



EIMSKIP

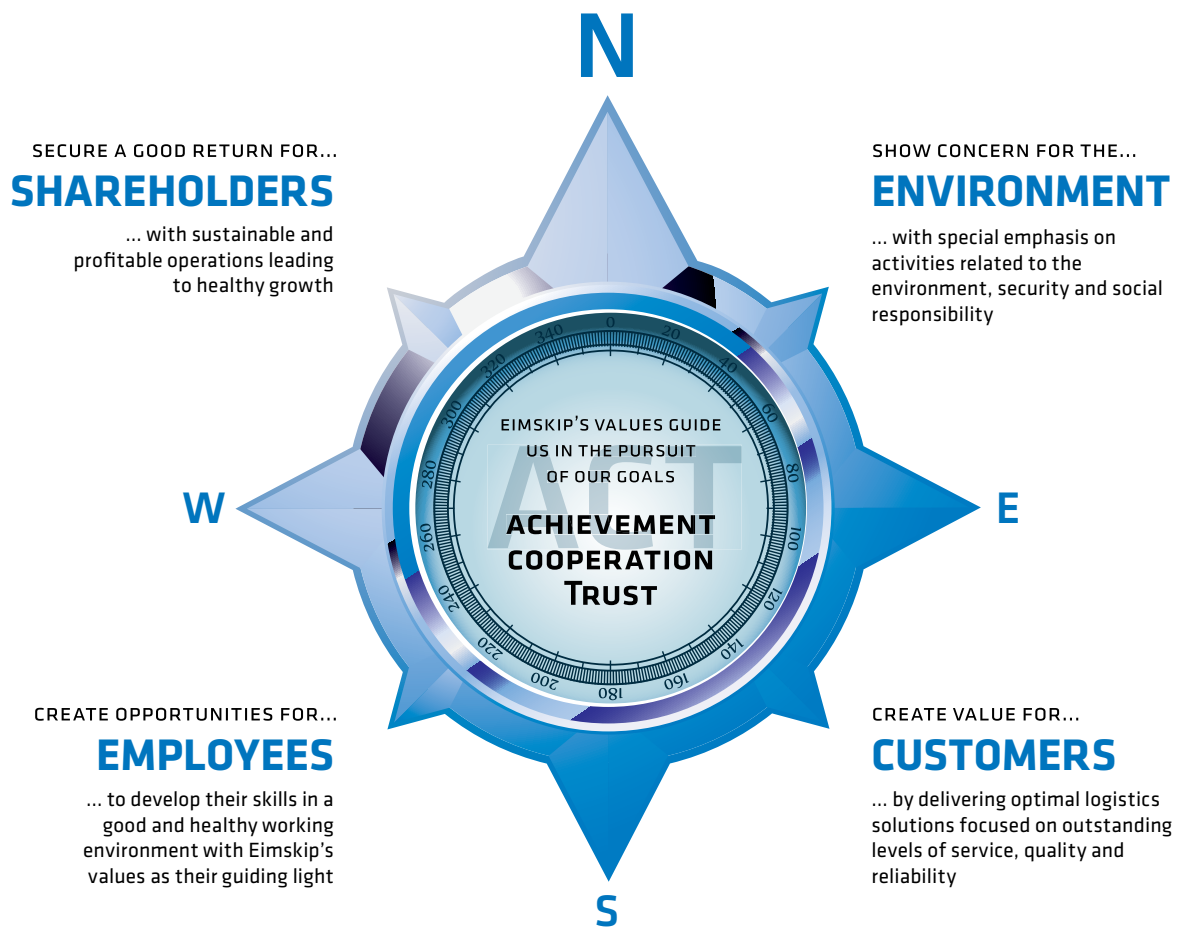
ANNUAL REPORT 2014





EIMSKIP'S VISION

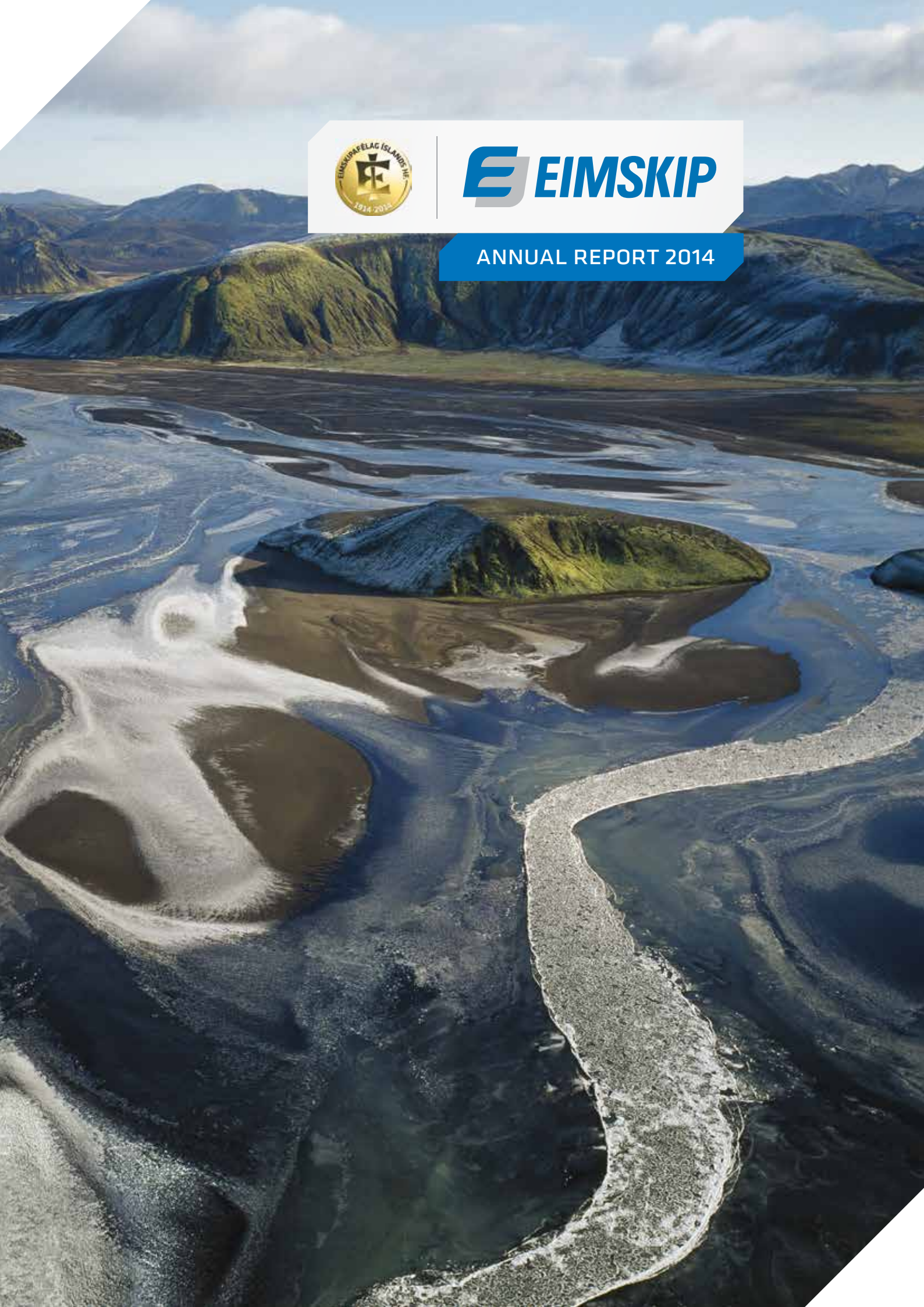
Eimskip is a leading transportation company providing outstanding services through a dependable transport system in the North Atlantic and an extensive worldwide network of reefer logistics services

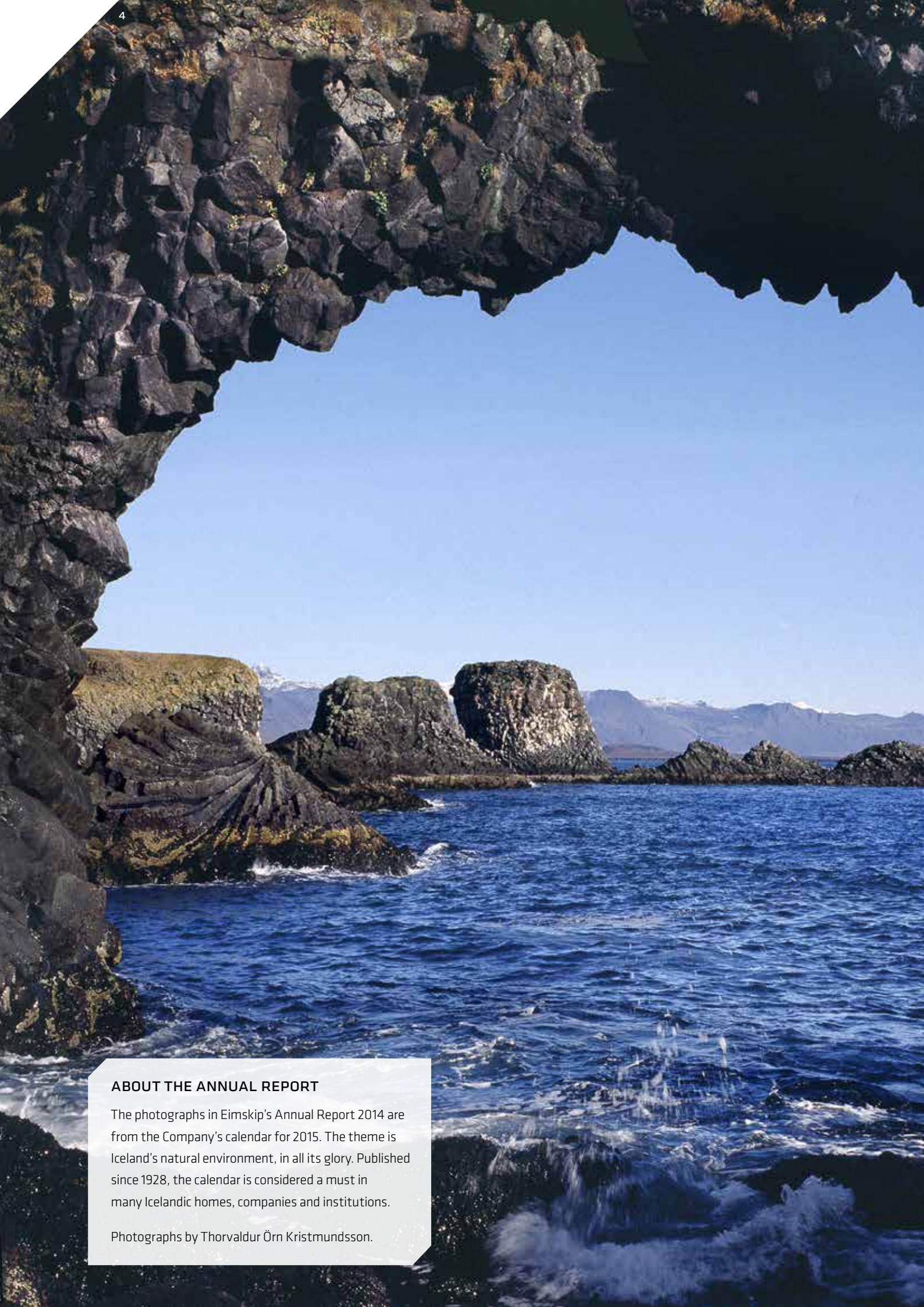




EIMSKIP

ANNUAL REPORT 2014





ABOUT THE ANNUAL REPORT

The photographs in Eimskip's Annual Report 2014 are from the Company's calendar for 2015. The theme is Iceland's natural environment, in all its glory. Published since 1928, the calendar is considered a must in many Icelandic homes, companies and institutions.

Photographs by Thorvaldur Örn Kristmundsson.

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CHAIRMAN'S ADDRESS

RICHARD WINSTON MARK D'ABO

BACKGROUND

Many historical milestones were passed in 2014: Eimskip celebrated its 100 year anniversary and Faroe Ship celebrated its 95 year anniversary. Both companies play a key role in the transportation and logistics infrastructure of their respective countries and a vital role in connecting these island nations to the mainland. Eimskip has grown to be the leading shipping company in the North Atlantic, providing outstanding services through a dependable liner transportation system, infrastructure in the North Atlantic and an extensive worldwide network of reefer logistic services. Our history is important as it shows our dedication and commitment to the communities, customers, countries and environments in which we operate. We are a unique niche liner carrier that connects the communities of the North Atlantic.

In 2014 our core businesses' overall revenues grew to EUR 451.6 million, up by 4.1%. Our transportation revenue in our liner services increased by 3.6% to EUR 330.6 million and our transported volume grew by 7.9%. Forwarding revenue grew by 5.5% to EUR 121.0 million and forwarding volume by 11.0%. This resulted in EBITDA growing 4.0% in 2014 to EUR 38.5 million and net earnings growing 25.8% to EUR 13.6 million. Cash flow was strong and cash balance increased at the end of the year to EUR 39.6 million. Net debt amounted to EUR 24.9 million. The President and CEO, Gylfi Sigfússon, will speak about the financial details. I wish to talk about the key drivers of the business, the challenges, and how we are going to create shareholder value.

DIVIDEND INCREASED

Recognizing the financial strength and earnings of the Company, the Board of Directors has amended its dividend payout policy, increasing the high end to 50% of net earnings (up from 35%).

The Board is recommending a dividend of ISK 5.00 per share, an increase of 92% from last year. It is Eimskip's intent to continue to increase its dividend as a way to increase shareholder value, given the financial strength of the Company.

MACRO ENVIRONMENT AND REVENUE GROWTH

Our revenues and volumes continue to grow; volume is growing more than revenues, reflecting the competitive environment in our markets. We are glad that the Icelandic economy started to turn around in 2014 and appears poised for continued improvement in 2015. There is continued economic uncertainty surrounding the European Union, but we hope that the effects of its QE policies will be positive. Also there is political and economic uncertainty with the continued conflicts in the Ukraine and the Middle East. Furthermore, there is the question of lower fuel prices that could result in an increase in world trade for non-energy-producing countries.

What is the effect of all of these facts on Eimskip revenue streams? It is hard to tell, but Eimskip's management team, led by Gylfi Sigfússon, continues to do a great job despite uncertainties. By adapting to the challenges and growing/streamlining/improving our sailing system to better meet the needs of our existing and future customers, Eimskip will continue to grow its revenues. An example of these efforts is outlined below.

In 2013, Eimskip made an important strategic decision to change its USA hubs from Norfolk, Virginia and Everett, MA to Portland, Maine. Eimskip is the first international shipping company to connect Maine directly to international markets in over 30 years. This has proved to be a win both for Eimskip and Maine, as well



as its geographical neighbors. Maine is the northern-most state in the eastern US, with a population of 1.3 million, creating a great local market for Eimskip and a logical fit in our sailing system. On behalf of Eimskip, I would like to thank the State of Maine for its great welcome and support of our operations. As a result of our presence in Maine, in February 2015 we merged our Green and Red lines together to create a new Green Line with three vessels. This created a direct sailing route between Europe and North America, with port calls in Iceland avoiding transshipments. This increased the annual number of voyages between Europe and North America. It also has strengthened our links with the port of Halifax in building a short sea service between the US (Maine) and Canada. All of these moves will lead to revenue growth and create future value for shareholders.

Across all of our business lines, we have streamlined operations to be able to give superior service to our customers and improve the working environment of our employees. We have upgraded our systems and introduced new services. Eimskip believes in continuous improvement. These measures help us to compete, grow revenues, and create shareholder value. Our core is stronger than ever, and we are better able to serve our customers.

NEW SHIPBUILDING

In 2014 we took delivery of our first new 875 TEU container vessel Lagarfoss, which increased our capacity on the Yellow line, providing more flexibility and reliability on this important route. We have another sister vessel on order from the same Chinese yard. However the Company is expecting further delay of delivery which was planned by the end of the year 2015. We have already invested EUR 11.4 million in the vessel, and these payments are

guaranteed by a highly rated state-owned Chinese bank. If the vessel is not delivered on time, it is likely that Eimskip will seek to recover its EUR 11.4 million under the guarantee.

FREIGHT FORWARDING AND CHINA

In November 2014, Eimskip celebrated its 10th anniversary in Asia, where the Company started offering forwarding services between Qingdao, China and Rotterdam and USA in 2004. The opening of the office in Qingdao was the first step into forwarding operation and now, ten years later, the international forwarding service represents 27% of Eimskip revenue. This has proved to be a great business for the Company as it is asset-light and has given us tremendous industrial and international market knowledge. We operate in 19 countries and are very active in high growth Asian markets. The volume consists mainly of frozen or chilled seafood, meat, fruit and vegetables. Eimskip has a worldwide reputation for excellence in the transportation of reefer cargo.

In 2014 we worked on acquisition of two forwarding companies that were completed in early 2015. Eimskip acquired Jac. Meisner in Rotterdam and Cargocan Agency Ltd. in Newfoundland and Labrador. These companies are operated by their founders and we are excited to have them join the Eimskip family. Not only will they improve our forwarding operations but they will also help our marketing efforts on our liner routes. Both acquisitions will be accretive to Eimskip in 2015 and will create shareholder value. There are also synergies with our existing operations that will accrue. It is our intention to continue to seek acquisitions in the forwarding industry, an industry that we know well. Also its asset-light nature is a good balance to our other asset-heavy businesses.

FLEET STRATEGY AND OPERATIONAL COSTS REDUCTIONS

During 2014, we spent significant time evaluating our future fleet strategy and how we could lower our operating expenses. At the beginning of 2015, we established a joint venture company with Eimskip and König & Cie in Hamburg. The main purposes of the joint venture are: a) Managing the replacement of older vessels, b) Optimizing the future Eimskip fleet c) Accessing knowledge in daily vessel operations and dockings d) Accessing new shipbuilding projects e) Trading of our own vessels f) Purchasing of used vessels.

With the formation of this joint venture we have gained access to a great international knowledge base that will help us in many ways, for instance in buying/ordering vessels at better prices and benchmarking all of our operating costs against multiple real examples. Today, König manages 56 vessels. This joint venture will help us lower our costs, buy better and create shareholder value accordingly. The formation of the joint venture was of strategic importance. Hamburg is also the capital of feeder-size container shipping.

INFRASTRUCTURE INVESTMENTS

Eimskip has started to build a 10,000-ton cold storage facility in Hafnarfjörður in Iceland to be completed before the end of 2015. This will enable us to better service the needs of our customers. Currently we have a 3,000-ton facility in Hafnarfjörður which is full and we are storing additional tonnage in reefer containers, which is not optimal. The cost of constructing this facility will be approximately EUR 11 million. We already own the land and have enough room to increase the size of the facility to 27,000 tons.

In early 2015, Eimskip purchased 22,410 m² of land in Grundartangi in Iceland to further strengthen our existing operations. Eimskip services Nordurál, the Century Aluminum plant at Grundartangi. We have also purchased a new harbor crane for our facility there. We believe that other important industries will be established in the area in the future, including a silicon factory.

We also purchased the operation of St. Anthony Cold Storage Ltd. in the northern part of Newfoundland and Labrador, which will allow us to better serve our existing customers and allow us to combine operations with our cold storage facility in Harbour Grace, thus lowering our costs and creating shareholder value. We will continue to invest in infrastructure projects that are customer driven.

EXTERNAL GROWTH

Eimskip is underleveraged and the market rewards growth in revenue and profit. In order to maximize shareholder value, we need to diversify Eimskip's sources of revenues and earnings geographically. Our future growth strategy includes the continued pursuit of our existing internal growth opportunities, add-on acquisitions and also the search for larger acquisitions.

We are also looking at consolidation, cooperation and rationalization opportunities outside of Iceland and the Faroe Islands; the main geographical areas will include the Canadian Atlantic provinces, North Eastern USA, Scandinavia, the UK, the Netherlands and Northern Europe. Our focus will be restricted to businesses that



have a clear niche, or those in which the target company has an ability to demonstrate a strategic competitive advantage. Cost savings will then be obtained through synergies and elimination of duplication. We are also investigating and pursuing vessel ownership and management of container vessels.

