by EUR 265 thousand (2012: EUR 164 thousand). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for the year 2012. The Group accounts for immaterial fixed rate financial assets and liabilities.

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Interest-bearing bonds	0	0	75	75
Other financial assets	888	888	909	909
Trade and other receivables	69,154	69,154	63,140	63,140
Cash and cash equivalents	26,370	26,370	37,304	37,304
	96,412	96,412	101,428	101,428
Secured bank loans	54,015	56,375	50,716	51,354
Finance lease liabilities	5,383	5,590	8,538	10,710
Trade and other payables	49,060	49,060	54,428	54,428
	108,458	111,025	113,682	116,492

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20. Financial risk management, continued

The methods used in determining the fair values of financial instruments are discussed in note 3.

Interest rates used for determining fair values

The interest rate used to discount estimated cash flows, where applicable, are based on three-month interest rates on interbank market at the reporting date plus an 1.0% credit spread.

(iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with Eimskip's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of Eimskip's operations.

Eimskip manages operational risk in order to avoid financial losses and damage to Eimskip's reputation. When managing this risk overall cost effectiveness and avoidance of control procedures that restrict initiative and creativity are considered.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

Capital management

Eimskip's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business.

For the purposes of managing capital, management monitors the equity ratio and the net debt to equity ratio. The goal is to maintain both a strong equity ratio and a strong ratio of net debt to EBITDA.

(i) Equity ratio	**2013**
Total equity	205,771
Total balance sheet capital	314,365
	65.46%
(ii) Net debt to EBITDA ratio	
Total interest-bearing debt	59,398
Cash and cash equivalents	(26,370)
Net debt	33,028
EBITDA	37,054
Net debt / EBITDA	0.89

21. Commitments

Operating lease commitments	**2013**	**2012**
Non-cancellable operating lease commitments are payable as follows:		
Less than one year	3,504	3,900
Between one and five years	4,478	4,356
More than five years	850	1,161
	8,832	9,417

Eimskip leases vessels, real estate, trucks, equipment and containers under operating leases. The leases generally run for a period of six months to six years.

Capital commitments

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

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22. Related parties

The Company's largest shareholders Yucaipa American Alliance Fund II LP, with 15.72% shareholding, Lífeyrissjódur verzlunarmanna with 15.01% shareholding and Yucaipa American Alliance (Parallel) Fund II LP with 10.35% shareholding are considered related parties as well as subsidiaries (see note 23). Intercompany transactions with subsidiaries are eliminated in the consolidation.

At year-end one loan from Lífeyrissjódur verzlunarmanna to Eimskip was outstanding. The balance of the loan amounted to 243.6 thousand EUR and is negotiated on market terms. During the year there were no transactions nor other outstanding balances at year-end with the three major shareholders nor with associated company.

During the year there were no transactions nor outstanding balances at year-end with the management.

Board fee paid to the Board of Directors

	Board fee 2013	Board fee 2012	Shares at year-end* 2013	Shares at year-end* 2012
Richard Winston Mark d'Abo, Chairman ***	32	19	0	0
Gunnar Karl Gudmundsson, Vice-Chairman	19	0	0	0
Helga Melkorka Óttarsdóttir, Board Member	14	0	0	0
Hrund Rudolfsdóttir, Board Member	14	0	0	0
Víglundur Thorsteinsson, Board Member	14	0	0	0
Marc Jason Smernoff, Alternate of the Board ***	13	15	0	0
Bragi Ragnarsson, former Chairman	10	37	0	88,718
Ólafur Helgi Ólafsson, former Board Member	7	22	14,424	14,424
Tómas Kristjánsson, former Board Member	5	19	0	9,858
Ronald Wayne Burkle, former Board Member ***	5	19	0	0

