



ANNUAL REPORT 2018

CHAIRMAN'S ADDRESS

Eimskip has focused on growth in recent years by investing in the development of our liner system and through acquisitions of global forwarding companies. Considerable energy has been spent on managing these investments and on integrating them within our company operations.

Eimskip is a leading transportation company in the North Atlantic. Our infrastructure provides a solid foundation, enabling us to access key markets within the industry and provide our customers with excellent solutions and services. Our planned cooperation with Royal Arctic Line in Greenland will strengthen our infrastructure even further.

The company's performance fell below expectations in 2018. The Board of Directors and executive team are fully aware of the need for increased profit. The company will now focus on core operations with the aim of streamlining operations and simplifying the company's operational structure wherever possible. A new organizational structure was introduced in January 2019 alongside various other measures implemented to support these objectives.

External conditions will prove challenging in 2019. Competition in Eimskip's key markets remains fierce and the Icelandic economy has slowed after a period of steady growth.

Unresolved disputes on collective labor agreements could also potentially negatively impact the Icelandic economy. A reduction in allocated fishing rights in Norway will affect transport volumes from Northern Norway and Brexit could potentially impact our transportation services in that area.

However, various opportunities await us in 2019. The volume in Trans-Atlantic service increased substantially towards the end of 2018 and has continued to grow in 2019. The integration of forwarding services in our international operations and a wider global service network are creating new opportunities and possibilities for revenue generation. A new service connecting Eimskip's liner system to Greenland would bring about various revenue opportunities and cost efficiency but must first be approved by the Competition Authority in Iceland.

The Board of Directors and executive management will focus on internal issues in 2019 to improve the company's performance, protect our position as a leading player in key markets and to secure opportunities for continued revenue growth.

Eimskip has been criticized for its remuneration policy. An improved remuneration policy that recognizes the priorities of new shareholders and past criticism has been submitted for consideration at the Annual General Meeting. The Remuneration Policy is designed to align objectives and attract talent to the Company.

Nomination committees are a relatively new phenomenon for Icelandic companies listed on the NASDAQ but are relatively commonplace elsewhere in large corporations with a large number of smaller shareholders. The advantages and disadvantages of appointing a nomination committee for Board elections will be carefully examined by Eimskip in the near future.

In November 2018, we lost a good colleague and friend. Víglundur Thorsteinsson became Vice Chairman of the Board in 2013, shortly after Eimskip was re-registered on the stock exchange. Víglundur was a prominent figure in the Icelandic business community and we would like to offer our sincerest condolences to his family.

We would like to take the opportunity to thank Gylfi Sigfússon, who left the position of CEO in 2018 after serving for ten years. He became CEO during a very difficult period and led the company through various challenges. Financial restructuring resulted in a complete reorganization of operations at that time and he successfully guided the company through the process, during a period of extensive change in the operating environment. He will return to his previous position as the Managing Director of North America's operations. Gylfi leaves the company in a strong position and ready to take on the future.

We would also like to welcome our new CEO, Vilhelm Thorsteinsson. We believe we are extremely fortunate to have him on our team and we have every confidence in him as the new leader of the company.



BALDVIN THORSTEINSSON

CHIEF EXECUTIVE OFFICER ADDRESS

Expectations and disappointments

The company's performance fell below expectations in 2018. Revenue and volume increased in our container liner system and forwarding services but decreasing contribution margins, higher costs and depreciation affected the group's operating results between years.

The decrease in operating results between years can mostly be attributed to few specific factors. Liner services in Iceland and the Faroe Islands and associated operations have been performing well but revenue from our reefer cargo operations in Norway fell below expectations. We subsequently made various changes to our operations in Norway including the decommissioning of two vessels; one vessel in the middle of 2018 and a second vessel at the beginning of 2019. We have now increased our sales focus and are assessing the need for further changes.

Our forwarding services in Europe also experienced a downturn this year, particularly in the first part of the year. Decreased volume in some of our markets and lower margins affected operations but we experienced a positive turnaround in the second half of the year, which has continued into the first months of 2019.

Eimskip introduced weekly services on the North America line at the end of 2017, adding a third vessel to the Trans-Atlantic line, a historical first for the company. Achieving the necessary increase in volume to this third vessel took more time than we expected, which partly explains negative developments in the operating results between years. However, we saw an increase in volume in our Trans-Atlantic and Short-Sea services in the last few months of 2018 and this has continued into 2019. We also experienced a downturn in certain import commodities into Iceland including vehicles, machinery and equipment, which can partly be attributed to various uncertainty factors in the Icelandic economy.

Operations in 2018

Eimskip's revenue for the year 2018 amounted to EUR 689.2 million, an increase of 3.8%. Transported volume in our scheduled container liner system increased by 4.2% and can be attributed to a 7% increase in the Icelandic, Faroese and Trans-Atlantic freight container systems. However, there was a 13.6% decrease in liner volume in our operations in Norway. Volume growth in our forwarding services was 4.3% and can be attributed to a 23.7% increase in dry cargo. However, there was a 1.9% decrease in reefer cargo and forwarding (reefer logistics).

Operating expenses increased by EUR 33.1 million in 2018, or by 5.5%. The increase can be attributed to the increased capacity of the Trans-Atlantic line, higher fuel costs, increased activity between years and wage increases. Higher costs in international forwarding services and supplier costs, as well as unexpected costs associated with reefer vessel breakdowns, also had an effect.

EBIDTA amounted to EUR 49.2 million in 2018, a decrease of 13.9%. The decrease can mainly be attributed to decreased revenue from Eimskip's operations in Norway and decreases in reefer cargo services. The increased capacity of our Trans-Atlantic and short sea services resulted in decreased EBITDA in the first half of the year but we saw an increase in volume and, subsequently in operating margins, in the second half of the year.

Depreciation and amortization for the year amounted to EUR 32.5 million, an increase of 8.0%. The increase can mainly be attributed to investments in infrastructure such as new containers and equipment in recent years.

Net earnings amounted to EUR 7.4 million in 2018, a decrease of EUR 9.4 million. Cash from operations amounted to EUR 29.0 million, a decrease of EUR 8.4 million between years. The company's cash position, after taking into account cash flow from operations, investments, sale of assets, financing and debt repayment, amounted to EUR 21.9 million at year-end which is a decrease of EUR 1.2 million between years. An emphasis will be placed on delivering increased cash flow from operations in the coming months.

Organizational changes, streamlining initiatives and internal growth

Considerable changes were made to the company's structure at the beginning of 2019 with the aim of improving operations and increasing long-term profits. A new operations division was established which, among other things, is responsible for the operation of the company's sailing system, including the operation of Eimskip's vessels and container fleet. This should provide us with a much better overview of this area of costs and fixed assets. The last few years have been characterized by extensive external growth, which can mostly be attributed to investments in forwarding services companies in Europe. We will now focus on increased profitability and efficiency and on strengthening our infrastructure. We are integrating work and processes between units in our operations and increased automation will also be a key factor in achieving these objectives. Eimskip's management monitors developments and trends in the international transportation market with the aim of making well-



VILHELM MÁR THORSTEINSSON

informed decisions and adopting innovations that are beneficial for Eimskip.

We review the company's sailing system on a regular basis to monitor market developments, customer needs and to improve efficiency. We place an emphasis on maintaining a system that serves our customers in the North Atlantic region, which is flexible but also as efficient as possible at any given time.

Moving forward

The outlook for the liner system in Iceland and the Faroe Islands in 2019 is positive even though the downturn in capelin fisheries in Iceland will affect export volumes. Uncertainties in the Icelandic economy could also affect imports. The North-Atlantic market is tremendously competitive and weather conditions can be challenging. Eimskip will continue to offer excellent transportation and logistic services to its broad and diversified customer base.

In 2019, we expect growth in Trans-Atlantic and Short-Sea transport, which performed well in the latter half of last year and the beginning of this year. We expect improvements in Norway with better utilization of the reefer fleet although the operational environment will remain challenging.

Organic growth and realized synergies within the Eimskip's worldwide forwarding network will improve the volume growth and financial results in 2019. We also expect that volume in reefer logistics will increase in 2019 especially due to improved market conditions. Various long-term infrastructure investments will be made in 2019, including two new vessels, each of which is able to carry up to 2150 teus and are currently being built in China. The investment is part of the preparation phase for a potential future collaboration with Royal Arctic Line. The group is also investing in a large harbor crane and associated changes to the docking area in Sundahöfn in Reykjavík to provide the necessary services. Cash flow from operations and new loans provide the finance needed for these infrastructure investments and the company has secured long-term finance for the vessels on good terms.

Eimskip is entering a period of transition in its future operations. We have experienced extensive external growth in the last few years but will now focus on increased profitability and internal growth.

I would like to take this opportunity to thank Eimskip's employees for their dedication and valuable contribution to the company and their ambition to always do better and express my gratitude for the warm reception I have received in the last few weeks as the Company's new CEO. The team's attitude, knowledge and experience are the key to achieving our objectives.

I would also like to thank our customers for their valuable business relation with Eimskip. I look forward to continuing cooperation and communication with our diverse and important customer group.

BOARD OF DIRECTORS

BALDVIN THORSTEINSSON

CHAIRMAN OF THE BOARD

Baldvin was born in 1983 and works at Samherji hf. He has worked for the Company in various roles since 2007 after earning a B.S degree in Industrial Engineering from University of Iceland. In the years 2013-2016 was the CEO of Iceland Drilling, where Samherji is a major shareholder. When rejoining Samherji in 2016 he was made Manager of Business development. Baldvin joined the Board of Olfuverzlun Íslands in 2011, became the Board's Chairman in 2016 until he stepped down at the end of 2018 when the company was sold. Baldvin owns 160,000 shares in the Company but does not have a share options agreement with the Company. He is not independent of Samherji Holding ehf., which own 50.6 million shares in the Company.



BALDVIN THORSTEINSSON

HRUND RUDOLFSDÓTTIR

VICE-CHAIRMAN OF THE BOARD

Hrund was born in 1969 and lives in Iceland. She is the CEO of Veritas Capital ehf. Previously she was Corporate Director of Human Resources at Marel hf. from 2009 and Director of Operations and Investments at Moderna Finance ehf./Milestone ehf. from 2007 to 2009. Hrund was CEO of L&H Holding, CEO and Chief of Operations of Lyf & heilsa hf. from 2001 to 2006. She is currently the Chairman of Stefnir hf. and is a Board Member of Iceland Chamber of Commerce, Artasan hf., Distica hf. and Lumina ehf. Hrund took her Master's degree in International Marketing and Management at Copenhagen Business School in 2000 and AMP in IESE NY in 2018. She also earned a Cand.Oecon. degree at the University of Iceland in 1994. Hrund has been on the Board of Directors since 3 April 2013 and currently serves as the Vice Chairman of the Board and as a Chairman of the Remuneration Committee. She is an independent Board Member and does neither own shares nor share options in the Company. She has no interest links with the Company's main clients, competitors or major shareholders.



HRUND RUDOLFSDÓTTIR

GUÐRÚN Ó. BLÖNDAL

BOARD MEMBER

Guðrún was born in 1960 and lives in Iceland. She was a CEO of Nasdaq CSD Iceland (Nasdaq Central Securities Depository Iceland) from 2013 to March 2018. Previously she was a CEO of Arion Custody Services, subsidiary of Kaupthing hf., from 2002 until it merged with Arion bank hf. in 2012. She held various positions in Kaupthing hf. from 1984 to 2002 such as an Executive Director, Human Resource Manager, Marketing Manager and Asset Manager. In 2012 until 2013 she was a Board Member at the Enterprise Investment Fund slhf., Reginn hf., Míla ehf., Vördur Insurance Company and Vördur Life Insurance. Guðrún is an alternate Board Member at Landsbankinn hf. Guðrún earned a Cand.Oecon degree at the University of Iceland in 1990. She is an independent Board Member and does neither own shares nor share options in the Company. She has no interest links with the Company's main clients, competitors or major shareholders.



GUÐRÚN Ó. BLÖNDAL

LÁRUS L. BLÖNDAL

BOARD MEMBER

Lárus was born in 1961 and lives in Iceland. He is a Supreme Court Attorney and a Partner at Juris Law Offices. Lárus was a Partner at Almenna lögræðistofan from 1990 to 2008. Lárus is currently a Board Member of Orkusalan hf. and the Chairman of the Board of ISFI (Icelandic State Financial Investments). He has been a member of the Competition Appeals Committee since 2000 and its Vice-Chairman since 2009 and a member of the National Olympics and Sport Association's executive committee since 2001, becoming its Vice-President in 2006 and its President in 2013. He has previously been a Board Member of the Icelandic Bar Association, the University of Iceland's Human Rights Institute, the University of Iceland's Research Centre in Environmental and Natural Resources law, Hótel Borg ehf., Fastus ehf., the Housing Financing Fund, Chairman of the National Olympic and Sport Association's legal committee, and a member of various other official Committees and Boards. Lárus has been a Supreme Court Attorney since 1998 and a District Court Attorney since 1990. He graduated with a Cand.jur. degree from the University of Iceland in 1987. Lárus has been on the Board of Directors since 27 March 2014 and is currently a member of the Audit Committee. He is an independent Board member and owns 3,190 shares in the Company but no share options. He has no interest links with the Company's main clients, competitors or major shareholders.



LÁRUS L. BLÖNDAL

JÓHANNA Á BERGI

BOARD MEMBER

Jóhanna was born in 1970 and lives in the Faroe Islands. She is the CEO of Atlantic Airways Ltd. Jóhanna was the CEO of P/f Faroe Ship, Eimskip's subsidiary in the Faroe Islands, from 2006 to 2015, Sales Director of JFK and Kósin Seafood from 1998 to 2006 and Sales Manager of Faroe Seafood France from 1994 to 1998. She is currently a Board Member of the Faroese Confederation of Sports and Olympic Committees, Nordoyatunnilin, Föroya Grunnurin and Visit Faroe Islands. Jóhanna has a Master's degree in Management from Robert Gordon University in the UK. She further holds an EE degree from the Danish School of International Marketing and Export. Jóhanna has been an alternate member of the Board since 3 April 2013, is an independent Board Member and does neither own shares nor share options in the Company. She has no interest links with the Company's main clients, competitors or major shareholders.



JÓHANNA Á BERGI

PHILIP G QUINLAN

ALTERNATE MEMBER OF THE BOARD

Philip was born in 1952 and lives in Canada. He is a Chartered Professional Accountant and a Partner at Quinlan & Taylor, a CPA Professional Corporation providing audit, corporate and personal tax planning and management consulting services. Philip is currently a Board Member of Northern Coalition Corporation, Northern Shrimp Research Foundation, Northern Shrimp Advisory Committee, Madsen Construction Equipment Inc. and Madsen Controls Inc. Philip has been actively involved in his profession throughout his career having served on numerous Committees of both the provincial and national institutes of Chartered Accountants including serving as president of the provincial institute of Chartered Accountants and a Board Member of the Board of Governors of the Canadian Institute Of Chartered Accountants. Phillip has a wide range of experience providing services to clients in almost every sector of the economy, including audit, corporate and personal income tax planning, management consulting services focusing on operational efficiencies, business valuations, capital acquisitions and related financing, together with cash flow planning and management. He participates in the ownership and management of private companies that provide synchronized control solutions for engines and turbines, along with the sale of heavy construction equipment. Philip is an independent Board Member and does neither own shares nor share options in the Company. He has no interest links with the Company's main clients, competitors or major shareholders.



PHILIP G QUINLAN



THE COMPANY

EIMSKIP AT A GLANCE

Eimskip is a leading transportation company in the North Atlantic with connections to international markets, specializing in worldwide freight forwarding services. The Company's vision is to provide excellence in transportation solutions and services.

