Eimskipafélag Íslands hf.

Consolidated Financial Statements
For the year ended 31 December 2012
EUR

Eimskipafélag Íslands hf.
Korngardar 2
104 Reykjavík
Iceland

Reg. no. 690409-0460

Contents

Endorsement and Statement by the Board of Directors and the CEO

The 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 the year 2012 three reefer vessels, that were previously chartered, were purchased. The building of two container vessels in China continued during the year with scheduled delivery in 2013.

Net earnings for the year 2012 amounted to EUR 12.7 million according to the consolidated statement of comprehensive income. Total equity at 31 December 2012 amounted to EUR 199.6 million according to the statement of financial position. During the year 2012 the number of shares was increased to 200 million by a 10/1 stock split. The stock split had no effect on the Company's equity. The Company holds 2.96% of issued shares. Four shareholders owned more than 10% share in the Company at year-end, Yucaipa American Alliance Fund II LP, with 15.25% shareholding, Lífeyrissjódur verzlunarmanna with 14,57% shareholding, LBI hf. with 10.4% shareholding and Yucaipa American Alliance (Parallel) Fund II LP, with 10.05% shareholding. The number of shareholders at year-end was 2,424 which was an increase of 2,351 from the beginning of year.

On 16 November 2012 the trading of the Company´s shares commenced on NASDAQ OMX Iceland. As a part of the listing process the Company sold 6,000,000 shares of its treasury shares. The net proceeds from the sale amounted to EUR 7.6 million.

In connection with the Company's listing on NASDAQ OMX Iceland the executive management decided to forfeit their share option agreements granted under the Company's 2010 stock option program. The management forfeiture and disclosure to the stock exchange had the effect that an additional cost of EUR 2.9 million was recognized in the statement of comprehensive income in the fourth quarter.

The Board of Directors proposes a dividend payment of ISK 408 million to shareholders in 2013, equal to EUR 2.5 million, which represents 20% of net earnings for the year 2012.

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 in 2009 and revised in 2012 by the Iceland Chamber of Commerce, NASDAQ OMX Iceland and the Confederation of Icelandic Employers. Corporate Governance practices are designed to ensure open and transparent relationship between the Company´s management, its Board of Directors, its shareholders and other stakeholders.

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.

It is the opinion of the Board of Directors that Eimskipafélag Íslands hf. complies, in all material respects, 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 these annual consolidated financial statements give a true and fair view of the consolidated financial performance of Eimskip for the year 2012, its assets, liabilities and consolidated financial position as at 31 December 2012 and its consolidated cash flows for the year 2012.

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 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 consolidated financial statements of Eimskipafélag Íslands hf. for the year 2012 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, 28 February, 2013

Board of Directors:

Bragi Ragnarsson
Chairman

Ólafur Helgi Ólafsson

Tómas Kristjánsson

Richard Winston Mark d'Abo

Marc Jason Smernoff

CEO:

Gylfi Sigfússon

Independent Auditors' Report

To the Board of Directors and Shareholders of Eimskipafélag Islands 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 2012, the consolidated income statement and statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of 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 consolidated financial statements give a true and fair view of the consolidated financial position of Eimskipafelag Island hf. as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on the Board of Directors report

Pursuant to the legal requirement under Article 106, Paragraph 1, Item 5 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 financial statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the Financial Statements.

Reykjavík, 28 February, 2013

KPMG ehf.

Alexander G. Edvardsson

Ólafur Már Ólafsson

Consolidated Statement of Comprehensive Income
1 January to 31 December 2012

	Notes	2012	2011
Operating revenue:			
Sales		414,330	378,337
Other income	5	0	6,390
		414,330	384,727
Expenses:			
Operating expenses		302,763	279,249
Salaries and related expenses	6	70,803	62,323
Other expenses	5	4,596	0
		378,162	341,572
Operating profit (EBITDA)		36,168	43,155
Depreciation and amortization	9,10	(22,436)	(23,223)
Results from operating activities		13,732	19,932
Finance income		657	1,279
Finance expense		(3,640)	(4,988)
	7	(2,983)	(3,709)
Net earnings before income tax		10,749	16,223
Income tax	8	1,982	(3,078)
Net earnings for the year		12,731	13,145
Income for the year attributable to:			
Equity holders of the Company		12,519	12,840
Non-controlling interest		212	305
		12,731	13,145
Earnings per share:			
Basic earnings per share (EUR)	16	0.0645	0.0683
Diluted earnings per share (EUR)	16	0.0645	0.0679
Earnings per share without specific one-off items:			
Basic earnings per share (EUR) without specific one-off items	16	0.0882	0.0359
Diluted earnings per share (EUR) without specific one-off items	16	0.0882	0.0349
Operating profit (EBITDA) without specific one-off items:			
Operating profit (EBITDA) without specific one-off items	5	40,764	36,765

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

Consolidated Financial Statements of Eimskipafélag Íslands hf. 2012 6 Amounts are in thousands of EUR

Consolidated Statement of Comprehensive Income
1 January to 31 December 2012

	Notes	2012	2011
Net earnings for the year		12,731	13,145
Other comprehensive income:			
Foreign currency translation difference of foreign operations		(631)	(154)
Total comprehensive income for the year		12,100	12,991
Total comprehensive income for the year attributable to:			
Equity holders of the Company		11,888	12,686
Non-controlling interest		212	305
Total comprehensive income for the year		12,100	12,991

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

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Consolidated Statement of Financial Position as at 31 December 2012