Salaries and benefits paid to executive management

2013	Base salary	Other **	Shares at year-end*
Gylfi Sigfússon, CEO	348	238	9,615
Hilmar Pétur Valgardsson, CFO	207	79	9,616
Bragi Thór Marínósson, EVP International	172	101	2,404
Gudmundur Nikulásson, VP Iceland domestic	129	59	4,808
Ásbjörn Skúlason, VP Liner and vessel operation	129	55	2,404
Matthías Matthíasson, VP Sales & services	129	49	9,615

2012	Base salary	Other **	Shares at year-end*
Gylfi Sigfússon, CEO	313	185	9,615
Hilmar Pétur Valgardsson, CFO	168	121	9,616
Bragi Thór Marínósson, EVP International	169	79	2,404
Gudmundur Nikulásson, VP Iceland domestic	126	52	4,808
Ásbjörn Skúlason, VP Liner and vessel operation	126	62	2,404
Matthías Matthíasson, VP Sales & services	126	57	9,615

* Shares held directly by Board of Directors and executive management or parties related to them.
** Cash incentives, travel allowance, pension contribution and car benefits.
*** These board members are not independent of Yucaipa Funds which owns in total 50.6 million shares in the Company. The board fee for these board members has been accrued but not paid.

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23. Group entities

At year-end the Company owned directly nine subsidiaries that are all included in the consolidation. The direct subsidiaries further owned 42 subsidiaries at year-end. The Group's subsidiaries are as follows:

	Country of incorporation	Ownership Interest 2013	Ownership Interest 2012
Eimskip Ísland ehf.	Iceland	100%	100%
TVG-Zimsen ehf.	Iceland	100%	100%
Eimskip USA, Inc.	USA	100%	100%
Eimskip UK Ltd.	England	100%	100%
Eimskip Holding B.V.	Holland	100%	100%
P/f Skipafélagid Føroyar	Faroe Islands	100%	100%
Avia Technical Services Ltd.	England	100%	100%
Harbour Grace CS Inc.	Canada	51%	51%
Eimskip REIT ehf.	Iceland	100%	100%

24. Other matters

On 10 September 2013 the Icelandic Competition Authority exercised a dawn raid at the premises of Eimskipafélag Íslands hf. and its subsidiaries, Eimskip Ísland ehf. and TVG-Zimsen ehf., based on a ruling from the Reykjavík District Court. The dawn raid was exercised due to alleged breach of Article 10 and 11 of the Icelandic Competition Act. The companies requested access to the information behind the Competition Authority's request for court ruling. Access was denied by the Competition Authority but the companies appealed to the Competition Authority Appeal Committee. The Appeal Committee ruled on 23 December 2013 that the desicion made by the Competition Authority declining Eimskip access to the requested information was unlawful and therefore recinded. The companies are waiting for The Competition Authority to make the information available. At this point the subject matter of the investigation is not known and any elaboration on the potential outcome of the investigation is premature. The investigation neither affected the income statement nor the statement of financial position of Eimskip as at 31 December 2013.

25. Subsequent events

In January 2014 Eimskip entered into a new amendment agreement with the shipyard for a further reduction in the first vessel's purchase price in the amount of USD 750 thousand (EUR 544 thousand). As a result, expected delivery of the first vessel was delayed to the second quarter of 2014. A new amendment agreement for the second vessel has not been made, but expected delivery is in the fourth quarter of 2014.

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26. 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.

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. 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) Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(iii) Investment in associated company

Associates are those entities in which the Group has significant influence, but not control or joint control, over financial and operating policies. Investment in associated company is accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

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 amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortized cost in foreign currency translated at the exchange rate at the end of the year. 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 recognized in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including 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 recognized in other comprehensive income and accumulated translation reserve, except for the extent that the translation difference is allocated to non-controlling interest.