Liner services
in the North Atlantic and
worldwide freight
forwarding services

Revenue 2018
EUR 689 million
EBITDA 2018
EUR 49.2 million

Market Cap
EUR 255 million
as at 15 March 2019

65 own offices
in 20 countries
in four continents
Worldwide
associates network

20 vessels
on seven routes
in the North Atlantic

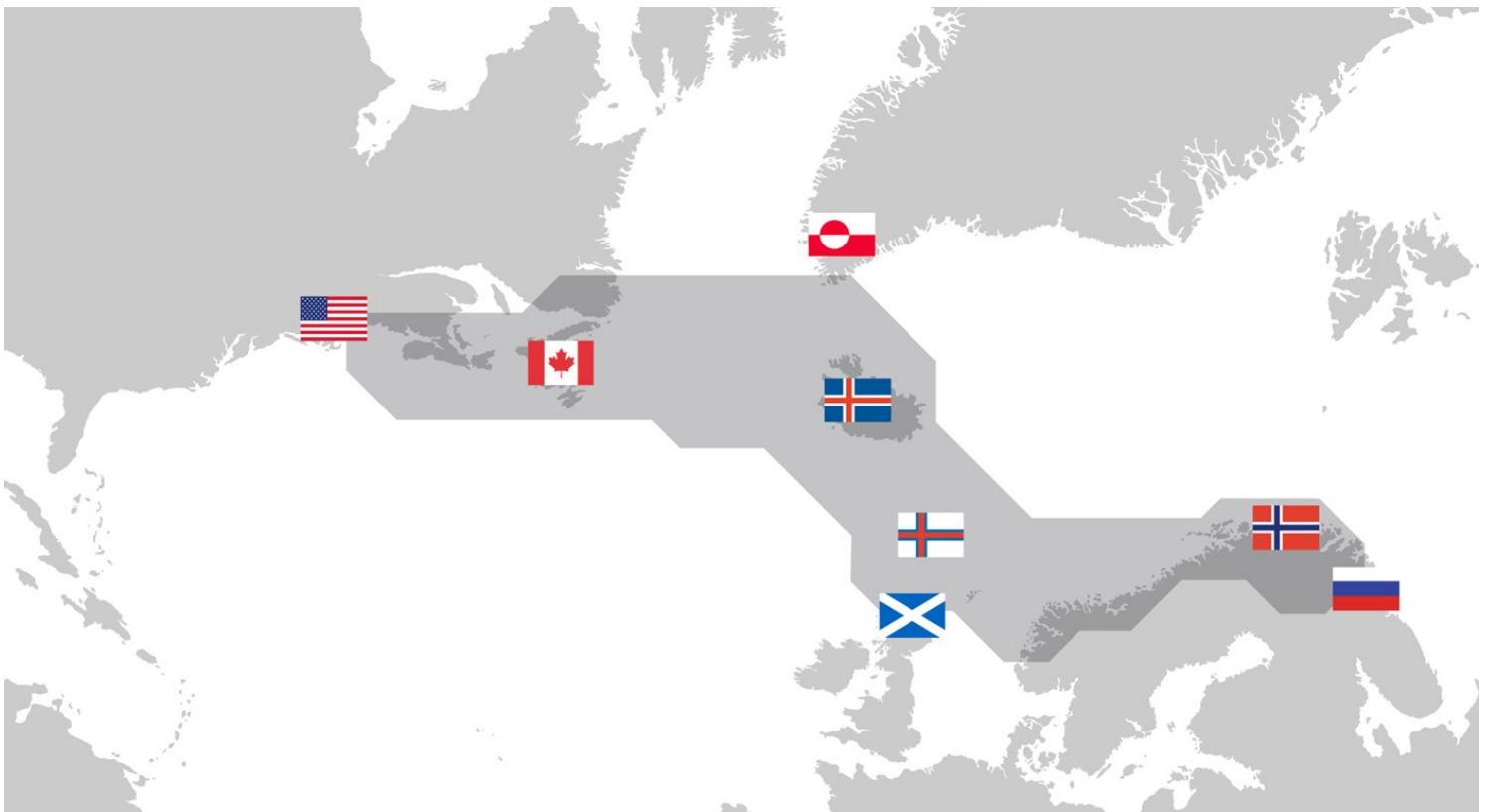
About
1,800
employees

Eimskip has been a niche player in transportation in the North Atlantic for over 100 years. It specializes in shipping, logistics and supply chain management and offers its customers sea, land and air solutions, with a special emphasis on the handling and storing of all types of temperature-controlled cargo (frozen, chilled and dry cargo). Principal cargo includes frozen, salted and fresh fish, aluminum and a wide range of general goods, from heavy machinery to fruit and vegetables. Over the years, Eimskip has built a network of its own offices and associates with links to its own shipping network, allowing it to provide its customers with comprehensive logistics services.

Eimskip's main business segments are liner services in the North Atlantic and international forwarding services. The liner services include ocean transport, terminal operations, chilled and cold storage facilities, warehousing, trucking and distribution, airfreight services and agency services. The forwarding services include worldwide freight forwarding services for both reefer and dry cargo; in cooperation with the Company's own offices, its worldwide network of associates and international deep-sea lines.



Eimskip has a strong position in its home market in the North Atlantic, spanning from the east coast of North America to the west and north coasts of Norway.



Eimskip was founded in 1914 and is a publicly traded company with its shares listed on Nasdaq Iceland. Eimskip currently operates 65 offices in 20 countries across four continents and employs about 1,800 people. The company operates 20 vessels sailing on seven different routes in the North Atlantic.

MISSION, VISION AND VALUES

Eimskip traces its roots back to the 17th of January 1914, when HF. Eimskipafélag Íslands was founded, with approximately 15,000 shareholders, representing almost 17% of the Icelandic nation at that time.

Eimskip is a leading transportation Company in the North Atlantic with connections to international markets, specializing in worldwide freight forwarding services. The Company's vision is to provide excellence in transportation solutions and services.

Eimskip's obligations towards its stakeholders are to:

- Secure a good return for SHAREHOLDERS with profitable growth
- Create value for CUSTOMERS with outstanding solutions and services
- Provide an outstanding workplace for EMPLOYEES with great team spirit and ambition
- Show concern for SOCIETY by endorsing social responsibility and reducing its ecological footprint

Eimskip's employees observe the Company's values in their daily work: ACHIEVEMENT – COOPERATION – TRUST

STRATEGIC FOCUS

In recent years, Eimskip has been focusing on external growth through accretive acquisitions in specialized freight forwarding companies. The operational and strategic focus will now be on increasing the profitability of the current core business by streamlining and simplifying the operation. The company changed its corporate structure in January 2019, introducing a new Operations division that will be responsible for better utilization of core operating assets with the aim of reducing operating costs.

The company's commitment to weekly services on its main sailing routes in the North Atlantic, including the North America line, will enable further organic growth and more diversified business going forward. The commitment came at a cost but volume has been building up and profitability increasing. Vessel sharing agreement with Royal Arctic Line in Greenland, involving investment in two 2,150 teus container vessels, will strengthen the infrastructure in a cost efficient way and open for new sales opportunities.

Forwarding operations have mainly grown through the acquisitions of forwarding companies in various countries. An emphasis will now be on further integrating these new companies into Eimskip's forwarding network and standardizing end-to-end processes through digital transformation.

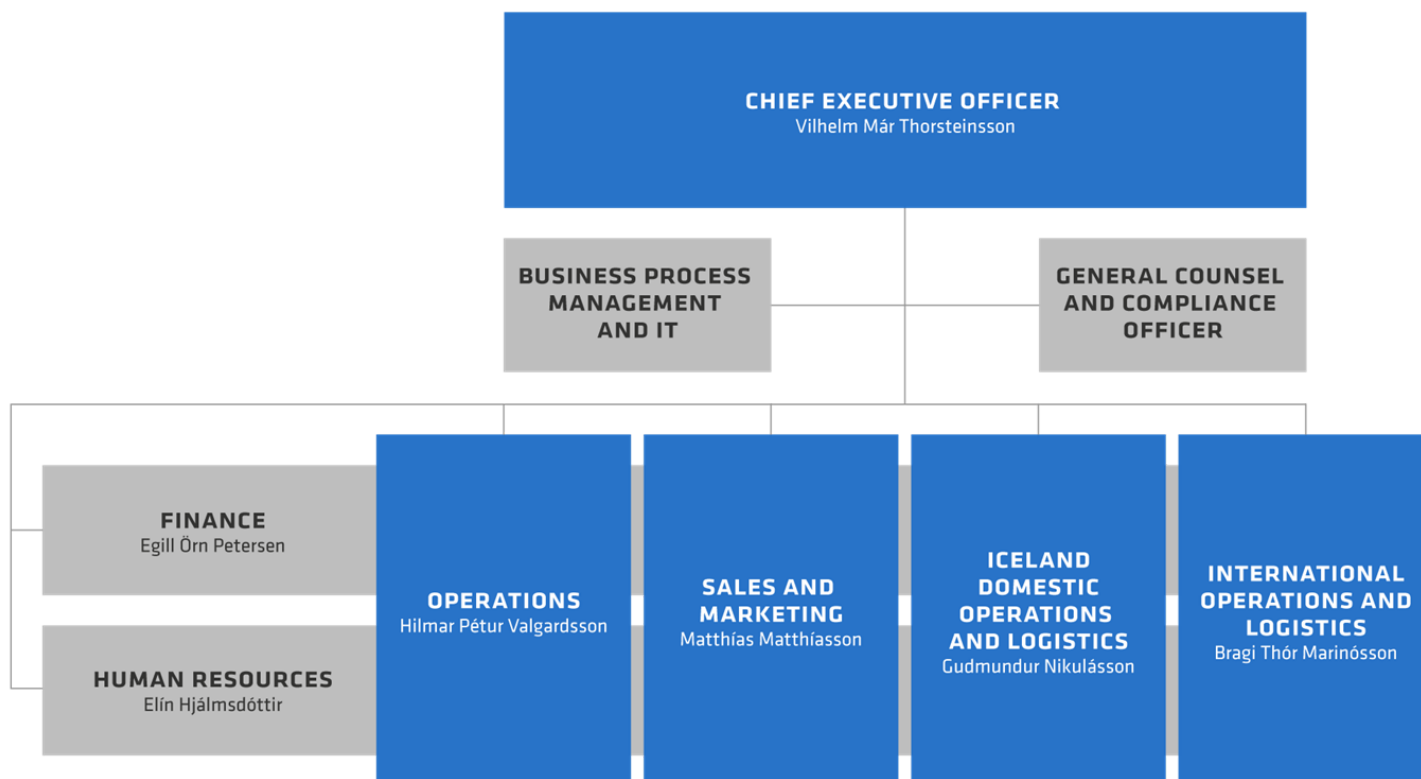
OPERATIONAL EXCELLENCE

During 2018, the Company focused on further improving its operational processes and on defining its process landscape. It is important for Eimskip to deliver excellence in transportation solutions and services in a consistent and efficient manner. The customer experience is depended on the end-to-end process and consequently the Company needs to standardize further and improve the efficiency of its processes. The Company will continue to streamline its end-to-end processes in 2019.

Another important factor under operational excellence is to secure resources in the best and most efficient way. The Company actively works on further improving its procurement processes. This work will continue in 2019, focusing on implementing strategic procurement processes to reduce costs and improve processes to reach operational excellence.

ORGANIZATION AND EXECUTIVE MANAGEMENT

Changes were made to the organizational structure in January 2019. The current Executive Management Team at Eimskip consists of the Chief Executive Officer (CEO) and Directors of Finance, Human Resources, Operations, Sales and Marketing, Iceland Domestic Operations and Logistics, and International Operations and Logistics. The executive team has extensive experience in management and leadership.



VILHELM MÁR THORSTEINSSON, Chief Executive Officer, was born in 1971. He was appointed as CEO in January 2019. He previously held various positions at Íslandsbanki for over twenty years. He was Managing Director of Corporate & Investment Banking at Íslandsbanki from 2017 to 2019 and Managing Director of Corporate Banking from 2008 to 2017. Vilhelm earned an MBA Degree from Pace University in New York, a B.Sc degree in Business Management, Majoring in Logistics, from Reykjavík University and is a licensed Securities broker. He is a Board Member and/or CEO, of various subsidiaries of Eimskipafélag Íslands hf.



VILHELM MÁR THORSTEINSSON

BRAGI THÓR MARINÓSSON, Executive Vice President of International Operations and Logistics, was born in 1965. He has worked for Eimskip since 1993. Bragi has been Executive Vice President of International Operations and Logistics since June 2016. He was Executive Vice President of International Operations from 2008 to 2016 and Executive Vice President of North Atlantic Operations from 2006 to 2008, Executive Vice President of International Operations from 2004 to 2006, Managing Director of Eimskip Nederland B.V. from 1999 to 2004, Senior Manager of the International Department from 1997 to 1999, Quality Manager from 1995 to 1997 and Representative in the International Department from 1993 to 1995. Bragi is currently a Board Member of various subsidiaries of Eimskipafélag Íslands hf. He received a Master's degree in Industrial Engineering from the Technical University of Denmark in 1993 and a C.S. degree in Mechanical Engineering from the University of Iceland in 1991.



BRAGI THÓR MARINÓSSON

EGILL ÖRN PETERSEN, Chief Financial Officer, was born in 1974. He has worked for Eimskip since 2003, first as a Financial Controller within the finance department and later as a manager. He became Senior Manager of Finances in 2009 and through organizational changes in January 2019 he was appointed as CFO of Eimskip. Egill received a B.Sc. degree in Business Administration from University of Iceland in 2002. He is a Board Member of various subsidiaries of Eimskipafélag Íslands hf.



EGILL ÖRN PETERSEN

ELÍN HJÁLMSDÓTTIR, Vice President of Human Resources, was born in 1972. She has worked for Eimskip since 2004. Elín was appointed Recruiting Manager in 2006 and in 2008 she became Senior Manager of Human Resources in Iceland. Following organizational changes in 2009, she became Senior Manager of Human Resources of Eimskip and was Vice President of Human Resources from June 2016. She became Vice President of Human Resources and Marketing following organizational changes in November 2017 and again following organizational changes in January 2019 as Vice President of Human Resources. Elín is a Board Member of Eimskip Ísland ehf., a subsidiary of Eimskipafélag Íslands hf., a Member of the Board of SVTH – Federation of Trade & Services, a Member of the Board of Confederation of Icelandic Enterprise and was a Board Member of Kortathjónustan hf. 2016 to 2017. Elín received a B.Sc. degree in Business Administration in 2002 and an MBA degree in 2005 from Reykjavik University.



ELÍN HJÁLMSDÓTTIR

GUDMUNDUR NIKULÁSSON, Vice President of Iceland Domestic Operations and Logistics, was born in 1961. He has worked for Eimskip since 1997. Gudmundur has been Vice President of Iceland Domestic Operations and Services (now Logistics) since June 2016. Before that, he was Vice President of Iceland Domestic Operations from 2005 to 2016 and served as Senior Manager of Terminal Operations from 1997 to 2005. Gudmundur held the position of Chief Engineer for the City of Reykjavík from 1991 to 1997. From 1987 to 1991 he was a Consulting Engineer at Hnit hf. He is currently a Board Member of four subsidiaries of Eimskipafélag Íslands hf. In 1987 Gudmundur received a Civ.Ing. Degree (M.Sc.) in Engineering from the Technical University of Denmark in Copenhagen. He received a C.S. degree in Civil Engineering from the University of Iceland in 1985.



GUDMUNDUR NIKULÁSSON

HILMAR PÉTUR VALGARDSSON, Chief Operational Officer, was born in 1973. He has worked for Eimskip since 1999, as CFO from 2009 until January 2019 when he was appointed to the current position of COO. Before that he worked as CFO of HF. Eimskipafélag Íslands, now A1988 hf., from 2008 to 2009. He was CFO of Containerships Ltd. OY in Finland from 2006 to 2008 and Senior Manager of Eimskip's Financial Control Department from 2004 to 2006. Hilmar is currently a Board Member and Managing Director of various subsidiaries of Eimskipafélag Íslands hf. Before, Hilmar was a Board Member of Containerships UAB, Containerships Polska, Air Atlanta Properties Ltd., Air Atlanta Aero Engineering Ltd., Vátryggingafélag Íslands hf. and Líftryggingafélag Íslands hf. Hilmar received a Cand.Oecon. degree from the University of Iceland in 1999.