	Notes	2012	2011
Assets:			
Property, vessels and equipment	9	180,440	152,679
Intangible assets	10	19,647	18,382
Finance assets	11	984	1,716
Deferred tax assets	12	8,652	4,169
Total non-current assets		209,723	176,946
Inventories		3,114	3,682
Trade and other receivables	13,20	63,140	58,141
Cash and cash equivalents	14	37,304	43,517
Assets classified as held for sale	3 i	0	938
Total current assets		103,558	106,278
Total assets		313,281	283,224
Equity:			
Share capital	15	1,211	104
Share premium		154,680	148,179
Share option reserve		0	425
Translation reserve		(543)	88
Retained earnings		41,208	25,077
Total equity attributable to equity holders of the parent		196,556	173,873
Non-controlling interest		3,043	2,636
Total equity		199,599	176,509
Liabilities:			
Loans and borrowings	17	51,088	50,791
Total non-current liabilities		51,088	50,791
Loans and borrowings	17	8,166	11,415
Trade and other payables	18	54,428	44,509
Total current liabilities		62,594	55,924
Total liabilities		113,682	106,715
Total equity and liabilities		313,281	283,224

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

Consolidated Financial Statements of Eimskipafélag Íslands hf. 2012 8 Amounts are in thousands of EUR

Consolidated Statement of Changes in Equity
as at 31 December 2012

	Attributable to equity holders of the Company							
	Share capital	Share premium	Share option reserve	Translation reserve	Retained earnings	Total	Non controlling interest	Total equity
Changes in Equity 2012:								
Equity at 1 January 2012	104	148,179	425	88	25,077	173,873	2,636	176,509
Effects of share based payment agreements			3,187			3,187		3,187
Stock split	1,070	(1,070)				0		0
Treasury shares sold	37	7,571				7,608		7,608
Cancellation of share options			(3,612)		3,612	0		0
Other changes in non-controlling interest						0	299	299
Foreign currency translation difference of foreign operations				(631)		(631)	(104)	(735)
Net earnings for the year					12,519	12,519	212	12,731
Equity at 31 December 2012	1,211	154,680	0	(543)	41,208	196,556	3,043	199,599
Changes in Equity 2011:								
Equity at 1 January 2011	104	148,179	106	242	12,237	160,868	1,600	162,468
Effects of share based payment agreements			319			319		319
Foreign currency translation difference of foreign operations				(154)		(154)	152	(2)
Other changes in non-controlling interest						0	579	579
Net earnings for the year					12,840	12,840	305	13,145
Equity at 31 December 2011	104	148,179	425	88	25,077	173,873	2,636	176,509

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

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Consolidated Statement of Cash Flows
for the year ended 31 December 2012

	Notes	2012	2011
Cash flows from operating activities:			
Earnings for the year		12,731	13,145
Adjustments for:			
Depreciation and amortization	9,10	22,436	23,223
Effects of share options		3,187	319
Net finance expense		2,983	3,709
Change in deferred taxes	8,12	(2,831)	1,434
Other changes		(762)	(1,159)
		37,744	40,671
Changes in current assets and liabilities:			
Inventories, decrease (increase)		615	(1,448)
Receivables, increase		(6,097)	(10,135)
Payables, increase		8,366	420
Change in current assets and liabilities		2,884	(11,163)
Interest paid		(4,131)	(3,480)
Interest received		947	1,140
Taxes (paid) received		(572)	58
Net cash from operating activities		36,872	27,226
Cash flows used in investing activities:			
Investments in non-current assets	9,10	(41,668)	(24,389)
Proceeds from the sale of non-current assets		2,480	1,812
Net cash used in investing activities		(39,188)	(22,577)
Cash flows used in financing activities:			
Proceeds from sale of treasury shares		7,608	0
Changes in non-controlling interest		(299)	(4)
Proceeds from long-term borrowings		359	0
Repayment of long-term borrowings		(12,037)	(11,491)
Net cash used in financing activities		(4,369)	(11,495)
Decrease in cash and cash equivalents		(6,685)	(6,846)
Cash and cash equivalents at the beginning of the year		43,517	50,333
Effects of exchange rate fluctuations on cash held		472	30
Cash and cash equivalents at year-end		37,304	43,517
Investing activities not affecting cash flows:			
Investment in non-current assets	9,10	(8,860)	(918)
Proceeds from long term borrowing		8,860	918

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

Consolidated Financial Statements of Eimskipafélag Íslands hf. 2012 10 Amounts are in thousands of EUR

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

1. Reporting entity

Eimskipafélag Íslands hf. (the "Company") is a public limited liability company domiciled in Iceland. The address of the Company's registered office is Korngardar 2, 104 Reykjavík. The consolidated financial statements of the Company for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as "Eimskip" or the "Group") and the Eimskip's interest in associated companies. The parent company is an investment company focused on investments in shipping and logistic services.

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 authorised for issue by the Company's Board of Directors on 28 February 2013.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for held-for-sale financial assets and share-options which are measured at fair value.

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

c. Functional and presentation currency

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

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 17 – accounting for an arrangement containing a lease
Note 20 - Trade and other receivables

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

a. Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align with the policies adopted by the Group.

(ii) Transactions eliminated on consolidation

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

3. Significant accounting policies, continued

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 goodwill and fair value adjustments arising on acquisition, are translated to EUR at foreign exchange rates at the reporting date. The income and expenses of foreign operations are translated to EUR at the average exchange rate for the year. Foreign currency differences are recognized in other comprehensive income. When a foreign operation is disposed of, in part or full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss as part of the profit and loss on disposal.

c. Financial instruments

(i) Non-derivative financial assets

The Group has the following non-derivative financial assets: held-to-maturity financial assets and trade and other receivables.

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Receivables comprise trade and other receivables.

(ii) Cash and cash equivalents

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

(iii) Non-derivative financial liabilities

The Group has the following non-derivative financial liabilities: loans and borrowings, bank loans 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

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)

When share capital recognized as equity 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 subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from share premium account.

