Eimskipafélag Íslands hf.

Consolidated Financial Statements
for the year ended 31 December 2014
EUR

Eimskipafélag Íslands hf.
Korngardar 2
104 Reykjavík
Iceland

Reg. no. 690409-0460

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Operations and significant matters in 2014

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 2014, Eimskip received 7,441,950 shares from A1988 hf (see note 15). The shares correspond to 3.72% of the total share capital of Eimskip, which now holds 13,360,770 shares in treasury corresponding to 6.68% of total issued share capital.

On 24 June 2014, Eimskip's new vessel Lagarfoss was delivered in China. Lagarfoss is a 875 teus container vessel and has replaced the vessel Selfoss on the Yellow Line. The vessel arrived in Reykjavik on 17 August. Negotiations with the shipyard of finishing the building of Bakkafoss, the sister vessel of Lagarfoss, have been finalized. Further discount of the vessel's purchase price amounts to USD 0.8 million (EUR 0.7 million), making the total contract price USD 18.0 million (EUR 14.8 million). The process of building the 875 TEU container vessel Bakkafoss is not proceeding on schedule and the company is expecting further delay in respect of delivery, which was planned to take place in the fourth quarter this year. Eimskip is considering available options due to the delay. The total amount already invested in the project is EUR 11.4 million. The payments made to the shipyard are guaranteed by a first class state owned Chinese bank if Eimskip decides to seek a refund of the payments already made.

Net earnings for the year 2014 amounted to EUR 13.6 million (2013: EUR 10.8 million) according to the Consolidated Income Statement. Total equity at 31 December 2014 amounted to EUR 216.5 million (2013: EUR 205.8 million) according to the Statement of Financial Position.

The Board of Directors proposes a dividend payment to shareholders in 2015 in the amount of ISK 5.00 per share. The proposed dividend payment is ISK 933.2 million, or EUR 6.2 million, which represents 45.7% of net earnings for the year 2014.

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 Nordic 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 statements.

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 management is of the opinion that it follows and complies with the Guidelines.

The Company complies with article 63 of the laws of the Icelandic Company's Act whereas the Company's Board of Directors currently consists of three males and two females.

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 13,360,770 at year-end 2014 which is equal to 6.68% 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 Nordic Iceland). Companies can acquire and hold up to 10% of the nominal value of the their shares according to the Icelandic Company's Act.

The Company's Board of Directors consists of five Directors and two alternate Directors, 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.

Endorsement and Statement by the Board of Directors and the CEO

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 2014 was 1,101 which was a decrease of 123 from the beginning of year.

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

	2014		2013	
Shareholder:	**Number of shares**	**Shares in %**	**Number of shares**	**Shares in %**
1. Yucaipa American Alliance Fund II, LP..........................	30,504,030	16.34%	30,504,030	15.72%
2. Lífeyrissjódur verzlunarmanna	29,135,070	15.61%	29,135,070	15.01%
3. Yucaipa American Alliance (Parallel)	20,095,970	10.77%	20,095,970	10.35%
4. Lífeyrissjódur starfsmanna ríkisins A-deild	15,745,000	8.44%	14,624,665	7.54%
5. J.P. Morgan Clearing Corporation	7,672,360	4.11%	7,672,360	3.95%
6. Stefnir - ÍS 15	6,642,785	3.56%	5,937,749	3.06%
7. Lífeyrissjódur starfsmanna ríkisins B-deild	6,615,250	3.54%	6,900,000	3.56%
8. Stapi lífeyrissjódur	6,071,324	3.25%	4,717,732	2.43%
9. Sameinadi lífeyrissjódurinn	5,835,062	3.13%	5,442,718	2.80%
10. Straumur fjárfestingabanki hf.	3,649,582	1.96%	2,698,354	1.39%
11. Íslandssjóðir - IS Hlutabréfasjódurinn	2,978,108	1.60%	3,145,792	1.62%
12. Söfnunarsjóður lífeyrisréttinda......................................	2,852,823	1.53%	2,602,823	1.34%
Other shareholders	48,841,866	26.17%	60,603,917	31.23%
Total outstanding shares	186,639,230	100.00%	194,081,180	100.00%
Treasury shares	13,360,770		5,918,820	
Total issued shares	200,000,000		200,000,000	

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 2014, its assets, liabilities and consolidated financial position as at 31 December 2014 and its consolidated cash flows for the year 2014.

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 2014 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.

Reykjavík, 26 February 2015

Board of Directors:
Richard Winston Mark d'Abo, Chairman
Víglundur Thorsteinsson
Hrund Rudolfsdóttir
Helga Melkorka Óttarsdóttir
Lárus L. Blöndal

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 2014, 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.

The Board of Directors' and the CEO's Responsibility for the Consolidated Financial Statements

The Board of Directors and the CEO are responsible for the preparation and fair presentation of these Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as they determine 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 Eimskipafélag Íslands hf. as at 31 December 2014, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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, 26 February 2015

KPMG ehf.