When a foreign operation is disposed of in its entirety or partially such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of an associate while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

c. Financial instruments

(i) Non-derivative financial assets

The Group has the following non-derivative financial assets: trade and other receivables, cash and cash equivalents and unlisted equity shares.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

26. Significant accounting policies, continued

c. Financial instruments, continued

(iii) Non-derivative financial liabilities

The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(iv) Share capital

Share capital is classified as equity. Incremental costs directly attributable to issue of share capital is recognized as a deduction from equity, net of any tax effects.

When share capital is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized 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 or reissued subsequently, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

d. Property, vessels and equipment

(i) Recognition and measurement

Items of property, vessels and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. 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 and equipment have different useful lives, they are accounted for as separate items (major components) of property, vessels and equipment.

Gains and losses on disposal of an item of property, vessels and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, vessels and equipment, and are recognized net in profit and loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, vessels and equipment is recognized 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 derecognized. The costs of the day-to-day servicing of property, vessels and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, vessels and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of buildings, vessels and equipment are as follows:

Buildings	15 - 50 years
Vessels	5 - 14 years
Containers and equipment	2 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each year-end and adjusted if appropriate.

26. Significant accounting policies, continued

e. Intangible assets

(i) Brand name and customer relations

Following a purchase price allocation performed in 2010 in respect of subsidiaries acquired from A1988 hf. the difference between the purchase price and equity of acquired subsidiaries was allocated to identifiable assets. The value of the brand name "Eimskip" and customer relations is included among intangible assets.

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

(ii) 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 is recognized in profit and loss when incurred.

(iii) Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than brand name, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows:

Software	3 - 5 years
Market and customer related	10 years

Amortization methods, useful lives and residual values are reviewed at each year-end and adjusted if appropriate.

f. Leased assets

(i) Leased assets

Assets held by the Group under leases which transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and 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.

Assets held under other leases are classified as operating leases and are not recognized in the Group's

(ii) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis 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.

g. Inventories

Inventories mainly consist of oil, spare parts and other supplies.

h. Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

26. Significant accounting policies, continued

h. Impairment, continued

(i) Financial assets (including receivables), continued

The Group considers evidence of impairment for trade receivables at both a specific asset and collective level. All individually significant trade receivables are assessed for specific impairment. All individually significant trade receivable found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Trade receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management’s judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(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 intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each year at the same time.

The recoverable amount of an asset is the greater of its value in use and 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 that cannot be tested individually 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").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized 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 amortization, if no impairment loss had been recognized.

i. Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays 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 recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Share-based payment transactions

The grant date fair value of equity-settled share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

26. Significant accounting policies, continued

j. Provisions

A provision is recognized 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.

k. Revenue

Services

Revenue from sale of services rendered is recognized 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 service performed. Revenue is not recognized if there is uncertainty about collection or related cost.

Revenue from logistics and storage service is recognized in profit and loss at the date of delivery to the customer, which is the time of transfer of risk to the customer.

l. Finance income and finance expense

Finance income comprises interest income on funds invested and dividend income. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

Finance expenses comprise interest expense on borrowings.

Borrowing costs that are not directly attributable to the acquisition, construction or production of an qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on net basis as finance income or finance expense.

m. Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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 recognized in respect of 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 recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

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.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. 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 realized.

n. Earnings per share

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

26. Significant accounting policies, continued

o. Financial instruments

A derivative is a financial instrument or other contract, the value of which changes in response to a change in an underlying variable such as an exchange or interest rate, which requires no initial net investment or initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors, and which is settled at a future date. Derivatives are recognized at fair value. Fair value changes are recognized in the income statement as finance income and expense. Derivatives with positive fair values are recognized as finance assets and derivatives with negative fair values are recognized as trading liabilities.

The Group holds derivative financial instruments to hedge its foreign currency rate risk exposures in connections with vessels under construction. At year-end 2012 and 2013 derivative contracts were immaterial.

p. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance.

q. New IFRS standards, interpretations and amendmends to standards

The Group has adopted all International Finanancial Reporting standards, interpretations and amendments to standards that the EU has adopted and have become effective for the year 2013 and are relevant for the Group. A few new standards, amendment to standards and interpretations have not become effective for the year 2013 and have not been applied in preparing these consolidated financial statements. It is not expected that those standards and interpretations will have material effect on the financial statements of the Group when adopted.

