

Eimskipafélag Íslands hf.

Condensed Consolidated Interim Financial Statements
1 January to 30 June 2012
EURO

Eimskipafélag Íslands hf.
Korngardar 2
104 Reykjavík
Iceland

Reg. no. 690409-0460

Contents

Endorsement by the Board of Directors and the CEO	3
Independent Auditor's Report	5
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Consolidated Financial Statements	11
Quarterly statements	22
Corporate Governance Statement	23

Endorsement and Statement by the Board of Directors and the CEO

The Condensed Consolidated Financial Statements of Eimskipafélag Íslands hf. and its subsidiaries ("Eimskip") 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. Eimskip specializes in shipping, logistics and supply chain management and offers its customers solutions on both land and sea with special emphasis on the handling and storing of any type of temperature-controlled cargo, frozen or chilled.

During first half of the year 2012 three reefer vessels, that were previously chartered, were purchased. The building of two new container vessels in China has continued as planned during the period with scheduled delivery in the first half of 2013.

Net earnings for the six months ended 30 June 2012 amounted to EUR 8.0 million according to the consolidated income statement. Stockholders' equity at 30 June 2012 amounted to EUR 184.7 million according to the statement of financial position. At year-end 2011 the total number of shares in Eimskipafélag Íslands hf. was 20 million. During the period the number of shares was increased to 200 million by a stock split. The stock split has no effect on the Company's equity. The Company holds 6% of issued shares. Three shareholders owned more than 10% share in the Company at period-end, Landsbanki Íslands hf. with 37.3%, Yucaipa American Alliance Fund II LP. with 19.5% and Yucaipa American Alliance (Parallel) Fund II LP. with 12.8%. In July 2012 the pension fund Lífeyrissjóður verzlunarmanna purchased 7% shareholding from Landsbanki Íslands hf. and total 7% from the two Yucaipa funds, bringing the shareholding of the pension fund up to 14.6% with a corresponding reduction in the shareholding of the sellers.

In December 2011 the board of directors decided to commence necessary preparation for the Company's shares to be registered and traded on the NASDAQ OMX Iceland stock exchange in late 2012. During the first half of the year 2012 necessary steps have been taken to prepare for the listing.

Corporate Governance

Eimskip's management is of the opinion that practicing good Corporate Governance is vital for the existence of Eimskip and is in the best interests of the shareholders, Group companies, employees and other stakeholders and will in the long run produce satisfactory profits on shareholders' investment.

The framework for Corporate Governance practices within Eimskip consists of the provisions of law, the parent company's Articles of Association, general securities regulations and the Icelandic Corporate Governance guidelines issued in 2009 by the Iceland Chamber of Commerce, NASDAQ OMX Iceland and the Confederations of Icelandic Employers. Corporate Governance practices ensure open and transparent relationship between the Company's management, its Board of Directors, its shareholders and other stakeholders.

The Corporate Governance in Eimskip ensures sound and effective control of the Company's affairs and a high level of business ethics.

The Board of Directors has prepared a Corporate Governance statement in compliance with the Icelandic Corporate Governance guidelines which are described in full in the Corporate Governance Statement in the Financial Statements.

It is the opinion of the Board of Directors that Eimskipafélag Íslands hf. complies with the Icelandic guidelines for Corporate Governance.

Statement by the Board of Directors and the CEO

According to the best of our knowledge, it is our opinion that the annual condensed consolidated financial statements give a true and fair view of the consolidated financial performance of Eimskip for the six months ended 30 June 2012, its assets, liabilities and consolidated financial position as at 30 June 2012 and its consolidated cash flows for the six month period ended 30 June 2012.

Further, in our opinion the condensed 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 describes the principal risks and uncertainties faced by Eimskip.

Endorsement and Statement by the Board of Directors and the CEO continued

The Board of Directors and the CEO have today discussed the condensed consolidated financial statements of Eimskipafélag Íslands hf. for the period 1 January to 30 June 2012 and confirm them by means of their signatures.

Reykjavík, 28 August 2012.

Board of Directors:

Bragi Ragnarsson
Chairman

Ólafur Helgi Ólafsson

Tómas Kristjánsson

Richard Winston Mark d'Abo

Marc Jason Smernoff

CEO:

Gylfi Sigfússon

Independent Auditor's Report

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

We have audited the accompanying condensed consolidated interim financial statements of Eimskipafélag Íslands hf., which comprise the consolidated statement of financial position as at 30 June 2012, consolidated statements of comprehensive income, changes in equity and cash flows for the six months then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the Financial Statements

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

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

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

Opinion

In our opinion, the condensed consolidated interim financial statements are prepared, in all material respects, in accordance with IAS 34 "Interim financial reporting".

Reykjavík, 28 August 2012.

KPMG ehf.

Alexander G. Edvardsson

Ólafur Már Ólafsson

Consolidated Statement of Comprehensive Income

1 January to 30 June 2012

		2012		Unaudited
	Notes	1.1 - 30.6		2011
				1.1 - 30.6
Operating revenue:				
Sales		198,078		186,537
Expenses:				
Operating expenses		144,674		132,378
Salaries and related expenses	6	34,362		30,576
		179,036		162,954
Operating profit (EBITDA)		19,042		23,583
Depreciation and amortization	9,10	(11,292)		(11,853)
Results from operating activities		7,750		11,730
Finance income		305		546
Finance expense		(2,343)		(3,988)
Net finance expense	7	(2,038)		(3,442)
Net earnings before income tax		5,712		8,288
Income tax	8	2,264		(829)
Net earnings for the period		7,976		7,459
Income for the year attributable to:				
Equity holders of the Company		7,875		7,717
Non-controlling interest		101		(258)
Income for the period		7,976		7,459
Earnings per share:				
Basic earnings per share (EUR)	16	0.042		0.041
Diluted earnings per share (EUR)	16	0.040		0.041

The notes on pages 11 to 21 are an integral part of these Condensed Interim Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

1 January to 30 June 2012

	2012	Unaudited
Notes	1.1 - 30.6	2011
	1.1 - 30.6	1.1 - 30.6
Net earnings for the period	7,976	7,459
Other comprehensive income:		
Foreign currency translation difference of foreign operations	195 (	1,078)
Total comprehensive income for the year	8,171	6,381
Total comprehensive income for the period attributable to:		
Equity holders of the Company	7,994	6,639
Non-controlling interest	177 (	258)
Total comprehensive income for the period	8,171	6,381

The notes on pages 11 to 21 are an integral part of these Condensed Interim Consolidated Financial Statements.