HILMAR PÉTUR VALGARDSSON

MATTHÍAS MATTHÍASSON, Vice President of Sales and Marketing, was born in 1966. He worked for Eimskip from 1983 to 2004 and again from 2009. Matthías has been Vice President of North Atlantic Container Liner Services since June 2016 until January 2019, when through organizational changes he was appointed to the current position. Matthías was Vice President of Transportation Services 2015 to 2016 and Vice President of Sales and Services from 2009 to 2014. Before that he was Vice President of Special Projects and Managing Director of Eimskip Germany in 2009, Managing Director of Komatsu Denmark from 2004 to 2009, Managing Director of Eimskip UK from 2003 to 2004 and Senior Manager of Eimskip's Export Department from 2001 to 2003. He was Senior Manager of Eimskip's Vehicles, Equipment and Special Projects from 2000 to 2001, Key Accounts Manager of Eimskip International Sales and Services from 1997 to 2000 and a sales representative of Eimskip's Import Department from 1993 to 1997. Matthías studied Education at Hedmark University in Norway from 1993 to 1996.



MATTHÍAS MATTHÍASSON

EMPLOYEES



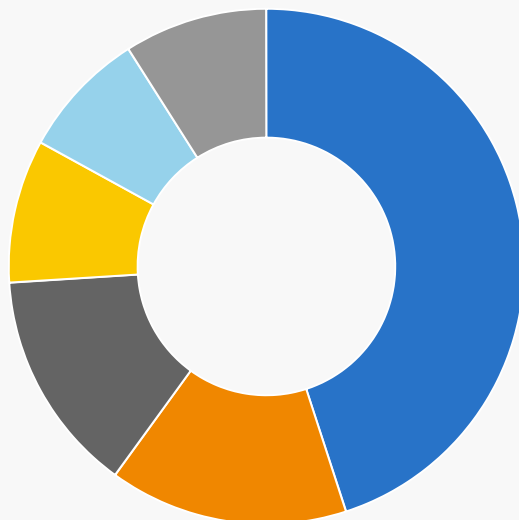
Eimskip has a dedicated team of employees whose knowledge and skills are the company's greatest resource. Eimskip employed on average of 1,821 people across 20 countries in 2018, a team consisting of 44 nationalities and four generations. We believe in diversity and that each member of our team brings a unique set of skills and experiences. This creates a dynamic work environment where the company's values of achievement, cooperation and trust are upheld in every aspect of our operations.

Strategic planning has enabled us to focus on integration and process-driven projects with the main objective of streamlining and synergy. The company places an emphasis on knowledge dissemination, internal communication, cross-functional collaboration, improved technology and regular monitoring.

Developing a successful company culture is a never-ending journey, and creating a teamwork-based and process-driven culture requires strategic short-term and long-term decision making at every stage.

Strong teamwork and cooperation is the key to maintaining a clear vision of the future and to achieving our objectives. The company will focus on continuous improvement, waste reduction, clear objective setting, cross-functional communication, employees' education and on regularly measuring the success of these measures.

SUBGROUPS



● Admin ● Warehouse ● Managers ● Crew ● Drivers ● Harbor/craftsmen



BUSINESS SEGMENTS

INTRODUCTION

Eimskip's operations are divided into two principal market segments: Liner services in the North Atlantic and international forwarding services.

LINER SERVICES

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

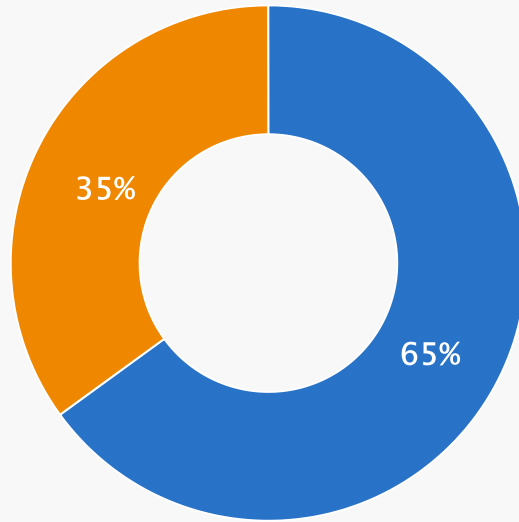
FORWARDING SERVICES

- Main focus on reefer forwarding; dry cargo forwarding is growing
- Efficient system based on a network of 65 own offices in 20 countries across four continents
- Cooperation between Eimskip's own offices, its worldwide network of associates and international deep-sea lines

In 2018, 65.2% of Eimskip's revenue came from liner services and 34.8% from forwarding services. The division of EBITDA in 2018 was as follows: 71.1% from liner services and 28.9% from forwarding services. The geographical division of revenue was unchanged in 2018 where Iceland related business contributed 48.1% of total revenue.

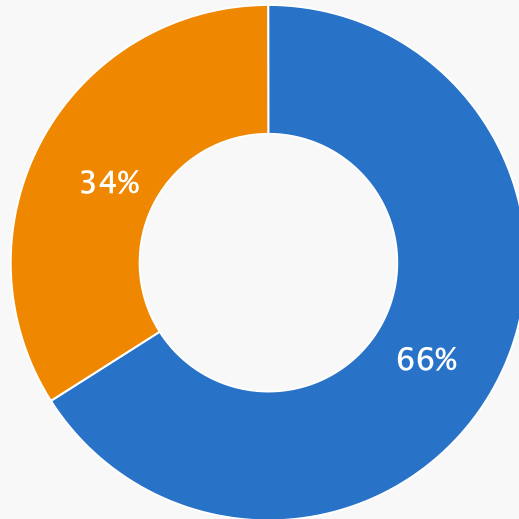
REVENUE BY BUSINESS SEGMENT

2018



● Liner services ● Forwarding services

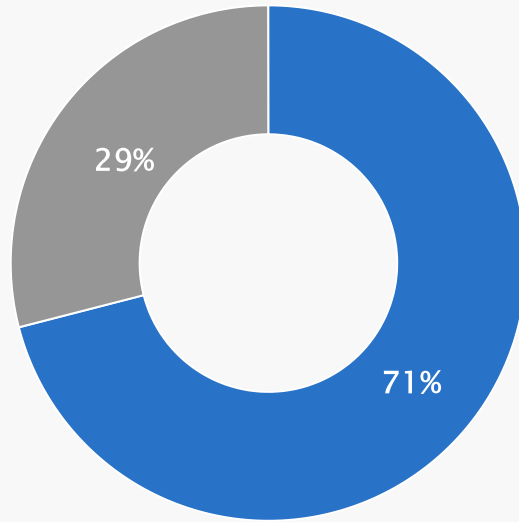
2017



● Liner services ● Forwarding services

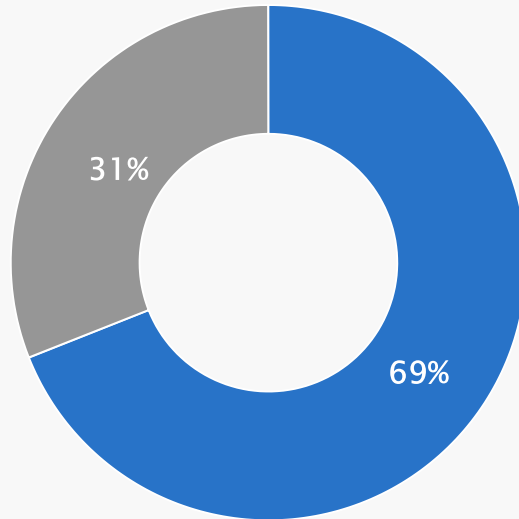
EBITDA BY BUSINESS SEGMENT

2018



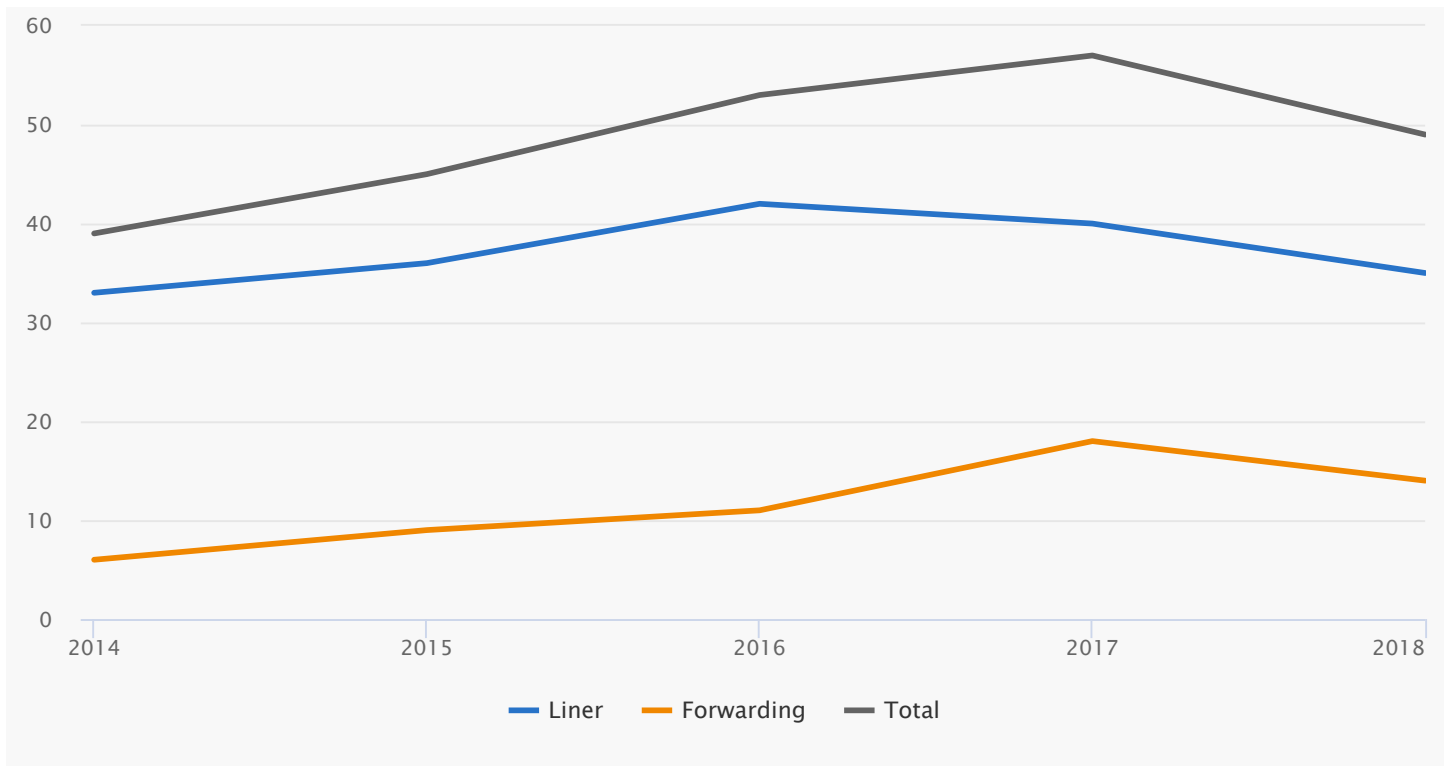
● Liner services ● Forwarding services

2017



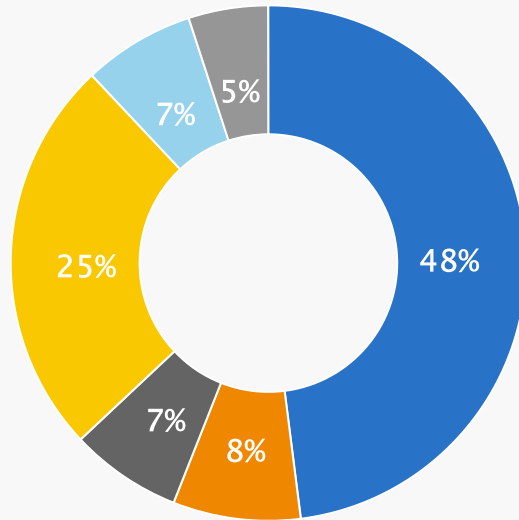
● Liner services ● Forwarding services

DEVELOPMENT OF EBITDA BY BUSINESS SEGMENT
EUR million



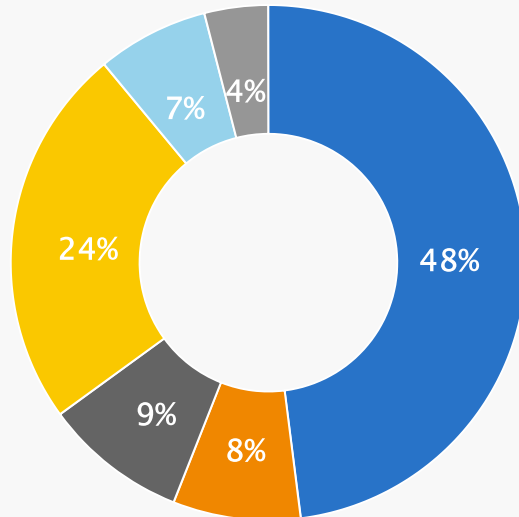
GEOGRAPHICAL SPLIT OF REVENUE

2018



● Iceland ● Faroe Islands ● Norway ● Europe ● Asia ● Other

2017



● Iceland ● Faroe Islands ● Norway ● Europe ● Asia ● Other

LINER SERVICES

Eimskip's liner services are the core of the Company's operations. Liner services operate a dynamic sailing system in the North Atlantic, with 20 vessels currently in operation. The Company's home market includes Newfoundland and Labrador, Iceland, the Faroe Islands and Norway. The liner services also offer short-sea services in Europe and North America, Trans-Atlantic services and bulk transport. Liner services include terminal operations, chilled and cold storage facilities, warehousing, trucking and distribution, airfreight services and agency services.

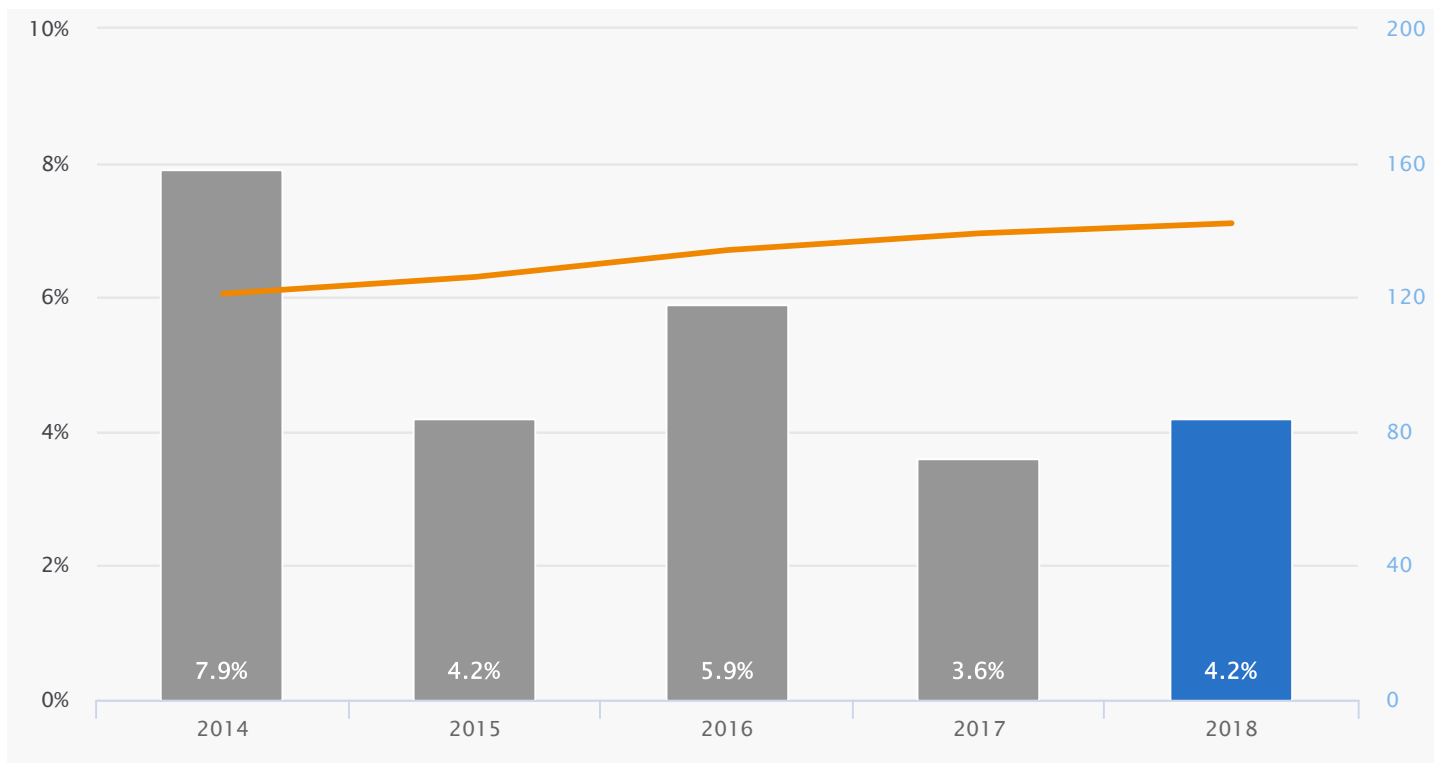
KEY STATISTICS

Liner services revenue for the year 2018 amounted to EUR 449.2 million, an increase of 2.5% from 2017. EBITDA from the liner services amounted to EUR 35.0 million compared to EUR 39.5 million in the previous year. In 2018, liner services accounted for 65.2% of the Company's revenue and 71.1% of its EBITDA.