3. Significant accounting policies, continued

d. Property, vessels and equipment

(i) Recognition and measurement

Items of property, vessels and equipment are measured at cost less accumulated depreciation and 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, are recognized net in profit and loss.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, 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 property, vessels and equipment are as follows:

Buildings	15 - 50 years
Vessels	5 - 14 years
Equipment	2 - 10 years

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

e. Intangible assets

(i) Brand name and customer relations

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

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

(ii) Subsequent expenditure

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

3. Significant accounting policies, continued

e. Intangible assets, continued

(iii) Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and 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
Other intangibles	10 years

Amortization methods, useful lives and residual values are reviewed at each financial 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 and are measured at cost.

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 (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

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

3. Significant accounting policies, continued

h. Impairment, continued

(i) Financial assets (including receivables), continued

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

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

(ii) Non - financial assets

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

The recoverable amount of an asset or cash-generating unit 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.

An impairment loss in respect of brand name is not reversed. In respect of other assets, 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. Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

In the year end 2011 Eimskip held 49.9% in Air Atlanta Aero Engineering Ltd. (AAAE). AAAE was presented as held for sale in the financial statements following the commitment of the Group's management to resell the company. In the year 2012 the remaining shares were sold.

3. Significant accounting policies, continued

j. Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Share-based payment transactions

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

k. 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.

l. Revenue

Services

Revenue from sale of services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of service performed. Revenue is not recognized if there is uncertainty about collection or related cost.

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

m. Lease payment

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

n. Finance income and finance costs

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 costs comprise interest expense on borrowings and impairment losses recognized on financial assets.

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.

o. 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.

3. Significant accounting policies, continued

o. Income tax, continued

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, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. 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, but the intent to settle current tax liabilities and asset basis or their tax assets and liabilities will be realized simultaneously.

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 utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

p. Earnings per share

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

q. Financial instruments

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

(i) Economic hedges

The Group holds derivative financial instruments to hedge its foreign currency rate risk exposures in connections with vessels under construction. When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognized immediately in profit or loss.

r. 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.

s. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2012, and have not been applied in preparing these consolidated financial statements. None of these will have a material effect on the consolidated financial statements of the Group.

4. Determination of fair values

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

(i) Property, vessels and equipment

The fair value of property, vessels and equipment recognized as a result of a business combination is based on market values. The market value of property, vessels and equipment is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of equipment is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

(ii) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purpose.

(iii) Share option program

The fair value of the share option program is measured using the Black-Scholes Option Pricing Model. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility, expected term of the instruments, expected dividends and the risk-free interest rate which is based on government bonds.

5. 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 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 on the North-Atlantic. This service includes sea transportation, trucking and warehousing and logistic services.

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

Unallocated: The unallocated column consists of costs relating to the forfeited share option agreements and the costs associated with the registration of the Company's shares on NASDAQ OMX Iceland. In 2011 the unallocated income is a payment of claims received in 2011 against former subsidiaries that made up the aviation sector of the Avion Group in excess of their carrying amounts.

The unallocated expense in 2012 is presented as other expenses in the statement of comprehensive income and 2011 unallocated income as other income. Specific one-off items are as follows:

	2012	2011
Operating profit (EBITDA)	36,168	43,155
Operating revenue:		
Recognition of claim previously written off	0	(6,390)
Expenses:		
Effects of cancellation of share based payment agreements	2,914	0
Registration on NASDAQ OMX Iceland	1,682	0
	4,596	0
Operating profit (EBITDA) without specific one-off items	40,764	36,765

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5. Segment reporting, continued

Business segments

For the year 2012	Liner services	Forwarding services	Unallocated	Consolidated
Revenue, external	298,213	116,117	0	414,330
Inter-segment revenue	25,338	26,920	0	52,258
Total	323,551	143,037	0	466,588
Expenses, external	(261,136)	(112,430)	(4,596)	(378,162)
Inter-segment expense	(26,920)	(25,338)	0	(52,258)
EBITDA	35,495	5,269	(4,596)	36,168
Depreciation and amortization	(21,113)	(1,323)	0	(22,436)
EBIT	14,382	3,946	(4,596)	13,732
Finance income	501	156	0	657
Finance expense	(3,017)	(623)	0	(3,640)
Income tax	3,108	(1,126)	0	1,982
Non-controlling interest	0	(212)	0	(212)
Net earnings for the year	14,974	2,141	(4,596)	12,519
Segment assets	267,552	45,729	0	313,281
Segment liabilities	88,576	25,106	0	113,682
Capital expenditure	49,724	804	0	50,528

For the year 2011	Liner services	Forwarding services	Unallocated	Consolidated
Revenue, external	268,458	109,879	6,390	384,727
Inter-segment revenue	18,476	20,578	0	39,054
Total	286,934	130,457	6,390	423,781
Expenses, external	(235,675)	(105,897)	0	(341,572)
Inter-segment expense	(20,578)	(18,476)	0	(39,054)
EBITDA	30,681	6,084	6,390	43,155
Depreciation and amortization	(21,987)	(1,236)	0	(23,223)
EBIT	8,694	4,848	6,390	19,932
Finance income	1,016	263	0	1,279
Finance expense	(4,511)	(477)	0	(4,988)
Income tax	(1,655)	(1,423)	0	(3,078)
Non-controlling interest	(305)	0	0	(305)
Net earnings for the year	3,239	3,211	6,390	12,840
Segment assets	235,711	47,513	0	283,224
Segment liabilities	87,203	19,512	0	106,715
Capital expenditure	24,686	621	0	25,307

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5. 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.