DUAL LISTING

As we have previously disclosed, Eimskip is continuing to pursue a dual listing of its shares overseas, markets permitting, and is pleased to announce that it has obtained the approvals from the Central Bank necessary for allowing the dual listing. The potential dual listing will provide a source of foreign currency, enabling Eimskip to make material acquisitions overseas. It will also provide a currency in order to facilitate the use of stock in acquisitions.

ICELANDIC COMPETITION AUTHORITY

In September 2013, the Icelandic Competition Authority (ICA) made a dawn raid on the offices of Eimskip and Samskip as part of a new potential undisclosed investigation. Eimskip requested the ICA to provide the reasons for its investigation, which it has refused to do. Eimskip appealed the action to the Icelandic Competition Appeals Committee (IAC), which remanded the action to the ICA. Unfortunately this matter remains unresolved; Eimskip has now successfully gone to the IAC on all three occasions, winning the case, only to be rebuffed by the ICA all three times. Eimskip still does not

know the reasons for the investigation and will continue to take all necessary legal action to defend itself against these accusations. There was also a leak of information to a television station. The leak to the media is currently under criminal investigation and one of ICA's former employees is accused of leaking information to the media. Eimskip's reputation and Iceland's legal system's reputation have been harmed. It seems that the ICA is above the law and that the Authorities do not take it seriously enough to act on their wrong doing.

SOCIAL RESPONSIBILITY

Eimskip follows a strategy regarding social responsibility, contributing to the welfare of both the community and the environment. This is reflected in generous support of various cultural and communal projects and a systematic approach to minimizing pollution and damage to the ecosystem and ensuring safety in operations.

I am honored to have presided as Chairman over Eimskip's centennial anniversary on 17 January 2014 and to have shared the occasion with our shareholders, customers and our team. We hope 2015 will bring a continued strengthening of the Icelandic economy and a final resolution to the Icelandic banking situation, which is a prerequisite for the start of lifting capital controls. We also hope that the global economy will continue to grow and Eimskip will find an exciting larger strategic acquisition to make.



PRESIDENT AND CEO'S ADDRESS

GYLFI SIGFÚSSON

SOLID OPERATIONS, VOLUME GROWTH AND STRONG BALANCE SHEET

Eimskip's operating revenue amounted to EUR 451.6 million and grew by 4.1% from the previous year. The Company's operating profit, or EBITDA, for 2014 amounted to EUR 38.5 million, which is an increase of 4.0% from 2013. Eimskip's balance sheet at the end of 2014 remained strong and solid, with low leverage and total assets amounting to EUR 332.0 million, net debt in the amount of EUR 24.9 million and a 65.2% equity ratio. The Company's cash flow is strong, with cash and cash equivalents increasing by EUR 13.2 million, ending the year with a cash balance of EUR 39.5 million.

Transported volume in the Company's liner services in the North Atlantic increased by 7.9% from 2013. There was considerable growth in transported volume to and from Iceland and the Faroe Islands. Transported volume in the Company's reefer forwarding services grew by 11.0% from 2013, mainly due to increased transportation between Asia and Europe, Intra-Asian business, new commodities, such as meat, fruit and vegetables, and new markets, such as Africa and South America.

Total capital expenditure for the year 2014 amounted to EUR 20.5 million, of which maintenance CAPEX came to EUR 16.5 million. Eimskip has been working on strengthening its infrastructure in Iceland and in other parts of its home market. At the beginning of 2015, the Company started the construction of a 10,000-ton cold storage facility in Hafnarfjörður in Iceland and purchased land in the industrial and port zone of Grundartangi, Iceland. In connection with that, Eimskip finalized the purchase of two new harbor cranes to better serve the future needs of the industries in Grundartangi and Reyðarfjörður in Iceland with increased capacity and reliability.

NEW DIRECT SERVICES BETWEEN CONTINENTS AND A NEW VESSEL

Eimskip has been adapting its sailing schedule to reflect the changes in needs and demand in its markets. Substantial changes were introduced in March 2013 and further adjustments in February 2014, with the aim of broadening the Company's



sailing schedule in the North Atlantic by increasing the number of port calls and adding a vessel to its liner services fleet. The last changes, implemented in February 2015, were to merge the Red Line and the Green Line into a single line operating three vessels. This new route connects the US and Canada with mainland Europe, the UK, Iceland and Norway, without transshipments in Iceland. The new Green Line offers direct services between the two continents with greater frequency than before. Eimskip's new sailing schedule therefore offers increased flexibility and reliability, which should create future opportunities for the Company and its customers.

The new 875 TEU container vessel Lagarfoss, which was built for the Company in China, was delivered in China in June 2014 and arrived in Iceland on 17 August 2014 after a long and successful journey.

GROWTH IN REEFER FORWARDING

Reefer forwarding services have been growing constantly over the past ten years and are offered in cooperation with various deep-sea lines outside the Company's sailing schedule. The volume consists mainly of frozen or chilled seafood, meat, fruit and vegetables. The trade lanes have grown from being mostly transport services between China and Europe/US, mainly transporting fish, to being an Intra-Asian business with a more even balance of imports and exports into and out of Asia and opening up new market trade lanes with broader commodities into new markets, such as Africa and South America.

In November 2014, Eimskip celebrated its 10th anniversary in Asia, where the Company started offering forwarding services between Qingdao, China and Rotterdam in 2004. Forwarding services amounted for 27% of the Company's operating revenue in 2014.

GROWTH ON THE HORIZON

There are many positive developments taking place in the transportation market in the North Atlantic. Increased imports to Iceland and the Faroe Islands will be a positive factor. There are also various other growth opportunities. Chief among these are the increased fishing quotas in the North Atlantic and plans for increased volumes in fish farming. Projects are moving forward in the silicon industry and production of the aluminum smelters in Iceland is growing. Future projects related to various industries, such as heavy industry, mining and related services, are also of great interest to the Company. Still there are negative items affecting the shipping industry, such as the crisis in Ukraine, the Russian embargo and the drop in oil prices. Part of Eimskip's business in Norway and Newfoundland is driven by oil projects and part of its fish exports have been destined for Russia. Competition has been tough in the North Atlantic and is expected to remain at similar levels.

GROWTH THROUGH ACQUISITIONS

The Company has a strong capital structure and is well prepared for future investments and opportunities in the North Atlantic and around the globe. Eimskip is constantly reviewing and optimizing its sailing system, the business setup and its operation, seeking solutions to reduce vessel operating and container fleet costs and to raise utilization of the Company's transportation system. Part of this strategy was to put forward the establishment of a ship management company in Hamburg in Germany in cooperation with the German company König & Cie. The main role of the new management company is to work on replacing older vessels, optimizing the vessel fleet, to gain better access to a knowledge base covering daily operations and dockings of vessels and to work on new building projects and trading of vessels.

In February 2015, the Company took steps forward in expanding its presence in Århus, Denmark, by finalizing the takeover of a 15,500 m² warehouse, making Eimskip the largest warehouse operator in the second largest port in Scandinavia. The Company also finalized acquisitions of three companies in the first quarter of 2015: the forwarding companies Jac. Meisner in Rotterdam, the Netherlands and Cargocan Agency Ltd. in St. John's, Newfoundland and Labrador, and the cold storage operation of St. Anthony Cold Storage Ltd. in St. Anthony, Newfoundland and Labrador. These acquisitions will play an important role in further strengthening the Company's forwarding services and will also support its liner services.

EIMSKIP'S VISION AND VALUES

Eimskip's vision is very clear: to be a leading transportation company, providing outstanding services through a dependable transport system in the North Atlantic and an extensive worldwide network of reefer logistics services. During the last four years, Eimskip has been focusing on its vision by investing in organic growth. This has been done by adjusting the sailing schedule through investments in vessels, equipment and IT solutions and by building up infrastructure to create value for customers. The Company will continue to follow its vision, but will also look for external growth opportunities and diversification of the business. As a part of this strategy, Eimskip is looking into potential mergers and acquisitions that will fit the Company's vision and create operational synergy. The Board and management of Eimskip have been exploring various opportunities in the form of joint ventures and acquisitions; some have already materialized while others are still in the works. The main targets are liner operations, terminal-related operations, freight forwarding and custom brokerage companies, cold storage facilities at targeted locations and opening of new offices.

HISTORICAL PAST AND BRIGHT FUTURE AHEAD

In 2014, Eimskip celebrated both its 100th anniversary in Iceland and the 95th anniversary of Faroe Ship in the Faroe Islands. Eimskip has played a very important role in Iceland's history by connecting countries in the North Atlantic and it is aware of its responsibility and aims to live up to that responsibility in its daily operations. Eimskip's values are Achievement, Cooperation and Trust. They are the guiding principles in the Company's endeavor to reduce its environmental impact, to be a responsible and respectful employer, to work towards a better society wherever it operates, to constantly improve the services offered to customers and to be a role model when it comes to responsibility and trust; this has always been a key factor in Eimskip's operations and culture. The Company has been working on adopting a formal corporate social responsibility strategy where sustainable activity and goals will be outlined. This is an important step for Eimskip's corporate development in living up to the Company's values, underlining its competitive advantage and bringing it even closer to its stakeholders.

Eimskip's future is certainly bright and I look forward to the challenging times ahead. I have the utmost pride in, and respect for, all of the Company's employees and their remarkable achievement in increasing shareholder value for over a century.





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 in The Yucaipa Companies, LLC. Richard has ten years of banking experience and 25 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., Americold Realty Trust, Apogee Electronics, LLC and NPE Holdings, LLC. Richard was previously a board member of VersaCold International Corporation and 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 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 Icelandic Employers) and the Pension Fund of Commerce. Víglundur is currently 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 in 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 has been 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 at 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 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. Hrunn was CEO of L&H Holding, CEO and Chief of Operations of Lyf & heilsa hf. from 2003 to 2006. She is currently a board member of Stefmir hf., Holdor ehf. and Stjankur ehf. Hrunn took her Master's degree in International Marketing and Management at Copenhagen Business School in 2000 and her Cand.Oecon. degree at the University of Iceland in 1994. Hrunn has been on the Board of Directors since 3 April 2013, is an independent Board member 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 lögfræðistofan 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 has previously been a board member of the Icelandic Bar Association, the University of Iceland's Human Rights Institute and the Housing Financing Fund, Chairman of the National Olympic and Sport Association's legal committee and a member of various other official committees and boards. Lárus 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 CEO of P/f Faroe Ship, Eimskip's subsidiary in the Faroe Islands, since 2006. Jóhanna was Sales Director of JFD and Kósín Seafood from 1998 to 2006 and 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 of two of Eimskip's subsidiaries in the Faroe Islands. She is a member of the Faroese Confederation of Sports and Olympic Committee, 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 independent of P/f Faroe Ship, one of the Company's subsidiaries, as its Managing Director 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 is an Executive Vice President and Chief Administrative Officer of Americold Realty Trust. In addition to that role he is an investment professional with the Yucaipa Companies. From 2004 to 2014 he was Director of Private Equity of The Yucaipa Companies. Marc was 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 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. He has previously been a Board member of Eimskipafélag Íslands hf., Digital On-Demand Inc., La Canada Flintridge Educational Foundation and Americold Realty Trust (board of Trustees). Marc took his Master's degree in Business Administration at 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.

CORPORATE GOVERNANCE

Eimskip is a limited liability company that is governed by the Public Limited Companies Act, No. 2/1995, the Articles of Association and the Board of Directors' Rules of Procedure. Under its Articles of Association, the Company is governed by shareholders' meetings, the Board of Directors and the Chief Executive Officer.

The Board of Directors approved an update of the Corporate Governance statement for the Company on 26 February 2015. The purpose of Corporate Governance is to strengthen the Company's infrastructure and increase transparency. The statement declares that Eimskip complies with the accepted practices in the Corporate Governance guidelines issued by the Chamber of Commerce in cooperation with the Confederation of Icelandic Employers and Nasdaq Iceland. Eimskip's Corporate Governance statement is accessible on the Company's website and in the Company's Financial Statements for 2014.

BOARD OF DIRECTORS

The Annual General Meeting of the Company elects five members and two alternate members to the Board of Directors. As of 1 September 2013, the gender ratio on the Board of Directors must be as even as possible, each gender never accounting for less than 40%. The Board of Directors has supreme powers in matters concerning the Company between shareholders' meetings. The Board sets the Company's goals regarding its business, represents the Company's and the shareholders' interests in accordance with the Company's objectives, governs the day-to-day affairs of the

Company between shareholders' meetings and binds the Company with its resolutions and agreements. The Board of Directors engages the CEO, decides his terms of employment and executes a written contract of employment in line with the Company's remuneration policy. The Board of Directors has a statutory role for which it is responsible unless it grants permission by law to transfer authority by delegation.

On 9 July 2012 the Company's Board of Directors approved its Rules of Procedure which were adopted in accordance with the fifth paragraph of Article 70 of the Public Limited Companies Act, No. 2/1995 and are supplementary to the Articles of Association. Under the Rules of Procedure, the Board of Directors elects subcommittees that operate on its behalf. The Rules of Procedure are available on the Company's website.

BOARD SUBCOMMITTEES

The Board of Directors appointed two subcommittees in 2012, the Audit Committee and the Remuneration Committee. Rules of procedure for the subcommittees can be found on the Company's website.

The Audit Committee operates in accordance with its Rules of Procedure. Its principal duty is to ensure the quality of the Company's Consolidated Financial Statements and other financial information and to ensure the independence of the Company's Auditors. The Audit Committee consists of 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 wage policy, including wage incentives and stock incentive rights for company shares. Eimskip's Remuneration Policy is accessible on the Company's website. The Remuneration Committee consists of Hrund Rudolfsdóttir, Chairman, Richard Winston Mark d'Abo and Marc Jason Smernoff.

CHIEF EXECUTIVE OFFICER

The CEO is responsible to the Board and the shareholders for the day-to-day operations of the Company in accordance with law, regulations and the Company's Articles of Association. 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 obliged to abide by all instructions of the Board of Directors and to 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 its Rules of Procedure, which are accessible on the Company's website.

THE EXECUTIVE MANAGEMENT

Eimskip's Executive Management 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 extensive experience within the Company. Further information on the Executive Management is to be found on pages 36 and 37.

INTERNAL CONTROL AND RISK MANAGEMENT

Active risk management plays an important role in Eimskip to ensure stable operations and earnings, and the Company monitors its risk factors on a continuous basis. The Company's risk exposure is discussed at Board meetings. Further information on risk management and risk factors is to be found on pages 64 to 66.

VALUES

The Company has set out its values in the acronym ACT which stands for: Achievement - Cooperation - Trust.

CODE OF CONDUCT AND SOCIAL RESPONSIBILITY

In August 2012 the Board of Directors issued a Code of Conduct and Social Responsibility, which applies to all board members and employees of companies within the Eimskip Group. The code is built on Eimskip's values.

The Code of Conduct and Social Responsibility is accessible to employees through the Company's intranet and to others on the Company's website.

Eimskip's take on environmental matters, including the Company's Environmental Policy, is presented on pages 58 to 60.

SHAREHOLDER INFORMATION

SHARE CAPITAL

Eimskip's shares started trading on Nasdaq Iceland on 16 November 2012 with the ISIN number IS0000019800 and under the ticker symbol EIM.

The total number of Eimskip's shares is 200,000,000. Each share has a nominal value of ISK 1.00 and entitles its holder to one vote. The Company holds 13,360,770 shares in treasury, corresponding to 6.68% of the total issued share capital of the Company and the number of outstanding shares is 186,639,230. There were 1,101 shareholders at the end of 2014.

SHARES OWNED BY A1988 HF.

A1988 hf. is the current name of the company formerly known as HF. Eimskipafélag Íslands, for which a composition agreement was accepted by all creditors in August 2009. The composition agreement included a provision by which unsecured creditors received shares in a new company, Eimskipafélag Íslands hf.

Under the composition agreement for A1988, a 4.2% shareholding in Eimskip was not distributed to creditors but reserved for A1988 hf. to satisfy contingent claims that might arise in the coming periods resulting from events prior to the composition agreement. These shares do not carry voting rights.

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 with corresponds to 0.5% of the total share capital of Eimskip.

LARGEST SHAREHOLDERS

Three of Eimskip's shareholders each owned over 10% in the Company at the end of 2014. The two Yucaipa American Alliance funds owned 15.25% and 10.05%, or a total of 25.3% of issued share capital. Lífeyrissjóður verzlunarmanna was the second largest shareholder with a share of 14.57%. Divisions A and B of LSR, the Pension Fund for State Employees, owned a total of 11.18% at year-end, division A holding 7.87% and division B 3.31%.

The 20 largest shareholders held 81.97% of the total shares at year-end 2014.



20 LARGEST SHAREHOLDERS

List of 20 largest shareholders as at 31 December 2014

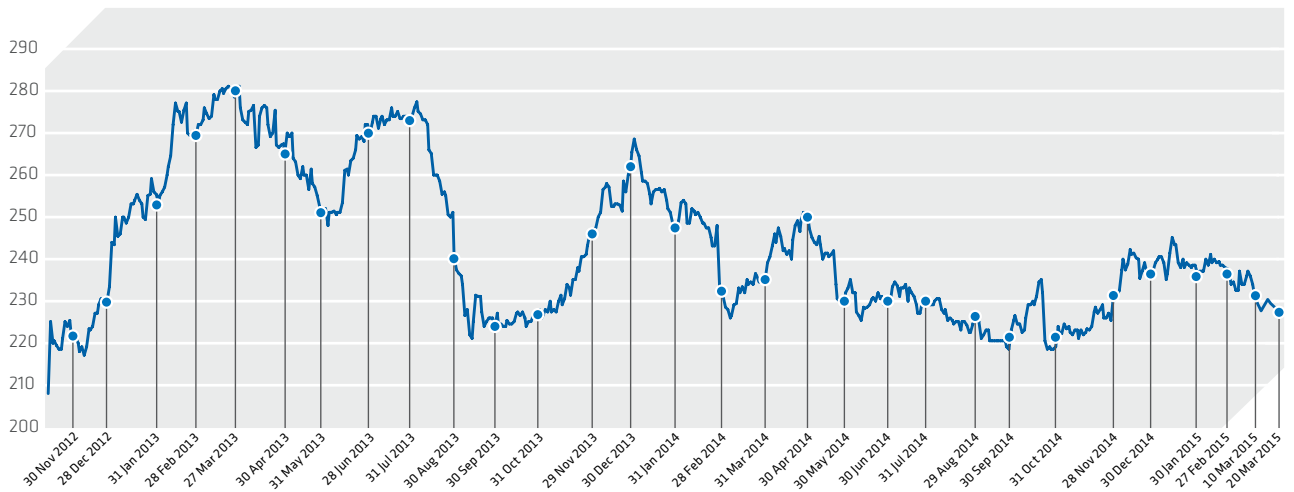
Shareholders	Shares	%
1. Yucaipa American Alliance Fund II, LP	30,504,030	15.25%
2. Lífeyrissjóður verzlunarmanna	29,135,070	14.57%
3. Yucaipa American Alliance (Parallel)	20,095,970	10.05%
4. Lífeyrissj. starfsm. rík. A-deild	15,745,000	7.87%
5. Eimskipafélag Íslands hf.	13,360,770	6.68%
6. J.P. Morgan Clearing Corporation	7,672,360	3.84%
7. Stefnir - ÍS 15	6,642,785	3.32%
8. Lífeyrissj. starfsm. rík. B-deild	6,615,250	3.31%
9. Stapi Lífeyrissjóður	6,071,324	3.04%
10. Sameinadi Lífeyrissjóðurinn	5,835,062	2.92%
11. Straumur fjárfestingabanki hf.	3,649,582	1.82%
12. Íslandssjóðir - IS Hlutabréfasjóðurinn	2,978,104	1.49%
13. Söfnunarsjóður lífeyrisréttinda	2,852,823	1.43%
14. Stafir Lífeyrissjóður	2,511,155	1.26%
15. Tharabakki ehf.	2,400,000	1.20%
16. Almenni lífeyrissjóðurinn	1,733,910	0.87%
17. Íslandsbanki hf.	1,715,000	0.86%
18. Lífsverk Lífeyrissjóður	1,545,244	0.77%
19. Landsýn ehf.	1,450,000	0.73%
20. Virðing safnreikningur	1,432,613	0.72%
20 largest shareholders total	163,946,052	81.97%
1,081 other shareholders total	36,053,948	18.03%
1,101 shareholders total	200,000,000	100.00%

DISTRIBUTION OF SHARES

Distribution of shares as at 31 December 2014

Shareholding	Number of share-holders	%	Number of shares	%
1 - 5,000	739	67.12%	1,990,602	1.00%
5,001 - 10,000	100	9.08%	790,956	0.40%
10,001 - 100,000	190	17.26%	5,664,563	2.83%
100,001 - 200,000	17	1.54%	2,233,335	1.12%
200,001 - 1,000,000	25	2.27%	13,123,734	6.56%
1,000,001 - 10,000,000	25	2.27%	67,355,970	33.68%
10,000,001 +	5	0.45%	108,840,840	54.42%
	1,101	100.00%	200,000,000	100.00%

SHARE PRICES



SHARE PRICES AND MARKET CAPITALIZATION

The price of Eimskip's shares in the IPO in 2012 was ISK 208.00 and the closing price on the first day of trading was ISK 225.00. The closing price of the year 2012 was ISK 230.00, ISK 262.00 at the end of 2013 and ISK 237.00 at year-end 2014. The Company's market capitalization at the end of 2014 amounted to ISK 44.2 billion, which is equal to EUR 286.7 million. The market capitalization of the Company in relation to the restructuring in 2009 was EUR 167.8 million.