Consolidated Statement of Financial Position

as at 30 June 2012

	Notes	30.6.2012	31.12.2011
Assets:			
Property, vessels and equipment	9	173,976	152,679
Intangible assets	10	19,316	18,382
Finance assets	11	974	1,716
Deferred tax assets	12	8,243	4,169
Total non-current assets		<u>202,509</u>	<u>176,946</u>
Inventories		3,804	3,682
Trade and other receivables	13	66,252	58,141
Cash and cash equivalents	14	27,201	43,517
Assets classified as held for sale		0	938
Total current assets		<u>97,257</u>	<u>106,278</u>
Total assets		<u><u>299,766</u></u>	<u><u>283,224</u></u>
Equity:			
Share capital	15	1,174	104
Share premium		147,109	148,179
Share option reserve		599	425
Translation reserve		207	88
Retained earnings		32,952	25,077
Total equity attributable to equity holders of the parent		<u>182,041</u>	<u>173,873</u>
Non-controlling interest		2,657	2,636
Total equity		<u>184,698</u>	<u>176,509</u>
Liabilities:			
Loans and borrowings	17	52,173	50,791
Total non-current liabilities		<u>52,173</u>	<u>50,791</u>
Loans and borrowings	17	9,698	11,415
Trade and other payables	18	53,197	44,509
Total current liabilities		<u>62,895</u>	<u>55,924</u>
Total liabilities		<u>115,068</u>	<u>106,715</u>
Total equity and liabilities		<u><u>299,766</u></u>	<u><u>283,224</u></u>

The notes on pages 11 to 21 are an integral part of these Condensed Interim Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

1 January to 30 June 2012

	Attributable to equity holders of the Company						Non controlling interest	Total equity
	Share capital	Share premium	Share option reserve	Trans- lation reserve	Retained earnings	Total		
Changes in Equity 2012:								
Equity at 1 January 2012	104	148,179	425	88	25,077	173,873	2,636	176,509
Effects of share based payments agreements			174			174		174
Stock split	1,070	(1,070)				0		0
Minority dividends							(156)	(156)
Foreign currency translation difference of foreign operations				119		119	76	195
Net earnings for the period					7,875	7,875	101	7,976
Equity at 30 June 2012	<u>1,174</u>	<u>147,109</u>	<u>599</u>	<u>207</u>	<u>32,952</u>	<u>182,041</u>	<u>2,657</u>	<u>184,698</u>
Changes in Equity 2011:								
Equity at 1 January 2011	104	148,179	106	242	12,237	160,868	1,600	162,468
Foreign currency translation difference of foreign operations				(1,078)		(1,078)		(1,078)
Net earnings for the period					7,717	7,717	(258)	7,459
Equity at 30 June 2011	<u>104</u>	<u>148,179</u>	<u>106</u>	<u>(836)</u>	<u>19,954</u>	<u>167,507</u>	<u>1,342</u>	<u>168,849</u>

The notes on pages 11 to 21 are an integral part of these Condensed Interim Consolidated Financial Statements.

Consolidated Statement of Cash Flows

1 January to 30 June 2012

	Notes	2012 1.1 - 30.6	Unaudited 2011 1.1 - 30.6
Cash flows from operating activities:			
Net earnings for the period		7,976	7,459
Adjustments for:			
Depreciation and amortization	9,10	11,292	11,853
Net finance expense		2,038	3,442
Change in deferred taxes	8	(2,404)	607
Other changes		(260)	(475)
		<u>18,642</u>	<u>22,886</u>
Changes in current assets and liabilities:			
Inventories, increase		(97)	(1,188)
Receivables, increase		(4,088)	(7,741)
Payables, increase (decrease)		4,105	(3,966)
Change in current assets and liabilities		<u>(80)</u>	<u>(12,895)</u>
Interest paid		(1,991)	(1,847)
Interest received		406	554
Taxes paid		(187)	0
Net cash from operating activities		<u>16,790</u>	<u>8,698</u>
Cash flows used in investing activities:			
Investment in non-current assets	9,10	(33,649)	(8,799)
Proceeds from sale of non-current assets		1,173	793
Net cash used in investing activities		<u>(32,476)</u>	<u>(8,006)</u>
Cash flows used in financing activities:			
Changes in minority interest		(156)	0
Proceeds from long-term borrowings		5,170	102
Repayment of long-term borrowings		(5,978)	(5,708)
Net cash used in financing activities		<u>(964)</u>	<u>(5,606)</u>
Decrease in cash and cash equivalents		(16,650)	(4,914)
Cash and cash equivalents at the beginning of the period		43,517	50,333
Effects of exchange rate fluctuations on cash held		334	(449)
Cash and cash equivalents at the end of the period		<u>27,201</u>	<u>44,970</u>

The notes on pages 11 to 21 are an integral part of these Condensed Interim Consolidated Financial Statements.

Notes to the Consolidated interim Financial Statements

1. Reporting entity

Eimskipafélag Íslands hf. (the "Company") is a public limited liability company domiciled in Iceland. The address of the Company's registered office is Korngardar 2, 104 Reykjavík. The condensed consolidated financial statements of the Company for the period from 1 January to 30 June 2012 comprise the Company and its subsidiaries (together referred to as the "Eimskip") and Eimskip's interest in associated companies. The parent company is an investment company focused on investments in shipping and logistics services.