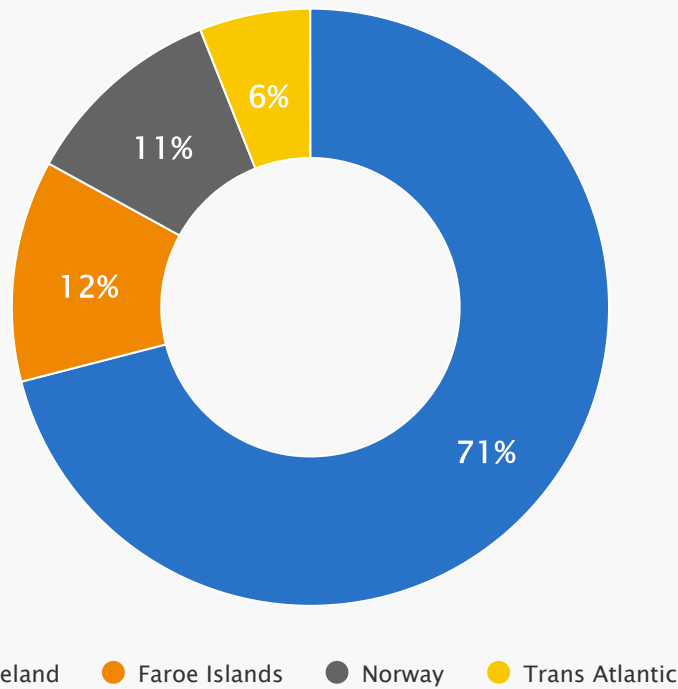
Transported volume in Eimskip's liner services in 2018 grew by 4.2% from the previous year, mainly due to growth in exported volume from Iceland and in Trans-Atlantic volumes, while there was a reduction in volume in the reefer liner services in Norway. In November 2017, the Company introduced weekly services on its Green line by adding a new vessel. Building up new volume took more time than expected affecting results of the liner services but volume growth in Trans-Atlantic services was strong in second half of the year 2018.

The graph to the left below shows the gradual increase in transported volume in recent years in the Company's liner services. The compound annual growth rate (CAGR) for the years 2014 to 2018 was 4%. The volume index on the right axis is based on the 2010 volume as 100. The graph below on the right shows that 71% of the liner services volume relates to Iceland.

LINER SERVICES VOLUME
Changes from previous year



LINER SERVICES VOLUME 2018
Iceland, Faroe Islands, Norway and Trans-Atlantic



Home Market

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

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

Sailing System

Eimskip constantly re-evaluates its sailing system and vessel fleet with the aim of optimizing its operational efficiency.

In 2017, Eimskip invested in its container liner services by making changes to its sailing system by adding a third vessel to the Green Line and reached its goal of weekly service.

During 2018, the Company continued its weekly sailing system and placed more emphasis on building up Trans-Atlantic volume and short-sea volume between Halifax, Nova Scotia and Portland, Maine in the US.

In November 2018, the Company changed its sailing system for the Blue Line when Godafoss and Dettifoss started its direct call from Reykjavík to Rotterdam and stopped calling Reydarfjörður and Torshavn in the Faroe Islands. Changes were also made to the Red Line where Pollux and Persus started calling at Reydarfjörður with a connection to the Yellow Line in the Faroe Islands.

The operation of the Orange line in Norway faced some challenges during the year 2018 with a volume decrease and less profitability. Therefore the Company made changes to its sailing system in the beginning of 2019. The Gray Line was separated into two lines: The Gray Line which serves the Icelandic coastal market biweekly and the Purple Line which serves the market between the Faroe Islands and Scotland. The vessel Selfoss was moved from the Green Line to the Gray Line and Lomur was moved from the Gray Line to the Green Line. The vessel Svartfoss was then moved from the Orange Line to the Purple Line and the vessel Blikur was offhired. The Orange Line is now serving with three vessels instead of four during the year 2018.

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

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

The Red Line offers weekly services from Iceland and the Faroe Islands to Denmark, Poland, Norway and Sweden and then back to Iceland. The vessels serving on the Red Line are Pollux and Perseus.

The Gray Line offers weekly services between Iceland, the Faroe Islands, the Netherlands and then back to Iceland. The route calls several ports around the coast of Iceland. The vessel serving on the Gray Line is Selfoss.

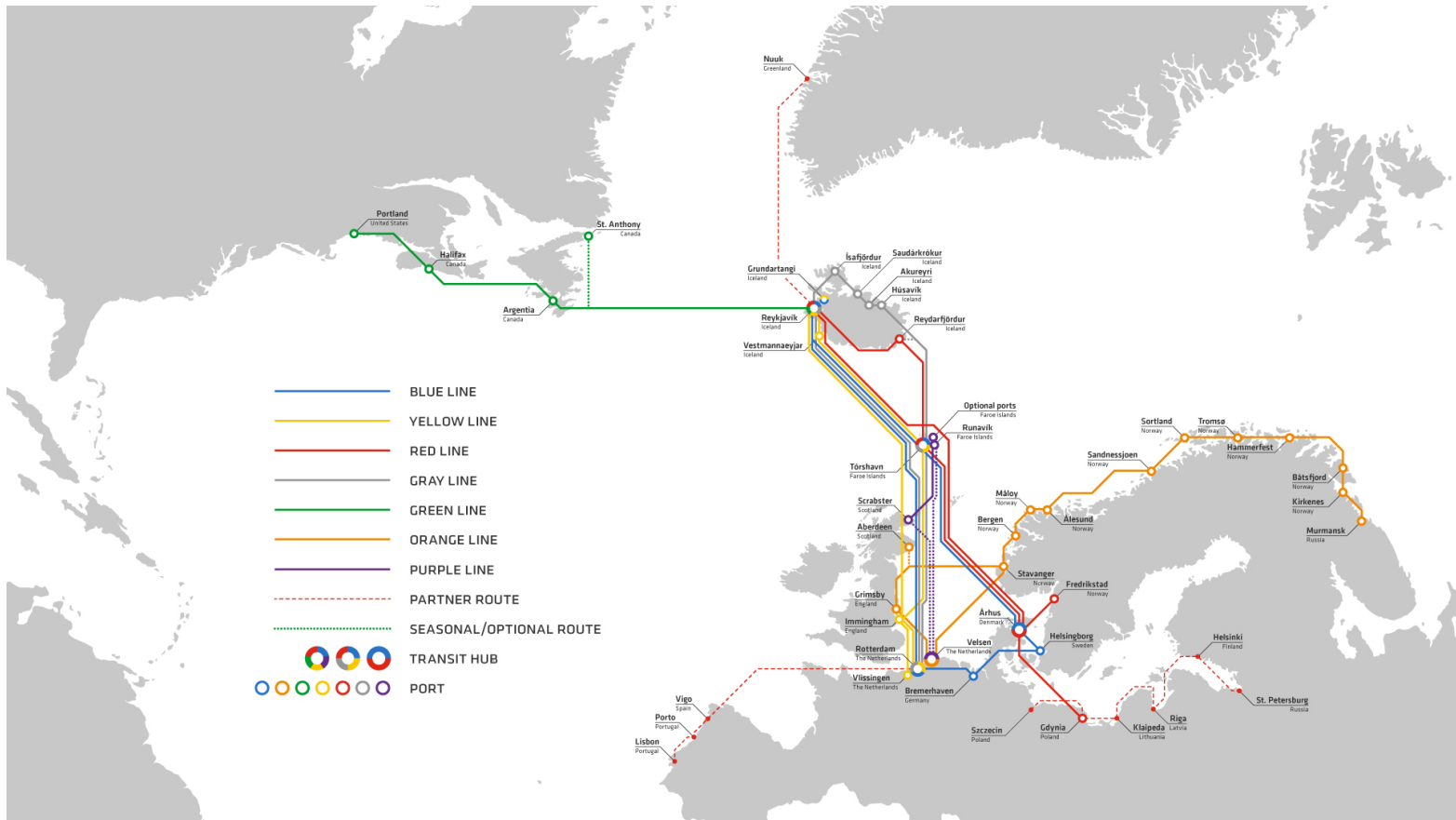
The Green Line offers weekly services from Iceland to the east coast of the United States, Nova Scotia and Newfoundland and Labrador and then back to Iceland. Skógafoss, EF Ava and Lomur serve on the Green Line.

The Purple Line created in January 2019 offers weekly services between Faroe Islands and Scotland. The vessel serving on the Purple line is Svartfoss.

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

Six vessels serve 'Other Operations' in the North Atlantic. Eimskip's reefer transportation services are specially focused on the transportation of frozen or chilled seafood and other perishable products in bulk, direct from port to port, in whole or partial loads. These services are carried out by the specialized reefer vessels Langfoss and Stigfoss. Eimskip offers specialized transport for bulk cargo in whole loads or by the needs of the shipper and the consignee each time. The vessel Saxum is used in bulk transport. Finally, the ferry Herjólfur offers regular services between the Westman Islands, off the south coast of Iceland, and Iceland's mainland, and the ferries Baldur and Særún serve on the west coast of Iceland.

SAILING SYSTEM IN THE NORTH ATLANTIC



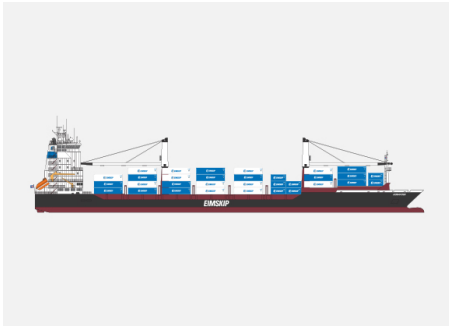
VESSEL FLEET

Eimskip currently operates twenty vessels in the North Atlantic, of which twelve are own vessels and eight are chartered. Fourteen of the vessels are used in scheduled liner services on seven different sailing routes, thereof ten container vessels and four reefer vessels. In addition, two reefer vessels offer spot services, one is in bulk services and three are ferries operated in Iceland.

The vessels are highly competitive in terms of their size, cranes, reefer plugs, shallow draft and manoeuvring capabilities to enter narrow ports.

Eimskip and Royal Arctic Line, the national carrier of Greenland, signed a cooperation agreement regarding potential sharing of capacity in January 2017. The potential cooperation is subject to confirmation from the Icelandic Competition Authority. A contract was signed with CSTC and Guangzhou Wenchong Shipyard Co., Ltd. in China on building two 2,150 TEU ice class Polar Code container vessels for Eimskip, with expected delivery in the second half of 2019. The vessels are built in line with environmental standards and designed to be fuel-efficient.

The two new vessels will be named Bruarfoss and Dettifoss. The new Bruarfoss will be the Company's sixth vessel with that name but the first Bruarfoss was built in Denmark in 1927. Dettifoss will also be the sixth vessel with that name. The first Dettifoss was built in Denmark in 1930. The name of last Dettifoss was changed in March 2019 to Laxfoss.