The price of the shares fluctuated in 2014 and the closing price on 20 March 2015 was ISK 228.50 per share with market capitalization of ISK 42.6 billion, equal to EUR 288.4 million.

DIVIDEND POLICY

At its meeting on 26 February 2015, Eimskip's Board of Directors approved an adjustment of the Company's dividend policy which currently is to pay annual dividend that equals an amount in the range of 10-50% of net earnings. Decisions on dividend payment, and the exact amount, are subject to the Company's future investment plans, market outlook and satisfactory capital structure at any given time. The dividend policy is accessible on the Company's website.

In April 2014, Eimskip paid dividend in the amount of ISK 504.6 million which represented 30% of net earnings for the year 2013. The paid dividend was equal to EUR 3.1 million.

The Board of Directors proposed to the Annual General Meeting a dividend payment in 2015 in the amount of ISK 933.2 million, or EUR 6.2 million, which represents 45.7% of net earnings for 2014.

INVESTOR RELATIONS POLICY

Eimskip recognizes the value of transparent and open communication with the Company's stakeholders, consistent with commercial confidentiality and regulatory considerations. Stakeholders include investors, employees, customers, suppliers, the media, local communities and authorities.

The Board has issued an IR Policy which outlines the objectives and processes for effective communication between Eimskip and its various audiences. The IR Policy is available on the Company's website.

OTHER SHAREHOLDER INFORMATION

Eimskip's Investor Relations website, www.eimskip.is/investors, provides information for investors, market participants and others. The website contains information about the Company, such as Corporate Governance documents, financial reports and presentations, Annual Reports, documents related to Annual General Meetings, general presentations, share information, news releases and investor contacts.





KEY HIGHLIGHTS 2014



KEY FIGURES

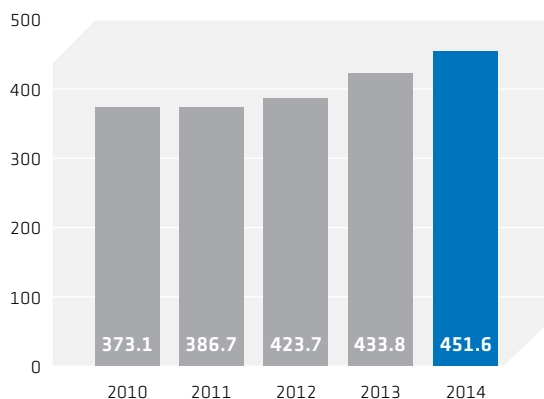
Consolidated figures in thousands of EUR

CONSOLIDATED INCOME STATEMENT	2014	2013	CHANGE	2012	2011	2010
Operating revenue	451,555	433,824	4.1%	423,653	393,118	373,085
Operating expenses	413,013	396,770	4.1%	387,485	349,963	334,464
Operating profit - EBITDA	38,542	37,054	4.0%	36,168	43,155	38,621
Depreciation and amortization	(23,195)	(21,143)	(9.7%)	(22,436)	(23,223)	(23,169)
Results from operating activities - EBIT	15,347	15,911	(3.5%)	13,732	19,932	15,452
Net finance income (expense)	591	(3,234)	-	(2,983)	3,709	(2,601)
Share of earnings of associated companies	229	2	-	0	0	0
Net earnings before income tax	16,167	12,679	27.5%	10,749	16,223	12,851
Income tax	(2,560)	(1,862)	(37.5%)	1,982	(3,078)	(610)
Net earnings for the year	13,607	10,817	25.8%	12,731	13,145	12,241
Adjusted for one-off items:						
Sales growth	4.1%	2.4%		12.0%	3.7%	n/a
EBITDA / Sales	8.5%	8.5%		9.6%	9.7%	10.4%
EBIT / Sales	3.4%	3.7%		4.3%	3.7%	4.1%
Net debt / EBITDA	0.65	0.89		0.54	0.50	0.57
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31.12.2014	31.12.2013	CHANGE	31.12.2012	31.12.2011	31.12.2010
Assets	332,040	314,365	5.6%	313,281	283,224	285,217
Non-current assets	214,278	216,096	(0.8%)	209,723	176,946	175,528
Current assets	117,762	98,269	19.8%	103,558	106,278	109,689
Equity	216,472	205,771	5.2%	199,599	176,509	162,468
Liabilities	115,568	108,594	6.4%	113,682	106,715	122,749
Interest-bearing debt	64,432	59,398	8.5%	59,254	62,206	72,228
Net debt	24,893	33,028	(24.6%)	21,950	18,689	21,895
Tangible assets / Total assets	94.2%	93.5%		93.7%	93.5%	92.7%
Equity ratio	65.2%	65.5%		63.7%	62.3%	57.0%
CONSOLIDATED STATEMENT OF CASH FLOWS	2014	2013	CHANGE	2012	2011	2010
Net cash from operating activities	31,603	20,537	53.9%	36,872	27,226	38,313
Net cash used in investing activities	(18,311)	(26,601)	31.2%	(39,188)	(22,577)	(14,266)
Net cash used in financing activities	(572)	(3,558)	83.9%	(4,369)	(11,495)	(11,501)
Changes in cash and cash equivalents	12,720	(9,622)	-	(6,685)	(6,846)	12,546
Effects of exchange rate fluctuations on cash held	449	(1,312)	-	472	30	1,156
Cash and cash equivalents at year-end	39,539	26,370	49.9%	37,304	43,517	50,333

KEY RATIOS

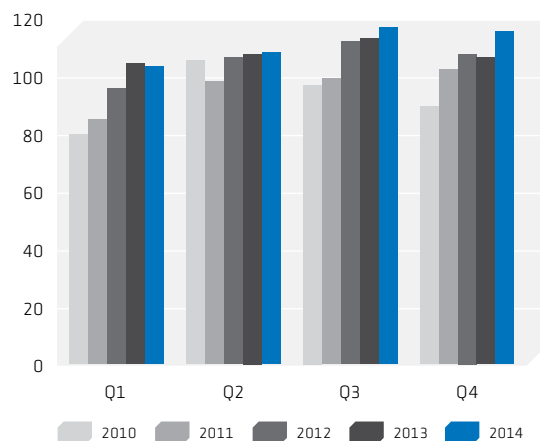
OPERATING REVENUE

Adjusted for one-off items*
EUR million



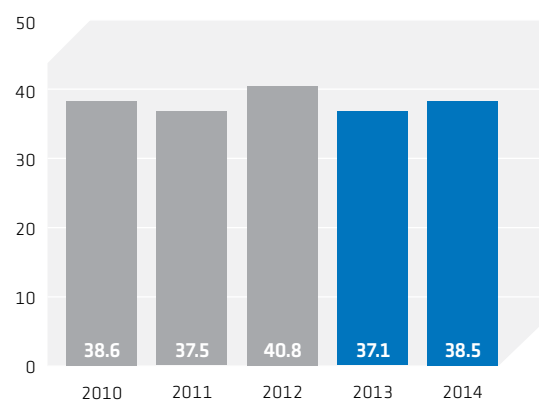
OPERATING REVENUE BY QUARTER

Adjusted for one-off items*
EUR million



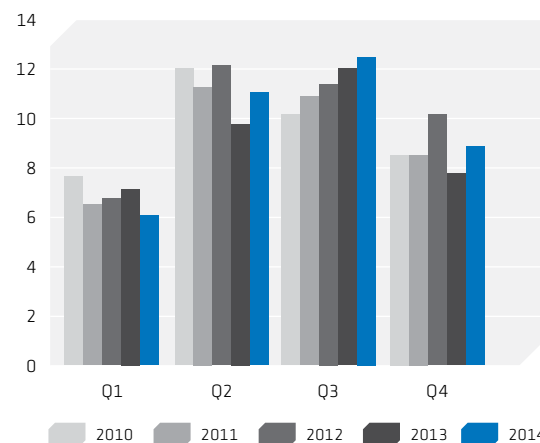
EBITDA

Adjusted for one-off items*
EUR million



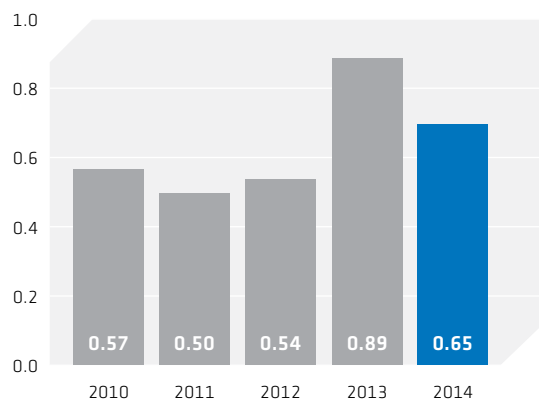
EBITDA BY QUARTER

Adjusted for one-off items*
EUR million



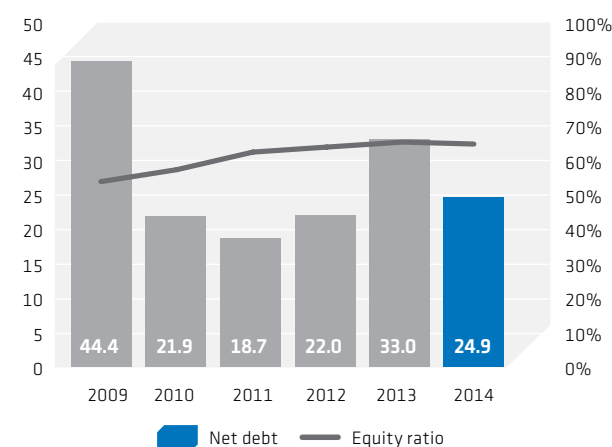
*In the graphs above, operating revenue and EBITDA have been adjusted for one-off items. Operating revenue and EBITDA were reduced by EUR 6.4 million in first quarter 2011 due to a claim that had previously been written off. EBITDA was increased by EUR 0.7 million in second quarter 2011 due to the grounding of Godafoss. In 2012 EBITDA was increased by EUR 0.7 million in third quarter and EUR 1.0 million in fourth quarter due to expenses related to the Company's listing at Nasdaq Iceland. EBITDA in fourth quarter was further increased by EUR 2.9 million due to non-cash expenses related to forfeiture of stock options.

NET DEBT / EBITDA (ADJUSTED)



NET DEBT AND EQUITY RATIO

EUR million





TRANSPORTED VOLUME

There was an increase of 7.9% from 2013 to 2014 in transported volume in the Company's liner services in the North Atlantic. There was considerable growth in volume to and from Iceland and the Faroe Islands. Transported volume in the Company's reefer forwarding services grew by 11.0% from the previous year, mainly due to increased Intra-Asian transport, new commodities, new markets and increased activity in inbound cargo where Eimskip completes custom clearance and door-to-door delivery by handling the cargo at both ends.

OPERATIONAL RESULTS

Eimskip's net earnings in 2014 amounted to EUR 13.6 million and increased by EUR 2.8 million, or 25.8%, from 2013.

Operating revenue in 2014 amounted to EUR 451.6 million compared to EUR 433.8 million in 2013, a 4.1% increase. Of operating revenue, 73.2% came from the liner services segment, while 26.8% were related to forwarding services. In 2014 approximately 47% of operating revenue was related to Iceland.

EBITDA, or operating profit, in 2014 amounted to EUR 38.5 million, compared to EUR 37.1 million in 2013. The EBITDA ratio was 8.5% in both years. EBIT, or results from operating activities,

in 2014 amounted to EUR 15.3 million, compared to EUR 15.9 million in the previous year. The EBIT ratio was 3.4% in 2014 compared to 3.7% in 2013.

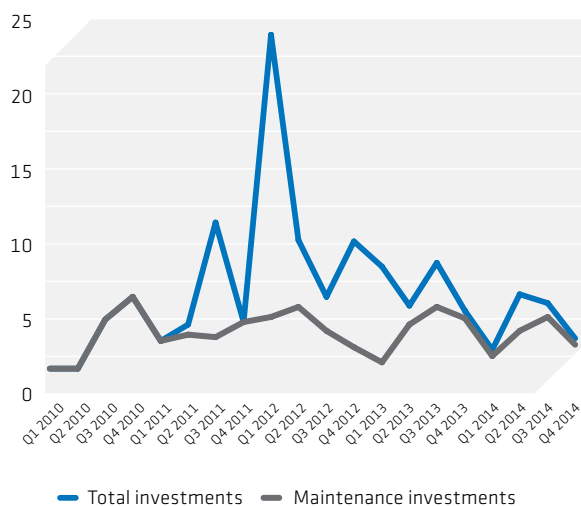
The changes made in Eimskip's sailing schedule in March 2013 and February 2014 were well received by the market. In the fourth quarter 2013 and the first and the fourth quarter 2014, adverse weather conditions in the North Atlantic negatively impacted operational results.

FINANCIAL POSITION AND CAPITAL EXPENDITURE

Eimskip's balance sheet at year-end 2014 was solid, with low leverage and a high equity ratio. The Company's assets amounted to EUR 332.0 million, compared to EUR 314.4 million at the end of 2013. Total capital expenditure, or CAPEX, amounted to EUR 20.5 million in 2014, including investments in the amount of EUR 1.8 million which did not affect cash flows. In 2013, CAPEX amounted to EUR 29.3 million, including EUR 2.8 million not affecting cash flows. CAPEX in 2014 included investments in two new container vessels under construction in the amount of EUR 4.0 million, EUR 0.4 million in real estate and EUR 16.1 million in vessels, containers and other equipment and intangible

KEY HIGHLIGHTS

EUR million	2014	2013	Change
Operating revenue	451.6	433.8	4.1%
EBITDA	38.5	37.1	4.0%
EBIT	15.3	15.9	(3.5%)
Net earnings	13.6	10.8	25.8%
CAPEX	20.5	29.3	(30.0%)
Net cash from operating activities	31.6	20.5	53.9%
Total assets	332.0	314.4	5.6%
Equity ratio	65.2%	65.5%	



assets. Comparable CAPEX amounts in 2013 consisted of a EUR 8.5 million investment in two new container vessels under construction, EUR 3.8 million in real estate and EUR 17.0 million in containers and other equipment and intangible assets. Net cash used in investing activities amounted to EUR 18.3 million in 2014 compared to EUR 26.6 million in 2013.

Cash and cash equivalents amounted to EUR 39.5 million at year-end, compared to EUR 26.4 million at the end of 2013.

Equity amounted to EUR 216.5 million at the end of the year with

an equity ratio of 65.2% compared to EUR 205.8 million at the end of 2013 and an equity ratio of 65.5%.

Interest-bearing debt at year-end 2014 amounted to EUR 64.4 million, compared to EUR 59.4 million at the end of 2013 and net debt stood at EUR 24.9 million at year-end, decreasing from EUR 33.0 million at year-end 2013.

Net cash from operating activities in 2014 amounted to EUR 31.6 million, compared to EUR 20.5 million in 2013. The increase is mainly due to changes in current assets and liabilities.

NEW CONTAINER VESSELS

The Company had two new 875 TEU container vessels under construction in China. Delivery of the vessels was delayed and in 2013 Eimskip and the Chinese shipyard negotiated a total reduction of the vessels' purchase price in the amount of USD 10.8 million. The first vessel, Lagarfoss, was delivered in China in June 2014. It arrived in Reykjavík, Iceland on 17 August after a long and successful journey and is serving on the Yellow Line. In 2014, Eimskip decided to complete negotiations on completing the construction of Bakkafoss, the second vessel. The Chinese shipyard offered a further discount in the amount of USD 0.8

million on the vessel's purchase price, with an estimated delivery in the fourth quarter of 2015. The construction process is not proceeding on schedule and Eimskip is considering available options due to potential further delay of delivery. 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 delay in delivery of the Bakkafoss will neither affect Eimskip's sailing schedule nor services to the Company's customers. However, it will extend chartering of a vessel since the Bakkafoss was expected to replace a vessel which is currently chartered by the Company.

NEW SAILING SCHEDULE AND SERVICES

In March 2013, Eimskip introduced substantial changes in its sailing schedule which increased capacity. The main changes consisted of the introduction of new coastal services in Iceland with a direct connection with the Faroe Islands, the UK and mainland Europe, and bi-weekly services and shorter transit time to and from the USA, with Portland in Maine replacing Boston and Norfolk as a port of call on the US east coast. The expansion of services to the USA is also intended to further support increased cargo volumes between Northern Norway and North America and improve connections between the USA and Newfoundland and Labrador with shorter transit time. The changes also improve services for fresh fish from the Faroe Islands and the growing oil industry in the North Atlantic, with calls at Scrabster in Scotland. Now there is also a connection to the Baltic and an office was opened in Gdynia in Poland. In February 2014, adjustments were made to the sailing schedule which had been affected by difficulties due to adverse weather conditions in recent months. The Red Line stopped calling at the Faroe Islands and Aberdeen in Scotland, instead offering direct services to Immingham in the UK, which increases the level of services to exporters of fresh and frozen seafood. A new sailing route, the Gray Line, has been added between the Faroe Islands and Scotland and increases service reliability and flexibility with the possibility of adding new ports of call in the Faroe Islands.







2014 – A YEAR OF CELEBRATION

EIMSKIP'S 100TH ANNIVERSARY

Eimskip was founded in Reykjavík on 17 January 1914 with a view to ensuring that marine transport to and from Iceland would be in Icelandic hands. There were about 15,000 shareholders, representing almost 17% of the Icelandic nation. Eimskip's 100th anniversary was celebrated in January 2014 by inviting the Company's employees, customers and other guests to a concert in the Harpa Concert Hall in Reykjavík. Three books – The History of Eimskip, Eimskip's Vessels and An Overview of Eimskip's Art Collection – were published for the occasion, and a 90-minute documentary in two parts was broadcast on Iceland's state television.

NEARLY A CENTURY IN THE FAROE ISLANDS

Faroe Ship, established in 1919, is thriving as never before, striving to reflect and carry forward the values that build the company – customer service, dynamism, reliability and expertise in its field of work. Faroe Ship has been, and remains, a vital co-player in the development and promotion of the industry in the Faroe Islands through total transport solutions and logistics services in the Faroe Islands and worldwide.

Eimskip and Faroe Ship were merged in 2004. Eimskip expanded the activities in the Faroe Islands through the acquisition of the Heri Thomsen Group of companies in 2005 and the trucking division of the state-owned Farmaleidir in 2006. Since 2007, all



of Eimskip's operations in the Faroe Islands have been operated under the brand name Faroe Ship.

Faroe Ship celebrated its 95th anniversary in March 2014.

EIMSKIP'S 10TH ANNIVERSARY IN ASIA

Ten years ago, Eimskip reviewed its global strategy and decided that worldwide reefer logistics services would be one of its core activities, with a special focus on seafood services. The establishment of Eimskip Qingdao in 2004, in the Shandong, the largest in seafood among China's provinces, was part of this strategic focus, which at that time was driven by seafood globalization. Many of Eimskip's North Atlantic customers

were actively moving raw material for production to China, and opening an office in Qingdao was an essential part of extending the Eimskip product portfolio and develop Eimskip's reefer forwarding services.