Geographical segments

	North-Atlantic	Other territories	Consoli-dated
For the year 2012			
Revenue, external	358,061	56,269	414,330
Segment assets	295,557	17,724	313,281
Capital expenditure	50,515	13	50,528
For the year 2011			
Revenue, external	328,260	56,467	384,727
Segment assets	264,350	18,874	283,224
Capital expenditure	25,294	13	25,307

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Notes, continued

6. Salaries and related expenses

Salaries and related expenses are specified as follows:

	2012	2011
Salaries	58,756	51,900
Defined contribution plan	4,521	4,158
Share based payments expense	273	319
Other related expenses	7,253	5,946
Salaries and related expenses	70,803	62,323
Average number of positions	1,312	1,248
Number of employees at year-end	1,329	1,272

7. Finance income and expense

Finance income is specified as follows:

	2012	2011
Interest income	598	998
Dividend received	59	106
Fair value changes of financial instruments	0	175
	657	1,279

Finance expense is specified as follows:

	2012	2011
Interest on long-term loans	(2,528)	(3,029)
Other finance expenses	(856)	(929)
Net foreign exchange loss	(256)	(1,030)
	(3,640)	(4,988)
Net finance expense	(2,983)	(3,709)

8. Income tax

(i) The net taxes for the year 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 three vessels in 2012 this company now has operating income which will offset the previously unrecognized tax losses. As a result the benefit of tax losses amounting to EUR 3.6 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.

(i) Income tax recognized in the statement of comprehensive income:

	2012	2011
Current tax expense:		
Current period	(867)	(2,845)
Deferred tax:		
Origination and reversal of temporary differences	(816)	(237)
Changes in tax rates	(6)	0
Benefit of tax losses recognized	3,642	0
Other changes	29	4
	2,849	(233)
Total income tax	1,982	(3,078)

(ii) Reconciliation of effective tax rate:

	2012	2011
Net earnings before income tax	10,749	16,223

	2012		2011	
Income tax using the Company's domestic tax rate	20.0%	2,150	20.0%	3,245
Effect of tax rates in foreign jurisdictions	0.6%	60	(1.0%)	(167)
Effects of tax losses recognized	(33.9%)	(3,642)	0.0%	0
Under / over provided in previous years	(2%)	(209)	0.0%	0
Other changes	(3%)	(341)	0.0%	0
Effective tax	(18.4%)	(1,982)	19.0%	3,078

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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
Reclassification of assets	160	0	151	311
Additions	934	9,214	13,735	23,883
Disposals	0	0	(2,515)	(2,515)
Currency adjustments	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
Reclassification of assets	13	368	(792)	(411)
Additions	4,169	26,370	17,563	48,102
Disposals	(709)	(337)	(1,811)	(2,857)
Currency adjustments	347	761	23	1,131
Balance at 31 December 2012	68,137	109,215	60,780	238,132
Depreciation				
Balance at 1 January 2011	4,287	10,792	7,481	22,560
Reclassification of assets	0	0	111	111
Disposals	0	0	(1,847)	(1,847)
Depreciation	2,844	8,201	8,172	19,217
Currency adjustments	77	0	(630)	(553)
Balance at 31 December 2011	7,208	18,993	13,287	39,488
Balance at 1 January 2012	7,203	18,993	13,292	39,488
Disposals	(243)	(365)	(1,981)	(2,589)
Depreciation	2,934	10,222	7,705	20,861
Currency adjustments	181	(315)	66	(68)
Balance at 31 December 2012	10,075	28,535	19,082	57,692
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 31 December 2012	58,062	80,680	41,698	180,440

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 2012 amounted to EUR 9.5 million. The commitment according to the lease agreements at the same time amounted to EUR 8.6 million.

Eimskip's non-ISK finance leases, which amounted to EUR 5.5 million at 31 December 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 nontheless 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.

Pledges

Vessels, buildings, etc, with a carrying amount of EUR 52.9 million (2011: 59 million) have been pledged as security for loans amounting to EUR 50.7 million (2011: 52.1 million) at year-end.

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10. Intangible assets

Intangible assets and amortization are specified as follows:

Cost	Brand name	Software	Market and customer related	Total
Balance at 1 January 2011	14,003	10,006	2,701	26,710
Reclassification of assets	0	(311)	0	(311)
Additions	0	1,755	0	1,755
Disposals	0	(5)	0	(5)
Currency adjustments	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	0	2,426	0	2,426
Disposals	0	(2)	0	(2)
Currency adjustments	0	4	0	4
Balance at 31 December 2012	14,003	14,290	2,701	30,994
Amortization				
Balance at 1 January 2011	0	5,608	270	5,878
Reclassification of assets	0	(111)	0	(111)
Amortization	0	3,736	270	4,006
Currency adjustments	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	1,305	270	1,575
Currency adjustments	0	(2)	0	(2)
Balance at 31 December 2012	0	10,537	810	11,347
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 31 December 2012	14,003	3,753	1,891	19,647

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 Eimskip's brand name is stated at allocated amount and is tested annually for impairment. No impairment was recognized.