2. Statement of compliance

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

The condensed consolidated financial statements do not include all of the information required for a complete set of consolidated annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended 31 December 2011, which are available on the Company's website, www.eimskip.is

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 August 2012.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated financial statements for the period ended 30 June 2012, and have been applied consistently by Group entities.

These consolidated financial statements are presented in Euro (EUR), which is the Company's functional currency. All financial information presented in EUR has been rounded to the nearest thousand.

4. Estimates

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

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2011.

Notes, continued

5. Segment reporting

	Liner services	Forwarding services	Consoli- dated
1 January to 30 June 2012			
Revenue, external	144,530	53,548	198,078
Inter-segment revenue	11,965	13,597	25,562
Total	156,495	67,145	223,640
Expenses, external	(126,747)	(52,289)	(179,036)
Inter-segment expense	(13,597)	(11,965)	(25,562)
EBITDA	16,151	2,891	19,042
Depreciation and amortization	(10,662)	(630)	(11,292)
EBIT	5,489	2,261	7,750
Finance income	87	218	305
Finance expense	(2,049)	(294)	(2,343)
Income tax	2,753	(489)	2,264
Minority interest	0	(101)	(101)
Net earnings for the period	6,280	1,595	7,875
1 January to 30 June 2011 (unaudited)			
Revenue, external	128,656	51,491	180,147
Other revenue	6,390	0	6,390
Inter-segment revenue	7,804	9,422	17,226
Total	142,850	60,913	203,763
Expenses, external	(112,566)	(50,388)	(162,954)
Inter-segment expense	(9,422)	(7,804)	(17,226)
EBITDA	20,862	2,721	23,583
Depreciation and amortization	(11,236)	(617)	(11,853)
EBIT	9,626	2,104	11,730
Finance income	341	205	546
Finance expense	(3,145)	(843)	(3,988)
Income tax	(589)	(240)	(829)
Minority interest	0	258	258
Net earnings for the period	6,233	1,484	7,717

Other revenue 2011 consist of payment of claims received against former companies that made up the aviation sector of the Avion Group in excess of their carrying amounts.

Information on assets and liabilities

Segment assets as at 30 June 2012	254,824	44,942	299,766
Segment assets as at 31 December 2011	235,711	47,513	283,224
Segment liabilities as at 30 June 2012	89,260	25,808	115,068
Segment liabilities as at 31 December 2011	87,203	19,512	106,715
Capital expenditure for the period 1 January to 30 June 2012	33,067	582	33,649
Capital expenditure for the period 1 January to 30 June 2011	8,791	8	8,799

Geographical information

	North Atlantic	Other territories	Consoli- dated
Revenue, external for the period 1 January to 30 June 2012	173,453	24,625	198,078
Revenue, external for the period 1 January to 30 June 2011	161,634	24,903	186,537
Segment assets as at 30 June 2012	283,483	16,283	299,766
Segment assets as at 31 December 2011	264,350	18,874	283,224
Capital expenditure for the period 1 January to 30 June 2012	33,585	64	33,649
Capital expenditure for the period 1 January to 30 June 2011	8,791	8	8,799

Notes, continued

6. Salaries and related expenses	Unaudited	
	2012 1.1 - 30.6	2011 1.1 - 30.6
Salaries and related expenses are specified as follows:		
Salaries	27,822	24,784
Defined contribution plan	2,129	2,079
Share based payment expenses	174	0
Other related expenses	4,237	3,713
Salaries and related expenses	<u>34,362</u>	<u>30,576</u>
Average number of positions	1,300	1,239
Number of employees at period-end	1,317	1,233

7. Finance income and expense

Finance income is specified as follows:

Interest income	160	444
Dividend received	47	102
Fair value changes of financial instruments	98	0
	<u>305</u>	<u>546</u>

Finance expense is specified as follows:

Interest on long-term loans	(1,404)	(1,489)
Other finance expenses	(544)	(314)
Net foreign exchange loss	(395)	(2,185)
	<u>(2,343)</u>	<u>(3,988)</u>
Net finance expense	<u>(2,038)</u>	<u>(3,442)</u>

8. Income tax

(i) The net taxes for the six month period is income despite earnings before taxes

One of the Company's subsidiaries has taxable losses that were not recognized due to uncertainty. Following the purchase of the three vessels in 2012 this company now has operating income which will offset the previously unrecognized tax losses. As a result tax losses amounting to EUR 2.8 million were recognized.

Further the fluctuations in effective income tax rates in profit or loss is explained by different geographical composition of profit or loss before taxes in individual companies.

(ii) Income tax recognized in the income statement:

Current tax expense:

Current period	<u>510</u>	<u>601</u>
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Deferred tax:

Origination and reversal of temporary differences	366	228
Benefit of tax losses recognized	(2,783)	0
Other changes	(357)	0
	<u>(2,774)</u>	<u>228</u>
Total income tax	<u>(2,264)</u>	<u>829</u>

(iii) Reconciliation of effective tax rate:

Net earnings before income tax	<u>5,712</u>	<u>8,288</u>
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	30.6.2012		30.6.2011	
Income tax using the Company's domestic tax rate	20.0%	1,142	20.0%	1,658
Effect of tax rates in foreign jurisdictions and other changes	(0.1%)	(5)	(9.1%)	(757)
Effects of tax losses recognized	(47.8%)	(2,731)	0.0%	0
Under/over provided in previous years	(6.5%)	(373)	0.0%	0
Other differences	(5%)	(297)	(0.9%)	(72)
Effective tax	<u>(39.6%)</u>	<u>(2,264)</u>	<u>10.0%</u>	<u>829</u>