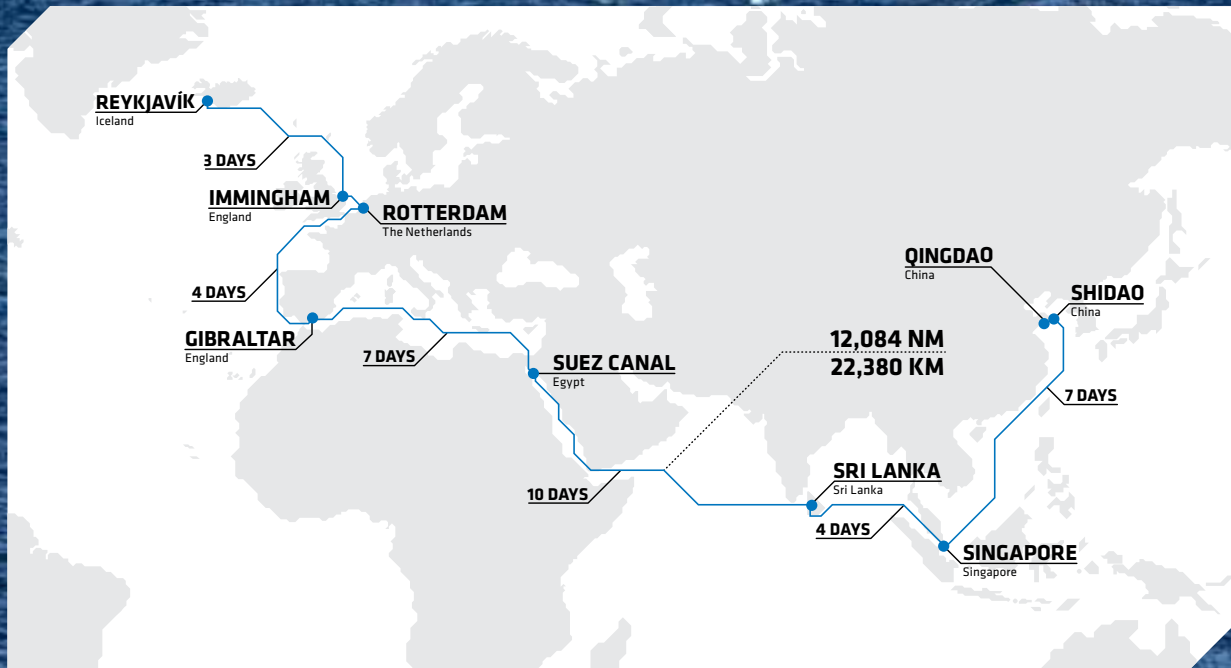
Now, ten years later, the Asia operations have developed into being a large part of Eimskip's operations, employing almost 180 people and operating in four cities in China and in Vietnam, Japan and Thailand.

Eimskip China's 10-year anniversary was celebrated during the China Fisheries and Seafood Expo in Qingdao in November 2014.

THE VOYAGE HOME

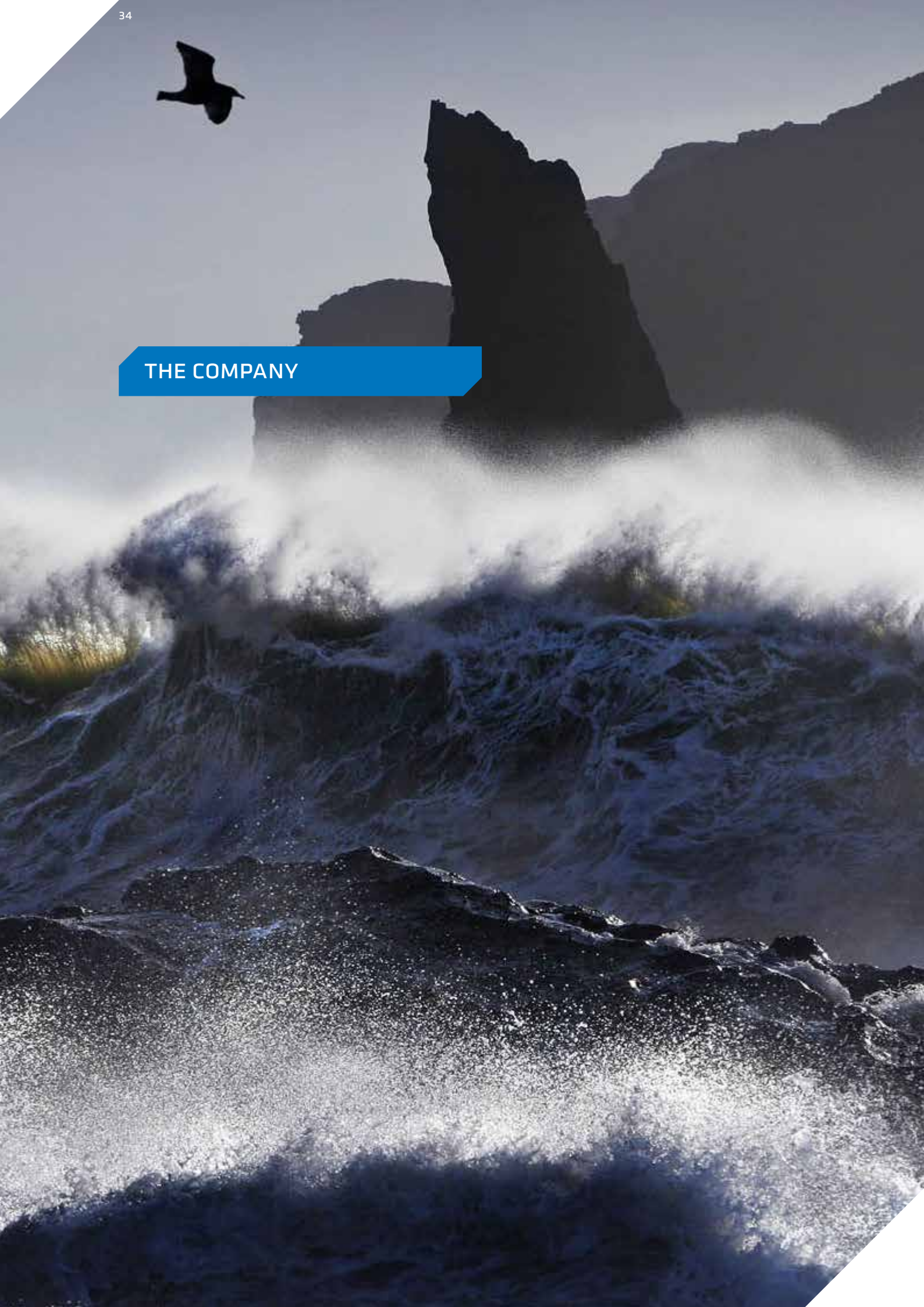
The 875 TEU container vessel Lagarfoss was built for the Company in China. It is specialized and well equipped for conditions in the North Atlantic and will further strengthen services to Eimskip's customers. The Lagarfoss was delivered in Shidao in China on 24 June 2014. The journey to Iceland was 22,380 km and the vessel arrived in the port of Reykjavík on 17 August, after 49 days of sailing. For comparison, the distance between the North Pole and the South Pole is 20,001 km.







THE COMPANY



Eimskip traces its roots back to 17 January 1914, when H.F. Eimskipafélag Íslands was founded with about 15,000 shareholders, representing almost 17% of the Icelandic nation.

The Company's vision is to be a leading transportation company, providing outstanding services through a dependable transport system in the North Atlantic and an extensive worldwide network of reefer logistics services.

Eimskip's obligations towards its stakeholders are to:

- Secure a good return for **shareholders** with sustainable and profitable operations leading to healthy growth
- Create opportunities for **employees** to develop their skills in a good and healthy working environment with Eimskip's values as their guiding light
- Show concern for the **environment** with special emphasis on activities related to the environment, security and social responsibility
- Create value for **customers** by delivering optimal logistics solutions focused on outstanding levels of service, quality and reliability

Eimskip's employees reflect the Company's values in their daily work:

ACHIEVEMENT – COOPERATION – TRUST

Eimskip's transportation services include shipping, port operations, ocean and land transport, air-freight, warehousing, freight forwarding and expert advice on shipping and logistics. Eimskip currently operates 55 offices in 19 countries and works with 68

associates in 38 countries, making a network of 46 countries in total. The Company employs around 1,430 people worldwide and operates 16 vessels sailing on five different routes in the North Atlantic area.

Eimskip concentrates mainly on serving the North Atlantic, with a focus on its home market, where the Company has a strong position. Eimskip has defined its home market as lying in the North Atlantic, from the east coast of North America to the west and north of Norway; in other words, Newfoundland and Labrador, Iceland, the Faroe Islands and Norway. Eimskip is the only containerized liner company offering direct services between Newfoundland and Labrador and Europe, between Newfoundland and Labrador and the USA and between North America and Northern Norway, connecting these areas with one comprehensive sailing schedule.

Eimskip specializes in shipping, logistics and supply-chain management and offers its customers solutions on sea, land and air, with a special emphasis on the handling and storing of all types of temperature-controlled cargo. Principal cargoes are frozen, salted and fresh fish, aluminum and a wide range of general goods from heavy machinery to fruit and vegetables. Over the years, Eimskip has built a network of its own offices and associates that links with its own shipping network, allowing it to provide its customers with comprehensive logistics services.

Eimskipafélag Íslands hf. currently owns eight direct subsidiaries, all of which are fully owned by Eimskip with one exception. These direct subsidiaries further own 50 subsidiaries which are mostly 100%-owned entities.



ORGANIZATION

From left: Guðmundur Nikulásson, Hilmar Pétur Valgardsson, Bragi Thór Marinósson, Gylfi Sigfússon, Ásbjörn Skúlason and Matthías Matthíasson

The Executive Management of Eimskip consists of the President and CEO, the Chief Financial Officer and the Directors of International operations, Iceland Domestic operations, Ship Management and Transportation Services.

Gylfi Sigfússon, President and CEO, was born in 1961. He has worked for Eimskip and related companies since 1990 and as President and 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 Tollvörugæymslan hf., now TVG-Zimsen ehf., from 1990 to 1996. Gylfi is currently a board member of A Orange ehf. He is a board member or CEO, or both, of various subsidiaries of Eimskipafélag Íslands hf. Gylfi is a board member of the Iceland Chamber of Commerce, the American-Icelandic Chamber of Commerce, the Icelandic-Canadian Chamber of Commerce and the Greenland-Icelandic Chamber of Commerce. Gylfi earned a Cand.Oecon. degree from the University of Iceland in 1990.

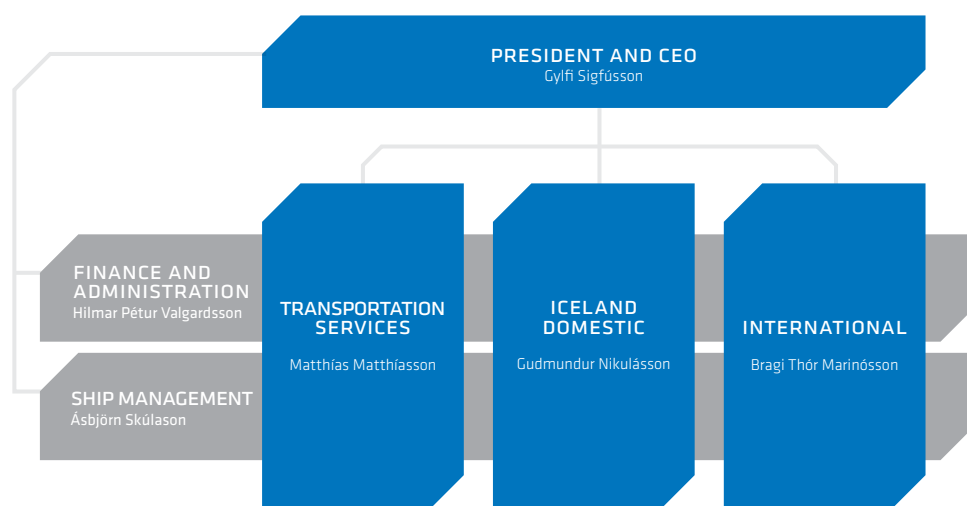
Hilmar Pétur Valgardsson, Chief Financial Officer, was born in 1973. He has worked for Eimskip since 1999 and as CFO from 2009. Before that he worked as CFO of HF. Eimskipafélag Íslands, now A1988 hf., from 2008 to 2009. He was CFO of Containerships Ltd. OY in Finland from 2006 to 2008 and Senior Manager of Eimskip's Financial Control department from 2004 to 2006. Hilmar is currently an alternate board member and Managing Director of A Orange ehf. and a board member of various subsidiaries of Eimskipafélag Íslands hf. Before, Hilmar was a board member of Containerships UAB, Containership UAB, Containerships Polska, Air Atlanta Properties Ltd., Air Atlanta Aero Engineering Ltd., Vátryggingafélag Íslands hf. and Líftryggingafélag Íslands hf. Hilmar received a Cand.Oecon. degree from the University of Iceland in 1999.

Bragi Thór Marinósson, Executive Vice President of International operations, was born in 1965. He has worked for Eimskip since 1993. Bragi has been Executive Vice President of International operations since 2008, before which he was Executive Vice President of North Atlantic operations from 2006 to 2008, Executive Vice President of International operations from 2004 to 2006, Managing Director of Eimskip Nederland B.V. from 1999 to 2004, Senior Manager of the International Department from 1997 to 1999, Quality Manager from 1995 to 1997 and Representative in the International Department from 1993 to 1995. Bragi is currently a board member of various subsidiaries of Eimskipafélag Íslands hf. He received a Master's degree in Industrial Engineering from the Technical University of Denmark in 1993 and a B.Sc. degree in Mechanical Engineering from the University of Iceland in 1991.

Gudmundur Nikulásson, Vice President of Iceland Domestic operations, was born in 1961. He has worked for Eimskip since 1997. Gudmundur has been Vice President of Iceland Domestic operations since 2005. Before that he served as Senior Manager of Terminal Operations from 1997 to 2005. Gudmundur held the position of Chief Engineer for the City of Reykjavík from 1991 to 1997. From 1987 to 1991 he was a Consulting Engineer at Hnit hf. He is currently a board member of three subsidiaries of Eimskipafélag Íslands hf. In 1987 Gudmundur received a Civ. Ing. degree (M.Sc.) in Engineering from the Technical University of Denmark in Copenhagen. He received a B.Sc. degree in Civil Engineering from the University of Iceland in 1985.

Ásbjörn Skúlason, Vice President of Ship Management, was born in 1955. He has worked for Eimskip since 1969. Ásbjörn has been Vice President of Ship Management since January 2015 and was Vice President of Liner and Vessel Operations from 2008 to 2014. Before that he served as Senior Manager of the Liner and Vessel Department from 2004 to 2008, Senior Manager of the Bulk Department from 1998 to 2004, Operational Manager of Longship, a former UK-based subsidiary of Eimskip, from 1996 to 1998, Senior Manager of the Vessels' Technical Department from 1990 to 1996 and Crew Manager from 1980 to 1992. His other experience within Eimskip includes being a terminal worker, an AB seaman and a deck officer on Eimskip's vessels from 1969 to 1980. Ásbjörn earned a Master's certificate on all cargo vessels from the Reykjavík College of Navigation in 1979 and received a commercial Diploma from the Commercial College of Iceland in 1973.

Matthías Matthíasson, Vice President of Transportation Services, was born in 1966. He worked for Eimskip from 1983 to 2004 and again from 2009. Matthías has been Vice President of Transportation Services from January 2015 and was Vice President of Sales and Services from 2009 to 2014. Before that he was Vice President of Special Projects and Managing Director of Eimskip Germany in 2009, Managing Director of Komatsu Denmark from 2004 to 2009, Managing Director of Eimskip UK from 2003 to 2004 and Senior Manager of Eimskip's Export department from 2001 to 2003. He was Senior Manager of Eimskip's Vehicles, Equipment and Special Projects from 2000 to 2001, Key Accounts Manager of Eimskip International Sales and Services from 1997 to 2000 and a sales representative of Eimskip's Import department from 1993 to 1997. Matthías studied Education at Hedmark University in Norway from 1993 to 1996.



SERVICES

Under Eimskip's service policy, the Company provides total transportation services where the needs of customers and excellent services are the key focus, based on Eimskip's values of Achievement, Cooperation and Trust.

The service policy is constantly being followed up with special emphasis on further improvements in terms of speed and reliability. Results are monitored through regular customer satisfaction surveys. Eimskip's largest customers are served through key account management while a different group of employees focuses on sales and services to other customers.

The ever-increasing pace of modern commerce demands constant adaptation to new technology and solutions to further improve services. The ePORT, the Company's online service web, is constantly being updated and improved and gives customers the opportunity to access invoices and necessary documents online, monitor their orders, call up a simple overview of their transport activities and manage storage of their shipments in Eimskip's Warehouse Hotel in Reykjavík. Eimskip's service portfolio also includes the eBOX, a user-friendly and easy solution for smaller shipments from Europe and North America to Iceland where customers themselves can calculate the price of transportation on the web and the Company's transportation system makes sure that the shipment arrives in Iceland by the first available vessel.

OPERATIONS

Eimskip's operations are divided into two principal market segments: liner services in the North Atlantic and forwarding services, mainly in Asia, Europe and North America.

LINER SERVICES

- The core of the Company's operations
- Eimskip's home market includes *Newfoundland and Labrador, Iceland, the Faroe Islands and Norway*
- 16 vessels in operation
- Port operations
- Chilled and cold storage facilities
- Warehousing
- Trucking and distribution
- Air-freight services
- Agency services

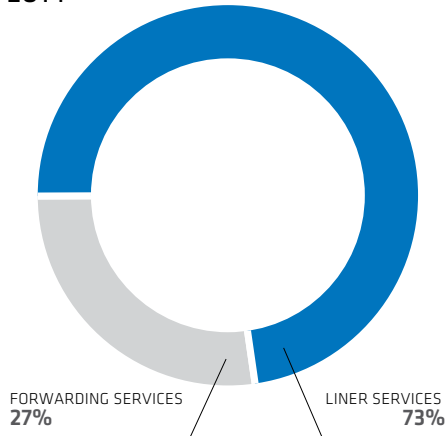
FORWARDING SERVICES

- Main focus on reefer forwarding
- Efficient system based on a network of own offices in 19 countries
- Strong cooperation with the large deep-sea lines and 68 associates in 38 countries

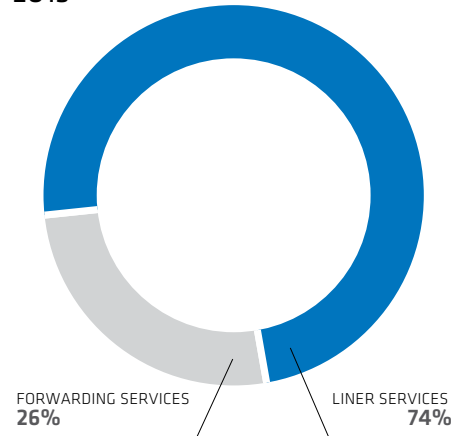
In 2014, approximately 73% of Eimskip's revenues came from liner services and 27% from forwarding services. The split of EBITDA between segments in 2014 was about 85% from the liner services and 15% from the forwarding services.