IFRS 13 Fair Value Measurement became effective at the beginning of 2013. The standard sets out a framework for assessment of fair value, and requirements for fair value disclosures, when such assessment is required or permitted according to IFRS. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In addition to that disclosure requirements have been expanded. The adoption of IFRS 13 did not affect the Group´s measurement of fair value.

Quarterly statements (unaudited)

Year 2013	Q1 2013	Q2 2013	Q3 2013	Q4 2013	2013
Operating revenue	105,313	108,112	113,524	106,875	433,824
Salaries and operating epenses	98,096	98,273	101,405	98,996	396,770
Other expenses	0	0	0	0	0
Operating expenses	98,096	98,273	101,405	98,996	396,770
Operating profit (EBITDA)	7,217	9,839	12,119	7,879	37,054
Depreciation and amortization	(5,134)	(5,028)	(5,494)	(5,487)	(21,143)
Results from operating activities	2,083	4,811	6,625	2,392	15,911
Net finance income (expense)	949	(2,067)	(1,274)	(842)	(3,234)
Share of earnings of associated company	0	0	0	2	2
Net earnings before income tax	3,032	2,744	5,351	1,552	12,679
Income tax	(500)	(706)	(272)	(384)	(1,862)
Net earnings	2,532	2,038	5,079	1,168	10,817

Year 2012	Q1 2012	Q2 2012	Q3 2012	Q4 2012	2012
Operating revenue	96,290	106,861	112,574	107,928	423,653
Salaries and operating epenses	89,514	94,595	101,054	97,726	382,889
Other expenses	0	0	681	3,915	4,596
Operating expenses	89,514	94,595	101,735	101,641	387,485
Operating profit (EBITDA)	6,776	12,266	10,839	6,287	36,168
Depreciation and amortization	(5,462)	(5,830)	(5,026)	(6,118)	(22,436)
Results from operating activities	1,314	6,436	5,813	169	13,732
Net finance income (expense)	(1,017)	(1,021)	104	(1,049)	(2,983)
Net earnings (loss) before income tax	297	5,415	5,917	(880)	10,749
Income tax	285	1,979	(169)	(113)	1,982
Net earnings (loss)	582	7,394	5,748	(993)	12,731
Operating profit (EBITDA)	6,776	12,266	10,839	6,287	36,168
IPO costs	0	0	681	1,001	1,682
Share options forfeited by management	0	0	0	2,914	2,914
EBITDA adjusted for one-off items	6,776	12,266	11,520	10,202	40,764

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Corporate Governance Statement

With this statement on the Corporate Governance of Eimskipafélag Íslands hf. (Eimskip) it is declared that the Company is complying with the accepted practices in the Corporate Governance Guidelines published by the Iceland Chamber of Commerce in cooperation with the Confederation of Icelandic Employers and NASDAQ OMX Iceland.

The Corporate Governance Guidelines, along with the Company's Articles of Association and rules for Issuers of Securities listed on NASDAQ OMX Iceland, make up the framework for the Corporate Governance practices for Eimskip. The purpose of the issue of this Corporate Governance Statement is to strengthen the infrastructure of Eimskip and increase transparency.

The Corporate Governance statement of Eimskip is accessible on the Company's website, www.eimskip.is, and is published in a special chapter in the Company's Financial Statements.

The Corporate Governance Guidelines are available on the website of the Iceland Chamber of Commerce, www.vi.is.

The Company is of the opinion that it follows and complies with the Guidelines. However the Company has not established a Nomination Committee as the Board of Directors has considered it unnecessary.