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11. Finance assets

Non-current finance assets	2012	2011
Interest-bearing bonds	75	653
Other financial assets	909	1,063
	984	1,716

12. Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

	Assets	Liabilities	Net
2012			
Intangible assets	131	(258)	(127)
Operating fixed assets	583	(57)	526
Current assets	1,207	0	1,207
Current liabilities	62	(1)	61
Other	268	(7)	261
Tax loss carried-forward	6,724	0	6,724
Total tax assets (liabilities)	8,975	(323)	8,652
Set off tax	(323)	323	0
Net tax assets	8,652	0	8,652
2011			
Intangible assets	203	0	203
Operating fixed assets	2,052	(91)	1,961
Current assets	116	0	116
Current liabilities	1,399	0	1,399
Other	97	0	97
Tax loss carried-forward	393	0	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

Trade and other receivables are specified as follows:

	2012	2011
Trade receivables, par value	56,176	53,102
Restricted cash	1,953	0
Current maturities of long-term notes	0	97
Other receivables	5,011	4,942
Trade and other receivables total	63,140	58,141

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:

	2012	2011
Balance at beginning of year	(7,772)	(11,168)
Impairment loss recognized	746	6,645
Changes in allowance for impairment losses	113	(3,249)
Balance at year-end	(6,913)	(7,772)

14. Cash and cash equivalents

Cash and cash equivalents are specified as follows:

	2012	2011
Bank balances	34,385	36,171
Marketable securities	2,919	7,346
Cash and cash equivalents	37,304	43,517

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15. Capital and reserves

The Company's capital stock is nominated in Icelandic krónur. The nominal value of each share is one ISK and one vote is attached to each share. The EUR amount of capital stock was 1.2 million at year-end 2012. During the year 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 .000	EUR
Outstanding shares at 31 December 2011	18,808	104
Stock split	169,273	1,070
Treasury shares sold	6,000	37
Outstanding shares at 31 December 2012	194,081	1,211

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 are only to 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 recognized in the statement of financial position at year-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 statement of comprehensive income. 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. The share options were forfeited by excecutive management in October 2012. As a result the total value of the share option agreement was recognized as expense in profit or loss. Finally the balance of the share-option reserve was transferred to retained earnings. See note 19.

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. The Board of Directors proposes a dividend payment of ISK 408 million to shareholders in 2013, equal to EUR 2.5 million, which represents 20% of net earnings for the year 2012. Treasury shares and shares held by A1988 hf. are not entitled to receive dividend.

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16. Earnings per share

Basic earnings per share

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

	2012	2011
Net earnings attributable to ordinary shareholders	12,519	12,840
Number of outstanding shares at the beginning of the year	20,000	20,000
Effect of stock split issued in 2012	180,000	180,000
Effect of treasury shares held	(5,919)	(11,920)
Weighted average number of ordinary shares at 31 December	194,081	188,080
Basic earnings per share (EUR)	0.0645	0.0683

Diluted earnings per share

The calculation of diluted earnings per share for the year 2012 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary 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:

	2012	2011
Net earnings attributable to ordinary shareholders	12,519	13,145
Effect of shares issued	20,000	20,000
Effect of stock split issued in 2012	180,000	180,000
Effect of share options on issue	0	5,650
Effect of treasury shares held	(5,919)	(11,920)
Weighted average number of ordinary shares at 31 December	194,081	193,730
Diluted earnings per share (EUR)	0.0645	0.0679

Earnings per share without specific one-off items

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

	2012	2011
Net earnings, without specific one-off items attributable to ordinary shareholders (see note 5)	17,115	6,755
Basic earnings per share (EUR)	0.0882	0.0359
Diluted earnings per share (EUR)	0.0882	0.0349

17. Loans and borrowings

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

Non-current loans and borrowings consist of the following:

	2012	2011
Finance lease liabilities	8,538	10,074
Loans and borrowings	50,716	52,132
	59,254	62,206

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17. Loans and borrowings, continued

	2012 Nominal interest	2012 Carrying amount	2011 Nominal interest	2011 Carrying amount
Loans in EUR	3.9%	42,470	5.6%	39,705
Loans in USD	1.8%	5,116	1.9%	8,086
Loans in CHF	-	0	0.1%	1,097
Loans in DKK	4.5%	929	5.0%	1,055
Loans in other currencies	-	2,201	-	2,189
		50,716		52,132
Current maturities		(5,568)		(7,324)
		45,148		44,808

Aggregated annual maturities are as follows:

	2012	2011
On demand or within 12 months	5,568	7,324
Within 24 months	11,158	5,450
Within 36 months	4,373	5,469
Within 48 months	3,120	4,447
Within 60 months	3,120	3,138
After 60 months	23,377	26,304
	50,716	52,132

Collateral of loans and borrowings is specified as follows:

	2012	2011
Loans with collateral in fixed assets	50,716	52,132
Finance leases	8,538	10,074
Total	59,254	62,206

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2012 Minimum lease payments	2012 Principal	2011 Minimum lease payments	2011 Principal
Less than one year	2,604	2,598	4,091	4,087
Between one and five years	4,743	4,731	4,826	4,824
More than five years	1,210	1,209	1,164	1,163
	8,557	8,538	10,081	10,074

18. Trade and other payables

Trade and other payables are attributable to the following:

	2012	2011
Accounts payable	40,649	28,059
Other payables	13,779	16,143
Provisions and claims	0	307
Total	54,428	44,509

19. Share-based payment

Share option program (equity settled)

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

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19. Share-based payment, continued

Cancellation of share option agreements

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

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

20. Financial risk management

Overview

Eimskip has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the 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 disclosure 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 analyse 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 analysed 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.