Notes, continued

9. Property, vessels and equipment

Property, vessels and equipment are specified as follows:

	Land and buildings	Vessels	Containers and equipment	Total
Cost				
Balance at 1 January 2011	62,952	72,839	34,760	170,551
Reclassified assets	160	0	151	311
Additions	934	9,214	13,735	23,883
Disposals	0	0	(2,515)	(2,515)
Currency adjustments during the year	271	0	(334)	(63)
Balance at 31 December 2011	64,317	82,053	45,797	192,167
Balance at 1 January 2012	64,317	82,053	45,797	192,167
Reclassified assets	0	0	(410)	(410)
Additions	1,836	22,100	8,362	32,298
Disposals	(699)	0	(655)	(1,354)
Currency adjustments during the year	380	399	142	921
Balance at 30 June 2012	65,834	104,552	53,236	223,622
Depreciation				
Balance at 1 January 2011	4,287	10,792	7,481	22,560
Reclassified assets	0	0	111	111
Disposals	0	0	(1,847)	(1,847)
Depreciation	2,844	8,201	8,172	19,217
Currency adjustments during the year	77	0	(630)	(553)
Balance at 31 December 2011	7,208	18,993	13,287	39,488
Balance at 1 January 2012	7,208	18,993	13,287	39,488
Disposals	(232)	0	(383)	(615)
Depreciation	1,450	5,146	3,869	10,465
Currency adjustments during the year	197	0	111	308
Balance at 30 June 2012	8,623	24,139	16,884	49,646
Carrying amounts				
At 31 December 2010	58,665	62,047	27,279	147,991
At 31 December 2011	57,109	63,060	32,510	152,679
At 30 June 2012	57,211	80,413	36,352	173,976

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 condensed 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 30 June 2012 amounted to EUR 8.6 million. The commitment according to the lease agreements at the same time amounted to EUR 9.1 million.

Eimskip's non-ISK finance leases, which amounted to EUR 7.0 million at 30 June 2012, could be subject to recent general legal cases results and legal cases pending court results. Eimskip is not directly a party to those cases nonetheless the outcome might create a precedent for Eimskip's agreements. Of those lease agreements, approximately 80% were originally lent in non-ISK currency with the installments charged in ISK, while the remainder was originally lent in ISK currency and installments charged in ISK. Court rulings regarding these agreements could in the future have positive impact on Eimskip's financial position.

Notes, continued

10. Intangible assets

Intangible assets and amortization are specified as follows:

	Brand name	Software	Market and customer related	Total
Cost				
Balance at 1 January 2011	14,003	10,006	2,701	26,710
Reclassified assets	0 (	311)	0 (	311)
Additions during the year	0	1,755	0	1,755
Disposals	0 (	5)	0 (	5)
Currency adjustments during the year	0	7	0	7
Balance at 31 December 2011	14,003	11,452	2,701	28,156
Balance at 1 January 2012	14,003	11,452	2,701	28,156
Reclassified assets	0	410	0	410
Additions during the period	0	1,351	0	1,351
Balance at 30 June 2012	14,003	13,213	2,701	29,917
Amortization				
Balance at 1 January 2011	0	5,608	270	5,878
Reclassified assets	0 (	111)	0 (	111)
Amortization	0	3,736	270	4,006
Currency adjustments during the year	0	1	0	1
Balance at 31 December 2011	0	9,234	540	9,774
Balance at 1 January 2012	0	9,234	540	9,774
Amortization	0	692	135	827
Balance at 30 June 2012	0	9,926	675	10,601
Carrying amounts				
At 31 December 2010	14,003	4,398	2,431	20,832
At 31 December 2011	14,003	2,218	2,161	18,382
At 30 June 2012	14,003	3,287	2,026	19,316

Amortization

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

The carrying amount of the Company's brand name is stated at allocated amount and is tested annually for impairment. No impairment was recognized.

11. Finance assets

	30.6.2012	31.12.2011
Non-current finance assets		
Interest-bearing bonds	75	653
Other financial assets	899	1,063
	974	1,716

Notes, continued

12. Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

	Assets	Liabilities	Net
30 June 2012			
Intangible assets	196		196
Operating fixed assets	1,549	(259)	1,290
Current assets	1,376		1,376
Current liabilities	2		2
Other	493	(60)	433
Tax loss carry-forwards	4,946		4,946
Total tax assets (liabilities)	8,562	(319)	8,243
Set off tax	(319)	319	0
Net tax assets	8,243	0	8,243
31 December 2011			
Intangible assets	203		203
Operating fixed assets	2,052	(91)	1,961
Current assets	116		116
Current liabilities	1,399		1,399
Other	97		97
Tax loss carry-forwards	393		393
Total tax assets (liabilities)	4,260	(91)	4,169
Set off tax	(91)	91	0
Net tax assets	4,169	0	4,169

13. Trade and other receivables

	30.6.2012	31.12.2011
Trade and other receivables are specified as follows:		
Trade receivable, par value	61,818	53,102
Prepaid expenses	492	347
Current maturities of long-term notes	25	97
Other receivables	3,917	4,595
Trade and other receivables total	66,252	58,141
Allowance for impairment losses are specified as follows:		
Balance at beginning of period	(7,772)	(11,168)
Impairment loss derecognized	40	6,645
Impairment loss recognized	(487)	(3,249)
Balance at period end	(8,219)	(7,772)

14. Cash and cash equivalents

Cash and cash equivalents are specified as follows:

Bank balances	23,089	36,171
Marketable securities	4,112	7,346
Cash and cash equivalents	27,201	43,517

Notes, continued

15. Capital and reserves

The Company's capital stock is nominated in Icelandic kronur. The nominal value of each share is one ISK and one vote is attached to each share. The EUR amount of capital stock was 1.2 million at period-end. During the period the number of shares was increased from 20 million shares to 200 million by a stock split. The amount of the stock split was EUR 1.07 million. The nominal value of the share capital was increased by this amount with a corresponding reduction in the share premium reserve.