Laws and regulations

Eimskip is a limited liability company that is governed by Act no. 2/1995 on Limited Liability Companies (Company Act). Acts are available on the Parliament's website, www.althingi.is.

Eimskip's Financial Statements

Eimskip's financial year is the calendar year. The Company's Financial Statements are accessible at the Company's website, www.eimskip.is.

Communication of shareholders and the Board of Directors

The supreme authority of the Company is in the hands of the shareholders who attend shareholders' meetings at least once a year. Share register is held at the Company's headquarters where it is available to shareholders.

The Board of Directors of Eimskip

The Board of Directors is responsible for the operations of the Company and is the supreme authority in all its matters between shareholders' meetings. The Board of Directors has statutory role which it is responsible for unless the Board grants permission by law to transfer authority by delegation.

Board meetings are called with one weeks' notice. A schedule has been made for one year in advance. The invitation contains the agenda for the meeting. The CEO and the CFO attend Board meetings and other members of the Executive Management as required.

The Board consists of five Directors and two alternate Directors and they are all elected annually at the Annual General Meeting. Those who intend to run for the Board of Directors shall notify the Board of Directors of their candidacy at least five days before a shareholders' meeting. The majority of the Directors are independent of the Company and its day-to-day managers, and three Directors and one alternate Director are independent of the Company's significant shareholders. The Board evaluates whether Directors are independent of the Company and its significant shareholders. Moreover, the Board evaluates the independence of new Directors before the Company's Annual General Meeting and makes available to shareholders the result of such evaluation.

Annually the Board evaluates its work, size, composition and practices and also revises and assesses the Company's development and whether it is in line with its objectives. The assessment entails e.g. evaluation of the strengths and weaknesses of the Board's work and practices and takes into consideration the work components the Board believes may be improved. The evaluation is built on self-assessment, but the assistance of outside parties may be sought as appropriate. The evaluation includes an examination of whether the Board has operated in accordance with its Rules of Procedure and how the Board operates in general. Examination must be made whether important matters relating to the Company have been sufficiently prepared and discussed within the Board, and individual Directors must be considered with respect to both attendance and participation in meetings.

Main tasks of the Board of Directors

- To have supreme power in the Company's matters between shareholders' meetings and to bind the Company with resolutions and agreements.
- To hire the CEO, decide his terms of employment and execute a written employment contract.
- To set the Company's goals regarding its business, represent the Company and govern the social affairs of the Company between shareholders' meetings.
- To grant power of procuration.
- To work in accordance with the Rules of Procedures for the Board of Directors, the Company's Articles of Association and the Company Act.
- To monitor the Company's operations and financial position and that accounting and information processing are carried out with appropriate diligence. To obtain information on regular basis, including monthly operating results, to be presented to the Board in time for the Board Meetings, which are to be held monthly or more frequently if necessary.
- To elect a Chairman and Vice-Chairman and to delegate other tasks as applicable.
- To ensure that the Company is being operated in accordance with the law pertaining to its operations, such as taxation and notifications to public authorities.
- To make decisions on material contracts of the Company and to formulate the policy by which the Company is to operate.
- To ensure that a share register is kept.
- To present recommendations to shareholders' meetings concerning allocation of operating results.

Extraordinary or major matters which require the approval of four out of five Directors and are therefore not a part of the CEO's daily operation are defined in the Rules of Procedure for the Board of Directors.

The Rules of Procedure for the Board of Directors

The Board of Directors has established its Rules of Procedure which were amended and approved at a Board meeting on February 9 2012. A copy can be obtained from the Company's website, www.eimskip.is.

The Board of Directors has appointed two subcommittees, Audit Committee and Remuneration Committee.

The Audit Committee shall operate in accordance with its Rules of Procedure. The principal duty of the Audit Committee is to ensure the quality of the Company's Consolidated Financial Statements and other financial information, and the independence of the Company's Auditors.