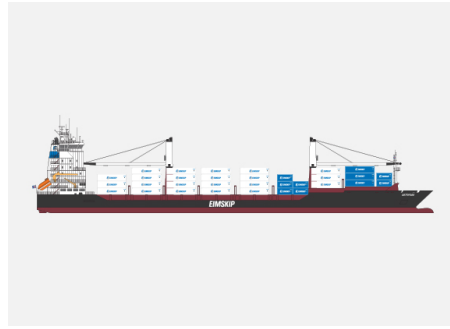


OWN VESSEL

Godafoss

BUILT	TEU
1995	1,457

LENGTH (M)	WEIGHT (GT)
166	14,664

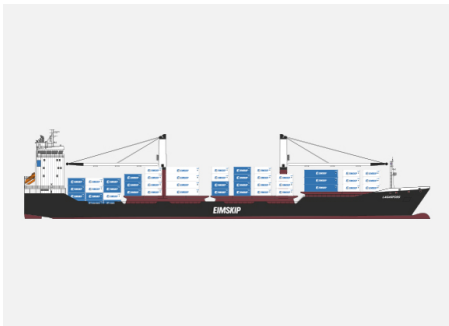


OWN VESSEL

Laxfoss

BUILT	TEU
1995	1,457

LENGTH (M)	WEIGHT (GT)
166	14,664

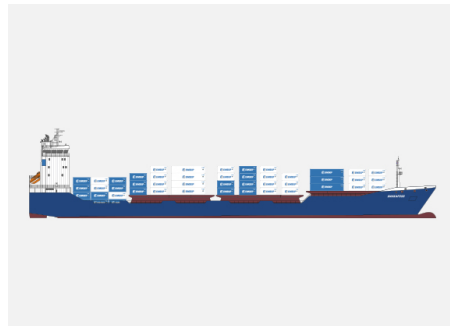


OWN VESSEL

Lagarfoss

BUILT	TEU
2014	875

LENGTH (M)	WEIGHT (GT)
141	10,106

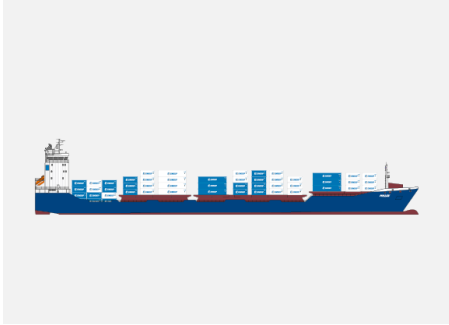


CHARTERED VESSEL

Bakkafoss

BUILT	TEU
2010	889

LENGTH (M)	WEIGHT (GT)
141	9,983



CHARTERED VESSEL

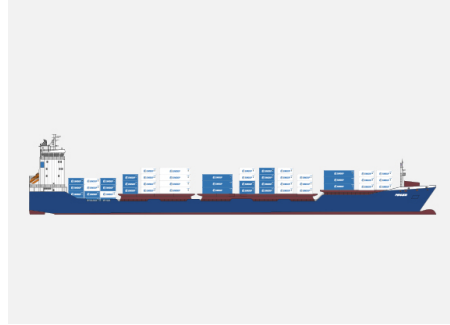
Pollux

BUILT
2009

TEU
1,025

LENGTH (M)
158

WEIGHT (GT)
11,550



CHARTERED VESSEL

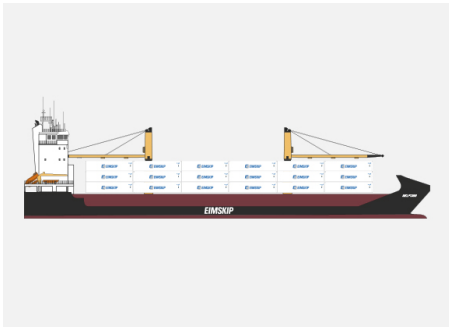
Perseus

BUILT
2010

TEU
1,025

LENGTH (M)
158

WEIGHT (GT)
11,550



OWN VESSEL

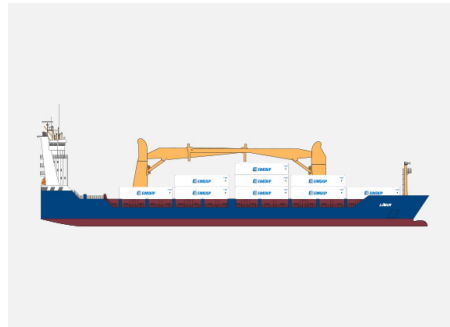
Selfoss

BUILT
2008

TEU
698

LENGTH (M)
130

WEIGHT (GT)
7,464



CHARTERED VESSEL

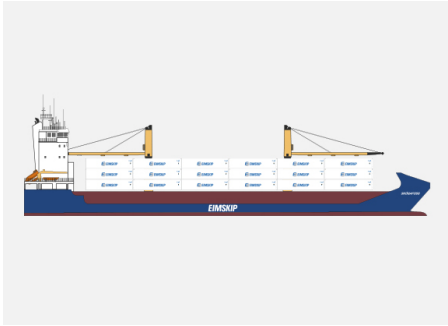
Lomur

BUILT
2001

TEU
505

LENGTH (M)
101

WEIGHT (GT)
4,454

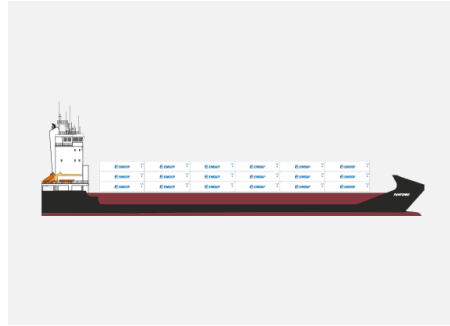


CHARTERED VESSEL

Skógafoss

BUILT 2007 TEU 686

LENGTH (M) 130 WEIGHT (GT) 7,545

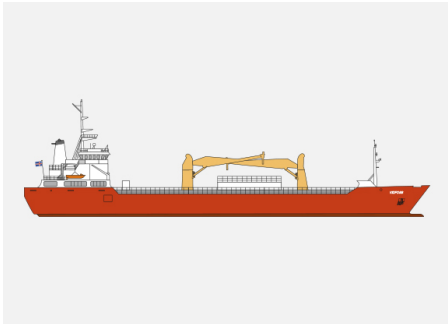


CHARTERED VESSEL

EF Ava

BUILT 2008 TEU 698

LENGTH (M) 130 WEIGHT (GT) 7,545

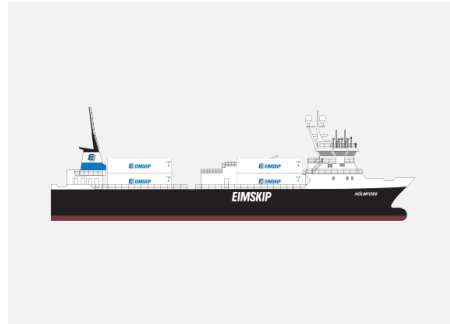


OWN VESSEL

Vidfoss

BUILT 1990 TEU Reefer

LENGTH (M) 93 WEIGHT (GT) 3,625

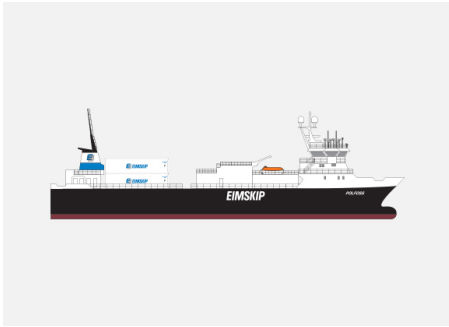


OWN VESSEL

Holmfoss

BUILT 2007 TEU Reefer/24

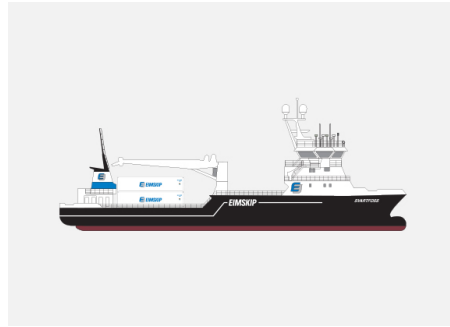
LENGTH (M) 82 WEIGHT (GT) 3,538



OWN VESSEL

Polfoss

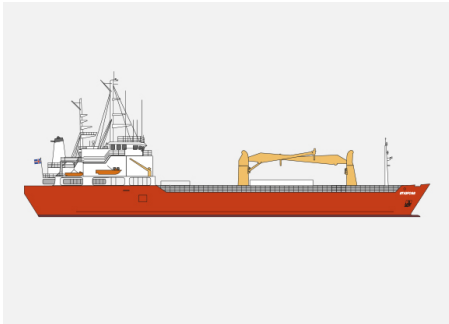
BUILT	TEU
2008	Reefer/24
LENGTH (M)	WEIGHT (GT)
82	3,538



OWN VESSEL

Svartfoss

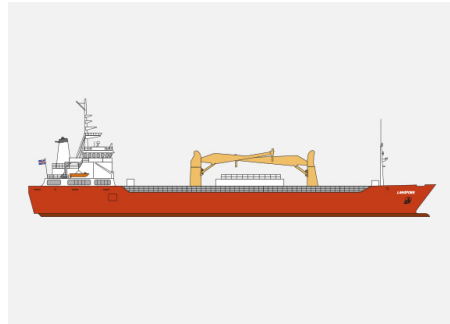
BUILT	TEU
2005	Reefer/48
LENGTH (M)	WEIGHT (GT)
80	2,990



OWN VESSEL

Stigfoss

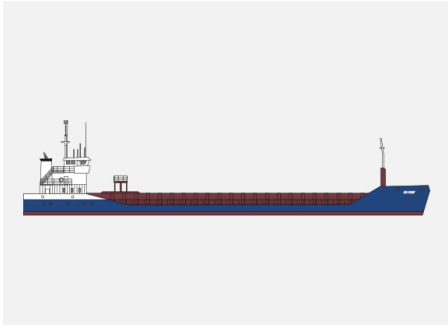
BUILT	TEU
1990	Reefer
LENGTH (M)	WEIGHT (GT)
93	3,625



OWN VESSEL

Langfoss

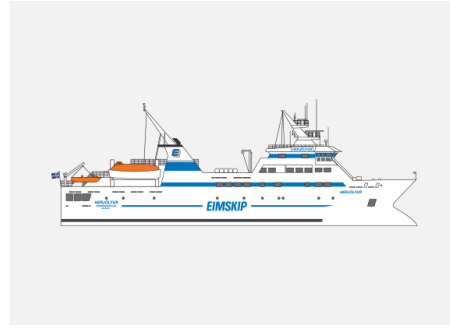
BUILT	TEU
1991	Reefer
LENGTH (M)	WEIGHT (GT)
93	3,625



CHARTERED VESSEL

Saxum

BUILT	TEU
2000	Bulk cargo
LENGTH (M)	WEIGHT (GT)
83	2,301



CHARTERED VESSEL

Herjólfur

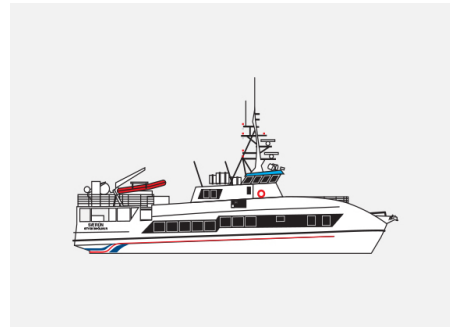
BUILT	TEU
1992	Ferry
LENGTH (M)	WEIGHT (GT)
71	3,354



OWN VESSEL

Baldur

BUILT	TEU
1979	Ferry
LENGTH (M)	WEIGHT (GT)
56	1,677



OWN VESSEL

Særún

BUILT	TEU
1978	Ferry
LENGTH (M)	WEIGHT (GT)
28	194

OPERATIONS AND OPERATING ASSETS

The Company operates terminals in 17 locations in five countries: eight in Iceland, three in the Faroe Islands and three in Norway, two in Canada and one in the USA.

Eimskip owns or operates 16 chilled and cold storage facilities in five countries: Six in Iceland, three in Norway, two in each of the Faroe Islands, Newfoundland and Labrador and one in China. Eimskip also operates 29 warehouses for dry cargo in nine countries: 14 in Iceland, five in the USA, three in the Faroe Islands, two in the UK and one each in Norway, Sweden, Denmark, the Netherlands and Vietnam.

In 2018, Eimskip Norway purchased 51% of the shares in the Company Tromsoterminalen AS which operates a cold store in Tromsø. The Company also purchased 49% shares in the Company Tromsoterminalen Eiendom AS which is currently building a new 20,000 ton cold store in Tromsø.

The Company's container fleet currently consists of around 29,990 TEU. Trucking and distribution services are operated in Iceland, the Faroe Islands, Denmark, the Netherlands and the USA. The Company operates 417 container cranes and forklifts and 792 trucks, vans and trailers.

OPERATIONS AND OPERATING ASSETS



SERVICES

Eimskip has a strong position in the Icelandic market and is known for its excellent service. The Company has a broad customer base and embraces a range of different needs. The Company must continue to offer a wide range of solutions to meet customer requirements and to serve the general public. Streamlining and increased automation must also continue so that the Company remains competitive. Digitalization and transparency are also key elements in the continued development of our services.

Digitalization is affecting and changing the shipping industry. Eimskip will continue to adapt and develop in line with customers' needs in a fast changing technical environment where self-service has become more important. The need to provide easy, fast and reliable transportation services and information has been the main requirement in recent years. Every link in the transportation chain has to work flawlessly so that the Company's front-line employees are able to provide outstanding services. Eimskip's focus on information technology, synergy and the implementation of Robotic Process Automation (RPA) will play a vital role in our journey towards service excellence in the future.

Eimskip's service portal is constantly being developed. The portal enables customers to send in their booking requests and service requests, access invoices and necessary documents online and monitor their orders.

Eimskip's service portfolio also includes the eBOX, a clear and simple, user-friendly solution for smaller shipments from Europe and North America to Iceland. Customers can calculate the price of transportation door-to-door on the web through the eBOX and the Company's transportation system ensures that the shipment arrives in Iceland via the first available vessel.

FORWARDING SERVICES

Eimskip is a niche player in forwarding services. The forwarding services are a network of the Company's own offices and associates worldwide, offering a full range of transportation and logistics services. They include international reefer forwarding and dry cargo forwarding. The main emphasis has been on reefer forwarding, but dry cargo forwarding has grown in recent years.

Forwarding services are transportation solutions that are outside the Company's own operating system but they nevertheless support each other. The international forwarding market is diverse and very competitive. Eimskip has created a global service network in cooperation with various transportation companies all over the world to answer customer demand. This service network is constantly evolving and attracting new customers. Eimskip has built valuable relationships and acquired extensive knowhow in the reefer forwarding trade over the years, both through its other operations and through the acquisition of specialized forwarding companies. The Company focuses on selling forwarding services by utilizing its global network of own offices, associates and international deep-sea lines, and is a specialist in the transportation of temperature-controlled cargo, where seafood products play an important role. The Company also offers forwarding of dry cargo through various logistics solutions worldwide.

Eimskip has been expanding its logistics network in Asia. It has since 2014 been a 30% partner in a joint venture with the Port Authority in Qingdao, China, operating a 50,000-ton cold storage facility in Qingdao. The Port Authority's selection of Eimskip as a partner is an important factor in strengthening the facility's operation and creating new opportunities.

KEY STATISTICS

Eimskip started its forwarding services in Asia by opening an office in Qingdao, China, in 2004, starting out with 4,000 TEU. The Company currently operates eight offices in Asia. For comparison, the forwarding services of the Group handled about 226,800 TEU in 2018.

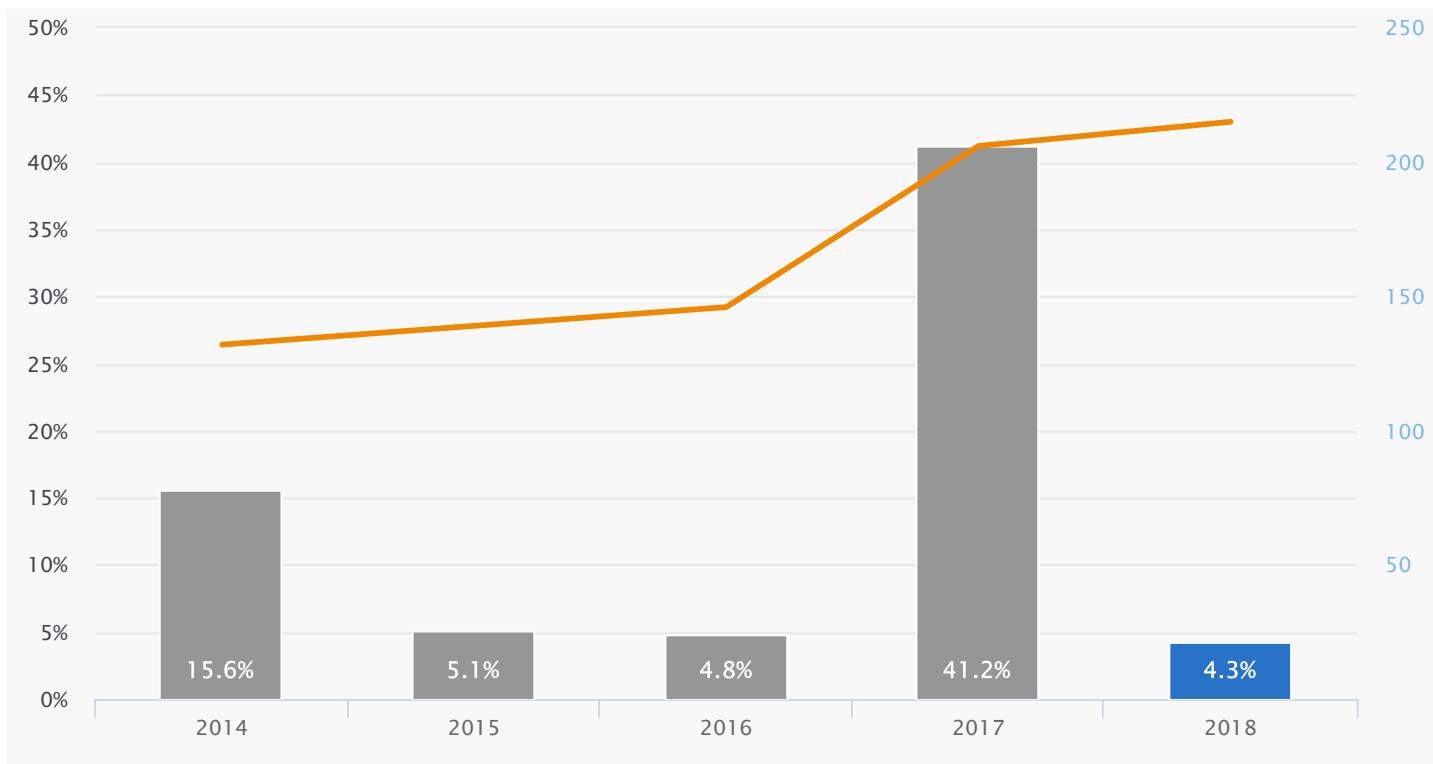
Cargo volume in international forwarding services is dependent on seaborne perishable reefer cargoes in which fish products play the most important role. The volume in reefer forwarding is more stable than in dry cargo forwarding due to reefer cargo being less dependent on economic fluctuations, since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

Forwarding services faced challenges in markets in Europe and Africa, which affected the results in 2018. Revenue amounted to EUR 239.9 million, an increase of 6.4% from the previous year. EBITDA from the forwarding services was EUR 14.2 million, a decrease of EUR 3.4 million or 19.3% from 2017. Forwarding services accounted for 34.8% of the Company's revenue in 2018 and 28.9% of its EBITDA.