	Number of shares	EUR
Outstanding shares at 31 December 2011	18,808	104
Stock split	169,272	1,070
Outstanding shares at 30 June 2012	188,080	1,174

Shares issued to A1988 hf.

According to the composition agreement for A1988 hf. a 4.2% shareholding in Eimskipafélag Íslands hf. was not distributed to lenders but assigned to A1988 hf. The shares will be used to satisfy contingent liabilities that may arise in coming periods resulting from events prior to the composition agreement.

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 recognised in the statement of financial position at period-end. To date no material unrecorded contingent claims have been accepted by A1988 hf.

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.

Share option reserve

The share option reserve states the share-based payments awards granted to employees that have been recognized as expenses in the income statement. The amount recognized as equity is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized in the share option reserve is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Translation reserve

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

Dividend

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

16. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2012 was based on earnings attributable to shareholders and a weighted average number of shares outstanding during the period taking into effect the stock split in 2012. Calculations are as follows:

	30.6.2012	Unaudited 30.6.2011
Net earnings attributable to ordinary shareholders	7,875	7,717
Number of outstanding shares at the beginning of the year	18,808	18,808
Effect of stock split issued in 2012	169,272	169,272
Weighted average number of ordinary shares	188,080	188,080
Basic earnings per share (EUR)	0.042	0.041

Notes, continued

16. Earnings per share, continued

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2012 was based on profit attributable to shareholders and a weighted average number of shares outstanding after adjustments for the effects of all dilutive potential shares and also taking into consideration the effects of the stock split in 2012. Calculations are as follows:

	30.6.2012	Unaudited 30.6.2011
Net earnings attributable to ordinary shareholders	7,875	7,717
Effect of shares issued	20,000	20,000
Effect of stock split issue	180,000	180,000
Effect of share options on issue	7,000	1,896
Effect of treasury shares held	(11,920)	(11,920)
Weighted average number of ordinary shares	195,080	189,976
Diluted earnings per share (EUR)	0.040	0.041

Other revenue in 2011 affected earnings per share by 0.0269 for the year and diluted earnings per share by 0.0266 net of taxes.

17. Loans and borrowings

This note provides information on the contractual terms of Eimskip's interest bearing loans and borrowings.

Non-current loans and borrowings consist of the following:

	30.6.2012	31.12.2011
Finance lease liabilities	9,120	10,074
Loans and borrowings	52,751	52,132
	<u>61,871</u>	<u>62,206</u>

	30.6.2012		31.12.2011	
	Nominal interest	Carrying amount	Nominal interest	Carrying amount
Loans in EUR	4.7%	42,038	5.0-5.8%	39,705
Loans in USD	0.7-2.0%	6,836	0.7-2.0%	8,086
Loans in CHF	0.1%	554	0.1%	1,097
Loans in DKK	4.5%	993	5-9.2%	1,055
Loans in other currencies	-	2,330	-	2,189
		<u>52,751</u>		<u>52,132</u>
Current maturities		(6,555)		(7,324)
		<u>46,196</u>		<u>44,808</u>

Aggregated annual maturities are as follows:

	30.6.2012	31.12.2011
On demand or within 12 months	6,555	7,324
Within 24 months	9,354	5,450
Within 36 months	5,576	5,469
Within 48 months	3,282	4,447
Within 60 months	3,118	3,138
After 60 months	24,866	26,304
	<u>52,751</u>	<u>52,132</u>

Collateral of loans and borrowings is specified as follows:

Loans with collateral in fixed assets	52,751	52,132
Finance leases	9,120	10,074
Total	<u>61,871</u>	<u>62,206</u>

Notes, continued

17. Loans and borrowings, continued

Finance lease liabilities

Finance lease liabilities are payable as follows:

	30.6.2012		31.12.2011	
	Minimum lease payments	Principal	Minimum lease payments	Principal
Less than one year	3,147	3,143	4,091	4,087
Between one and five years	4,274	4,267	4,826	4,824
More than five years	1,711	1,710	1,164	1,163
	<u>9,132</u>	<u>9,120</u>	<u>10,081</u>	<u>10,074</u>

18. Trade and other payables

	30.6.2012	31.12.2011
Trade and other payables are attributable to the following:		
Accounts payable	33,792	28,059
Other payables	19,098	16,143
Provisions and claims	307	307
Total	<u>53,197</u>	<u>44,509</u>

19. Share-based payment

Description of the share-based payment arrangements

At period-end the Company has the following share-based payment arrangements:

Share option program (equity settled)

In 2010 and 2011 the Company established share option programs that entitles key management personnel to purchase shares in the Company. The total number of shares allocated to the plan numbers 7,000,000 shares following an increase by 6,300,000 due to stock split in 2012. The options will vest as to one third (1/3) of the total number of shares subject to the option plan annually over a three year period following the grant date. The grant is subject to the participant's continued employment by the Company and no option, or a portion of an option, is eligible for exercise earlier than three years after the grant date. The term of the option awards is ten years.

Terms and conditions of share option program

The grant date fair value of the rights granted through the plan was measured based on the Black Scholes Option Pricing Model. The inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following:

	30.6.2012	31.12.2011
Fair value at grant date	EUR 0.474	EUR 0.474
Exercise price	EUR 0.839	EUR 0.839
Expected volatility	28.0%	28.0%
Option life	10 years	10 years
Risk-free interest rate	6.28%	6.28%

In August 2012 the board of directors agreed to add 1,750,000 shares into the share option programme. The share options will be issued to key management personnel. The exercise price for the options will be equal to the price offered in the planned Initial Public Offering later this year.