Members of the Audit Committee are Gunnar Karl Gudmundsson, Marc Jason Smernoff and Ólafur Viggó Sigurbergsson

The task of the Remuneration Committee involves negotiating wages and other benefits for the CEO and framing the Company's remuneration policy, including wage incentives and share option rights for company shares.

Members of the Remuneration Committee are Richard Winston Mark d'Abo, Hrund Rudolfsdóttir and Marc Jason Smernoff.

The Directors of the Board of Eimskip

Richard Winston Mark d'Abo, Chairman of the Board

Richard was born in 1956 and lives in USA. He is a Partner at The Yucaipa Companies, LLC. Richard has ten years of banking experience and 23 years of experience in private equity. From 1995 to 2003 he was involved in various activities in investment banking and private equity investing, co-founding and serving as the Director of Apogee Electronics, Inc. Richard was a Partner of The Yucaipa companies, LLC from 1988 to 1994. During this time he was a key contributor to the acquisitions of Cala Foods, ABC markets, Boys Markets, Almacs, Bell markets, Alpha Beta and Food4Less. From 1992 to 1994 Richard served as a director of Food4Less Supermarkets. From 1978 to 1987 Richard worked at Union Bank and was involved in financing multiple leveraged and management buyouts. Richard is currently a board member of A Tango ehf., VersaCold International Corporation, Apogee Electronics, LLC and NPE Holdings, LLC. He has previously been a board member of Americold Realty Trust (board of Trustees). Richard pursued a degree in Finance from the University of South California from 1975 to 1977. He has been on the Board of Directors since 23 September 2009. Richard does not own shares in the Company but is not independent of Yucaipa Funds which own in total 50.6 million shares in the Company.

Gunnar Karl Guðmundsson, Vice-Chairman of the Board

Gunnar was born in 1959 and lives in Iceland. He is the CEO of Míla ehf. as from January 2014. Gunnar was an independent consultant from 2011 to 2013, was the CEO of MP Bank hf. from 2009 to 2011 and the CEO of Skeljungur hf. from 2003 to 2009. Gunnar is currently a board member of KNI A/S in Greenland. He has previously been a board member of Míla ehf., AFL – sparisjódur, Tryggingamidstödin hf., P/F Föroya Shell, Eskja hf., Teris and subsidiaries and companies related to Skeljungur hf. Gunnar is an economist, holding Master's and Bachelor's degrees from Ohio University in USA. Gunnar has been on the Board of Directors since 3 April 2013 and does not own shares in the Company.

Helga Melkorka Óttarsdóttir

Helga was born in 1966 and lives in Iceland. She is a Managing Partner at LOGOS Legal Services slf. Besides her job at LOGOS, Helga was an adjunct in European Law at the University of Reykjavík from 2005 to 2007 and a lecturer and an adjunct in European Law at the University of Iceland from 2000 to 2006. She served as an attorney in independent law practice from 1999 to 2000 and was a lawyer at EFTA Surveillance Authority in Brussels from 1994 to 1999. Helga is currently a board member of Iceland Chamber of Commerce, was nominated as a Leading Lawyer in financial and corporate law in IFLR1000 2011, 2012 and 2013 and is a leading individual in Chambers Global, most recently in 2013. She is a Partner Ad Hoc College member of the EFTA Surveillance Authority since 2004 and was a board member of the Icelandic Bar Association from 2003 to 2006. Helga is a Supreme Court Attorney since 2011 and a District Court Attorney since 1999. She has an LL.M. degree in European law and International law from Heidelberg in Germany from 1994 and graduated with a Cand.jur. degree from the University of Iceland in 1991. Helga has been on the Board of Directors since 3 April 2013 and does not own shares in the Company.