Alexander G. Edvardsson
Ólafur Már Ólafsson

Consolidated Income Statement
for the year 2014

	Notes	2014	2013
Operating revenue:			
Sales	4	451,555	433,824
Expenses:			
Operating expenses	4	331,544	321,368
Salaries and related expenses	5	81,469	75,402
		413,013	396,770
Operating profit, EBITDA		38,542	37,054
Depreciation and amortization	8,9	(23,195)	(21,143)
Results from operating activities, EBIT		15,347	15,911
Finance income		3,666	704
Finance expense		(3,075)	(3,938)
Net finance income (expense)	6	591	(3,234)
Share of earnings of associated companies	10	229	2
Net earnings before income tax		16,167	12,679
Income tax	7	(2,560)	(1,862)
Net earnings for the year		13,607	10,817
Net earnings for the year attributable to:			
Equity holders of the Company		13,477	10,743
Non-controlling interest		130	74
		13,607	10,817
Earnings per share:			
Basic and diluted earnings per share (EUR per share)	16	0.0722	0.0554

The notes on pages 13 to 33 are an integral part of these Consolidated Financial Statements.

Consolidated Financial Statements of Eimskipafélag Íslands hf. 2014 7 Amounts are in thousands of EUR

Consolidated Statement of Comprehensive Income for the year 2014

	Notes	2014	2013
Net earnings for the year		13,607	10,817
Other comprehensive income:			
Items that may subsequently be reclassified to the income statement			
Foreign currency translation difference of foreign operations		192	(2,061)
Total comprehensive income for the year		13,799	8,756
Total comprehensive income for the year attributable to:			
Equity holders of the Company		13,505	8,928
Non-controlling interest		294	(172)
		13,799	8,756

The notes on pages 13 to 33 are an integral part of these Consolidated Financial Statements.

Consolidated Financial Statements of Eimskipafélag Íslands hf. 2014 8 Amounts are in thousands of EUR

Consolidated Statement of Financial Position as at 31 December 2014

	Notes	2014	2013
Assets:			
Property, vessels and equipment	8	185,384	186,471
Intangible assets	9	19,383	20,372
Investment in associated companies	10	2,348	1,317
Financial assets	11	90	117
Deferred tax assets	12	7,073	7,819
Total non-current assets		214,278	216,096
Inventories		2,563	2,745
Trade and other receivables	13,19	75,660	69,154
Cash and cash equivalents	14	39,539	26,370
Total current assets		117,762	98,269
Total assets		332,040	314,365
Equity:			
Share capital		1,165	1,211
Share premium		154,726	154,680
Translation reserve		(2,330)	(2,358)
Retained earnings		59,729	49,296
Total equity attributable to equity holders of the parent company	15	213,290	202,829
Non-controlling interest		3,182	2,942
Total equity		216,472	205,771
Liabilities:			
Loans and borrowings	17	49,578	44,300
Deferred tax liability	12	326	136
Total non-current liabilities		49,904	44,436
Loans and borrowings	17	14,854	15,098
Trade and other payables	18	50,810	49,060
Total current liabilities		65,664	64,158
Total liabilities		115,568	108,594
Total equity and liabilities		332,040	314,365

The notes on pages 13 to 33 are an integral part of these Consolidated Financial Statements.

Consolidated Financial Statements of Eimskipafélag Íslands hf. 2014 9 Amounts are in thousands of EUR

Consolidated Statement of Changes in Equity
for the year ended 31 December 2014

	Attributable to equity holders of the Company						
	Share capital	Share premium	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Changes in Equity 2014:							
Equity at 1 January 2014	1,211	154,680	(2,358)	49,296	202,829	2,942	205,771
Treasury shares received	(46)	46			0		0
Reversal of prior year dividend of treasury shares received				81	81		81
Dividend paid (0.0167 EUR per share)				(3,125)	(3,125)		(3,125)
Other changes in non-controlling interest					0	(54)	(54)
Total comprehensive income for the year			28	13,477	13,505	294	13,799
Equity at 31 December 2014	1,165	154,726	(2,330)	59,729	213,290	3,182	216,472
Changes in Equity 2013:							
Equity at 1 January 2013	1,211	154,680	(543)	41,208	196,556	3,043	199,599
Other changes in non-controlling interest					0	71	71
Dividend paid (0.0137 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	(2,358)	49,296	202,829	2,942	205,771

The notes on pages 13 to 33 are an integral part of these Consolidated Financial Statements.

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Consolidated Statement of Cash Flows for the year ended 31 December 2014

	Notes	2014	2013
Cash flows from operating activities:			
Net earnings for the year		13,607	10,817
Adjustments for:			
Depreciation and amortization	8,9	23,195	21,143
Share of earnings of associated companies	10	(229)	(2)
Net finance (income) expense	6	(591)	3,234
Change in deferred taxes	7,12	949	907
Other changes		(475)	(2,493)
		36,456	33,606
Changes in current assets and liabilities:			
Inventories, change		157	291
Receivables, change		(4,813)	(5,182)
Payables, change		2,570	(5,314)
Change in current assets and liabilities		(2,086)	(10,205)
Interest paid		(3,162)	(2,493)
Interest received		919	581
Taxes paid		(524)	(952)
Net cash from operating activities		31,603	20,537
Cash flows used in investing activities:			
Aquisition of property, vessels, equipment and intangible assets	8,9	(18,613)	(26,469)
Proceeds from the sale of property, vessels and equipment		1,050	938
Investment in subsidiaries net of cash acquired		0	(565)
Investment in associated company	10	(770)	(498)
Financial assets, change		22	(7)
Net cash used in investing activities		(18,311)	(26,601)
Cash flows used in financing activities:			
Changes in non-controlling interest		(54)	(71)
Proceeds from non-current loans and borrowings		10,601	7,921
Repayment of non-current loans and borrowings		(7,994)	(8,753)
Dividend paid		(3,125)	(2,655)
Net cash used in financing activities		(572)	(3,558)
Changes in cash and cash equivalents		12,720	(9,622)
Cash and cash equivalents at the beginning of the year		26,370	37,304
Effects of exchange rate fluctuations on cash held		449	(1,312)
Cash and cash equivalents at year-end		39,539	26,370
Investing and financing activities not affecting cash flows:			
Proceeds from the sale of property, vessels and equipment		0	2,823
Repayment of non-current loans and borrowings		0	(2,823)
Aquisition of property, vessels, equipment and intangible assets	8,9	(1,849)	(2,809)
Proceeds from non-current loans and borrowings		1,849	2,809