Notes, continued

20. Commitments

Operating lease commitments	30.6.2012	31.12.2011
Operating lease rentals are payable as follows:		
Less than one year	5,296	5,870
Between one and five years	6,137	6,497
	11,433	12,367

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

Capital commitments

In 2011 Eimskip entered into an agreement with a Chinese shipbuilding company for the building of two new container vessels which are to be delivered in first half of 2013. The total value of the agreement is USD 50.4 million or EUR 38.7 million. The remaining obligation as at 30 June is EUR 26.8 million and is to be paid 2012 and 2013.

21. Related parties

The Company's largest shareholders, Landsbanki Íslands hf., with 37.3% shareholding, Yucaipa American Alliance Fund II LP., with 19.5% shareholding and Yucaipa American Alliance (Parallel) Fund II LP., with 12.8% shareholding at period-end are considered related parties as well as subsidiaries (see note 22). Intercompany transactions with subsidiaries are eliminated on consolidation.

During the period there were no transactions or outstanding balances at period-end with the two major shareholders.

During the period there were no transactions or outstanding balances at period-end with the management.

Salaries and benefits paid to directors and key management

	Board fee	Shares at period-end**
Bragi Ragnarsson, Chairman	18	0
Ólafur Helgi Ólafsson, Board Member	9	0
Tómas Kristjánsson, Board Member	9	0
Richard Winston Mark d'Abo, Board Member	9 *	0
Ronald Wayne Burkle, Board Member	9 *	0
Marc Jason Smernoff, Alternate of the Board	2 *	0

	Stock options at period end	Salary and benefits***	Shares at period-end**
Gylfi Sigfússon, CEO	3,730	165	0
Hilmar Pétur Valgardsson, CFO	1,390	92	0
Bragi Thór Marinósson, EVP International	470	102	0
Gudmundur Nikulásson, EVP Iceland domestic	470	74	0
Ásbjorn Skúlason, EVP Liner and vessel operation	470	82	0
Matthías Matthíasson, EVP Sales & services	470	69	0

* Board fee has been accrued but not paid.

** Shares held directly by directors or parties related to them.

*** Salary, pension contribution and car benefits.

Notes, continued

22. Group entities

At period-end the Company owned directly nine subsidiaries that are all included in the consolidation. The direct subsidiaries further owned 39 subsidiaries at 30 June 2012. The Company's subsidiaries are as follows at period-end:

	Country of incorporation	Ownership Interest 30.6.2012	Ownership Interest 2011
Eimskip Ísland ehf.	Iceland	100%	100%
Eimskip Holding BV	Holland	100%	100%
P/F Faroe Ship	Faroe Islands	100%	100%
Eimskip UK Ltd.	England	100%	100%
Eimskip USA Inc.	USA	100%	100%
TVG - Zimsen ehf.	Iceland	100%	100%
Harbour Grace CS Inc.,	Canada	51%	51%
Avia Technical Services Ltd.	England	100%	100%
Eimskip REIT ehf.	Iceland	100%	100%

23. Subsequent events

There are no subsequent events to report.

Quarterly statements (unaudited)

	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Sales	104,352	93,726	100,137	98,053	96,330
Expenses	(92,086)	(86,950)	(91,544)	(87,074)	(85,700)
Operating profit (EBITDA)	12,266	6,776	8,593	10,979	10,630
Depreciation and amortization	(5,830)	(5,462)	(5,227)	(6,143)	(6,011)
Results from operating activities	6,436	1,314	3,366	4,836	4,619
Finance income	110	195	682	51	324
Finance expense	(1,131)	(1,212)	(1,839)	839	(2,215)
Net finance expense	(1,021)	(1,017)	(1,157)	890	(1,891)
Net earnings before income tax	5,415	297	2,209	5,726	2,728
Income tax	1,979	285	(1,594)	(655)	(1,105)
Net earnings	7,394	582	615	5,071	1,623

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 co-operation with the Confederation of Icelandic Employers and NASDAQ OMX. The purpose 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 will from now on also be published in a special chapter in the Company's Financial Statements.

The Company is under no legal obligation to follow the Corporate Governance Guidelines but has in its work nonetheless taken into account the aforementioned guidelines and Directors' Toolkit published by KPMG.

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

The Company follows 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 can be found on the Parliament's website, www.althingi.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 consists of five Directors and two alternate directors and they are all elected annually at the Annual General Meeting. The Board of Directors is responsible for the operations of the Company and is the supreme authority in all its matters in between shareholders' meetings. The Board of Directors has statutory role which it is responsible for unless the Board grants permission by law to transfer authority by delegation.

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

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 the allocation of profits.

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

Corporate Governance Statement continued

The Rules of Procedure for the Board of Directors

The Board of Directors has established Rules of Procedure which were amended and approved at a Board meeting on July 9th 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.

The members of the Audit Committee are Ólafur Helgi Ólafsson, Ólafur Viggó Sigurbergsson and Marc Smernoff.

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 option rights for company shares.

The Remuneration Committee is composed of all the members of the Board.

The Directors of the Board of Eimskip

Chairman of the Board of Directors

Name: Bragi Ragnarsson.

Date of birth: 5 March 1942.

Business address: Sóltún 8, 105 Reykjavík, Iceland.

First elected: 23 September 2009.

Education: Bragi graduated from Samvinnuskólinn in 1962. In addition, he has attended various courses and seminars. Bragi further holds a commercial pilot certificate.

Experience: Bragi has been the MD of the travel agency BR Tours ehf. since 2006. Bragi served in various managerial positions for Eimskip and related companies from 1985 to 2005. He was a business consultant from 1981 to 1985. Bragi was the MD for several trading companies from 1965 to 1980. Bragi has lectured on Logistics and related topics at the Continuing Education of the University of Iceland and other educational institutions.