Hrund Rudolfsdóttir

Hrund was born in 1969 and lives in Iceland. She is the CEO of Veritas Capital as from October 2013. Previously she was the Corporate Director of Human Resources at Marel hf. from 2009 and Director of Operation and Investments at Moderna Finance ehf./Milestone ehf. from 2007 to 2009. Hrund was the CEO of L&H Holding, the CEO and the Chief of Operation of Lyf & heilsa hf. from 2003 to 2006. She is currently a board member of Stefnir hf. Hrund has a Master's degree in International Marketing and Management from Copenhagen Business School from 2000. She further holds a Cand.Oecon. degree from the University of Iceland from 1994. Hrund has been on the Board of Directors since 3 April 2013 and does not own shares in the Company.

Víglundur Thorsteinsson

Víglundur was born in 1943 and lives in Iceland. He has been active in the Icelandic industries for more than 50 years and has been a board member of various companies and organizations, such as SI – the Federation of Icelandic Industries, SA – Confederation of Iceland Employers and The Pension Fund of Commerce. Víglundur is currently the Chairman of Lindarflöt ehf., a private holding company. He has a Cand.jur. degree from the University of Iceland. Víglundur has been on the Board of Directors since 3 April 2013 and does not own shares in the Company.

Jóhanna á Bergi, Alternate Member of the Board of Directors

Jóhanna was born in 1970 and lives in the Faroe Islands. She has been the CEO of P/f Faroe Ship, the Company's subsidiary in the Faroe Islands, from 2006. Jóhanna was a Sales Director of JFD and Kósin Seafood from 1998 to 2006 and the Sales Manager of Faroe Seafood France from 1994 to 1998. She is currently a board member of P/f Ánunum and P/f Bergfrost and is a board member of two of Eimskip's subsidiaries in the Faroe Islands. She is a member of the House of Industry in the Faroe Islands, Nordoyatunnilin, Föroyagrunnurin and the Faroese-Icelandic Chamber of Commerce. Jóhanna has a Master's degree in Management from Robert Gordon University in the UK. She further holds an EE degree from the Danish School of International Marketing and Export. Jóhanna has been an alternate member of the Board of Directors since 3 April 2013 and does not own shares in the Company.

Marc Jason Smernoff, Alternate Member of the Board of Directors

Marc was born in 1973 and lives in USA. He has been a Director of Private Equity of the Yucaipa Companies, LLC from 2004. Marc was a Manager of Transaction Services at KPMG from 2003 to 2004 and an Associate of Investment Banking at Wells Fargo Securities, LLC from 2000 to 2002. He was a Manager of Corporate Finance at Ernst & Young, LLP from 1997 to 2000 and a staff Accountant of Assurance & Advisory Business Services at Ernst & Young, LLP from 1995 to 1997. Marc is currently a board member of Digital On-Demand Inc. and La Canada Flintridge Educational Foundation. He has previously been a board member of Eimskipafélag Íslands hf. and Americold Realty Trust (board of Trustees). Marc has a Master's degree in Business Administration from UCLA Anderson School of Management from 2005 and is a Certified Public Accountant. He further holds a Bachelor's degree in Business Economics from the University of California, Santa Barbara, from 1995. He has been on the Board of Directors since 23 September 2009. Marc does not own shares in the Company but is not independent of Yucaipa Funds which own in total 50.6 million shares in the Company.

Gunnar Karl Gudmundsson, Helga Melkorka Óttarsdóttir, Hrund Rudolfsdóttir and Víglundur Thorsteinsson are independent members of the Board of Directors.

The Chief Executive Officer of Eimskip

The Company's CEO is responsible for the daily operations in accordance with law, regulations and the Company's Articles of Association, towards the Board and the shareholders. The daily operations do not include matters which are unusual or of great significance. The CEO shall make sure that the Company's accounts are kept in accordance with law and practice and that the Company's assets are kept in a secure manner. The CEO is obligated to abide by all instructions of the Board of Directors and shall give the auditor any information requested. The CEO does not have the authority to make decisions concerning any matters that are assigned to others by law or are reserved to the Board in the Rules of Procedure. The CEO is to acquaint the Board with all major issues involving the operations of the Company or its subsidiaries and is to attend the Board meetings. He participates in the Boards of the subsidiaries.