20. Financial risk management, continued

Trade and other receivables, continued

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

Exposure to credit risk

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

	Note	2012 Carrying amount	2011 Carrying amount
Interest-bearing bonds	11	140	653
Other financial assets	11	844	1,063
Trade and other receivables	13	63,140	58,141
Cash and cash equivalents	14	37,304	43,517
		101,428	103,374

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

	Carrying amount	Carrying amount
North-Atlantic	50,023	46,062
Other regions	13,117	12,079
	63,140	58,141

Impairment risk

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

	Gross 2012	Impairment 2012	Gross 2011	Impairment 2011
Not past due	48,633	(661)	44,799	(906)
Past due 0 - 90 days	14,801	(1,390)	14,881	(2,178)
Past due 91 - 180 days	3,755	(1,998)	3,936	(2,390)
More than 180 days	2,864	(2,864)	2,298	(2,298)
	70,053	(6,913)	65,913	(7,772)

(ii) Liquidity risk

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

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

Non-derivative financial liabilities: 31.12.2012	Carrying amount	Contractual cash flow	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
Secured bank loans	50,716	(76,221)	(8,064)	(7,646)	(15,582)	(44,929)
Finance lease liabilities	8,538	(12,164)	(2,994)	(2,388)	(6,594)	(188)
Trade and other payables	54,428	(54,428)	(54,428)	0	0	0
	113,682	(142,813)	(65,486)	(10,034)	(22,176)	(45,117)

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20. Financial risk management, continued

31.12.2011						
Secured bank loans	52,132	(76,416)	(10,462)	(8,206)	(19,175)	(38,573)
Finance lease liabilities	10,074	(11,066)	(4,519)	(1,954)	(3,442)	(1,151)
Trade and other payables ..	44,509	(44,509)	(44,509)	0	0	0
	106,715	(131,991)	(59,490)	(10,160)	(22,617)	(39,724)

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

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect Eimskip's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising 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 2012 the primary risks are attached to the Danish Krona (DKK), the Chinese Yuan (RMB) 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 2012	**ISK**	**USD**	**DKK**	**RMB**	**Other**
Trade and other receivables	12,189	20,729	1,951	5,153	3,717
Cash and cash equivalents	2,448	4,997	3,789	281	3,904
Loans and borrowings	(2,995)	(8,016)	0	(763)	(1,248)
Trade and other payables	(8,107)	(17,577)	(2,276)	(2,954)	(2,496)
Gross balance sheet exposure	3,535	133	3,464	1,717	3,877
31 December 2011					
Trade and other receivables	14,802	14,923	1,364	2,493	2,402
Cash and cash equivalents	3,348	5,468	4,033	339	4,362
Loans and borrowings	(1,246)	(11,485)	0	(944)	(3,959)
Trade and other payables	(8,954)	(5,928)	(1,553)	(4,930)	(4,016)
Gross balance sheet exposure	7,950	2,978	3,844	(3,042)	(1,211)

The following significant exchange rates were applied during the year:

	Average rate		**Reporting date spot rate**	
	2012	**2011**	**2012**	**2011**
ISK	160.7343	161.4194	168.9500	158.7050
USD	1.2854	1.3907	0.7579	1.2939
DKK	7.4437	7.4506	0.1340	7.4342
RMB	0.1233	0.1113	0.1216	0.1226
NOK	7.4764	7.7968	0.1361	7.7540

Sensitivity analysis

A 10% strengthening of the EUR against the following currencies at 31 December would have increased result before 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 2011.

	2012	**2011**
ISK	(277)	(618)
USD	(10)	(231)
DKK	(271)	(299)
RMB	(135)	236

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20. Financial risk management, continued

Sensitivity analysis, continued

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

Interest rate risk

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

	Carrying amount 2012	Carrying amount 2011
Variable rate instruments		
Financial assets	37,303	43,517
Financial liabilities	(57,562)	(61,151)
Net exposure	(20,259)	(17,634)

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) result after income tax by EUR 164 thousands (2011: EUR 147 thousands). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the year 2011. The Group does not account for any fixed rate financial assets and liabilities.

Fair values versus carrying amounts

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

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Interest-bearing bonds	140	140	653	653
Other financial assets	844	844	1,063	1,063
Trade and other receivables	63,140	63,140	58,141	58,141
Cash and cash equivalents	37,304	37,304	43,517	43,517
	101,428	101,428	103,374	103,374
Loans and borrowings	50,716	51,354	52,132	55,567
Finance lease liabilities	8,538	10,710	10,075	10,559
Trade and other payables	54,427	54,427	44,509	44,509
	113,681	116,491	106,716	110,635

The methods used in determining the fair values of financial instruments are discussed in note 4.

Interest rates used for determining fair values

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

(iv) Operational risk

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

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20. Financial risk management, continued

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines result from operating income divided by total shareholders' equity, excluding non-controlling interests.

21. Commitments

Operating lease commitments

	2012	2011
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	3,900	5,870
Between one and five years	4,356	4,627
More than five years	1,161	1,868
	9,417	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 2013. The total value of the agreement is USD 50.4 million or EUR 38.4 million. The remaining obligation as at 31 December 2012 is EUR 23.8 million and is to be paid in 2013.

22. Related parties

The Company's largest shareholders Yucaipa American Alliance Fund II LP, with 15.25% shareholding, Lífeyrissjódur verzlunarmanna with 14.57% shareholding, LBI hf. with 10.4% shareholding and Yucaipa American Alliance (Parallel) Fund II LP with 10.05% shareholding are considered related parties as well as subsidiaries (see note 23). Intercompany transactions with subsidiaries are eliminated on consolidation.

In the year-end 2012 there was one loan from Lifeyrissjodur verzlunarmanna to Eimskip outstanding. The balance of the loan amounted to 235 thousand EUR and is negotiated on market terms. During the year there were no transactions nor other outstanding balances at year-end with the four major shareholders.