Transported volume in Eimskip's forwarding services in 2018, including reefer forwarding and dry cargo forwarding, increased by 4.3% from the previous year. There was strong growth in dry forwarding but reefer forwarding decreased marginally.

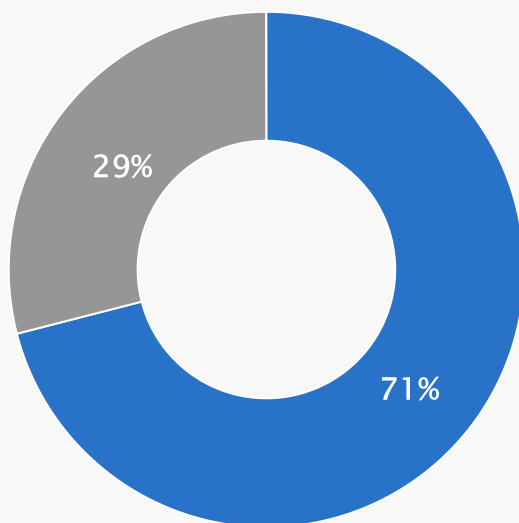
The graph to the left below shows that transported volume in the Company's forwarding services has gradually been increasing in recent years. The compound annual growth rate (CAGR) for the years 2014 to 2018 was 12.9%. The volume index on the right axis is based on the 2010 volume as 100. The graph below on the right shows that 71% forwarding services volume is reefer cargo.

FORWARDING SERVICES VOLUME
Changes from previous year



FORWARDING SERVICES VOLUME
Reefer and dry cargo forwarding

2018



● Reefer ● Dry

GLOBAL NETWORK

Eimskip's global network currently consists of approximately 1,800 employees in 65 offices across 20 countries in Europe, the Americas, Asia and Africa and a worldwide network of associates.

GLOBAL NETWORK





FINANCIAL PERFORMANCE

KEY FINANCIAL HIGHLIGHTS

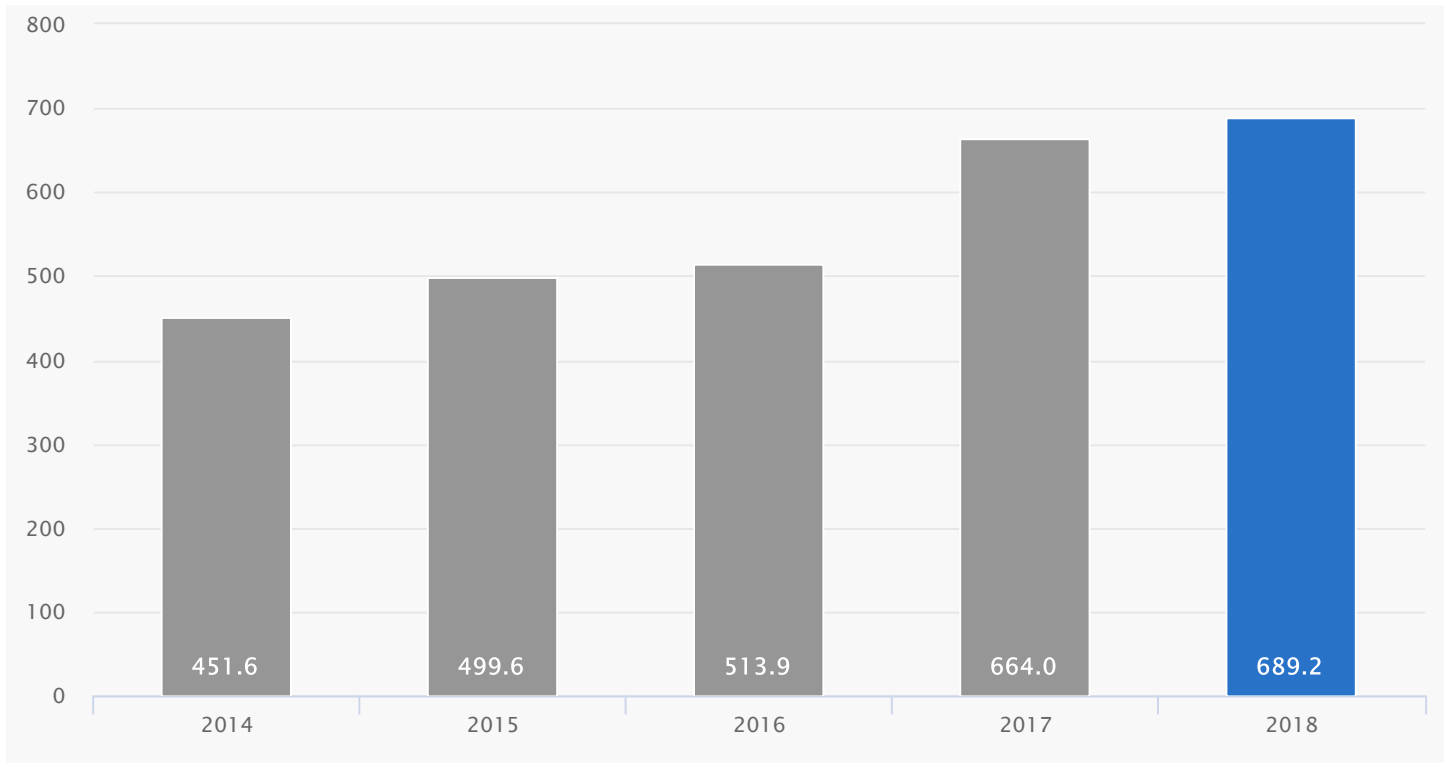
KEY FIGURES

Amounts are in thousands of EUR

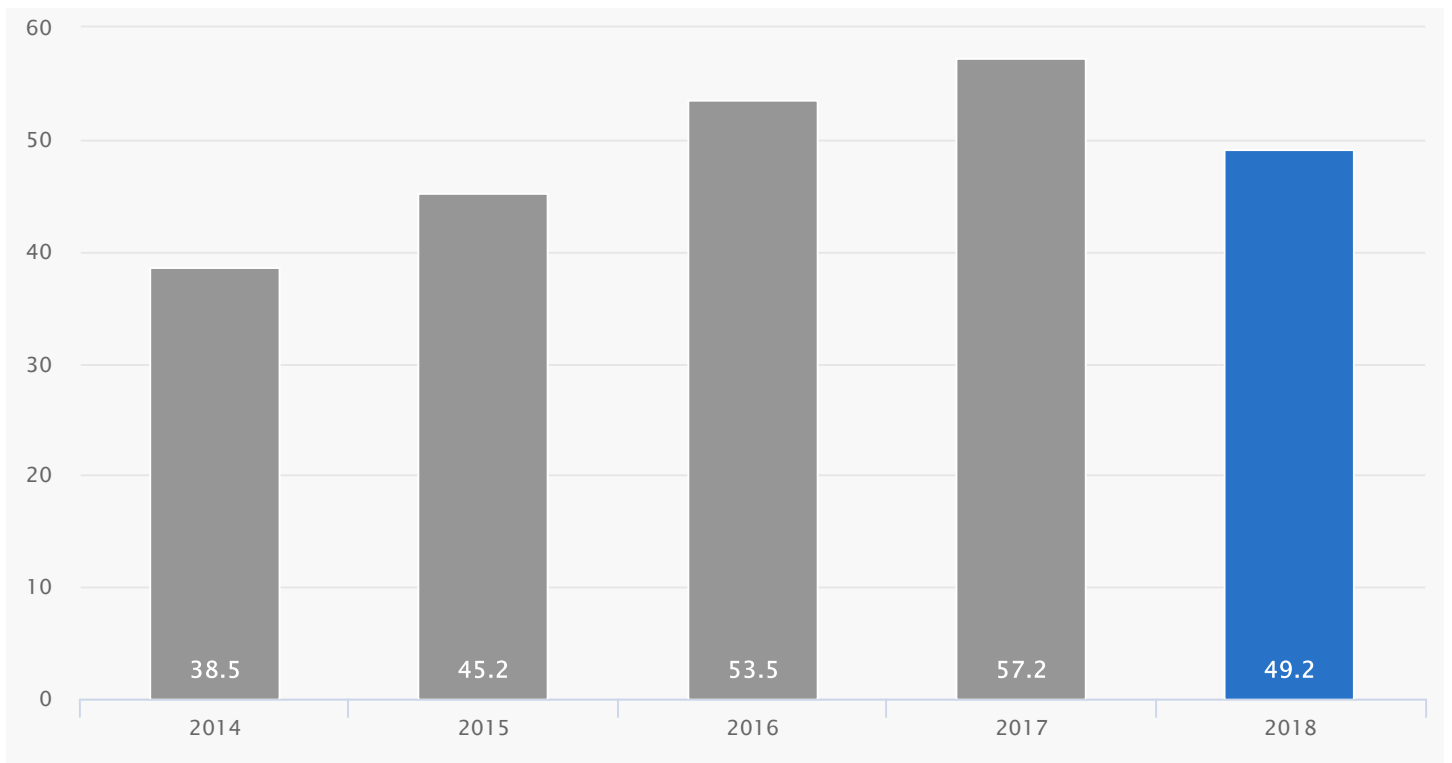
Consolidated Income Statement	2018	2017	Change	2016	2015	2014
Revenue	689,154	663,973	3.8%	513,922	499,581	451,555
Expenses	639,916	606,775	5.5%	460,447	454,384	413,013
Operating profit - EBITDA	49,238	57,198	(13.9%)	53,475	45,197	38,542
Depreciation and amortization	(32,548)	(30,148)	(8.0%)	(28,077)	(24,729)	(23,195)
Results from operating activities - EBIT	16,690	27,050	(38.3%)	25,398	20,468	15,347
Net finance (expense) income	(4,923)	(7,236)	32.0%	(345)	419	591
Share of (loss) earnings of associated companies	(1,753)	(339)	-	210	331	229
Net earnings before income tax	10,014	19,475	(48.6%)	25,263	21,218	16,167
Income tax	(2,612)	(2,671)	2.2%	(3,368)	(3,416)	(2,560)
Net earnings for the year	7,402	16,804	(56.0%)	21,895	17,802	13,607
Earnings per share in EUR	0.0378	0.0885	(57.3%)	0.1148	0.0929	0.0722
Revenue change	3.8%	29.2%		2.9%	10.6%	4.1%
EBITDA ratio	7.1%	8.6%		10.4%	9.0%	8.5%
EBIT ratio	2.4%	4.1%		4.9%	4.1%	3.4%
Net debt / EBITDA	2.80	1.80		0.78	0.78	0.65
Consolidated Statement of Financial Position	31.12.2018	31.12.2017	Change	31.12.2016	31.12.2015	31.12.2014
Assets	486,296	459,515	5.8%	391,691	355,157	332,040
Non-current assets	335,172	313,529	6.9%	253,256	233,280	214,278
Current assets	151,124	145,986	3.5%	138,435	121,877	117,762
Equity	238,926	244,610	(2.3%)	243,775	228,124	216,472
Liabilities	247,370	214,905	15.1%	147,916	127,033	115,568
Non-current liabilities	140,753	117,614	19.7%	64,456	55,550	49,904
Current liabilities	106,617	97,291	9.6%	83,460	71,483	65,664
Interest-bearing debt	159,593	125,984	26.7%	81,149	71,401	64,432
Net debt	137,652	102,815	33.9%	41,606	35,418	24,893
Tangible assets / Total assets	86.0%	85.4%		89.4%	92.6%	94.2%
Equity ratio	49.1%	53.2%		62.2%	64.2%	65.2%
Consolidated Statement of Cash Flows	2018	2017	Change	2016	2015	2014
Net cash from operating activities	29,029	37,420	(22.4%)	48,667	37,357	31,603
Net cash used in investing activities	(51,905)	(75,139)	30.9%	(39,907)	(35,206)	(18,311)
Net cash provided by (used in) financing activities	20,631	22,581	(8.6%)	(4,761)	(5,173)	(572)
Changes in cash and cash equivalents	(2,245)	(15,138)	85.2%	3,999	(3,022)	12,720
Effects of exchange rate fluctuations on cash held	1,017	(1,236)	-	(439)	(534)	449
Cash and cash equivalents at year-end	21,941	23,169	(5.3%)	39,543	35,983	39,539