The notes on pages 13 to 33 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 2014 comprise the Company and its subsidiaries (together referred to as "Eimskip" or the "Group") and Eimskip's interest in associated companies. The parent company is an investment company focused on investments in shipping and logistic services. The Company is listed on Nasdaq Nordic Iceland.

2. Basis of accounting

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 26 February 2015.

b. Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis. The methods used to measure fair values for disclosure purposes are discussed 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

3. Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Fair values have been measured for measurement and/or disclosure purposes based on the present value of future cash flows, discounted at the market rate of interest at the reporting date. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. These fair values are measured for disclosure purposes.

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. These services include sea transportation, trucking, 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 associates, mainly in the reefer sector.

4. Segment reporting, continued

Business segments

	Liner services	Forwarding services	Consoli-dated
For the year 2014			
Revenue, external	330,588	120,967	451,555
Inter-segment revenue	28,961	32,936	61,897
Total	359,549	153,903	513,452
Expenses, external	(293,886)	(119,127)	(413,013)
Inter-segment expense	(32,936)	(28,961)	(61,897)
EBITDA	32,727	5,815	38,542
Depreciation and amortization	(21,899)	(1,296)	(23,195)
EBIT	10,828	4,519	15,347
Net finance income	358	233	591
Share of earnings of associated companies	212	17	229
Income tax	(710)	(1,850)	(2,560)
Net earnings for the year	10,688	2,919	13,607
Segment assets	278,360	53,680	332,040
Segment liabilities	90,705	24,863	115,568
Capital expenditure	19,632	830	20,462
For the year 2013			
Revenue, external	319,180	114,644	433,824
Inter-segment revenue	32,588	33,336	65,924
Total	351,768	147,980	499,748
Expenses, external	(287,291)	(109,479)	(396,770)
Inter-segment expense	(33,336)	(32,588)	(65,924)
EBITDA	31,141	5,913	37,054
Depreciation and amortization	(19,728)	(1,415)	(21,143)
EBIT	11,413	4,498	15,911
Net finance expense	(2,836)	(398)	(3,234)
Share of earnings of associated companies	2	0	2
Income tax	(672)	(1,190)	(1,862)
Net earnings for the year	7,907	2,910	10,817
Segment assets	269,031	45,334	314,365
Segment liabilities	84,128	24,466	108,594
Capital expenditure	28,544	734	29,278

Geographical segments

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

	North Atlantic	Other territories	Consoli-dated
For the year 2014			
Revenue, external	395,995	55,560	451,555
Segment assets	311,345	20,695	332,040
Capital expenditure	20,449	13	20,462
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

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Notes

5. Salaries and related expenses

Salaries and related expenses are specified as follows:

	2014	2013
Salaries	67,255	62,806
Defined contribution plan	5,569	5,095
Other related expenses	8,645	7,501
Salaries and related expenses	81,469	75,402
Average number of full-time equivalents during the year	1,397	1,343
Average number of employees	1,420	1,373
Number of employees at year-end	1,431	1,408

6. Finance income and expense

Finance income is specified as follows:

	2014	2013
Interest income	832	619
Dividend received	49	85
Net foreign currency exchange gain	2,785	0
	3,666	704

Finance expense is specified as follows:

	2014	2013
Interest on long-term loans	(2,329)	(2,187)
Other finance expense	(746)	(696)
Net foreign currency exchange loss	0	(1,055)
	(3,075)	(3,938)
Net finance income (expense)	591	(3,234)

7. Income tax

(i) Income tax recognized in the income statement:

	2014	2013
Current tax expense:		
Current period	1,488	1,144
Deferred tax:		
Origination and reversal of temporary differences	1,018	550
Benefit of tax losses recognized	0	(15)
Other changes	54	183
	1,072	718
Total income tax	2,560	1,862

(ii) Reconciliation of effective tax rate:

	2014		2013	
Net earnings before income tax		16,167		12,679
Income tax using the Company's domestic tax rate	20.0%	3,233	20.0%	2,536
Effect of tax rates in foreign jurisdictions	(11.8%)	(1,914)	(13.2%)	(1,671)
Under / over provided in previous years	0.3%	56	2.0%	251
Other changes	7.3%	1,185	5.9%	746
Effective tax	15.8%	2,560	14.7%	1,862

Consolidated Financial Statements of Eimskipafélag Íslands hf. 2014 15 Amounts are in thousands of EUR