Gylfi Sigfússon, Chief Executive Officer

Gylfi was born in 1961. He has worked for Eimskip and related companies since 1990. Gylfi held the position of CEO of Eimskip USA, Eimskip Logistics and Eimskip Canada from 2006 to 2008, overseeing all of Eimskip's transport operations in USA and Canada. Gylfi was the CEO of Eimskip Logistics in USA from 2000 to 2006. He was an EVP of Ambrosio Shipping in USA from 1996 to 2000 and an EVP of Marketing and Operations at Tollvörugeymslan hf., now TVG-Zimsen ehf., from 1990 to 1996. Gylfi is currently a board member of A Orange ehf. He is a board member or CEO, or both, of various subsidiaries of Eimskipafélag Íslands hf. Gylfi is a board member of the Iceland Chamber of Commerce, the American-Icelandic Chamber of Commerce, the Icelandic-Canadian Chamber of Commerce and the Greenland-Icelandic Chamber of Commerce. Gylfi holds a Cand.Oecon. degree from the University of Iceland from 1990. Gylfi owns 9,615 shares in the Company and does not have a share option agreement with the Company.

The Executive Management of Eimskip

The Executive Management of Eimskip consists of the Chief Executive Officer, the Chief Financial Officer and the Directors of International, Iceland Domestic, Liner and Vessels Operations and Sales and Services. All the executives have an extensive experience within the Company.

Hilmar Pétur Valgardsson is the Chief Financial Officer, Bragi Thór Marinósson is the Executive Vice President International, Gudmundur Nikulásson is the Vice President of Iceland Domestic, Ásbjörn Skúlason is the Vice President of Liner and Vessels Operations, and Matthías Matthíasson is the Vice President of Sales and Services.

Further information on the Executive Management is provided in the Annual Report on the Company's website, www.eimskip.is.

Internal Control and Risk Management

Active risk management plays an important role in Eimskip to ensure stable operations and earnings. The Company's risk management policy is aimed at minimizing potential negative effects on operations and earnings from marketing, operational and financial activities and to limit risks to acceptable levels.

Risk management within Eimskip is governed by the Board of Directors while the Audit Committee is responsible for its review on a regular basis. The Executive Management is responsible for identifying material risks and developing the Company's risk management.

The Company is monitoring risk factors within its operation on continuous basis. Each division of the Company is responsible for maintaining a list of all potential risk factors and for ensuring that relevant processes are in place to prevent potential risks.

Eimskip is focused on importance of safety and security and loss prevention and has increased the resources in those activities during recent years.

The Company goes through a detailed strategic and budgeting process each year and a strategy and budget report is prepared. The Board approves the Company's strategy and budget each year. Deviations from the strategy and budget are carefully monitored on a monthly basis.

Eimskip monitors its financial risk factors and has defined treasury policies and procedures which, among other, sets acceptable risk limits and stipulates how to identify, measure and manage financial risk exposure.

The Company's risk exposure is discussed at Board Meetings.

Information on violation of rules determined by the applicable authority

The Competition Authority in Iceland has a few cases concerning the Company in process, of which the outcome is not yet determined.

Company Values, Code of Conduct and Social Responsibility and Environmental matters

The Company has set out its values which are: Achievement, Cooperation and Trust (ACT).

The CEO supervises all grants related to the Company's social responsibility program through the Corporate Communication and Marketing division and the Vice Presidents. All final and major decisions on grants are taken by the CEO according to the approved budget and the Board of Directors is kept informed.

In Eimskip's Annual Report an analysis is made of elements concerning the Company's values, its code of conduct and social responsibility as well as environmental matters, which the Company uses to better understand its development, success and position. Eimskip's Annual Reports are accessible on the Company's website, www.eimskip.is.