Board membership: Current board membership in the following companies (senior management and/or supervisory board if specified): Travel Agency BR Tours ehf. (MD). Previous board membership in the following companies (senior management and/or supervisory board if specified) during the last five years: Kaupgardur hf., Fiskmarkadur Hafnarfjardar hf. and Íslandsmarkadur hf. (Chairman).

Vice-Chairman of the board

Name: Ólafur Helgi Ólafsson.

Date of birth: 20 June 1945

Business address: Nedstaleiti 13, 103 Reykjavík, Iceland.

First elected: 23 September 2009.

Education: Ólafur graduated with a Cand.Oecon.-degree from the University of Iceland, as well as a degree in system analysis and programming from the IBM school, in 1970.

Experience: Ólafur has been the owner and CEO of the business consulting company Marcus-rádgjöf ehf. since 2007. Ólafur was the CEO of Lýsing hf. from 1992 to 2007 and the Financial Manager at Lýsing from 1987 to 1991. Ólafur was the Financial Manager of Orkubú Vestfjarda from 1980 to 1986. From 1976 to 1980 Ólafur worked as the head of the computer department at Heimilistæki hf. From 1970 to 1976 Ólafur worked as the head of the computer department at Icelandic Aluminium (ISAL).

Corporate Governance Statement continued

Board membership: *Current board membership in the following companies (senior management and/or supervisory board if specified): Urridaholt ehf., Urridaland ehf., Náttúrufræðihús ehf., Landsbankinn hf. and Marcus-ráðgjöf ehf. (also CEO).
Previous board membership in the following companies (senior management and/or supervisory board if specified) during the last five years: VSB Verkfræðistofa ehf., alternate of the board of Arion Banki hf., Vátryggingafélag Íslands hf., Lýsing hf. (CEO), alternate of the board of Pera ehf. (also CEO) and Loftorka í Borgarnesi ehf.*

Board Member

Name: Tómas Kristjánsson.
Date of birth: 15 November 1965.
Business address: Bíldshöfði 9, 110 Reykjavík, Iceland.
First elected: 23 September 2009.

Education: *Tómas graduated from the University of Edinburgh in 1997 with a Master's degree in Business Administration. Tómas also graduated with a Cand.Oecon.-degree from the University of Iceland in 1989.*

Experience: *Tómas has been a Managing Partner of Sigla ehf. since 2007. In the past, he worked as a Director of Credit Control for the Industrial Loan Fund from 1990 to 1996. Tómas was a member of the executive board of Glitnir banki hf. and its predecessors from 1998 to May 2007. He was the head of risk management and treasury of FBA from 1998, and continued to serve in that position when Fjárfestingarbanki atvinnulífsins hf. (FBA) and Íslandsbanki merged in 2000. From 2004, Tómas was the Chief Financial Officer of Glitnir banki hf., and was furthermore responsible for accounting and credit control from 2005-2007.*

Board membership: *Current board membership in the following companies (and senior management and/or supervisory board if specified): Klasi hf. and the following subsidiaries of Klasi hf.: Gardabær midbær ehf., alternate of the board of Háskólavellir, Háskólagarðar ehf. and HV2 ehf., Klasi fasteignastýring ehf., Nesvellir ehf., Nesvellir íbúdir ehf., NV lódir ehf. and NVL ehf. Tómas is also a board member of Sigla ehf., Sjóvá Almennar tryggingar hf., SF slhf., SF 1GP ehf. and Sena ehf.
Previous board membership in the following companies during the last five years: GAM Management hf. and alternate of the board of Icelandair Group hf.*

Board Member

Name: Richard Winston Mark d'Abo.
Date of birth: 3 July 1956
Business address: 9130 West Sunset Boulevard, Los Angeles, California 90069.
First elected: 23 September 2009.

Education: *Richard pursued a degree in finance from the University of South California from 1975 to 1977.*

Experience: *Richard is a Partner at The Yucaipa Companies. Richard has ten years of banking experience and 23 years of experience in private equity. From 1995 to 2003, Richard was involved in various activities in investment banking and private equity investing, co-founding and serving as the Director of Apogee Electronics, Inc. Richard was a Partner of The Yucaipa Companies, 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.*

Corporate Governance Statement continued

Board membership: *Current board membership in the following companies (and senior management and/or supervisory board if specified): A. Tango ehf., Apogee Electronics LLC and NPE Holdings LLC.*

Previous board membership, including senior management and/or supervisory board, in the following companies during the last five years: Americold Realty Trust (board of Trustees).

Board Member

Name: Ronald Wayne Burkle.

Date of birth: 12 November 1952.

Business address: 9130 West Sunset Boulevard, Los Angeles, California 90069, USA.

First elected: 31 March 2011.

Education: Ronald studied Chemistry at California Poly in Pomona California from 1970 to 1972.

Experience: Ronald is the Managing Partner of The Yucaipa Companies which he founded in 1986. Ronald has 15 years of diverse business experience and 20 years of experience in private equity, and is widely recognized as a leading investor in the retail, distribution and logistics industries. Ronald has served as Chairman of the Board and controlling shareholder of numerous companies including Alliance Entertainment, Golden State Foods, Dominick's, Fred Meyer, Ralphs and Food4Less. Ronald is a Co-Chairman of the Burkle Center for International Relations at UCLA and is broadly involved in the community. He is a trustee of the Carter Center, the National Urban League and AIDS Project Los Angeles (APLA). Ronald was the Founder and Chairman of the Ralphs/Food4Less Foundation and the Fred Meyer Inc. Foundation. Ronald has received numerous honors and awards including the AFL-CIO's Murray Green Meany Kirkland Community Service Award, the Los Angeles County Federation of Labor Man of the Year, the Los Angeles County Boy Scouts Jimmy Stewart Person of the Year Award and the APLA Commitment to Life Award.