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 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
Balance at 1 January 2014	70,626	97,255	23,979	70,958	262,818
Reclassification of assets	25	16,582	(16,582)	(16)	9
Additions	356	1,933	4,013	12,721	19,023
Disposals	(55)	0	0	(2,370)	(2,425)
Currency adjustments	(49)	795	0	323	1,069
Balance at 31 December 2014	70,903	116,565	11,410	81,616	280,494
Depreciation					
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
Balance at 1 January 2014	12,348	36,076	0	27,923	76,347
Disposals	(55)	0	0	(1,841)	(1,896)
Depreciation	3,036	7,810	0	9,928	20,774
Currency adjustments	(114)	(168)	0	167	(115)
Balance at 31 December 2014	15,215	43,718	0	36,177	95,110
Carrying amounts					
At 1 January 2013	58,062	65,157	15,523	41,698	180,440
At 31 December 2013	58,278	61,179	23,979	43,035	186,471
At 31 December 2014	55,688	72,847	11,410	45,439	185,384

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 2014 amounted to EUR 7.2 million (2013: 6.9 million). The commitment according to the lease agreements at the same time amounted to EUR 5.6 million (2013: 5.6 million).

Some uncertainty prevails regarding the Eimskip’s non ISK finance lease agreements that where transferred from A1988 hf. in relation to the composition agreement in the year 2009. These agreements can possibly be restated in favour of the Company subject to recent legal cases and the outcome of the recalculation of the agreements are still pending.

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8. Property, vessels and equipment, continued

Pledges

Property, vessels and equipment with a carrying amount of EUR 75.4 million (2013: EUR 60.5 million) have been pledged as security for loans amounting to EUR 64.4 million (2013: EUR 59.4 million) at year-end.

Borrowing costs

Borrowing costs amounting to EUR 0.6 million with an interest rate of 2.6% have been capitalized due to vessels under construction. (2013: EUR 0.4 million)

9. Intangible assets

Intangible assets and amortization are specified as follows:

Cost	Brand name	Software	Market and customer related	Total
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
Currency adjustments	0	(3)	0	(3)
Balance at 31 December 2013	14,003	13,546	3,466	31,015
Balance at 1 January 2014	14,003	13,546	3,466	31,015
Reclassification of assets	0	(9)	0	(9)
Additions	0	1,439	0	1,439
Currency adjustments	0	30	0	30
Balance at 31 December 2014	14,003	15,006	3,466	32,475
Amortization				
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)	0	(5)
Balance at 31 December 2013	0	9,563	1,080	10,643
Balance at 1 January 2014	0	9,563	1,080	10,643
Amortization	0	2,074	347	2,421
Currency adjustments	0	28	0	28
Balance at 31 December 2014	0	11,665	1,427	13,092
Carrying amounts				
At 1 January 2013	14,003	3,753	1,891	19,647
At 31 December 2013	14,003	3,983	2,386	20,372
At 31 December 2014	14,003	3,341	2,039	19,383

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 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 companies

Eimskip has interests in a number of individually immaterial associates. In October 2014, Eimskip Holding BV, a subsidiary of Eimskipafélag Íslands hf., established a company named Qingdao Port Eimskip Coldchain Log. Co Ltd. and holds a 30.0% equity interest in the company. The company operates a cold storage in Qingdao, China.

The ownership percentage, carrying amounts and share of earnings of associates is specified as follows:

	Ownership	Share in profit	Book value 2014	Book value 2013
Qingdao Port Eimskip Coldchain Log. Co. Ltd., China	30.0%	17	816	0
Truenorth Ísland ehf., Iceland	31.9%	156	716	546
P/F í Áninum, The Faroe Islands	50.0%	44	648	603
Hammerfest Fryseterminal AS, Norway	20.5%	12	168	168
		229	2,348	1,317

11. Financial assets

Non-current financial assets	2014	2013
Unlisted equity shares	90	117
	90	117

12. Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

	Assets	Liabilities	Net
2014			
Property, vessels and equipment	787	(445)	342
Intangible assets	382	(6)	376
Current assets	1,239	(1)	1,238
Current liabilities	3	0	3
Other	29	(463)	(434)
Tax loss carried-forward	5,222	0	5,222
Total tax assets (liabilities)	7,662	(915)	6,747
Set off tax	(589)	589	0
Net tax assets	7,073	(326)	6,747
2013			
Property, vessels and equipment	595	(434)	161
Intangible assets	413	(9)	404
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

13. Trade and other receivables

Trade and other receivables are specified as follows:	2014	2013
Trade receivables	69,567	61,441
Restricted cash	1,752	2,480
Other receivables	4,341	5,233
Trade and other receivables total	75,660	69,154

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	(6,508)	(6,913)
Write-offs	642	794
Changes in allowance for impairment losses	(1,483)	(389)
Balance at year-end	(7,349)	(6,508)

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14. Cash and cash equivalents

Cash and cash equivalents are specified as follows:

	2014	2013
Bank balances and cash on hand	39,539	26,370
Cash and cash equivalents	39,539	26,370

15. Capital and reserves

Share capital

The Company's capital stock is nominated in Icelandic króna (ISK). The nominal value of each share is ISK 1 and one vote is attached to each share. Total authorized and issued shares were 200,000,000 both at the beginning and at the end of the year.

Total outstanding shares were 194,081,180 at the beginning of year. In March 2014, 7,441,950 shares were transferred to Eimskip from A1988 hf. and therefore total outstanding shares were 186,639,230 at the year-end. The EUR amount of capital stock was 1.2 million at year-end 2014.