OPERATING REVENUE BY SEGMENT

2014

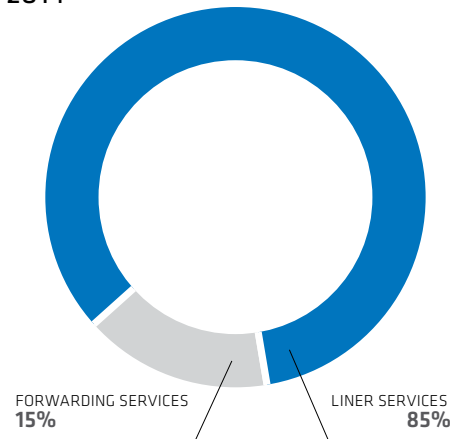


2013

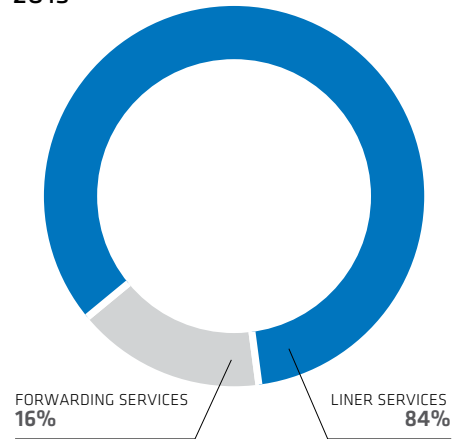


EBITDA BY SEGMENT

2014

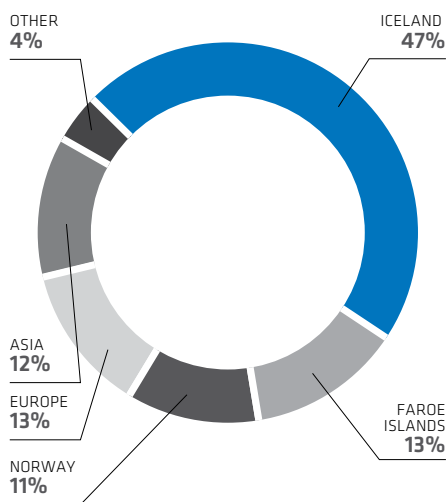


2013

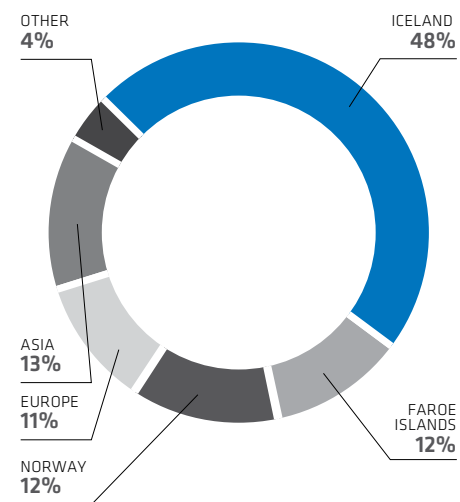


GEOGRAPHICAL SPLIT OF OPERATING REVENUE

2014



2013



LINER SERVICES

Eimskip operates 16 vessels in the North Atlantic. Twelve are used in liner services, on five different sailing routes; one is in bulk services, two reefer vessels offer spot services and one is a ferry operated in Iceland.

The liner services also offer short-sea services in Europe and North America, transatlantic services and bulk transport. Liner services also include terminal operations, chilled and cold storage facilities, warehousing, trucking and distribution, air-freight services and agency services.

The Company's reefer vessel services provide transportation of frozen or chilled seafood and other perishable products, either in full or partial loads of frozen or chilled consignments in bulk services with specialized vessels, direct from port to port.

Liner services accounted for approximately 73% of the Company's operating revenue in 2014.

EIMSKIP'S HOME MARKET

Eimskip has defined its home market as the North Atlantic, stretching from the east coast of North America to the west and north coasts of Norway and embracing Newfoundland and Labrador, Iceland, the Faroe Islands and Norway. These countries are all rich in natural resources.

Seafood represents a substantial part of total cargo in the Company's home market.

SAILING SCHEDULE AND VESSELS

Twelve of the 16 vessels operated by Eimskip are owned and four are chartered. Twelve serve the North Atlantic liner schedule and four are deployed in other operations in the North Atlantic. The vessels have high levels of specification in terms of size, cranes, reefer plugs, low draft and maneuvering capabilities to enter narrow ports.

Eimskip's liner sailing schedule includes eight container vessels and four reefer vessels. The sailing schedule offers container and reefer vessel services, connecting the Company's home market to other markets in North America, the UK, Scandinavia, Russia and Continental Europe.

Eimskip constantly re-evaluates its vessel fleet and schedules with the aim of optimizing its operational efficiency. The most

recent changes were made in January 2015 when the Company's former Green and Red Lines were combined into a new Green Line, offering direct services between Europe and North America. These changes improve vessel utilization and reduce transshipments of transatlantic cargo.

The **Blue Line** offers weekly services from Iceland to the Faroe Islands, the Netherlands, Sweden, Norway and Denmark and then back to the Faroe Islands and Iceland. The vessels serving on the Blue Line are the Godafoss and Dettifoss.

The **Yellow Line** offers weekly services from Iceland to the Faroe Islands, England, the Netherlands and Germany and then back to England and Iceland. The vessels serving on the Yellow Line are the Brúarfoss and Lagarfoss.

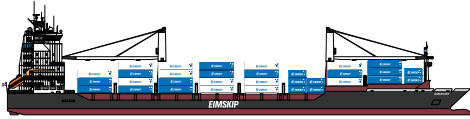
The **Green Line** offers direct services from the East Coast of the United States, Nova Scotia and Newfoundland and Labrador to Iceland, England, the Netherlands and Northern Norway and back. The route calls several ports around the coast of Iceland. The Selfoss, Skógafoss and Reykjafoss serve on the Green Line.

The **Gray Line** started operations in February 2014 and offers weekly services between the Faroe Islands and Scotland. The vessel serving on the Gray Line is the Ruby.

The **Orange Line** offers weekly services from Murmansk in Russia, down the Norwegian coast on its way to the Netherlands, England, Scotland and then back to Norway. The vessels serving on the Orange line are the Holmfoss, Polfoss, Svartfoss and Vidfoss.

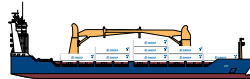
Four vessels serve **Other Operations** in the North Atlantic. Eimskip's reefer transportation services are specially focused on transportation of frozen or chilled seafood and other perishable products in bulk direct from port to port, in whole or partial loads. These services are carried out by the specialized reefer vessels Langfoss and Stigfoss. Eimskip offers specialized transport for bulk cargo in whole loads or according to the needs of its customers. When shipping bulk cargo there are no schedules or sailing routes, since the best way to ship such cargo is based on the nature and quantity of the cargo. The Laxfoss is used in bulk transport. Finally, the ferry Herjólfur offers regular services between the Westman Islands, off the south coast of Iceland, and Iceland's mainland.

BLUE LINE

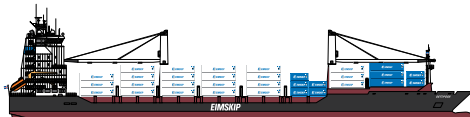


Godafoss o
 Built 1995
 TEU 1,457
 Gross Tonnage 14,664

GRAY LINE



Ruby c
 Built 2002
 TEU 505
 Gross Tonnage 4,454



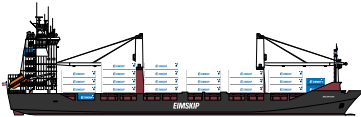
Dettifoss c
 Built 1995
 TEU 1,457
 Gross Tonnage 14,664

ORANGE LINE



Holmfoss o
 Built 2007
 Reefer (bulk/TEU 24)
 Gross Tonnage 3,538

YELLOW LINE



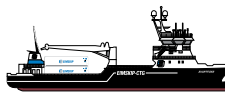
Brúarfoss o
 Built 1992
 TEU 724
 Gross Tonnage 7,676



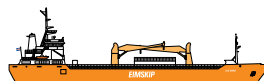
Polfoss o
 Built 2008
 Reefer (bulk/TEU 24)
 Gross Tonnage 3,538



Lagarfoss o
 Built 2014
 TEU 875
 Gross Tonnage 10,106

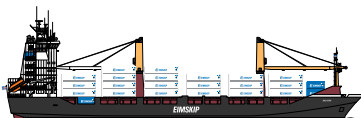


Svartfoss o
 Built 2005
 Reefer (bulk/TEU 48)
 Gross Tonnage 2,990



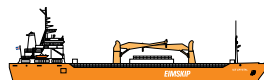
Vidfoss o
 Built 1990
 Reefer (bulk)
 Gross Tonnage 3,625

GREEN LINE

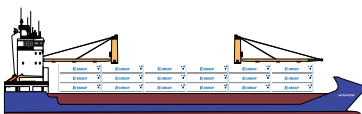


Selfoss o
 Built 1991
 TEU 724
 Gross Tonnage 7,676

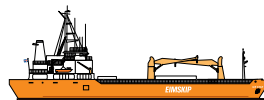
OTHER OPERATIONS



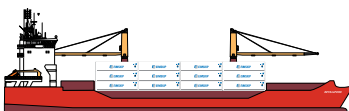
Langfoss o
 Built 1991
 Reefer (bulk)
 Gross Tonnage 3,625



Skógafoss c
 Built 2007
 TEU 698
 Gross Tonnage 7,545



Stigfoss o
 Built 1990
 Reefer (bulk)
 Gross Tonnage 3,625



Reykjafoss c
 Built 1999
 TEU 712
 Gross Tonnage 7,541



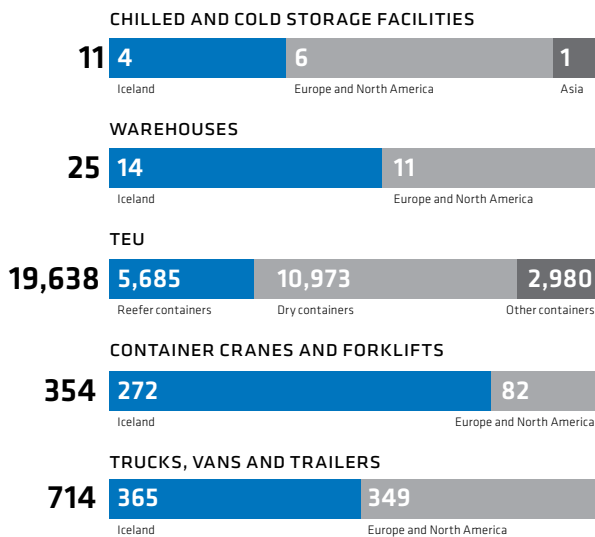
Laxfoss o
 Built 1995
 Bulk Cargo
 Gross Tonnage 1,682



Herjólfur c
 Built 1992
 Ferry
 Gross Tonnage 3,354

o Own Vessel c Chartered Vessel

OPERATING ASSETS



OTHER OPERATING ASSETS

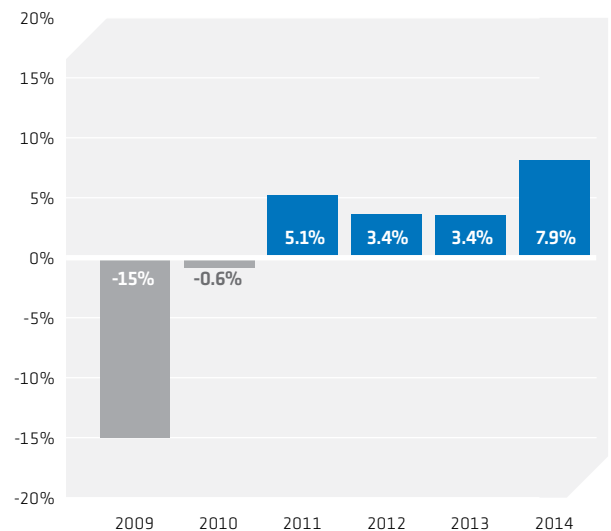
The Company operates eight container terminals in four countries: five in Iceland and one each in the Faroe Islands, Norway and Newfoundland and Labrador.

Eimskip owns or operates eleven chilled and cold storage facilities in six countries: four in Iceland, two in the Faroe Islands and Norway and one in each of Sweden, Newfoundland and Labrador and China. Eimskip also operates a total of 25 warehouses for dry cargo in eight countries: 14 in Iceland, three in USA, two in the Faroe Islands and UK and one each in Norway, Sweden, Denmark and the Netherlands.

The Company's container fleet consists of around 19,600 TEU (twenty-foot equivalent units), including about 5,700 reefer containers, 10,900 dry containers and 3,000 other types of containers.

Trucking and distribution services are operated in Iceland, the Faroe Islands, Denmark, Netherlands and USA. The Company operates a total of 354 container cranes and forklifts and 714 trucks, vans and trailers.

VOLUME CHANGES IN LINER SERVICES

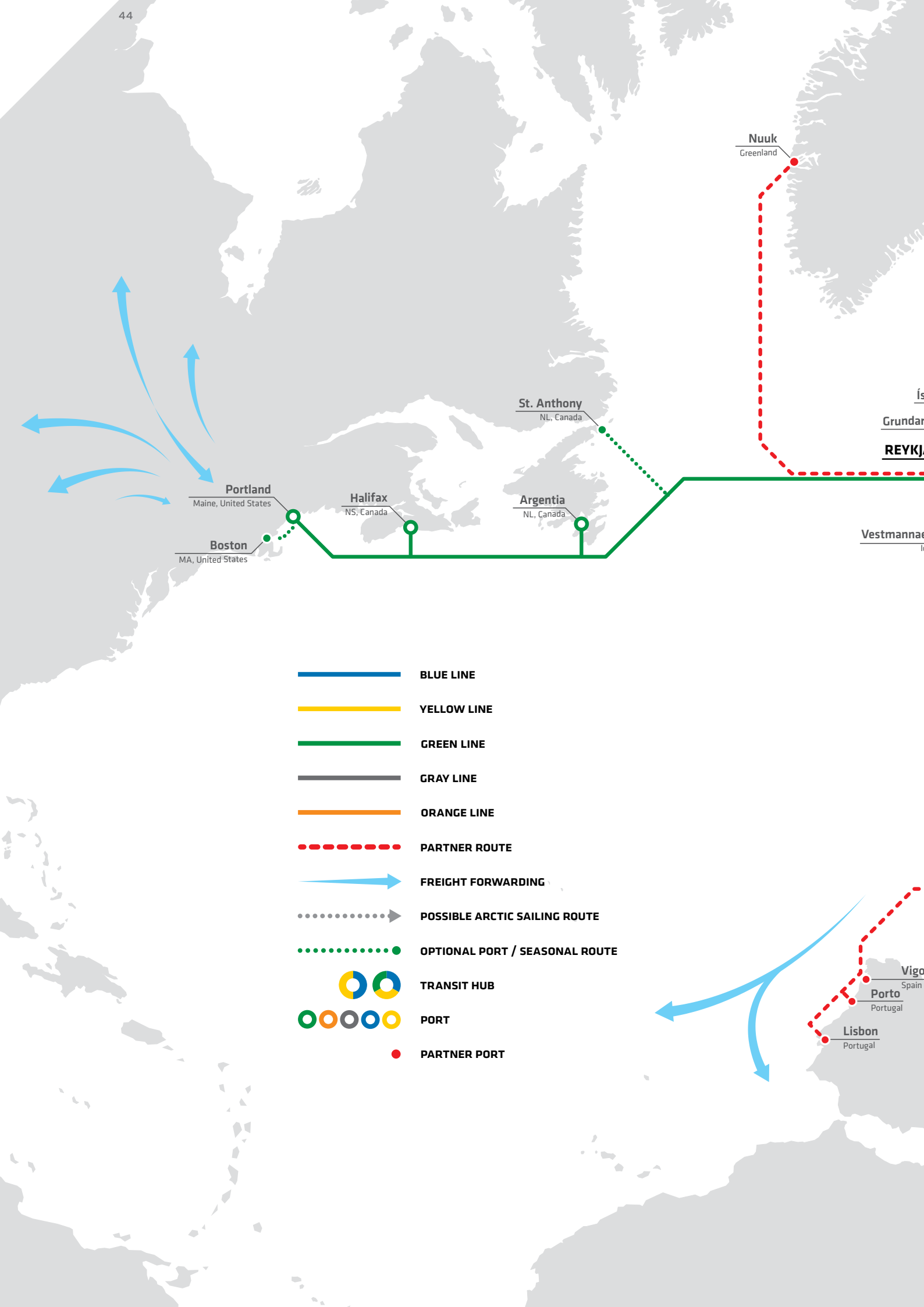


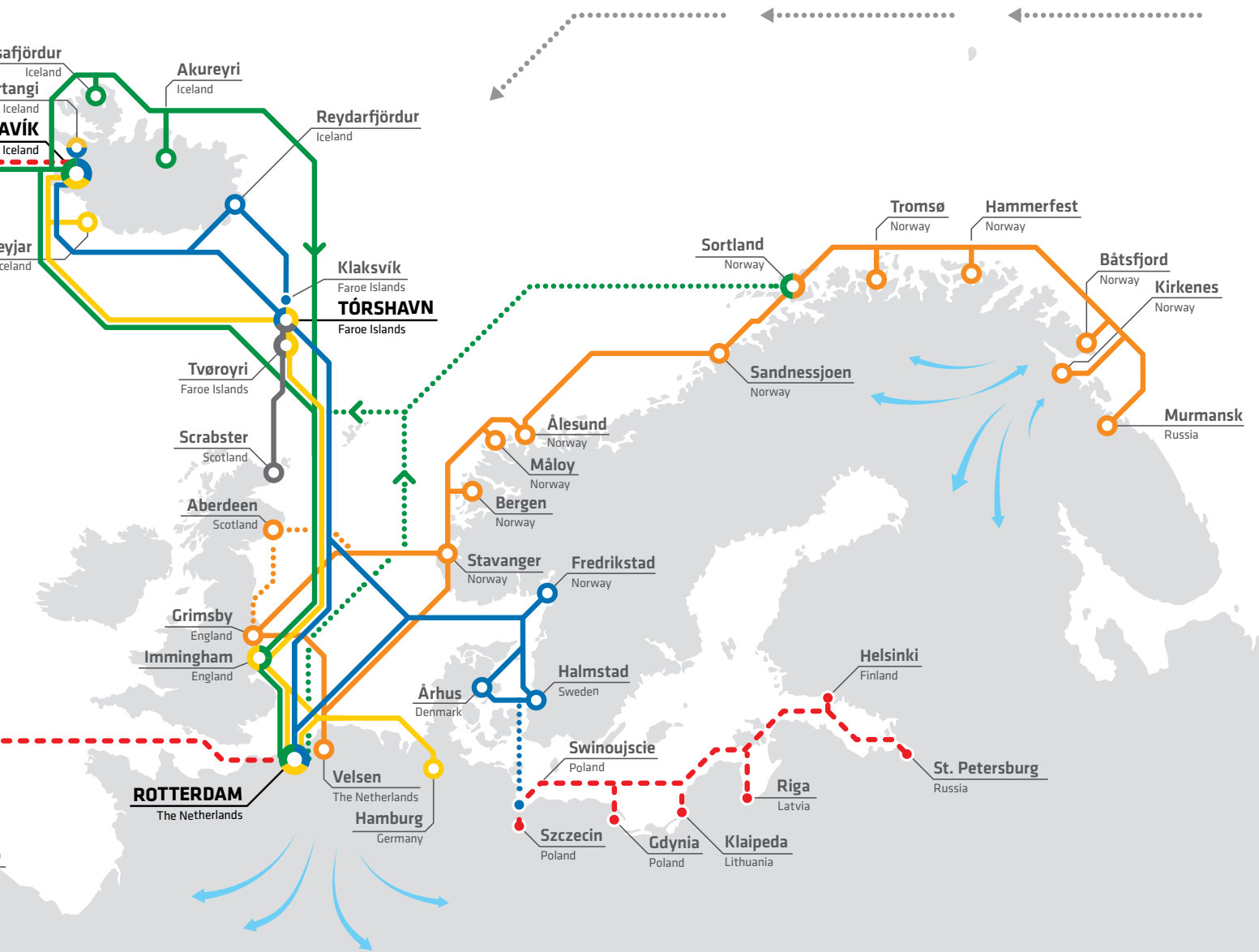
TRANSPORTED VOLUME

Following the international financial crisis in 2008, transport volumes decreased significantly in Iceland and the Faroe Islands but growth continued in the Norwegian market. The contraction in Iceland and the Faroe Islands was mainly in general cargoes and construction cargoes, while the volume of exports of fish and aluminum remained relatively stable. Volumes of seafood tend to maintain a certain stability compared to other cargo types, being mostly independent of other economic conditions. In Norway, the total allowable groundfish catch has been increasing year by year in recent years.