KEY RATIOS

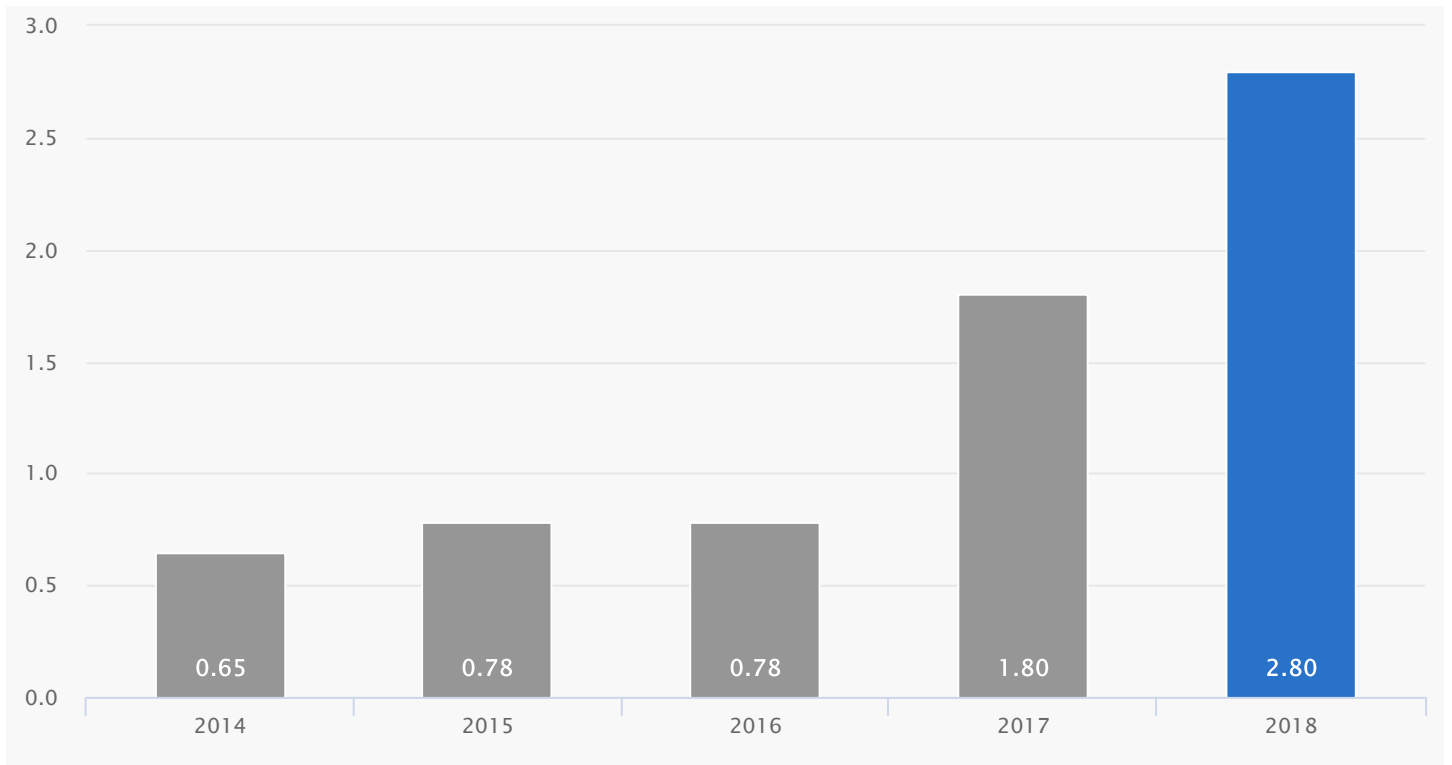
REVENUE
EUR million



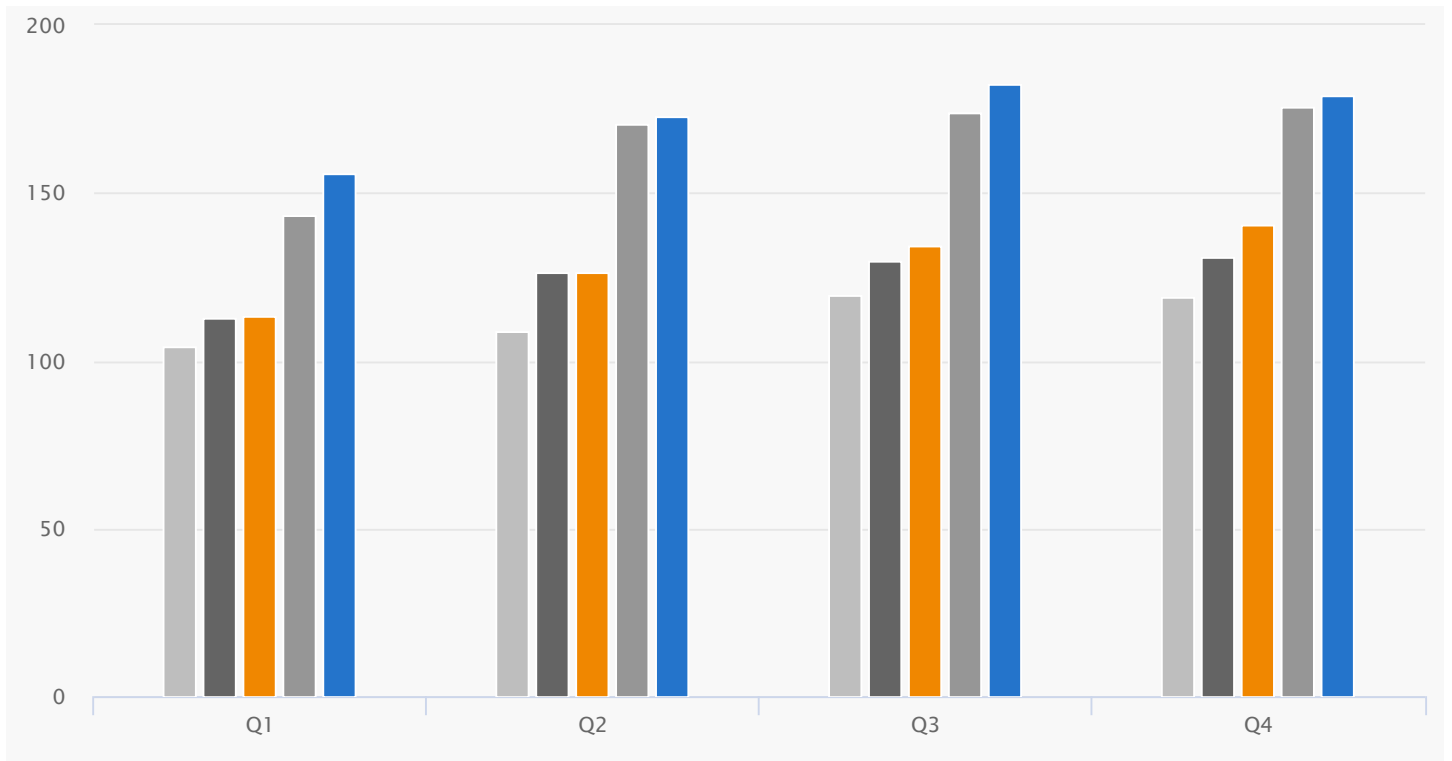
EBITDA
EUR million



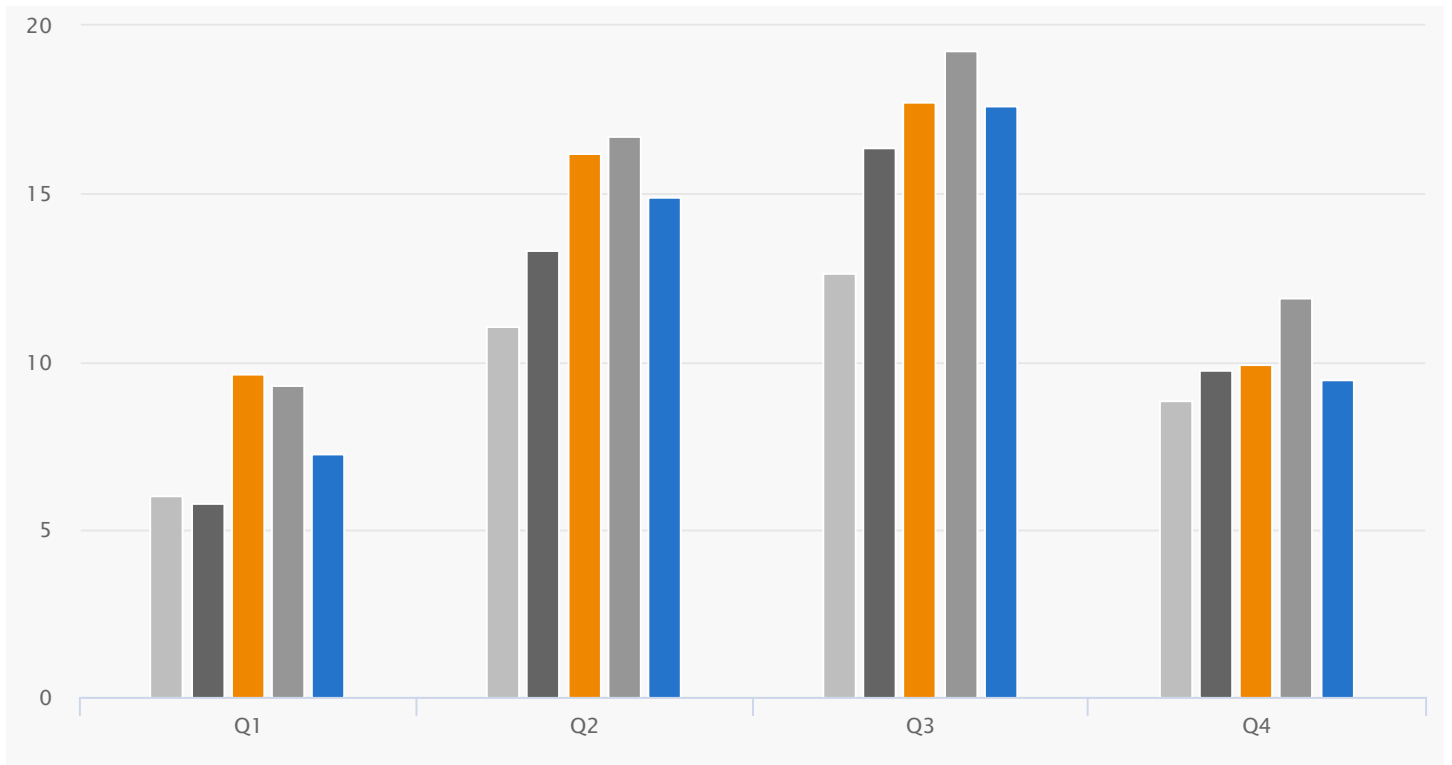
NET DEBT / EBITDA



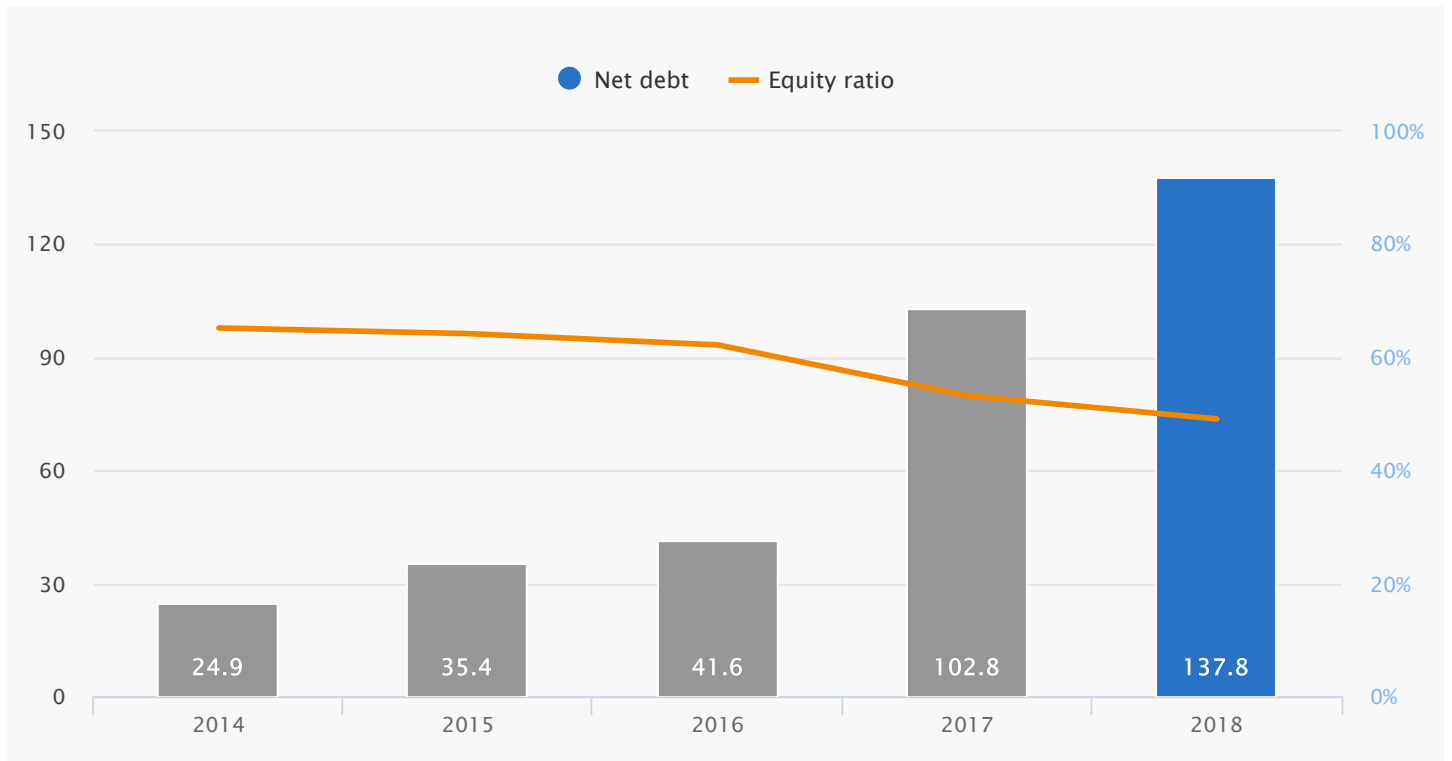
REVENUE BY QUARTER EUR million



EBITDA BY QUARTER
EUR million



NET DEBT AND EQUITY RATIO
EUR million



KEY HIGHLIGHTS

EUR million	2018	2017	Change
Revenue	689.2	664.0	3.8%
EBITDA	49.2	57.2	(13.9%)
EBIT	16.7	27.1	(38.3%)
Net earnings	7.4	16.8	(56.0%)
CAPEX	47.4	61.9	(23.4%)
Net cash from operating activities	29.0	37.4	(22.4%)
Total assets	486.3	459.5	5.8%
Equity ratio	49.1%	53.2%	

A year of challenges

EBITDA results took a downturn in 2018, despite record high volumes and revenue. The Company faced challenges in its reefer liner services in Norway due to a drop in volume and breakdown of vessels. Forwarding services in Europe also took a downturn mainly due to adverse market conditions. At end of 2017 the Company added the third vessel to its Green Line, committing to weekly services between Europe and North-America via Iceland. Volume buildup was slow in the first half of 2018 but gained momentum in the second half of the year bringing container liner services back on track from previous year.

Transported Volume

Volume growth was 4.2% in the Company's North Atlantic liner services from 2017 to 2018, mainly due to strong growth in Trans-Atlantic volumes and exported volume from Iceland, while there was a decrease in volume in the Norway operation. Transported volume in the Company's forwarding services grew by 4.3% from the previous year, which can mainly be attributed to dry cargo transport.

Operational Results

Eimskip's net earnings amounted to EUR 7.4 million in 2018, decreasing by EUR 9.4 million, or 56.0%, from 2017, mainly reflecting EUR 8.0 million downturn in EBITDA results.

Revenue amounted to EUR 689.2 million, compared to EUR 664.0 million in 2017. The revenue increase is mainly explained by volume growth and new acquisitions in the year 2017. In 2018 65% of revenue came from the liner services and 35% from forwarding services.

Expenses for the year amounted to EUR 639.9 million, an increase of 5.5%. Salaries and related expenses amounted to EUR 137.5 million, an increase of 1.4%.

Operating profit, or EBITDA, amounted to EUR 49.2 million compared to EUR 57.2 million in 2017, a decrease of 13.9%. The decrease in EBITDA was mainly driven by three factors, a volume drop and breakdown of vessels in the reefer liner operation in Norway, a downturn in forwarding services in Europe and slower growth than expected in volume on the Company's Green line following a capacity increase at end of 2017. The EBITDA ratio for the year was 7.1% compared to 8.6% in 2017.

Financial Position and Capital Expenditure

Eimskip's balance sheet at year-end 2018 remained solid, with assets amounting to EUR 486.3 million and 49.1% equity ratio. Interest-bearing debt amounted to EUR 159.6 million at year-end, an increase of EUR 33.6 million, and net debt was EUR 137.7 million, or an increase of EUR 34.8 million from the previous year.

Net cash from operating activities amounted to EUR 29.0 million and decreased by EUR 8.4 million or 22.4% from the previous year. Dividends in the amount of EUR 10.4 million, or ISK 1,269.1 million, was paid to shareholders in April 2018. Cash and cash equivalents amounted to EUR 21.9 million at year-end.

Total capital expenditure, or CAPEX, amounted to EUR 47.4 million in 2018. Thereof maintenance CAPEX, including vessel dockings, was EUR 28.4 million. CAPEX in 2017 amounted to EUR 61.9 million, whereof maintenance CAPEX was EUR 23.8 million, including vessel dockings. Net acquisitions in new subsidiaries amounted to EUR 3.5 million in 2018 compared to EUR 18.4 million in the previous year.

CONSOLIDATED FINANCIAL STATEMENTS 2018

Consolidated Financial Statements 2018



INVESTORS

CORPORATE GOVERNANCE

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

Corporate Governance practices are designed to ensure an open and transparent relationship between the Company's management, its Board of Directors, its shareholders and other stakeholders. The Corporate Governance Statement at Eimskip is also designed to ensure sound and effective control of the Company's affairs and a high level of business ethics.

The Board of Directors approved an update of the Corporate Governance Statement for the Company on the 28th of February 2019. The statement declares that Eimskip complies with the accepted practices as stated in the 5th edition of the Corporate Governance guidelines, issued by the Iceland Chamber of Commerce, SA – Business Iceland and Nasdaq Iceland. Eimskip's [Corporate Governance Statement](#) is accessible on the Company's website.

The Corporate Governance guidelines, along with the Company's Articles of Association and rules for issuers of securities listed at Nasdaq Iceland, make up the framework for the Corporate Governance practices for Eimskip.