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 might arise in coming periods resulting from events prior to the composition agreement. The shares do not have voting rights attached to them.

If the value of the shares exceeds the contingent claims accepted by A1988 hf. in accordance with the composition agreement, the remaining shares will be transferred to Eimskipafélag Íslands hf. without any compensation. These shares are not recognized in the statement of financial position at year-end. To date, no material unrecorded contingent claims have been accepted by A1988 hf.

In March 2014, Eimskip received 7,441,950 shares from A1988 hf. The shares correspond to 3.72% of the total share capital of Eimskip. A1988 hf. still holds 1,000,000 shares which corresponds to 0.5% of the total share capital of Eimskip.

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 resolution made on the Company's 2014 Annual General Meeting, dividend in the amount of EUR 3.1 million or 2.60 ISK per share, was paid to shareholders, which represented 30% of the Company's profits for the year 2013.

The Board of Directors proposes a dividend payment to shareholders in 2015 in the amount of ISK 5.00 per share. The proposed dividend payment is ISK 933.2 million, or EUR 6.2 million, which represents 45.7% of net earnings for the year 2014. Treasury shares are not entitled to receive dividend.

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16. Earnings per share

Basic and diluted earnings per share

The calculation of basic earnings per share was based on earnings attributable to shareholders and a weighted average number of shares outstanding during the 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:

	2014	2013
Net earnings attributable to ordinary shareholders	13,477	10,743
Number of issued shares at 1 January	200,000	200,000
Effect of treasury shares	(13,361)	(5,919)
Weighted average number of outstanding shares at 31 December	186,639	194,081
Basic and diluted earnings per share (EUR)	0.0722	0.0554

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 19:

Non-current loans and borrowings consist of the following:

	2014	2013
Secured bank loans	59,070	54,015
Finance lease liabilities	5,362	5,383
	64,432	59,398

Secured bank loans

Secured bank loans are payable as follows:	2014		2013	
	Nominal interest	Carrying amount	Nominal interest	Carrying amount
Loans in EUR	3.8%	38,595	3.9%	41,530
Loans in USD	2.7%	11,284	1.7%	2,937
Loans in ISK	7.2%	7,370	7.4%	7,184
Loans in other currencies	-	1,821	-	2,364
		59,070		54,015
Current maturities		(12,789)		(13,078)
Total non-current secured bank loans		46,281		40,937

Aggregated annual maturities are as follows:

	2014	2013
On demand or within 12 months	12,789	13,078
12 - 24 months	11,867	11,304
24 - 36 months	4,172	3,117
36 - 48 months	4,172	3,108
48 - 60 months	4,146	3,108
After 60 months	21,924	20,300
Total secured bank loans	59,070	54,015

Finance lease liabilities

Finance lease liabilities are payable as follows:	2014		2013	
	Minimum lease payments	Principal	Minimum lease payments	Principal
Less than one year	2,110	2,065	2,129	2,020
Between one and five years	3,522	3,297	3,391	3,242
More than five years	0	0	128	121
	5,632	5,362	5,648	5,383

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18. Trade and other payables

Trade and other payables are attributable to the following:	2014	2013
Trade payables	32,448	32,672
Income tax payable	753	182
Other payables	17,609	16,206
Total	50,810	49,060

19. 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.

(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.

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19. Financial risk management, continued

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	2014 Carrying amount	2013 Carrying amount
Trade and other receivables	13	75,660	69,154
Cash and cash equivalents	14	39,539	26,370
		115,199	95,524

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	60,287	58,301
Other regions	15,373	10,853
	75,660	69,154

Impairment risk

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

	Gross 2014	Impairment 2014	Gross 2013	Impairment 2013
Not past due	54,142	(175)	50,765	(659)
Past due 1 - 90 days	19,650	(1,159)	16,688	(979)
Past due 91 - 180 days	3,689	(1,487)	3,739	(820)
More than 180 days	5,528	(4,528)	4,470	(4,050)
	83,009	(7,349)	75,662	(6,508)

(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 assets. 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:

Financial liabilities	Carrying amount	Contractual cash flow	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
31.12.2014						
Secured bank loans	59,070	(69,471)	(14,819)	(13,244)	(15,563)	(25,846)
Finance lease liabilities	5,362	(5,826)	(2,592)	(1,897)	(1,337)	0
Trade and other payables	50,810	(50,810)	(50,810)	0	0	0
	115,242	(126,107)	(68,221)	(15,141)	(16,900)	(25,846)
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)

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

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19. Financial risk management, continued

(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 2014 the primary risks are attached to the US Dollar (USD), the Chinese Yuan (RMB) and the Japaneses Yen (JPY) 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 2014	**ISK**	**USD**	**RMB**	**JPY**	**Other**
Trade and other receivables	18,239	11,070	4,692	709	3,886
Cash and cash equivalents	895	4,683	460	4	1,778
Loans and borrowings	(11,915)	(848)	(264)	0	(77)
Trade and other payables	(13,826)	(4,478)	(5,781)	(5)	(4,191)
Net balance sheet exposure	(6,607)	10,427	(893)	708	1,396

31 December 2013	**ISK**	**USD**	**CAD**	**CHF**	**Other**
Trade and other receivables	16,450	14,704	720	0	9,613
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)
Net balance sheet exposure	(5,993)	10,204	838	(937)	2,161

The following significant exchange rates were applied during the year:

	Average rate		**Reporting date spot rate**	
EUR:	**2014**	**2013**	**2014**	**2013**
ISK	154.8383	162.2205	154.2500	158.5000
USD	1.3262	1.3283	1.2141	1.3791
DKK	7.4548	7.4580	7.4453	7.4593
RMB	8.1692	8.1660	7.5358	8.3491
NOK	8.3499	7.7968	9.0420	8.3630

Sensitivity analysis

A 10% strengthening of the EUR against the following currencies at 31 December would have changed 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 2013.