Transported volume in Eimskip's liner services in 2014 grew by 7.9% from the previous year. There was considerable growth in transported volume to and from Iceland and the Faroe Islands. The Russian embargo which became effective as from August 2014 negatively affected transported volume from Norway and in Newfoundland and Labrador.







ICELAND

Eimskip's operations in Iceland are based in Reykjavík and in twelve locations around the country. The Company's liner system and bulk transport operations are monitored from Iceland. Five container terminals are operated in Iceland: in Reykjavík, Ísafjörður, Akureyri, Reydarfjörður and the Westman Islands. Three chilled and cold storage facilities are operated in Reykjavík and one in Hafnarfjörður. Fourteen warehouses for dry cargo are operated, in Reykjavík and other locations around the country. The largest one is the Warehouse Hotel in Sundahöfn in Reykjavík, which opened in 2003 and has a capacity of 23,000 pallets. In addition to traditional warehousing services, the Warehouse Hotel offers inventory management and a bonded warehouse. Trucking and distribution services are operated through the trucking network of Flytjandi, which has about 80 service points located all around the country and offers door-to-door services to customers in Iceland. Eimskip operates the ferry Herjólfur, which offers regular services between the Westman Islands and the mainland. Finally, Eimskip offers air-freight services and all general sales and services related to transportation.

Eimskip's sailing schedule is tailored to meet the needs of customers. It includes coastal services in Iceland, with direct connections to the UK and mainland Europe and to Newfoundland and Labrador, Nova Scotia and the east coast of the United States.

Exporting fresh, frozen, salted and dried fish products has always been a large part of Eimskip's operations in Iceland and the demand for processed products of all fishery resources is rising all over the world. It is the Company's ambition to offer customers outstanding services, and this calls for constant

improvements in its operating procedures. Demand for processed fresh fish has been growing in recent years, making Eimskip fully aware of its responsibility when it comes to maintaining the quality and value of the product. Eimskip is working closely with seafood exporters and Matís, the Icelandic Food and Biotech Research and Development company, on developing a refrigeration system that could extend the shelf life of fresh fish even further than what it is today.

TVG-Zimsen ehf. is one of Eimskip's direct subsidiaries and is a forwarding company located in Iceland. TVG-Zimsen offers all types of services related to importing and exporting, with a full range of transit services around the world by air, sea or land. Gára ehf., TVG-Zimsen's subsidiary, is offering agency services for cruise vessels, trawlers and other vessels. The company is affiliated with major transportation companies around the world, utilizing their broad service networks as well as Eimskip's network and transport system. TVG-Zimsen traces its roots back to the Icelandic stevedoring company Jes Zimsen which was established in 1894 and to TVG, the Bonded Warehouse/Free Zone facility established in 1965.

In the beginning of 2015, Eimskip started construction of a 10,000-ton cold storage facility in Hafnarfjörður, an addition to the current 3,000-ton facility there. Furthermore, the Company has invested in 22,410 m² of land in Grundartangi and two new harbor cranes which are expected to be in operation in the third quarter 2015. One will be located in Grundartangi and the other in Reydarfjörður. Eimskip is currently serving Nordurál, the Century Aluminum plant in Grundartangi, and the investments will create further opportunities for Eimskip's services in the area.



FAROE ISLANDS

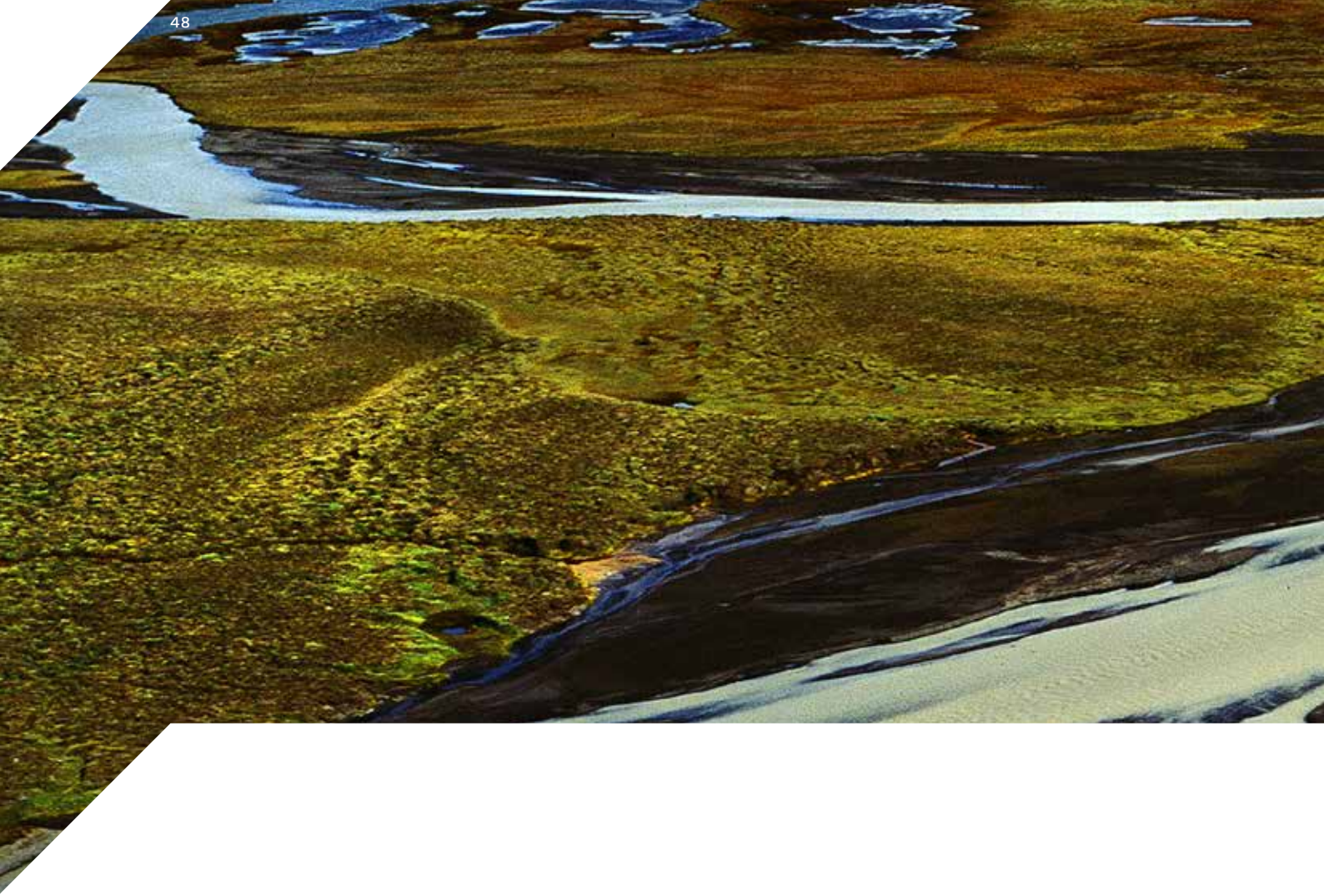
In the Faroe Islands Eimskip operates the company P/f Faroe Ship, which has a 96-year history. Since its formation in 1919 the company has epitomized Faroese initiative and independence, founding the Faroe Islands' first regular overseas connection which had enormous implications for the development of the Faroese economy throughout the century.

Exports from the Faroe Islands consist mainly of seafood products, while imports embrace a wide range of commodities. Faroe Ship operates a container terminal, a chilled and cold storage facility and a warehouse in Torshavn, a chilled and cold storage facility in Klaksvik and a warehouse in Tvöroyri. The company operates the country's largest fleet of trucks and a modern truck terminal, a forwarding and air-freight division, known as Faroe Express, and the agency for Eimskip's liner services. Convenient access to a large fleet of dry and reefer containers gives customers further reasons to choose Faroe Ship for their imports or exports. Furthermore, Faroe Ship offers maritime agency services which include port clearance and other services for all types of vessels.

Faroe Ship has a leading position in the Faroese transportation market and offers four weekly services between the Faroes and the UK, mainland Europe, Scandinavia and Iceland. In February 2014, Eimskip's Gray Line started operations and offers weekly services between the Faroe Islands and Scotland.

Being a subsidiary of Eimskip, Faroe Ship is an integrated part of Eimskip's transport network. In cooperation with Maersk, regular links to Russia, Asia, Africa and the Middle East also form a part of Faroe Ship's transport system. Thus, the company covers the Faroe Islands through its own infrastructure, Europe and North America through Eimskip and the rest of the world through its collaboration with Maersk.

Faroe Ship's market conditions require constant adaptation to customer demands and continuous product and market development. The company has developed capacity and skills to handle growing exports of pelagic fish, salmon and other species in the Faroese seafood industry and also general imports from all over the world.



NORWAY

Eimskip's operations in Norway include both its liner system operations and forwarding services. The company now operates in six locations along the Norwegian coast, formerly as Eimskip-CTG AS and since January 2014 under the name Eimskip Norway AS.

The company's mission is to be the supplier of choice for internationally competitive, high-quality transportation and logistics services, with a focus on the company's home market in the North Atlantic and in other markets where viable. Providing total logistics solutions, Eimskip Norway puts its customers in touch with a long-established worldwide network of quality storage and transport facilities in strategic locations.

Eimskip Norway operates a container terminal, a chilled and cold storage facility and a warehouse in Sortland and a chilled and cold storage facility in Kirkenes and offers cold-store facilities in Tromsø and Ålesund. It operates a fleet of specially-built

vessels serving the Norwegian market; these are side-loaded and can enter narrow ports. The company provides flexible and comprehensive services with direct port-to-port transport of whole or partial loads of reefer consignments, connecting Scandinavia and Europe to the North Atlantic, Russia, Portland and the Baltic. Weekly services with the Orange Line run from Murmansk in Russia along the Norwegian coast to the Netherlands and the UK and back to Murmansk. The liner agency for Eimskip is in Sortland and Fredrikstad and its reefer logistics center is in Ålesund.

Eimskip Norway has a strong presence in Northern Norway and is the only containerized operator offering direct services between Northern Norway and North America on the Green Line. The company also serves the oil industry and other industries in Norway.



NEWFOUNDLAND AND LABRADOR

Eimskip began its regular services to Argentia in Newfoundland and Labrador in 1989 and opened an office in St. John's, the capital of Newfoundland and Labrador, a year later. The purpose of calling in Newfoundland and Labrador was merely to serve the local seafood industry and the selection of Argentia as a port of call was mainly driven by the ice-free status of the port.

Eimskip's operations in Newfoundland and Labrador, under the name Eimskip Canada Inc., consist both of its liner system operations and its forwarding services. The operations are located in St. John's where the Company offers all general transportation services, specializing in seafood and industrial cargo, and handles agency functions. Argentia and St. Anthony are its ports of call. A special focus is on transportation of seafood from Newfoundland and Labrador mainly to Europe and Asia. Eimskip is the only containerized shipping company offering direct services between Newfoundland and Labrador and Europe and between Newfoundland and Labrador and the USA.

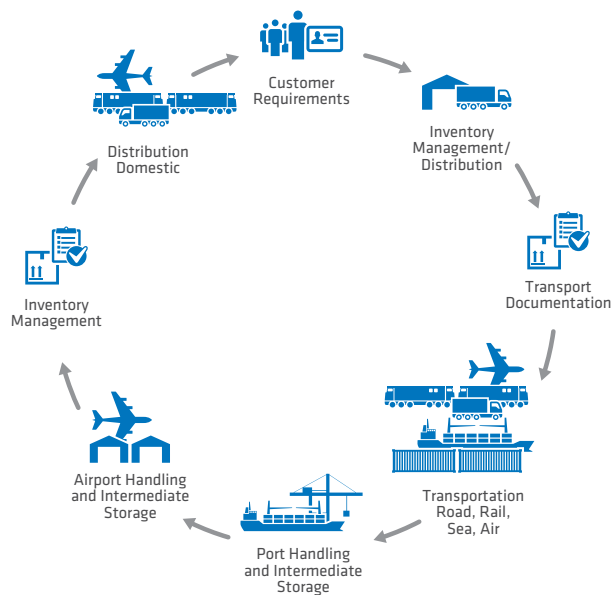
Newfoundland and Labrador have seen significant economic growth in recent years. Eimskip has benefited from this growth as it has focused its services on two main revenue streams, the oil and gas industry and the traditional seafood industry. The Company is not new to the oil and gas sector: Eimskip in Canada has been working with reliable partners since the beginning of oil exploration and drilling in Newfoundland and Labrador

and has developed a good relationship with certain offshore drilling companies. The most recent development of a gravity base structure, known as Hebron, has really placed Eimskip on the map within the oil and gas industry. Within the seafood segment, Eimskip is in a strong position with its cold storage services in Harbour Grace and St. Anthony, its transatlantic services and its connection to Portland, Maine, in the USA. In cooperation with short-sea operators in Europe, Eimskip is now offering services into the Baltic and Russia and by utilizing the Company's extensive North Atlantic seaborne network, it is now actively delivering cargo into northern Norway and Northwest Russia. Utilization of Eimskip's distribution and reefer forwarding network in USA, Europe and Asia has also been promising.

The addition of Portland, Maine, to Eimskip's ports of call has greatly strengthened the connection between Canada and the New England area, since Portland allows for shorter transit times and a more consistent schedule. Imports to Newfoundland and Labrador from USA, Europe and Asia have increased; this is mainly due to larger investment projects in the oil, mining and electric power industries.

In the beginning of 2015, Eimskip acquired the cold storage operation of St. Anthony Cold Storage Ltd. in cooperation with Harbour Grace Shrimp Company Ltd. Eimskip also acquired the forwarding company Cargocan Agency Ltd., located in St. John's.

EIMSKIP'S TRANSPORTATION SYSTEM



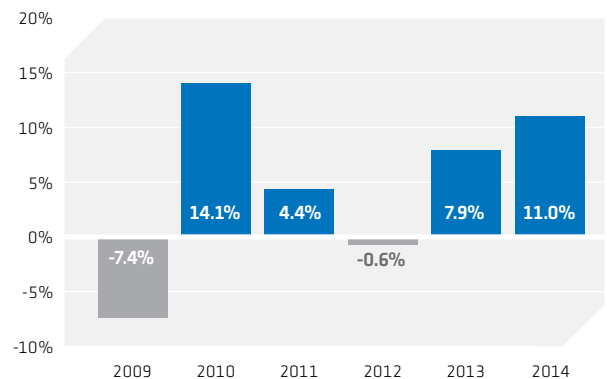
FORWARDING SERVICES

Eimskip's forwarding services include international reefer and general forwarding, concentrating mainly on Asia, Europe and North America. Services in Asia include intra-trade in Asia. Forwarding services accounted for about 27% of the Company's operating revenue in 2014.

Eimskip's started its forwarding services in Asia by opening an office in Qingdao, China, in 2004, starting out with 4,000 TEU. In 2014, ten years later, the Company's forwarding services handled 138,000 TEU. On average, Eimskip is dealing with approximately 229 partners to fulfill its services. Eimskip's forwarding services moved cargo to 663 ports and destinations worldwide in 2014, to ports located in all continents. East-West trades are the largest, followed by the Intra-Asia trade.

The forwarding services are transportation solutions which are outside the Company's own operating system; nevertheless, forwarding services and the liner services support each other. The international forwarding market is diverse and very competitive, with many companies offering forwarding services. Eimskip is following its customers in their globalization by creating a service network in cooperation with various transportation companies all over the world. This service network is constantly evolving and attracting new customers. Eimskip has built valuable relationships and acquired extensive knowhow in the reefer forwarding trade through its other operations over the years. The Company focuses on selling forwarding services utilizing its global network, mainly in the reefer sector where seafood products play an important role. The Company is also

VOLUME CHANGES IN REEFER FORWARDING SERVICES



involved in general forwarding of dry cargo, offering various logistics solutions worldwide. The largest markets in Eimskip's general forwarding are China, the Netherlands and Germany.

Eimskip has been expanding its logistics network in Asia. In 2014, it entered into a joint venture with the Qingdao Port Authority to operate a 50,000-ton cold storage facility in Qingdao. Eimskip is a 30% partner in the new company and the port authorities own 70%. The facility had been operated by A1988 hf., formerly known as HF. Eimskipafélag Íslands, since 2007. The port authority's selection of Eimskip as a partner is an important factor in strengthening the facility's operation and creating new opportunities.

Eimskip's network consists of 55 offices of its own and 68 associates in a total of 46 countries in Europe, America, Asia and Africa.

TRANSPORTED VOLUME

Cargo volume in international forwarding services is dependent on seaborne perishable reefer cargoes in which fish products play the most important role. The volume in reefer forwarding is more stable than in dry forwarding due to reefer cargo being less dependent on economical fluctuations, since the consumption of food products is usually more stable than of other products. Other perishable cargoes are meat, fruit and vegetables.

Transported volume in Eimskip's reefer forwarding services in 2014 increased by 11.0% from the previous year. The main

55 OWN OFFICES AND 68 ASSOCIATES IN 46 COUNTRIES



reason for the growth is increased Intra-Asian business, new commodities, new markets and increased activity in inbound cargo where Eimskip completes custom clearance and door-to-door delivery by handling the cargo at both ends.

OPPORTUNITIES IN TRANSPORTATION

The opportunities in shipping seem to be numerous and currently one of the most interesting ones is to connect sea and air-freight together more than is being done today. Eimskip exports, for example, fresh salmon to the UK from where it is flown to the US, something which can also be done with fresh whitefish to the US or to markets in Asia.

Eimskip sees various growth opportunities in the transportation market in the North Atlantic in the coming years. The seafood industry of the countries within Eimskip's home market is restricted by catch quotas that are decided annually, which means that when quotas are either increased or reduced this affects the transported volume of seafood from these countries. Larger quotas may create new opportunities for the Company. Changed methods of processing fish, and arrangements for extending the shelf life of fresh fish, may also create opportunities in transportation. Eimskip is constantly evaluating and improving its services to gain a competitive advantage and increase value for its customers.

The changes made to the Company's sailing schedule have resulted in a more flexible and powerful transportation system

with increased capacity and service reliability, which creates new opportunities by opening up new markets to current and future customers and by enabling the Company to respond to requirements from them. There are also growth opportunities related to new projects in the North Atlantic, for example in the fishing and fish-farming industries, heavy industry, oil and mining, as well as terminal services, infrastructure projects and other potential projects connected with the new Arctic sailing route.

In forwarding, Eimskip has been focusing on reefer forwarding by transporting frozen and chilled products, mainly seafood, meat, fruit and vegetables, where fluctuations in consumption are limited. Here, opportunities lie in creating new businesses and entering new markets, by growing organically and by opening up new offices either within the North Atlantic or in other market areas.

INVESTMENTS IN 2015

Eimskip's strategy for external growth is to make accretive acquisitions that create synergies, strengthening the Company's performance and increasing shareholder value.

Eimskip's Board of Directors and management have spent considerable time on evaluating potential investment projects in the Company's search for opportunities to grow and to strengthen its current position in markets outside of Iceland in the North Atlantic.

In the first quarter of 2015, Eimskip entered into partnerships, established and invested in the following companies and infrastructure projects. It will continue to evaluate potential investment projects in the coming months and is currently working on various projects.

JAC. MEISNER

Eimskip has strengthened its position in worldwide reefer logistics services with the acquisition of the forwarding company Jac. Meisner Internationaal Expeditiebedrijf B.V. in the Netherlands. The company was founded in 1959 and is located in the port of Rotterdam. Its main expertise lies in custom brokerage, veterinary and agricultural inspection and the receiving and checking of frozen and chilled cargo originating from all over the world for import into Europe. The acquisition will strengthen services to Eimskip's customers and the customers of Jac. Meisner will also benefit from Eimskip's global network.

JOINT VENTURE IN SHIP MANAGEMENT AND TRADING

Eimskip and the company König & Cie. Holding GmbH & Co. KG in Hamburg, Germany, have established a joint venture named Eimskip & KCie GmbH & Co. KG. The new company will be specialized in ship management and trading. The ownership will be 80% by Eimskip and 20% by König & Cie. The new company will create synergy in vessel operation, including technical management, chartering, sale and purchase, new building projects, and various other ship management and investment projects. Over the years, Eimskip's aim has always been to optimize and secure the operation of its vessel fleet and with this joint alliance with König & Cie., Eimskip will even further strengthen its operations.