Board membership: *Current board membership in the following companies (and senior management and/or supervisory board if specified): Managing Partner of The Yucaipa Companies and on the board of Ceiva Logics, Inc., Morgans Hotel Group Co., Soho House Limited, Americold Realty Trust, Delltrade Limited, Independent Talent Group Limited, Marc Entertainment, Inc., LBI Entertainment, LLC, Pittsburgh Penguins, LP and YC Holdings, LLC.*

Previous board membership, including senior management and/or supervisory board, in the following companies during the last five years: Yahoo! Inc., Occidental Petroleum Corporation and KB Home.

Alternate of the Board

Name: Elín Thórunn Eiríksdóttir.

Date of birth: 15 December 1967.

Business address: Kringlan 5, 103 Reykjavík, Iceland.

First elected: 29 March 2012.

Education: Elín received a Cand.Oecon.-degree from the University of Iceland in 1993.

Experience: Elín has been a MD of Sales at Sjóvá Almennar tryggingar hf. from 2012. Elín was MD of Corporate Markets at Síminn hf. from 2005-2010 and a Manager at Eimskip hf. from 1997-2005.

Board membership: *Current board membership in the following companies (and senior management and/or supervisory board if specified): Síminn hf., Staki Automation ehf., Radiomidun ehf. and Sjóvá Almennar tryggingar hf. (MD).*

Previous board membership, including senior management and/or supervisory board, in the following companies during the last five years: Valitor hf., Síminn hf.

Corporate Governance Statement continued

Alternate of the Board

Name: Marc Jason Smernoff.

Date of birth: 11 October 1973.

Business address: 9130 West Sunset Boulevard, Los Angeles, California, 90069, USA.

First elected: 23 September 2009.

Education: Marc has a Master's degree in Business Administration from UCLA Anderson School of Management from 2005. Marc further holds a bachelor's degree in Business Economics from University of California, Santa Barbara from 1995.

Experience: Marc has been a director of Private Equity of The Yucaipa Companies from 2004. Marc was a Manager of Transaction Services at KPMG from 2003 to 2004 and an Associate of Investment Banking at Wells Fargo Securities, LLC from 2000 to 2002. He was a Manager of Corporate Finance at Ernst & Young, LLP from 1997 to 2000 and a Staff Accountant of Assurance & Advisory Business Services at Ernst & Young, LLP from 1995 to 1997. Marc is a Certified Public Accountant.

Board membership: Current board membership in the following companies (and senior management and/or supervisory board if specified): Digital On-Demand Inc. and La Canada Flintridge Educational Foundation.
Previous board membership, including senior management and/or supervisory board, in the following companies during the last five years: Eimskipafélag Íslands hf. and Americold Realty Trust (board of Trustees).

The Chief Executive Officer of Eimskip

The Company's CEO is responsible for the daily operations in accordance with law, regulations and the Company's Articles of Association, towards the Board and the shareholders. The 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.

Chief Executive Officer

Name: Gylfi Sigfússon.

Date of birth: 23 February 1961.

Business address: Korngardar 2, 104 Reykjavík, Iceland.

Education: Gylfi holds a Cand.Oecon.-degree from the University of Iceland graduating in 1990.

Experience: Gylfi has worked for Eimskip and/or related companies since 1990. Gylfi held the position of CEO of Eimskip USA, Eimskip Logistics and Eimskip Canada from 2006 to 2008, overseeing all of Eimskip's transport operations in the United States and Canada. Gylfi was the CEO of Eimskip Logistics in the USA from 2000 to 2006. He was an EVP of Ambrosio Shipping in the USA from 1996 to 2000 and an EVP of marketing and operations at Tollvörugeymslan hf. (now TVG-Zimsen) from 1990-1996.

Board membership: Current board membership in the following companies (and senior management and/or supervisory board if specified): A1988 hf. (CEO), A Tango ehf., A Orange ehf., Harbour Grace CS Inc. and various subsidiaries of Eimskipafélag Íslands hf. (board member, CEO or both). In addition Gylfi is a board member of the Icelandic Chamber of Commerce, the American- Icelandic Chamber of Commerce and the Icelandic-Canadian Chamber of Commerce.
Gylfi has not been on the board of directors, senior management and/or supervisory board of any company that he is not serving anymore, during the last five years.

Corporate Governance Statement continued

Eimskip's Financial Statements

Eimskip's financial year is the calendar year. The Company's Financial Statements are accessible at the company's webpage.

Internal Control and Risk Management

The Company is monitoring risk factors within its operation on continuing basis. Each division of the company is responsible to maintain a list of all potential risk factors and to make sure that relevant processes are in place to prevent potential risks. The division of Process, Quality and Project Management is responsible of consolidating the record of potential risk factors on group level.

The Company operates a division of Safety and Security Center which is responsible for the security and safety within the company. The Safety and Security Center is responsible of securing that Eimskip's operations meet the requirement of The International Ship and Port Facility Security (ISPS) Code and The ISM Code which provides an international standard for the safe management and operation of ships and for pollution prevention.

The Company operates a division of "Loss Prevention". The responsibility of the Loss Prevention team is to assist the company's managers and employees to prevent injuries and accidents in the operation. Furthermore the company operates Crisis Committee acting on behalf of the company in larger crises, also a claims investigation team which investigates the reasons behind claims and incidents with the purpose of learning and improvements.

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.

The Company is monitoring its financial risk and has appointed a Risk Management Committee (RMC). The RMC has issued a Treasury Management Policies and Procedures Handbook which defines the responsibilities of tasks and how risk limits for financial risk exposures are defined.

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

Company Values and Policy on Social Responsibility

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

The CEO supervises all grants related to the company's Social Responsibility program through the Marketing division and the VPs. All final and major decisions on grants are taken by the CEO according to the approved budget and the Board is kept informed.

Information on violation of rules determined by the applicable authority

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