	2014	**2013**
USD	(807)	(809)
ISK	528	475
NOK	67	(57)
DKK	(57)	(40)
RMB	51	(5)
JPY	(38)	(24)

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.

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19. Financial risk management, continued

Interest rate risk

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

	Carrying amount	
	2014	2013
Variable rate instruments		
Financial assets	39,539	26,370
Financial liabilities	(64,432)	(59,181)
Net exposure	(24,893)	(32,811)

A change of 100 basis points in interest rates at the reporting date would increase (decrease) result after income tax by EUR 217 thousand (2013: EUR 265 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 2013. The Group accounts for immaterial fixed rate financial 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:

	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	90	90	117	117
Trade and other receivables	75,660	75,660	69,154	69,154
Cash and cash equivalents	39,539	39,539	26,370	26,370
	115,289	115,289	95,641	95,641
Secured bank loans	59,070	59,070	54,015	54,015
Finance lease liabilities	5,362	5,362	5,383	5,383
Trade and other payables	50,810	50,810	49,060	49,060
	115,242	115,242	108,458	108,458

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

(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.

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19. Financial risk management, continued

(i) Equity ratio

	2014	2013
Total equity	216,472	205,771
Total balance sheet capital	332,040	314,365
Equity ratio	65.19%	65.46%

(ii) Net debt to EBITDA ratio

	2014	2013
Total interest-bearing debt	64,432	59,398
Cash and cash equivalents	(39,539)	(26,370)
Net debt	24,893	33,028
EBITDA	38,542	37,054
Net debt / EBITDA	0.65	0.89

20. Commitments

Operating lease commitments

Non-cancellable operating lease commitments are payable as follows:

	2014	2013
Less than one year	3,684	3,597
Between one and five years	4,571	4,654
More than five years	348	853
Total operating lease commitments	8,603	9,104

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. The first vessel, Lagarfoss, was delivered in the second quarter of 2014. Negotiations with the shipyard of finishing the building of Bakkafoss, the sister vessel of Lagarfoss, have been finalized. Further discount of the vessel's purchase price amounts to USD 0.8 million (EUR 0.7 million) making the total contract price USD 18.0 million (EUR 14.8 million). The process of building the 875 TEU container vessel Bakkafoss is not proceeding on schedule and the company is expecting further delay in respect of delivery, which was planned to take place in the fourth quarter this year. Eimskip is considering available options due to the delay. The total amount already invested in the project is EUR 11.4 million. The payments made to the shipyard are guaranteed by a first class state owned Chinese bank if Eimskip decides to seek a refund of the payments already made. The remaining obligation of Bakkafoss as at 31 December 2014 was USD 4.9 million (EUR 4.0 million).

21. Related parties

The Company's largest shareholders Yucaipa American Alliance Fund II LP, with 16.34% shareholding, Lífeyrissjódur verzlunarmanna with 15.61% shareholding and Yucaipa American Alliance (Parallel) Fund II LP with 10.77% shareholding of outstanding shares are considered related parties as well as subsidiaries and key management personell (see note 22). Intercompany transactions with subsidiaries are eliminated in the consolidation.

At year-end 2014 one loan from Lífeyrissjódur verzlunarmanna to Eimskip was outstanding. The balance of the loan amounted to EUR 0.2 million and is negotiated on market terms.

In April 2014, Eimskip engaged the Yucaipa Companies as its consultant in relation to implementation of the Company's growth strategy. A fixed fee of EUR 500 thousand was agreed upo, paid and expensed in the year 2014. The contract was valid until 31 December 2014. During the year there were no other transactions nor other outstanding balances at year-end with the three major shareholders nor with associated companies.

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

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21. Related parties, continued

Fee paid to the Board of Directors

	Fee		Shares at year-end*	
	2014	2013	2014	2013
Richard Winston Mark d'Abo, Chairman ***	38	32	0	0
Víglundur Thorsteinsson, Vice-Chairman	28	14	0	0
Helga Melkorka Óttarsdóttir, Board Member	22	14	0	0
Hrund Rudolfsdóttir, Board Member	29	14	0	0
Lárus L. Blöndal, Board Member	23	0	3,190	3,190
Marc Jason Smernoff, Alternate of the Board ***	15	13	0	0
Gunnar Karl Gudmundsson, former Vice-Chairman	7	19	0	0

Salaries and benefits paid to Executive Management

2014	Base salary	Other **	Shares at year-end*
Gylfi Sigfússon, CEO	362	108	9,615
Hilmar Pétur Valgardsson, CFO	232	42	9,616
Bragi Thór Marinósson, EVP International	184	72	2,404
Gudmundur Nikulásson, VP Iceland domestic	137	33	4,808
Ásbjörn Skúlason, VP Liner and vessel operation	137	34	2,404
Matthías Matthíasson, VP Sales & services	137	28	9,615
2013			
Gylfi Sigfússon, CEO	348	238	9,615
Hilmar Pétur Valgardsson, CFO	207	79	9,616
Bragi Thór Marinósson, 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

* Shares held directly by Board of Directors and Executive Management or parties related to them.
** Cash incentives, travel allowance, pension contributions 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.