WAREHOUSE OPERATION IN ÅRHUS

Eimskip has taken over a 15,500 m² warehouse operation from Damco in Aarhus, Denmark. Eimskip has been operating a warehouse of 6,000 m², making the merged warehouse 21,500 m² in total. After the changes, Eimskip will be the largest third-party logistics provider in Aarhus, the second largest port in Scandinavia, handling over 600,000 TEU per year. The warehouse is located on the container terminal with direct access to the port. Damco has operated the warehouse since 2003 and its main expertise and focus has been on storage, packaging, project cargo, cradling, container freight station, distribution, and pick-and-pack services.

COMPANIES IN NEWFOUNDLAND AND LABRADOR

In cooperation with Harbour Grace Shrimp Company Ltd., Eimskip has acquired the cold storage operation of St. Anthony Cold Storage Ltd. in Newfoundland and Labrador. The main services of the facility include the discharging of fishing vessels and storage and transportation of seafood. Eimskip has been calling the port of St. Anthony since 2005, and with this acquisition it will further strengthen its operations and services to the seafood industry in Newfoundland and Labrador, as well as towards large ongoing industrial projects in the area.

Eimskip has also acquired the forwarding company Cargocan Agency Ltd., a leading forwarder in Newfoundland and Labrador, located in St. John's. The company was established in 1992 and has been a leading forwarding company for the seafood industry and for dry cargo to and from Newfoundland and Labrador.

INFRASTRUCTURE INVESTMENTS IN ICELAND

In November 2014 Eimskip announced the construction of a 10,000-ton cold storage facility in Hafnarfjörður, an addition to its current 3,000-ton facility, Fjardarfrost. Construction started at the beginning of 2015 and the first phase is expected to be in operation in the third quarter of 2015. There is an option to enlarge the facilities in stages to a total of 27,000 tons, according to customer needs.

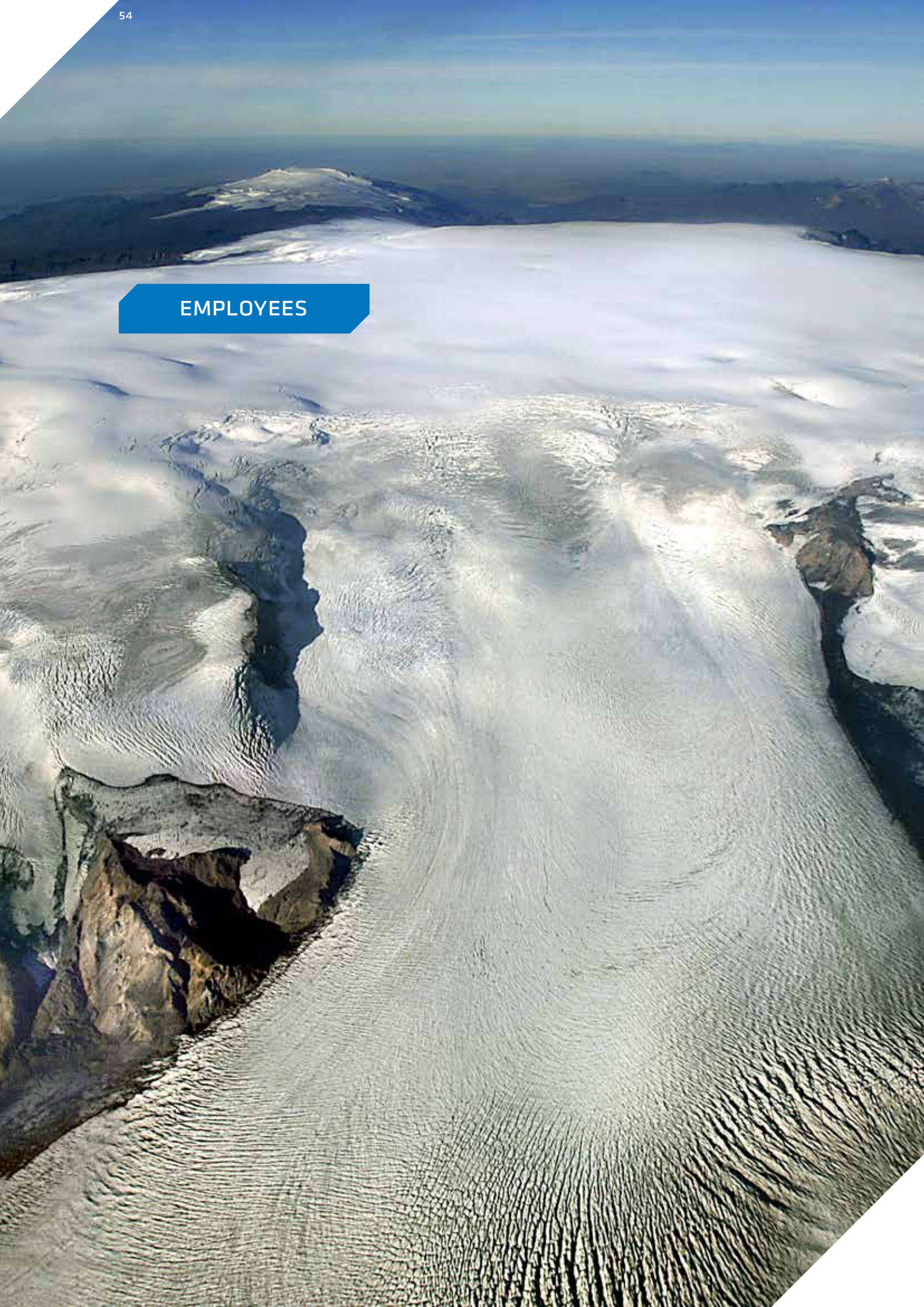
To further strengthen its operations, Eimskip has invested in two new Gottwald harbor cranes which are expected to be in operation in the third quarter of 2015. The first will be located at Grundartangi. The second will be located in Reydarfjörður, while the crane currently in Reydarfjörður will be moved to the Faroe Islands to meet increased activity there. With the crane investment, the Company will be able to run the Blue Line without vessel cranes.

Furthermore, Eimskip has invested in 22,410 m² of land at Grundartangi. Eimskip is currently serving Nordurál, the Century Aluminum plant located at Grundartangi, and the purpose of the investments in land and the new harbor crane for Grundartangi is to further secure reliability and capacity in order to be able to develop in step with current and future industries in the area.



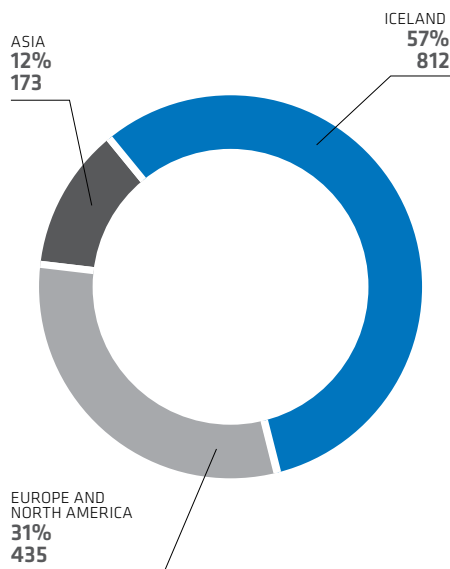


EMPLOYEES



Diversity is the key characteristic of Eimskip's human resources. The Company employs about 1,430 people with a variety of backgrounds as regards education and experience, who work concertedly with the aim of providing its customers with outstanding services.

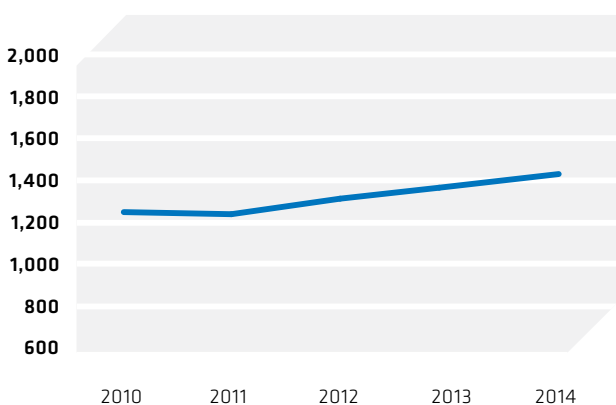
AVERAGE NUMBER OF EMPLOYEES 2014



Eimskip's human resources policy, which supports the Company's overall policy, is the guiding light when it comes to taking decisions and new moves on human resources.

The opportunities and challenges in Eimskip's human resource management lie in maintaining the Company's strong corporate culture, which is rooted in Iceland, while at the same time creating conditions in the global environment in which it operates to make Eimskip an attractive workplace for competent individuals with the qualifications and knowledge needed to enhance the Company's achievements further.

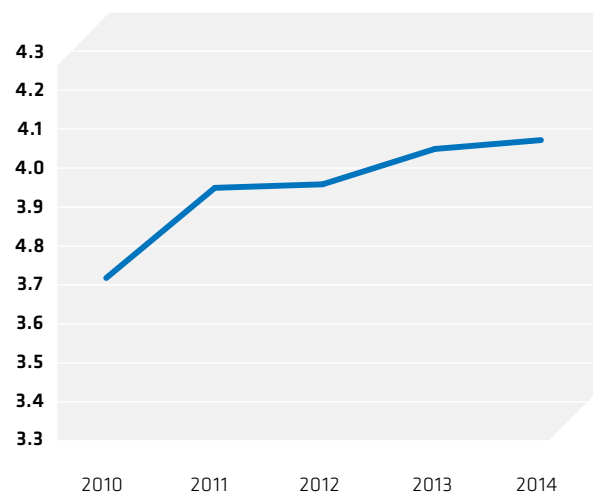
AVERAGE NUMBER OF EMPLOYEES



JOB SATISFACTION

Annual surveys of employee satisfaction assess job satisfaction, loyalty and commitment, together with other factors such as team spirit and atmosphere in the workplace. In addition, in Iceland a management assessment questionnaire, consisting of ten questions, is put to employees to enable them to record their superior's scores in various areas. Participation in these surveys has been very good in recent years, with a respondent rate of about 80% on average. Employees are informed about the outcome of the survey regarding their own departments and are given an opportunity to discuss them with their departmental heads and colleagues. This procedure has proved its value in building up trust and laying the basis for further work to improve performance by each individual working team.

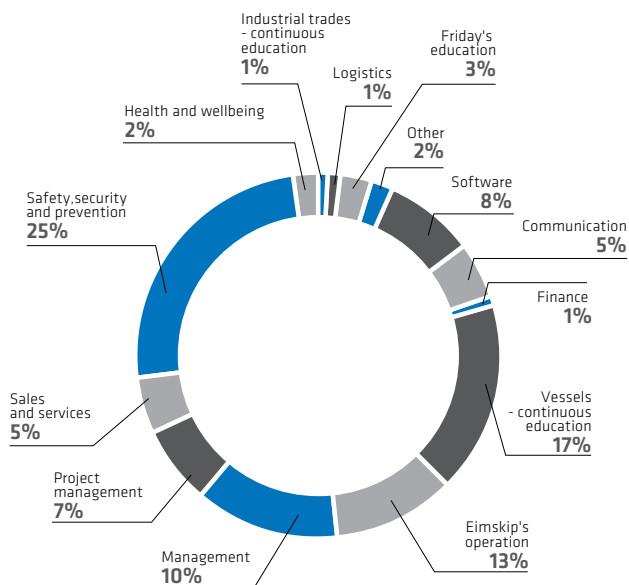
JOB SATISFACTION DEVELOPMENT OF 12 CORE QUESTIONS



JOB OPPORTUNITIES

Eimskip makes a point of ensuring that each position is filled by a competent individual with the skills and know-how needed to achieve results for the Company. The recruitment process is reviewed on a regular basis, with an emphasis on the view that each engagement, whether of a front-line worker or of a manager, is an investment by the Company and that higher quality standards should therefore be set regarding this procedure. Open vacancies are advertised more frequently within the Company so as to give people both from inside and outside the Company an opportunity to apply. This has produced good results, opening up chances for employees to move to new positions within the Company and so add to their expertise and experience, while at the same time giving Eimskip the chance to benefit from the new skills and ideas brought into the Company by those who have joined it during the year.

EDUCATIONAL EVENTS BY TRAINING CATEGORY



EDUCATION AND TRAINING

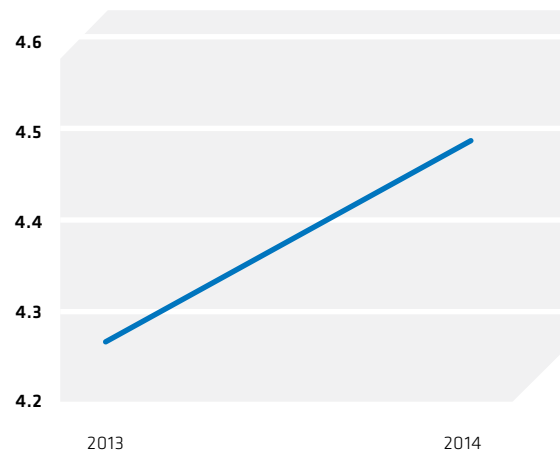
Eimskip's policy regarding education and training is aimed at enabling each and every employee to achieve the best possible results and to enhance skills and know-how in particular areas where improvement is needed. A needs analysis is carried out every year in manager appraisals and feedback from job appraisals is used as a basis for decisions on areas of focus for the year.

There was a full program of educational courses on offer for employees during 2014, with a total of 169 events. The chart above applies to topics covered in the Icelandic operation. The range was varied, with the focus on managerial staff and a broader choice of courses for them in order to follow up the outcome of managerial assessments. More specific training for new managers was also introduced in order to give them support in their roles from day one.

JOB APPRAISALS

Annual job appraisals with the appropriate follow-up measures have become a permanent feature of Eimskip's corporate culture. Surveys among employees generally show that one of the most urgent challenges the Company faces is to increase feedback to employees on their performance. Eimskip has taken steps to establish a computer system to help in processing the findings of appraisals, quantifying job performance in particular areas, both as assessed by employees themselves and by their immediate

SATISFACTION REGARDING EXECUTION OF JOB APPRAISALS



superiors. Superiors also carry out 'key employee analyses' which give the Company important information regarding possible further development or opportunities for employees. Appraisals themselves are important for both parties, since they give not only an opportunity to discuss employee's performance but also to set targets and draw up schedules for training. Managers have received training in the use of the system, which amongst other things has led to employees adopting a more positive attitude towards the appraisal interviews. The chart above applies to the operation in Iceland and shows improved positive attitude towards the execution of job appraisals.

HUMAN RESOURCE MANAGEMENT SYSTEM

Priority was given in 2014 to compiling the necessary applied information on Eimskip's human resources in the SAP human resource management system and to assessing results and performance systematically.

The technical side of setting up the SAP system in all the Company's units throughout the world was completed during the year. Having a single system for this information instead of several dissimilar systems, as used to be the case, is of great advantage. It makes it possible to carry out more focused analyses of various types of data on employees, competence, qualifications, productivity and results. The next step is to follow up this information with training and skill-raising programs on the use of the system.



CORPORATE SOCIAL RESPONSIBILITY

For more than a century, Eimskip has connected Iceland and the rest of the world. The Company has played an important role in Iceland's history; it realizes its responsibility and is committed to maintaining its presence and services in the North Atlantic, where reliable transport of imports and exports is crucial to the economy and prosperity of the region.

Eimskip operates an efficient and responsible transportation system in the North Atlantic and offers worldwide forwarding services. The Company's ambition is to be a leading transportation company in the North Atlantic.

To attain this, Eimskip strives to provide the most efficient and sustainable transportation options combined with exceptional service, while being profitable for shareholders and responsible towards the environment, the workforce and society.

Eimskip's values are Achievement, Cooperation and Trust. They are the employees' guiding principles in the Company's endeavor to preserve and protect the environment, work for a better society wherever it operates and to be a role model when it comes to responsibility and trust.

Eimskip wants to contribute to a better and safer society wherever it operates and sees it as an integral part of its corporate

responsibility, values and goals to be a responsible player in the community. In this spirit, Eimskip supported a variety of community projects and non-governmental organizations in 2014. When choosing the projects, Eimskip gave priority to enhancing safety at sea, supporting environmental projects, charities, sporting activities, culture and innovations, and also projects centered on youth and children.

Eimskip is especially proud of its bicycle helmet project, which commenced in 2004. In cooperation with Kiwanis, the Company has given all six-year-old children in Iceland a bicycle helmet and safety reflectors to contribute to youth safety. During this period, Eimskip has given approximately 50,000 helmets to children aged between 6 and 17. The project is symbolic for Eimskip's values and commitment to a better and safer society.

In 2014, Eimskip was working on preparing its formal corporate social responsibility strategy that includes steps towards sustainability reporting in which the Company's sustainability activity and goals will be outlined.

ENVIRONMENTAL POLICY

Eimskip was one of the first companies in Iceland to establish an environmental policy back in 1991. Since then, the challenges in this

EIMSKIP'S AIM IS TO

- Identify and control potential environmental risks posed by the Company's operations
- Manage the Company's operations according to applicable laws, regulations and international conventions
- Recycle waste from the Company's operations as far as practicable and endeavor to minimize as far as possible the formation of waste
- Work on saving and improving efficiency in usage of fuel by the Company's vessels
- Work on saving and improving efficiency in usage of fuel by the Company's fleet of trucks and other equipment using fossil fuels
- Work on saving and improving efficiency in energy consumption, i.e. electricity and heating, in the Company's premises
- Set yearly goals on environmental issues to be focused on during the year
- Provide employees and customers with regular training on environmental issues

field have developed very quickly and the transportation industry, as well as others, realizes how important environmental issues are for the world as we know it, to survive. Eimskip's environmental policy is as follows.

Eimskip respects its environment and seeks to limit its impact on the ecosystem. Protecting the environment and environmental awareness are reflected in the Company's operations, management and day-to-day work of its employees.

Much has been accomplished since 1991, but now Eimskip is taking further steps towards improving its performance regarding protection of the environment.

ENERGY MANAGEMENT ON EIMSKIP'S VESSELS

Most of the vessels operated by Eimskip are now being equipped with an on-board energy management system from Marorka to minimize fuel consumption. Marorka is a leading provider of energy-management solutions for the maritime sector with systems installed on more than 200 vessels worldwide. Marorka has been using the Dettifoss, one of Eimskip's vessels, as a pilot project for developing their system since 2005.

Six of the Company's vessels, the Dettifoss, Godafoss, Lagarfoss, Brúarfoss, Selfoss, and Herjólfur, are using Marorka Online. Other vessels are being worked on.

The Company's goal is to increase the vessels' energy efficiency using the Marorka system. It is believed that a minimum reduction of 2-3% in fuel consumption can be achieved by using the system and it will be the Company's vessel operators' mission to do even better in the near future.

RECYCLING OF WASTE

Eimskip has for many years sorted and sent for recycling the major part of waste from the Company's operations. In recent years, special focus has been placed on recycling the Company's waste as far as practicable and this will continue.

HARBOR CRANES USE EXTERNAL ELECTRICAL POWER SUPPLY

In 2013, Eimskip finalized a project on connecting two mobile harbor cranes directly to external electrical power at two of the Company's terminals in Iceland, in Reykjavík and in Reydarfjörður on the east coast. Both cranes are of the Gottwald type and were originally designed to be able to run either on their diesel engines

or by being connected to external electrical power supply from the landside. The cranes use 1.2 MW power with 11,000 V voltages, which is similar to the requirements of a village of 500 to 700 inhabitants. The project is environmentally friendly since there are no emissions from the cranes when they run on electrical power. With this change, Eimskip reduces carbon dioxide, CO₂, by 340 metric tons per year, which amounts to what a 17-hectare forest is able to bind on an annual basis. In addition, pollution from noise and dust is reduced at the terminals. The two new harbor cranes that the Company has purchased and will put into operation later in 2015, will be facilitated for external electrical power supply.