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

Salaries and benefits paid to the Board of Directors and excecutive management

	Board fee	Shares at year-end**
Bragi Ragnarsson, Chairman	37	88,718
Ólafur Helgi Ólafsson, Board Member	22	14,424
Tómas Kristjánsson, Board Member	19	9,858
Richard Winston Mark d'Abo, Board Member	19 *	0 ****
Ronald Wayne Burkle, Board Member	19 *	0 ****
Marc Jason Smernoff, Alternate of the Board	15 *	0 ****

	Salaries and benefits***	Shares at year-end**
Gylfi Sigfússon, CEO	374	9,615
Hilmar Pétur Valgardsson, CFO	289	9,616
Bragi Thór Marínósson, EVP International	248	2,404
Gudmundur Nikulásson, EVP Iceland domestic	178	4,808
Ásbjörn Skúlason, EVP Liner and vessel operation	188	2,404
Matthías Matthíasson, EVP Sales & services	184	9,615

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

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23. Group entities

At year-end the Company owned directly nine subsidiaries that are all included in the consolidation. The direct subsidiaries further owned 40 subsidiaries at year-end. The Group's subsidiaries are as follows:

	Country of incorporation	Ownership Interest 2012	Ownership Interest 2011
Eimskip Ísland ehf.	Iceland	100%	100%
TVG-Zimsen ehf.	Iceland	100%	100%
Eimskip USA, Inc.	USA	100%	100%
Eimskip UK Ltd.	England	100%	100%
Eimskip Holding B.V.	Holland	100%	100%
P/F Faroe Ship	Faroe Islands	100%	100%
Avia Technical Services Ltd.	England	100%	100%
Harbour Grace CS Inc.,	Canada	51%	51%
Eimskip REIT ehf.	Iceland	100%	100%

24. Subsequent events

There are no material subsequent events.

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Quarterly statements (unaudited)

Year 2012	Q1 2012	Q2 2012	Q3 2012	Q4 2012	2012
Operating revenue	93,726	104,352	110,744	105,508	414,330
Salaries and operating epenses	86,950	92,086	99,224	95,306	373,566
Other expenses			681	3,915	4,596
Operating expenses	86,950	92,086	99,905	99,221	378,162
Operating profit (EBITDA)	6,776	12,266	10,839	6,287	36,168
Depreciation and amortization	(5,462)	(5,830)	(5,026)	(6,118)	(22,436)
Results from operating activities	1,314	6,436	5,813	169	13,732
Finance income	195	110	541	(189)	657
Finance expense	(1,212)	(1,131)	(437)	(860)	(3,640)
Net finance expense	(1,017)	(1,021)	104	(1,049)	(2,983)
Net earnings before income tax	297	5,415	5,917	(880)	10,749
Income tax	285	1,979	(169)	(113)	1,982
Net earnings (loss)	582	7,394	5,748	(993)	12,731

Year 2011	Q1 2011	Q2 2011	Q3 2011	Q4 2011	2011
Sales	83,817	96,330	98,053	100,137	378,337
Other income	6,390	0	0	0	6,390
Operating revenue	90,207	96,330	98,053	100,137	384,727
Operating expenses	77,254	85,700	87,074	91,544	341,572
Operating profit (EBITDA)	12,953	10,630	10,979	8,593	43,155
Depreciation and amortization	(5,842)	(6,011)	(6,143)	(5,227)	(23,223)
Results from operating activities	7,111	4,619	4,836	3,366	19,932
Finance income	222	324	51	682	1,279
Finance expense	(1,773)	(2,215)	839	(1,839)	(4,988)
Net finance expense	(1,551)	(1,891)	890	(1,157)	(3,709)
Net earnings before income tax	5,560	2,728	5,726	2,209	16,223
Income tax	276	(1,105)	(655)	(1,594)	(3,078)
Net earnings	5,836	1,623	5,071	615	13,145

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Corporate Governance Statement

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

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

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

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

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

Laws and regulations

Eimskip is a limited liability company that is governed by Act no. 2/1995 on Limited Liability Companies (Company Act). Acts 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 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.

The majority of the Directors are independent of the Company and its day-to-day managers, and three Directors and one alternate Director are independent of the Company's significant shareholders. The Board evaluates whether Directors are independent of the Company and its significant shareholders. Moreover, the Board evaluates the independence of new Directors before the Company's Annual General Meeting and makes available to shareholders the result of such evaluation.

Annually the Board evaluates its work, size, composition and practices and also revises and assesses the Company's development and whether it is in line with its objectives. The assessment entails e.g. evaluation of the strengths and weaknesses of the Board's work and practices and takes into consideration the work components the Board believes may be improved. The evaluation is built on self-assessment, but the assistance of outside parties may be sought as appropriate. The evaluation includes an examination of whether the Board has operated in accordance with its Rules of Procedure and how the Board operate 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 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.

The Rules of Procedure for the Board of Directors

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

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

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

Members of the Audit Committee are 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 remuneration policy, including wage incentives and share option rights for company shares.

The Remuneration Committee is composed of all the members of the Board and shall work according to its Rules of Procedure.

The Directors of the Board of Eimskip

Chairman of the Board of Directors

Name:	*Bragi Ragnarsson.*
Year of birth:	*1942*
First elected:	23 September 2009.
Shares in Company:	*Bragi Ragnarsson does not own shares in the Company. Jónína Gissurardóttir who is defined as related party owns 88,718 shares in the Company.*
Education:	*Bragi graduated from Samvinnuskólinn in 1962. In addition, he has attended various courses and seminars.*
Experience:	*Bragi was the MD of the travel agency BR Tours ehf. from 2006 to 2012. Bragi served in various managerial positions for Eimskip and related companies from 1985 to 2005. He was a business consultant from 1981 to 1985 and 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:	*Previous board membership in the following companies (and senior management and/or supervisory board if specified) during the last five years: Travel Agency BR Tours ehf. (also MD).*