22. Group entities

At year-end the Company owned directly eight subsidiaries that are all included in the consolidation. The direct subsidiaries further owned 45 subsidiaries at year-end. The Company holds the majority of voting power in all of its subsidiaries. Assets, liabilities, revenues and expenses in Consolidated Financial Statements that include a minority interest are immaterial to the Group.

The Group's subsidiaries are as follows:

	Country of incorporation	Ownership Interest 2014	Ownership Interest 2013
Eimskip Ísland ehf.	Iceland	100%	100%
TVG-Zimsen ehf.	Iceland	100%	100%
Eimskip USA, Inc.	USA	100%	100%
Eimskip UK Ltd.	England	100%	100%
Eimskip Holding B.V.	The Netherlands	100%	100%
P/f Skipafélagid Føroyar	Faroe Islands	100%	100%
Harbour Grace CS Inc.	Canada	51%	51%
Eimskip REIT ehf.	Iceland	100%	100%

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Notes

23. 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 Appeals Committee. The Appeals Committee ruled on 23 December 2013 that the decision made by the Competition Authority declining Eimskip access to the requested information was unlawful and therefore rescinded. On 3 June 2014 the Icelandic Competition Authority gathered further information from the companies based on a ruling from Reykjavík District Court, relating to the request from 10 September 2013. Also on 3 June the companies were granted access to requested documents, but a part of the information in the provided documents had been hidden. Therefore the companies appealed for the second time to the Appeals Committee, requesting access to the information.

The Appeals Committee ruled on 25 September 2014 that the decision of the Icelandic Competition Authority of 3 June 2014 was rescinded in part. Therefore the Icelandic Competition Authority was ordered to grant access to the documents, request for dawn raid and attached document, within two weeks. On 8 October 2014 the companies received the documents. Parts of the information in the provided documents had been hidden and did therefore not cast any light on the cause for the investigation.

Furthermore on 3 June 2014 the Icelandic Competition Authority felt obligated to inform that it had reported formally certain individuals to the Special Prosecutor with a letter dated 21 March 2014. The companies requested access to all documents attached to the report. Access was denied by the Competition Authority, but the companies have appealed the decision to the Appeals Committee.

The Competition Appeals Committee ruled on 22 December 2014 on Eimskip’s request for access to the report and supporting documents sent by the Competition Authority to the Special Prosecutor. The Competition Appeals Committee ruled that the decision of the Icelandic Competition Authority, where the Company’s request was rejected, was rescinded. The Competition Appeals Committee also ruled that this case should go back to the Icelandic Competition Authority for further assessment and a new decision on Eimskip’s request for access to the information, in accordance with applicable provisions of the Competition Act and the Administrative Procedures Act. Despite the Company’s requests to the Icelandic Competition Authority, it has not been granted access to the requested information. This is the third ruling of the Competition Appeals Committee in one year where a decision of the Icelandic Competition Authority is rescinded, in whole or in part.

The Company received a request for information from the Icelandic Competition Authority in January 2015. The request is in general terms and in light of that and the limited information available to the Company about the investigation, the Company is of the opinion that the request does not reveal the grounds of the investigation.

At this point the subject matter of the investigation is not known and any elaboration on the potential outcome of the investigation is premature. The investigation has had no effect on the Company's financial statements.

24. Subsequent events

There are no material subsequent events to report.

25. 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. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

(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 companies

Associates are those entities in which the Group has significant influence, but not 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.

25. Significant accounting policies, continued

c. Financial instruments, continued

(ii) Derivative financial assets

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 2013 and 2014 derivative contracts were immaterial.

(ii) Cash and cash equivalents

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

(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 or 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.

25. Significant accounting policies, continued

(iii) Depreciation

Depreciation is calculated for 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 - 25 years
Containers and equipment	2 - 10 years

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

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 or 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.

25. Significant accounting policies, continued

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 and the disappearance of an active market for a security.

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 annually 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.

25. 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 or 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.

25. Significant accounting policies, continued

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. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding for the effects of all dilutive potential shares.

o. 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.

p. New IFRS standards, interpretations and amendmends to standards

The group has adopted all Financial Reporting Standards, interpretations and amendments to standards that the EU has adopted and have become effective for the year 2014 and are relevant for the group. A few new standards, amendments to standards and interpretations have not become effective for the year 2014 and have not been applied in preparing these Consolidated Financial Statements. A number of new standards and amendments to standards are effective for the year 2014. The Group has adopted these standards but their impact on the Group's financial statements is immaterial.

Quarterly statements - unaudited

Year 2014	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2014
Operating revenue	104,200	108,978	119,583	118,794	451,555
Expenses	98,182	97,929	106,949	109,953	413,013
Operating profit, EBITDA	6,018	11,049	12,634	8,841	38,542
Depreciation and amortization	(5,656)	(5,903)	(5,584)	(6,052)	(23,195)
Results from operating activities, EBIT	362	5,146	7,050	2,789	15,347
Net finance (expense) income	(856)	86	1,192	169	591
Share of earnings of associated companies	(27)	115	171	(30)	229
Net (loss) earnings before income tax	(521)	5,347	8,413	2,928	16,167
Income tax	(272)	(754)	(896)	(638)	(2,560)
Net earnings	(793)	4,593	7,517	2,290	13,607

Year 2013	Q1 2013	Q2 2013	Q3 2013	Q4 2013	2013
Operating revenue	105,313	108,112	113,524	106,875	433,824
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, EBIT	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 companies	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

Consolidated Financial Statements of Eimskipafélag Íslands hf. 2014 34 Amounts are in thousands of EUR

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 Iceland.