LOWER EMISSIONS FROM TRUCKS

Eimskip owns a majority share in European Transport Services B.V., a trucking company located in the Netherlands. It specializes in reefer container haulage with a fleet of 15 trucks. The majority of these are equipped with a TRS system, an environmentally friendly transport refrigeration system where the engine of the truck provides power to the reefer container, resulting in much lower emissions than the conventional generators used to power reefer containers' refrigeration equipment.

COMPLYING WITH ENVIRONMENTAL DEMANDS IN TRANSPORTATION

Eimskip respects the environment and recognizes the effects that climate change could have on society, the Company's business activities and the need for a low-carbon economy. Transportation

is responsible for 6% of global CO₂ emissions. Air transportation is rated the least efficient in terms of emissions on a ton-per-mile basis. Air cargo emits 35 times more CO₂ than rail and 18 times more than land transportation. It is estimated that a container vessel emits, on average, around 47 times less CO₂ than a large freight aircraft, making seaborne transportation one of the most environmentally friendly modes of transportation.

NEW INTERNATIONAL RULES ON LIMITATION OF SULPHUR EMISSIONS FROM VESSELS

As of 1 January 2015, new rules have applied to sulphur emissions from vessels in Emission Control Areas (ECA). The rules oblige shipping companies to use fuel with a sulphur content no higher than 0.1%, dropping from the earlier limit of 1.0%. These new rules apply to the majority of Eimskip's sailing routes.

The new regulation originates from the United Nation's resolution on more environmentally friendly marine shipping, implemented by the International Maritime Organization.

It is Eimskip's ambition to be a leading transportation company in the North Atlantic and the Company's duty and intention is to show responsibility in this field and to fulfill global environmental requirements. The new ECA regulation is intended to have positive effects on the environment, as the goal is to reduce the sulphur emissions of vessels in the ECA area by 90%.





RISK MANAGEMENT AND RISK FACTORS





RISK MANAGEMENT

Active risk management plays an important role at 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 policy.

The Company monitors risk factors within its operations on a 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 aware of the importance of safety, security and loss prevention and has increased the resources available for these activities in recent years.

The Company goes through a detailed strategic planning 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 things, set acceptable risk limits and stipulate how to identify, measure and manage financial risk exposure.

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

RISK FACTORS

Detailed information about risk factors, presented as of the date of the Company's Prospectus, 22 October 2012, can be found in Chapter 1 of the Registration Document, which is part of the Prospectus. The Prospectus is accessible on www.eimskip.is.

The risk factors and uncertainties described in the following text are not the only risks that the Company as a whole faces; nor are they listed in order of priority with regard to significance or likelihood of occurrence.

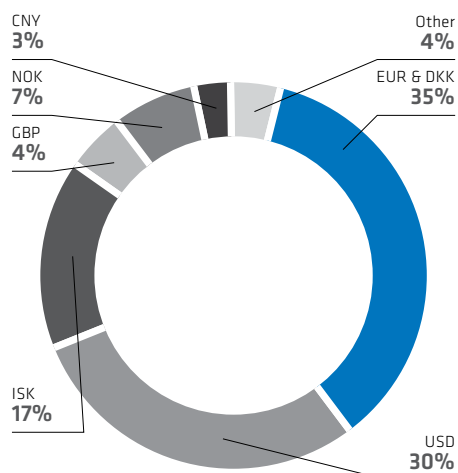
MARKET RISK

Demand for shipping and logistics services has historically been highly cyclical and closely correlated with global economic activity. Eimskip is thus exposed to a possible economic downturn or recession, either globally or in one or more of the Company's main markets. The Company is also sensitive to foreign exchange fluctuations and changes in its competitive position.

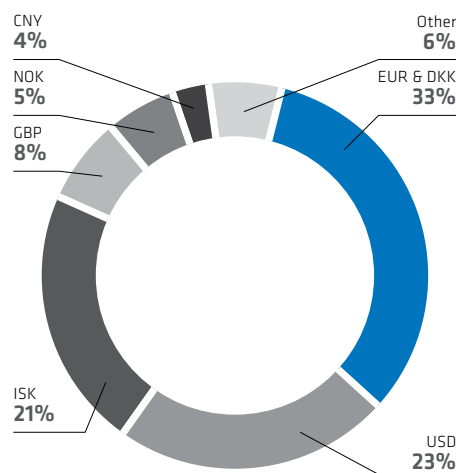
OPERATIONAL RISK

Eimskip's operations are dependent upon many factors, e.g. access to terminals, IT systems, operation and ownership of vessels, supply of and demand for fuel, international and EU regulations on lower sulphur emissions, inflation, the reputation of the Company and its ability to retain key personnel and customer contracts. Further, refugees and stowaways and incidents involving significant damage, loss or environmental pollution are a risk factor to the Company. Changes in the legislative, political, governmental and economic framework may have a material impact on the Company's business. The Company is dependent on various licenses relating to its operations and is subject to contractual risk in relation to its obligations to fulfill various provisions of its contracts.

SALES BY CURRENCY



EXPENSES BY CURRENCY



FINANCIAL RISK

Eimskip is exposed to financial risk factors, including currency risk, risk related to availability of funding, interest rate risk, liquidity risk, credit risk, tax risk, fuel price risk, risk related to the financial reorganization of A1988 hf. and risk in relation to potential amendments to International Financial Reporting Standards (IFRS).

Some of the financial risk factors are addressed as follows.

Currency risk

Eimskip is exposed to currency risk on sales, expenses and borrowings that are denominated in currencies other than the functional currencies of the Company and its entities. The majority of the Company's operating revenues and assets, and of its obligations and interest-bearing debt, is denominated in currencies other than the ISK. The subsidiaries use the local currency where they are based, except in Iceland, where the functional currency is the EUR.

As can be seen from the graphs above, the sales and expenses of Eimskip provide, to a certain degree, a natural currency hedge. The Company believes that the natural currency balance of its operations provides acceptable hedging and does not generally invest in any external hedging instruments, such as derivatives. However, when planning for large investments in a non-EUR currency, due consideration is given to whether hedging is prudent. Decisions on this are made on a case-by-case basis.

Assets and liabilities in the balance sheet are mostly denominated in EUR or the relevant operating currency of the entities. The mismatch of other non-operating currencies on the balance sheet is mainly related to two currencies, the ISK and the USD, as is shown in a table under note 19 in the Consolidated Financial Statements.

Access to credit risk

Eimskip is exposed to risks related to the availability of funding. The Company is, to some extent, dependent on access to sufficient funding at acceptable terms and may not be able to secure new sources of liquidity or funding, should projected or actual liquidity fall below the levels it requires. These factors could also impact the ability of Eimskip's shareholders to provide it with liquidity and there can be no assurance that the Company could obtain additional shareholder funding. To manage this risk factor the Company seeks long-term borrowings where applicable, maintains a healthy current ratio and produces internal short-term cash flow reports on a regular basis.

Interest rate risk

Interest rate risk is the risk borne by an interest-bearing liability, such as a loan or a bond, due to variability of interest rates. Eimskip's interest rate risk exposure is due to its debt and lease liabilities, which are mainly denominated in EUR. The Company's long-term debt is primarily based on floating interest rates and consequently Eimskip is exposed to fluctuations in the general level of interest rates. However, the Company's current funding structure limits to some extent risk against an increase in interest rates. The Company does not currently use any interest rate swaps or options to hedge its exposure. Its position is, however, carefully monitored and reviewed in line with interest rate developments on financial markets. For further information on Eimskip's nominal interest rates, reference is made to note 17 in the Consolidated Financial Statements.

Liquidity risk

Eimskip has liabilities and obligations which arise over time and the Company may not have the liquidity to meet its liabilities as they fall due. Eimskip's approach to managing liquidity, i.e. cash on hand or short-term marketable securities, 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 the Company's reputation. For further information on liquidity status, reference is made to note 19 in the Consolidated Financial Statements.

Credit risk

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

Eimskip's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, no single customer accounts for more than 5% of the Company's revenues.

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

In spite of these precautionary measures, a general downturn in financial markets and economic activity may result in a higher volume of late payments and outstanding receivables. Eimskip's sales will depend on the financial position of its counterparties and there can be no guarantee that the financial position of the Company's customers and other contract parties will be sufficient to honor their obligations under their contracts with the Company. Even though the Company seeks to recover all outstanding receivables, the amounts of write-offs may increase. Trade and other receivables of Eimskip amounted to EUR 75.7 million at the end of 2014, which represents 16.8% of the Company's revenues.

Fuel price risk

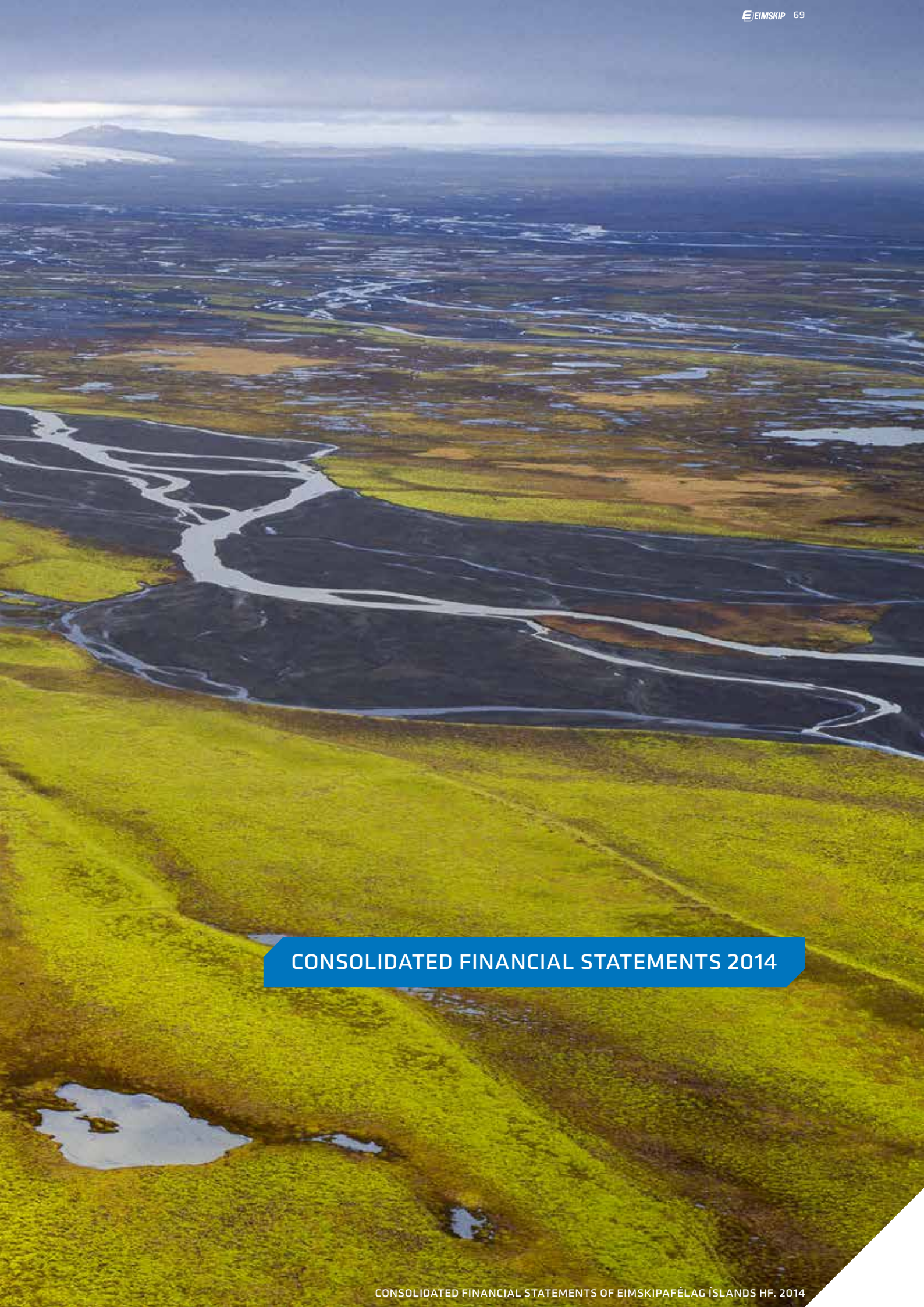
The supply and demand of fuel is unpredictable and price fluctuations are based on events which are outside of Eimskip's control. Therefore, the Company cannot accurately predict the future availability or price of fuel. A number of issues, including geopolitical developments, supply of and demand for oil, actions by the Organization of Petroleum Exporting Countries (OPEC) and other oil producers, war and unrest in oil-producing countries and regions, regional production patterns, environmental concerns and other unpredictable events can affect the availability and price of fuel and may result in future fuel supply shortages and price increases.

Fuel costs accounted for 8.7% of Eimskip's total operating costs in 2014. The Company is exposed to fluctuations in the price of crude oil and oil products. In order to minimize its exposure to fluctuations in oil prices, the Company adds a surcharge to its prices, commonly referred to as the Bunker Adjustment Factor, BAF, and the Bunker Adjustment Trucking, BAT, depending on the oil prices at the time of transport. The BAF, BAT and other pricing adjustments compensate for approximately 80% of Eimskip's risk relating to fluctuations in oil prices. However, significant increases in oil prices could lead to downward pressure on the Company's tariffs from its customers.

As of 1 January 2015, new rules have applied to sulphur emissions from vessels in Emission Control Areas (ECA). The rules oblige shipping companies to use fuel with a sulphur content no higher than 0.1%, dropping from the earlier limit of 1.0%. These new rules apply to the majority of Eimskip's sailing routes. In relation to the new rules, the Company has implemented a new surcharge, LSS (Low Sulphur Surcharge) in order to hedge its operations towards increased fuel costs.







CONSOLIDATED FINANCIAL STATEMENTS 2014

ENDORSEMENT AND STATEMENT BY THE BOARD OF DIRECTORS AND THE CEO

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 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 largest shareholders at the year-end are the following:

Shareholder:	2014		2013	
	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. Lífeyrissjóður 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. Lífeyrissjóður 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. Lífeyrissjóður starfsmanna ríkisins B-deild	6,615,250	3.54%	6,900,000	3.56%
8. Stapi lífeyrissjóður	6,071,324	3.25%	4,717,732	2.43%
9. Sameinadi lífeyrissjóðurinn	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. Íslandssjódir - IS Hlutabréfasjóðurinn	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

Vígundur Thorsteinsson Hrund Rudolfsdóttir
Helga Melkorka Óttarsdóttir Lárus L. Blöndal

CEO

Gylfi Sigfússon

AMOUNTS ARE IN THOUSANDS OF EUR

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

AMOUNTS ARE IN THOUSANDS OF EUR

THE NOTES ON PAGES 82 TO 103 ARE AN INTEGRAL PART
OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY TO 31 DECEMBER 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

AMOUNTS ARE IN THOUSANDS OF EUR

THE NOTES ON PAGES 82 TO 103 ARE AN INTEGRAL PART
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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

AMOUNTS ARE IN THOUSANDS OF EUR

THE NOTES ON PAGES 82 TO 103 ARE AN INTEGRAL PART
OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					NON CONTROLLING INTEREST	TOTAL EQUITY
	SHARE CAPITAL	SHARE PREMIUM	TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL		
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

AMOUNTS ARE IN THOUSANDS OF EUR

THE NOTES ON PAGES 82 TO 103 ARE AN INTEGRAL PART
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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 companies	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 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

AMOUNTS ARE IN THOUSANDS OF EUR

THE NOTES ON PAGES 82 TO 103 ARE AN INTEGRAL PART
OF THESE CONSOLIDATED FINANCIAL STATEMENTS.





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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 Iceland.

2. BASIS OF PREPARATION

a. Statement of compliance

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

The financial statements were approved and authorized for issue by the Company’s Board of Directors on 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.

NOTES

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 logistics 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.

Business segments**For the year 2014**

	LINER SERVICES	FORWARDING SERVICES	CONSOLIDATED
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 expense	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 company	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

NOTES

4. SEGMENT REPORTING, CONTINUED

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	CONSOLIDATED
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

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:

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

NOTES

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

	2014		2013	
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

NOTES

8. PROPERTY, VESSELS AND EQUIPMENT

Property, vessels and equipment are specified as follows:

Cost	LAND AND BUILDINGS	VESSELS	VESSELS UNDER CONSTRUCTION	CONTAINERS AND EQUIPMENT	TOTAL
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 were 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.

NOTES

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,

NOTES

9. INTANGIBLE ASSETS, CONTINUED

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.

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 finance 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

NOTES

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)

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.

NOTES

15. CAPITAL AND RESERVES, CONTINUED

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 ISK 2.60 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.

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 ordinary shares at 31 December	186,639	194,081
Basic and diluted earnings per share (EUR)	0.0722	0.0554

NOTES

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

	2014		2013	
Secured bank loans are payable as follows:	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
	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

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

NOTES

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.

NOTES

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:

		2014	2013
	NOTE	CARRYING AMOUNT	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:

	2014	2013
	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	IMPAIRMENT	GROSS	IMPAIRMENT
	2014	2014	2013	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 Eirskip will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. Eirskip'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 Eirskip's reputation.

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

Financial liabilities:

31.12.2014	CARRYING AMOUNT	CONTRACTUAL CASH FLOW	LESS THAN 1 YEAR	1 - 2 YEARS	2 - 5 YEARS	MORE THAN 5 YEARS
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.

NOTES

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 Japanese 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	
	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.

NOTES

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.

NOTES

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

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 rentals 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, Lífeyrissjóður 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 Lífeyrissjóður 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 upon, 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.

NOTES

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 Guðmundsson, former Vice-Chairman	7	19	0	0

Salaries and benefits paid to executive management

	2014		SHARES AT YEAR-END*
	BASE SALARY	OTHER **	
Gylfi Sigfússon, CEO	362	108	9,615
Hilmar Pétur Valgardsson, CFO	232	42	9,616
Bragi Thór Marinósson, EVP International	184	72	2,404
Guðmundur Nikulásson, VP Iceland Domestic	137	33	4,808
Ásbjörn Skúlason, VP Liner and vessel operation	137	34	2,404
Matthías Matthíasson, VP Sales and Services	137	28	9,615

	2013		SHARES AT YEAR-END*
	BASE SALARY	OTHER **	
Gylfi Sigfússon, CEO	348	238	9,615
Hilmar Pétur Valgardsson, CFO	207	79	9,616
Bragi Thór Marinósson, EVP International	172	101	2,404
Guðmundur Nikulásson, VP Iceland Domestic	129	59	4,808
Ásbjörn Skúlason, VP Liner and vessel operation	129	55	2,404
Matthías Matthíasson, VP Sales and 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 own 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	OWNERSHIP INTEREST
		2014	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%

AMOUNTS ARE IN THOUSANDS OF EUR

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

NOTES

25. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

a. Basis of consolidation, continued

(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.

(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.

NOTES

25. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

c. Financial instruments , continued

(iii) *Non-derivative financial liabilities*

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

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

(iv) *Share capital*

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

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

d. Property, vessels and equipment

(i) *Recognition and measurement*

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

(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.

NOTES

25. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(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 statement of financial position.

(ii) *Lease payments*

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

g. **Inventories**

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

h. **Impairment**

(i) *Financial assets (including receivables)*

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

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

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.

NOTES

25. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

h. Impairment, continued

(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.

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.

NOTES

25. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

m. Income tax

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

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

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

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

n. Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period. 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 amendments 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 company	0	0	0	2	2
Net (loss) 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

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 DIRECTORS OF THE BOARD OF EIMSKIP

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 Icelandic 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 Stefneir 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 lögfræðistofan 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 Kósín 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, Nordoyatunniliin, Föroyagrúnnurin 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.

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, Guðmundur 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 few cases concerning the Company in process, of which the outcome is not yet determined.

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

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

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

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

FORWARD-LOOKING STATEMENTS

Any statement contained in this Annual Report that refers to Eimskip's estimated or anticipated future results or future activities are forward-looking statements which reflect the Company's current analysis of existing trends, information and plans. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially depending on factors such as the availability of resources, the timing and effect of regulatory actions and other factors. Eimskip undertakes no obligation and does not intend to update these forward-looking statements to reflect events or circumstances occurring after the date of issue of this Annual Report. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the issue of this Annual Report. All forward-looking statements are qualified in their entirety by this cautionary statement.

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