Vice-Chairman of the board

Name:	*Ólafur Helgi Ólafsson.*
Year of birth:	*1945*
First elected:	*23 September 2009.*
Shares in Company:	*Ólafur Helgi Ólafsson owns 9,616 shares in the Company. Margrét Th. Thorlacius who is defined as a related party owns 4,808 shares in the Company.*
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 of 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 of Heimilistæki hf. From 1970 to 1976 Ólafur worked as the head of the computer department of Icelandic Aluminium (ISAL).*
Board membership:	*Current board membership in the following companies (and senior management and/or supervisory board if specified): Urridaholt ehf., Urridaland ehf., Náttúrufrædihús ehf., Landsbankinn hf. and Marcus-rádgjöf ehf. (also CEO).* *Previous board membership in the following companies (and senior management and/or supervisory board if specified) during the last five years: VSB Verkfrædistofa 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.*
Year of birth:	*1965*
First elected:	*23 September 2009.*
Shares in Company:	*Tómas Kristjánsson owns 9,858 shares in the Company.*
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. Tómas was a member of the executive board of Glitnir banki hf. and its predecessors from 1998 to May 2007. From 2004, Tómas was the Chief Financial Officer of Glitnir banki hf. and was furthermore responsible for accounting and credit control from 2005-2007. 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 year 2000. In the past, Tómas worked as a Director of Credit Control for the Industrial Loan Fund from 1990 to 1996.*
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, Háskólagardar 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 (and senior management and/or supervisory board if specified) 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.*
Year of birth:	*1956*
First elected:	*23 September 2009.*
Shares in Company:	*Richard Winston Mark d'Abo 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.*
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, LLC. 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, 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.*
Board membership:	*Current board membership in the following companies (and senior management and/or supervisory board if specified): A Tango ehf. and Apogee Electronics, LLC and NPE Holdings, LLC.* *Previous board membership in the following companies (and senior management and/or supervisory board if specified) during the last five years: Americold Realty Trust (board of Trustees).*

Board Member

Name:	*Ronald Wayne Burkle.*
Year of birth:	*1952*
First elected:	*31 March 2011.*
Shares in Company:	*Ronald Wayne Burkle 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.*
Education:	*Ronald studied Chemistry at California Poly in Pomona California from 1970 to 1972.*
Experience:	*Ronald is the Managing Partner of The Yucaipa Companies, LLC 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, LLC 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 in the following companies (and senior management and/or supervisory board if specified) during the last five years: Yahoo! Inc., Occidental Petroleum Corporation and KB Home.*

Alternate of the Board

Name:	*Elín Thórunn Eiríksdóttir.*
Year of birth:	*1967*
First elected:	*29 March 2012.*
Shares in Company:	*Elín Thórunn Eiríksdóttir does not own shares in the Company.*
Education:	*Elín received a Cand.Oecon. degree from the University of Iceland in 1993.*
Experience:	*Elín has been a Director of Sales at Sjóvá Almennar tryggingar hf. from 2012. Elín was Director of Corporate Markets at Síminn hf. from 2005 to 2010 and a manager at Eimskip hf. from 1997 to 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. (senior management).* *Previous board membership in the following companies (and senior management and/or supervisory board if specified) during the last five years: Valitor hf.*

Alternate of the Board

Name:	*Marc Jason Smernoff.*
Year of birth:	*1973*
First elected:	*23 September 2009.*
Shares in Company:	*Marc Jason Smernoff 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.*
Education:	*Marc has a Master's degree in Business Administration from UCLA Anderson School of Management from 2005. He further holds a bachelor's degree in Business Economics from University of California, Santa Barbara from 1995. Marc is a Certified Public Accountant.*
Experience:	*Marc has been a Director of Private Equity of the Yucaipa Companies, LLC from 2004. Marc was a Manager of Transaction Services at KPMG from 2003 to 2004 and an Associate of Investment Banking at Wells Fargo Securities, LLC from 2000 to 2002. He was a Manager of Corporate Finance at Ernst & Young, LLP from 1997 to 2000 and a Staff Accountant of Assurance & Advisory Business Services at Ernst & Young, LLP from 1995 to 1997.*
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 in the following companies (and senior management and/or supervisory board if specified) during the last five years: Americold Realty Trust (board of Trustees).*

Bragi Ragnarsson, Ólafur Helgi Ólafsson, Tómas Kristjánsson and Elín Thórunn Eiríksdóttir are independent members of the Board of Directors.

The Chief Executive Officer of Eimskip

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

Chief Executive Officer

Name:	*Gylfi Sigfússon.*
Year of birth:	*1961*
Shares in Company:	*Gylfi Sigfússon owns 9,615 shares in the Company and does not have share option agreement with the Company.*
Education:	*Gylfi holds a Cand.Oecon. degree from the University of Iceland from 1990.*
Experience:	*Gylfi has worked for Eimskip and related companies since 1990. Gylfi held the position of CEO of Eimskip USA, Eimskip Logistics and Eimskip Canada from 2006 to 2008, overseeing all of Eimskip's transport operations in USA and Canada. Gylfi was the CEO of Eimskip Logistics in USA from 2000 to 2006. He was an EVP of Ambrosio Shipping in USA from 1996 to 2000 and an EVP of marketing and operations at Tollvörugeymslan hf., now TVG-Zimsen ehf., from 1990 to 1996.*

Chief Executive Officer, continued

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., and various subsidiaries of Eimskipafélag Íslands hf. (board member, CEO or both). In addition 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 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.*

The Executive Management of Eimskip

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

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

Further information on the Executive Management can be found on the Company’s website, www.eimskip.is.

Eimskip's Financial Statements

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

Internal Control and Risk Management

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

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

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

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

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

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

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

Information on violation of rules determined by the applicable authority

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

Company Values, Code of Conduct and Social Responsibility and Environmental matters
The Company has set out its values which are: Achievement, Co-operation 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 2012 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 its website, www.eimskip.is.