The Corporate Governance Guidelines, along with the Company's Articles of Association and rules for Issuers of Securities listed on Nasdaq 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.

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 on 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 week 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 attend 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 of the Board are independent of the Company and its day-to-day managers, and four Directors are independent of the Company's significant shareholders. Both of the alternate members of the Board are either not independent of the Company or its 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 day-to-day operations 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 9 July 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 Marc Jason Smernoff, Chairman, Lárus L. Blöndal 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 Hrund Rudolfsdóttir, Chairman, Richard Winston Mark d'Abo and Marc Jason Smernoff.

The Board of Directors

Richard Winston Mark d'Abo, Chairman of the Board

Richard was born in 1956 and lives in the United States. 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 in 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. He is currently a board member of A Tango ehf., VersaCold International Corporation, Apogee Electronics, LLC and NPE Holdings, LLC. Richard has previously been a board member of Americold Realty Trust (board of Trustees). He pursued a degree in Finance from the University of South California from 1975 to 1977. Richard has been on the Board of Directors since 23 September 2009. He 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.

Víglundur Thorsteinsson, Vice-Chairman of the Board

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 (the 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, is an independent Board member 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 an independent law practice from 1999 to 2000 and was a lawyer at the EFTA Surveillance Authority in Brussels from 1994 to 1999. Helga was nominated as a Leading Lawyer in financial and corporate law in IFLR1000 2011, 2012 and 2013 and a Leading Individual in Chambers Global, most recently in 2013. She has been 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 currently a board member of Iceland Chamber of Commerce. She is a Supreme Court Attorney since 2011 and a District Court Attorney since 1999. She took her LL.M. degree in European law and International law from Heidelberg in Germany in 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, is an independent Board member 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 ehf. Previously she was Corporate Director of Human Resources at Marel hf. from 2009 and Director of Operations and Investments at Moderna Finance ehf./Milestone ehf. from 2007 to 2009. Hrund was CEO of L&H Holding, CEO and Chief of Operation of Lyf & heilsa hf. from 2003 to 2006. She is currently a board member of Stefnir hf. Hrund took her Master's degree in International Marketing and Management from Copenhagen Business School in the year 2000 and her Cand.Oecon. degree from the University of Iceland in 1994. Hrund has been on the Board of Directors since 3 April 2013, is an independent member of the Board and does not own shares in the Company.

Lárus L. Blöndal

Lárus was born in 1961 and lives in Iceland. He is a Supreme Court Attorney and a partner at the law firm Juris. Previously he was a partner at Almenna lögfrædistofan from 1990 to 2008. Lárus has been a member of the Competition Appeals Committee in Iceland since 2000. He has been a member of the National Olympic and Sports Association of Iceland since 2001 and its President since 2013. Lárus is currently a board member of Orkusalan hf., Hótel Borg ehf., RARIK Orkuthróun ehf., Fastus ehf. and the University of Iceland's Research Centre in Environmental and Natural Resources Law. He is a Supreme Court Attorney since 1998, a District Court Attorney since 1990 and graduated with a Cand.jur. degree from the University of Iceland in 1987. Lárus has been on the Board of Directors since 27 March 2014 and is an independent Board member. He owns 3,190 shares in the Company.

Jóhanna á Bergi, Alternate Member of the Board

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, since 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 since 3 April 2013, is not an independent alternate member of the Board and does not own shares in the Company.

Marc Jason Smernoff, Alternate Member of the Board

Marc was born in 1973 and lives in the United States. He has been a Director of Private Equity of The Yucaipa Companies, LLC since 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 took his Master's degree in Business Administration from UCLA Anderson School of Management in 2005 and is a Certified Public Accountant. He furthermore holds a Bachelor's degree in Business Economics from the University of California, Santa Barbara, which he took in 1995. Marc has been on the Board of Directors since 23 September 2009. He 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.

The Chief Executive Officer

The Company's CEO is responsible for the day-to-day operations in accordance with law, regulations and the Company's Articles of Association, towards the Board and the shareholders. The day-to-day 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 and as CEO from 2009. Before that he was CEO of HF. Eimskipafélag Íslands, now A1988 hf., from 2008 to 2009. 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 Executive Vice President of Ambrosio Shipping in the USA from 1996 to 2000 and Executive Vice President 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. He earned a Cand.Oecon. degree from the University of Iceland in 1990. Gylfi owns 9,615 shares in the Company and does not have a share option agreement with the Company.

Corporate Governance Statement

The Executive Management

The Executive Management of Eimskip consists of the Chief Executive Officer, the Chief Financial Officer and the Directors of International operations, Iceland Domestic operations, Ship Management and Transportation 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 of International operations, Gudmundur Nikulásson is the Vice President of Iceland Domestic operations, Ásbjörn Skúlason is the Vice President of Ship Management and Matthías Matthíasson is the Vice President of Transportation 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 monitors 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 case 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.