BOARD OF DIRECTORS

The Company selects five members and two alternate members to the Board of Directors at the Annual General Meeting. Icelandic law stipulates that the gender ratio on the Board of Directors must be as even as possible, ensuring each gender represents no less than 40%. The Board of Directors holds supreme authority between shareholders' meetings. It shall ensure that the Company's organization and operations are in good order. It shall promote the development and long-term performance of the Company and supervise its operations and their conformity with existing laws and regulations. Together with the CEO, the Board takes the initiative on formulating policies and setting goals and risk parameters and has established an active system of internal controls that is verified regularly. The Board handles the recruitment and dismissal of the CEO.

Rules of Procedure for the Board of Directors were adopted in accordance with the fifth paragraph of Article 70 of the Public Limited Companies Act, No. 2/1995 and are supplementary to the [Articles of Association](#). Under the [Rules of Procedure](#), the Board of Directors elects subcommittees that operate on its behalf. The Rules of Procedure are accessible on the Company's website.

BOARD COMMITTEES

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

The principal duties of the Audit Committee are to review all financial information and procedures regarding information disclosure from day-to-day management and the Company's independent auditors and to ensure the independence of the Company's independent auditors. The role and main responsibilities of the Audit Committee are set out in its rules of procedure. Members of the Audit Committee are Philip G. Quinlan, Lárus L. Blöndal and Ólafur Viggó Sigurbergsson.

The role of the Remuneration Committee includes preparing the Company's [Remuneration Policy](#) and ensuring its enforcement and negotiating with the CEO on wages and other employment terms. Eimskip's Remuneration Policy is accessible on the Company's website. The role and main responsibilities of the Remuneration Committee are set out in its rules of procedure. Members of the Remuneration Committee are Hrund Rudolfsdóttir, Baldvin Thorsteinsson and Guðrún Blöndal.

CHIEF EXECUTIVE OFFICER

The Company's CEO is responsible for the day-to-day operations, in accordance with law, regulations and the Company's Articles of Association, and follows the policies and instructions laid down by the Board. The CEO must at all times conduct his/her work with integrity and in the Company's interests. Day-to-day operations do not include matters that are unusual or of great significance. The CEO shall make sure that the Company's accounts are kept in accordance with law and practice and that the Company's assets are kept in a secure manner. The CEO is obliged to abide by all instructions of the Board of Directors and to give the auditor any information requested. The CEO does not have the authority to make decisions concerning any matters that are assigned to others by law or are reserved for the Board under its Rules of Procedure.

EXECUTIVE MANAGEMENT

Eimskip's Executive Management consists of the Chief Executive Officer and the Directors of Finance, Human Resources, Operations, Sales and Marketing, Iceland Domestic Operations and Logistics, and International Operations and Logistics. All the executives have extensive experience within the Company. Further information on the Executive Management is to be found [Organization and Executive Management](#).

INTERNAL CONTROL AND RISK MANAGEMENT

Internal control and active risk management play an important role at Eimskip to ensure stable operations and earnings. The internal control and risk management procedures regarding financial processes are designed to minimize the risk of material misstatements. The Audit Committee monitors the Company's internal control systems. The Risk Management Policy is aimed at minimizing potential negative effects on operations and earnings from marketing, operational and financial activities and to keep risks at acceptable levels. Risk management within the Company is governed by the Board of Directors, while the Audit Committee is responsible for its review on a regular basis. Further information on risk management and risk factors is to be found under [Risk Management and Risk Factors](#).

CORPORATE SOCIAL RESPONSIBILITY

Eimskip is a registered participant of the UN Global Compact, the United Nation's initiative for social responsibility with respect to human rights, labor, environment and anti-corruption. With its participation, the Company has committed to manage its business operations so that the UN Global Compact and its Ten Principles become a part of the Company's strategy, culture and day-to-day operations. The Company has also committed to advocating the UN Global Compact and its Ten Principles through available communication channels and communicating annually on implementation efforts.

Eimskip's Corporate Social Responsibility (CSR) Policy is based on the Nasdaq ESG Reporting Guide, published in March 2017. The Nasdaq voluntary reporting guide focuses on 33 environmental, social and governance (ESG) performance indicators.

Further information on Eimskip's social responsibility and its CSR Policy is to be found under [Corporate Social Responsibility](#).

CODE OF CONDUCT

The Board of Directors approved a revision of the Company's Code of Conduct in February 2018. The Code of Conduct is closely linked to the Company's values: Achievement, Cooperation and Trust. The Code is also based on Eimskip's aim to secure good return for shareholders with profitable growth, create value for customers with outstanding solutions and services, provide an outstanding workplace for employees with great team spirit and ambition and show concern for society by endorsing social responsibility and reducing its ecological footprint.

Eimskip's Code of Conduct focuses on Human Resources, the Market and on Social Responsibility. It includes the Company's Human Rights Policy and its Anti-Corruption and Bribery Policy. The [Code of Conduct](#) is accessible on the Company's website.

SHAREHOLDER INFORMATION

SHARE CAPITAL

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

The total number of Eimskip's shares is 187,000,000. Each share has a nominal value of ISK 1.00 and entitles its holder to one vote. The Company holds 360,770 shares in treasury, corresponding to 0.2% of the total issued share capital of the Company and the number of outstanding shares is 186,639,230. There were 703 shareholders at the end of 2018.

SHARES OWNED BY A1988 HF.

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

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

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

In March 2014, Eimskip received 7,441,950 shares from A1988 hf. The shares corresponded to 3.7% of total share capital in Eimskip. A1988 hf. still holds 1,000,000 shares, corresponding to 0.5% of total share capital in Eimskip.

LARGEST SHAREHOLDERS

Three of Eimskip's shareholders each owned over 10% in the Company at the end of 2018. Samherji Holding ehf. owned 27.1% of issued share capital. Lífeyrissjóður verzlunarmanna owned 14.9% and Gildi – lífeyrissjóður was the third largest with 12.4%. The 20 largest shareholders held 91.7% of the total shares at year-end 2018.

20 LARGEST SHAREHOLDERS
As at 31 December 2018

Shareholders	Shares	%
1. Samherji Holding ehf.	50,600,000	27.1%
2. Lífeyrissjóður verslunarmanna	27,785,070	14.9%
3. Gildi - lífeyrissjóður	23,116,139	12.4%
4. Lífeyrissj.starfsm.rík. A-deild	12,070,000	6.5%
5. Stapi lífeyrissjóður	9,231,897	4.9%
6. Global Macro Absolute Return Ad	8,699,370	4.7%
7. Birta lífeyrissjóður	8,441,706	4.5%
8. Lífeyrissj.starfsm.rík. B-deild	4,693,700	2.5%
9. Global Macro Portfolio	4,274,170	2.3%
10. Almenni lífeyrissjóðurinn	3,611,558	1.9%
11. Festa - lífeyrissjóður	3,588,414	1.9%
12. The Wellington Trust Company Na	3,422,871	1.8%
13. Söfnunarsjóður lífeyrisréttinda	2,761,188	1.5%
14. IS Hlutabréfasjóðurinn	2,139,033	1.1%
15. Frjálsi lífeyrissjóðurinn	1,771,977	0.9%
16. Pacific Select Fund-Global Abso	1,684,100	0.9%
17. The Wellington Trust Company Na	1,052,146	0.6%
18. A1988 hf.	1,000,000	0.5%
19. Lífeyrissjóður Vestmannaeyja	825,000	0.4%
20. Lífsverk lífeyrissjóður	808,500	0.4%
20 largest shareholders total	171,576,839	91.7%
683 other shareholders total	15,062,391	8.1%
Eimskipafélag Íslands hf. - treasury shares	360,770	0.2%
703 shareholders total	187,000,000	100.0%

DISTRIBUTION OF SHARES
As at 31 December 2018

Shareholding	Number of shareholders	%	Number of shares	%
1 - 5,000	475	67.7%	1,000,371	0.5%
5,001 - 10,000	57	8.1%	458,347	0.2%
10,001 - 100,000	112	16.0%	3,859,650	2.1%
100,001 - 200,000	23	3.3%	3,402,446	1.8%
200,001 - 1,000,000	18	2.6%	8,975,077	4.8%
1,000,001-10,000,000	13	1.9%	55,372,130	29.6%
10,000,001 +	4	0.6%	113,571,209	60.7%
Total without treasury shares	703	100.0%	186,639,230	99.8%
Treasury shares			360,770	0.2%
Issued shares total			187,000,000	100.0%

SHARE PRICES 2018 and 2019



SHARE PRICES AND MARKET CAPITALIZATION

The price of Eimskip's shares in the IPO in 2012 was ISK 208.0 and the closing price on the first day of trading was ISK 225.0. As shown on the above graph of share prices in 2018 and 2019, there have been some fluctuations during the period. The closing price of the year 2018 was ISK 228.0 which represented Eimskip's market capitalization based on outstanding shares at year-end 2018 in the amount of ISK 42.6 billion, the equivalent of EUR 320.0 million.

The closing price of Eimskip's shares on 15 March 2019 was ISK 182.0 per share with market capitalization based on outstanding shares in the amount of ISK 34.0 billion, equal to EUR 255.0 million.

DIVIDEND POLICY

The policy of Eimskipafélag Íslands hf. is to pay annual dividend that equals an amount in the range of 10-65% of net earnings. Decisions on dividend payment, and the exact amount, are subject to the Company's future investment plans, market outlook and satisfactory capital structure at any given time. The [dividend policy](#) is accessible on the Company's website.

Eimskip paid dividends in the amount of ISK 6.8 per share on 18 April 2018. Total dividend payments amounted to ISK 1,269.1 million which represented 61.0% of net earnings for the year 2017. The paid dividend was equivalent to EUR 10.4 million.

The Board of Directors proposed to the Annual General Meeting 2019 a dividend payment of ISK 3.50 per share in 2019, amounting to a total of ISK 653.2 million or EUR 4.8 million, which represents approximately 64.8% of net earnings for the year 2018.

INVESTOR RELATIONS POLICY

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

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

OTHER SHAREHOLDER INFORMATION

Eimskip's [Investor Relations](#) website provides information for investors, market participants and others. The website contains information about the Company, such as Corporate Governance documents, financial reports and presentations, Annual Reports, documents relating to Annual General Meetings, a general presentation on Eimskip, share information, news releases and investor contacts.

RISK MANAGEMENT AND RISK FACTORS

RISK MANAGEMENT

Risk management is the process of analyzing and assessing the risk factors, which could prevent the Company from achieving its set goals. It also includes any necessary remedial action to minimize the anticipated effects of such risk factors.

Eimskip's internal control and risk management procedures regarding financial processes are designed to minimize the risk of material misstatements. The Company does not have an internal audit function, but it uses internal control systems that are monitored by the Audit Committee.

An independent auditing firm is elected at the Annual General Meeting each year. The auditors are supposed to review the Company's accounting records and material related to the Company's operations and financial position and they are to have access to the Company's books and documents at all times. They must examine the Company's consolidated financial statements in accordance with international standards on auditing. Significant findings regarding accounting and internal control deficiencies are reported to the Board of Directors through the Audit Committee. Independent auditors are not allowed to own shares in the Company.

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

Active risk management plays an important role at Eimskip ensuring stable operations and earnings. The risk management policy aims to minimize potential negative effects on operations and earnings from marketing, operational and financial activities and to keep risk at acceptable levels.

The Board of Directors regularly communicates with the CEO regarding the identification of, description of and response to business risks potentially faced by the Company. 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 strategy. The Company's risk exposure is discussed at Board meetings and its risk management and risk factors are discussed in the Annual Report.

Eimskip monitors its financial risk factors and has defined treasury policies and procedures which sets acceptable risk limits and stipulates how to identify, measure and manage financial risk exposure. The Company has a financial reporting and internal control manual to which the group reporting entities must adhere to.

RISK FACTORS

Detailed information about risk factors, presented as of the date of the Company's Prospectus, 22 October 2012, can be found in Chapter 1 of the Registration Document, which is a part of the Prospectus. [The Prospectus](#) is accessible on the Company's website.

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

MARKET RISK

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

OPERATIONAL RISK

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

FINANCIAL RISK

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

Some of the financial risk factors are addressed as follows.

CURRENCY RISK

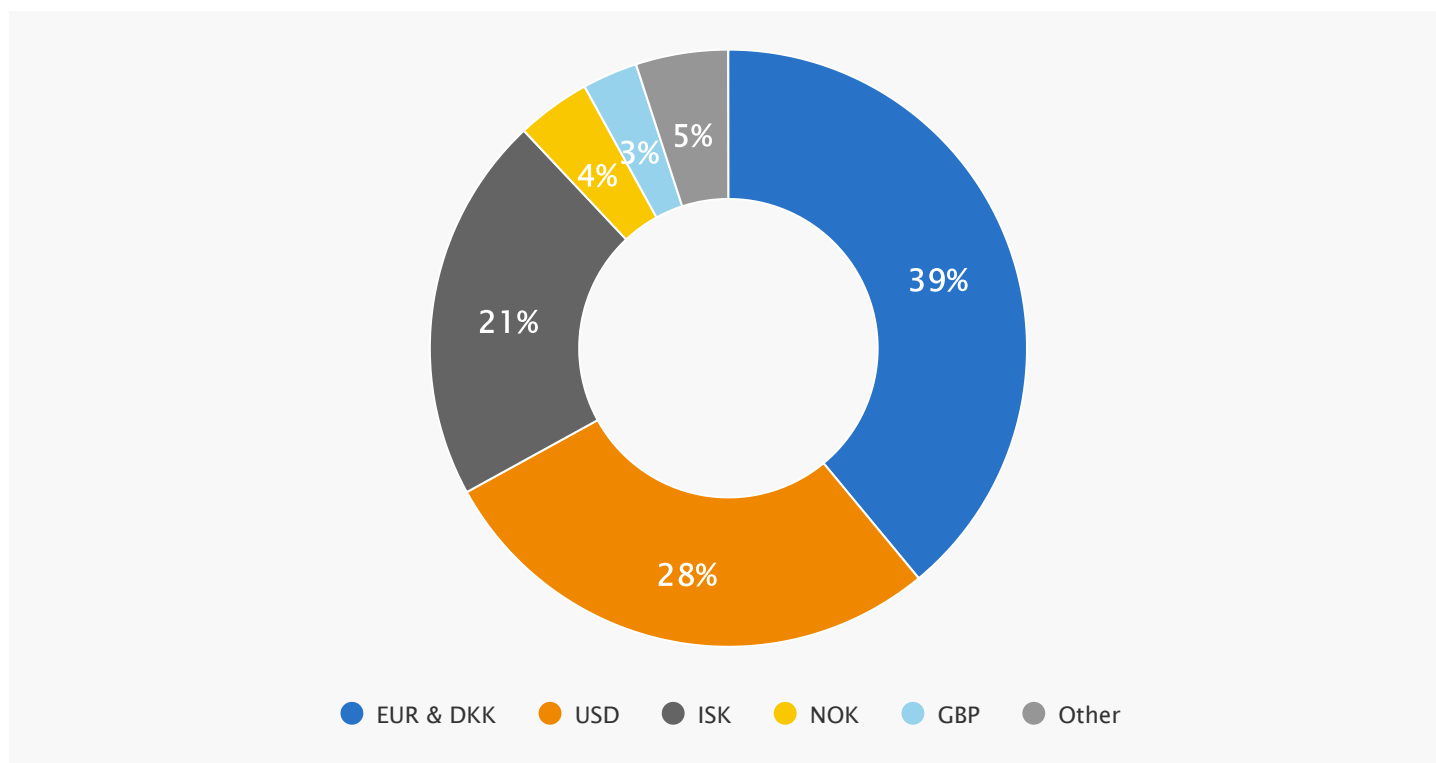
Eimskip is exposed to currency risk on sales, expenses and borrowings that are denominated in currencies other than the functional currencies of the Company and its entities. The majority of the Company's revenue and assets, and of its obligations and interest-bearing debt, are denominated in currencies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

As can be seen from the graphs below, the revenue and expenses of Eimskip provide, to a certain degree, a natural currency hedge. The Company believes that the natural currency balance of its operations provides hedging and is investing in some external hedging instruments, such as derivatives. When planning for large investments in a non-EUR currency, due consideration is given to whether hedging is prudent. Decisions on this are made on a case-by-case basis.

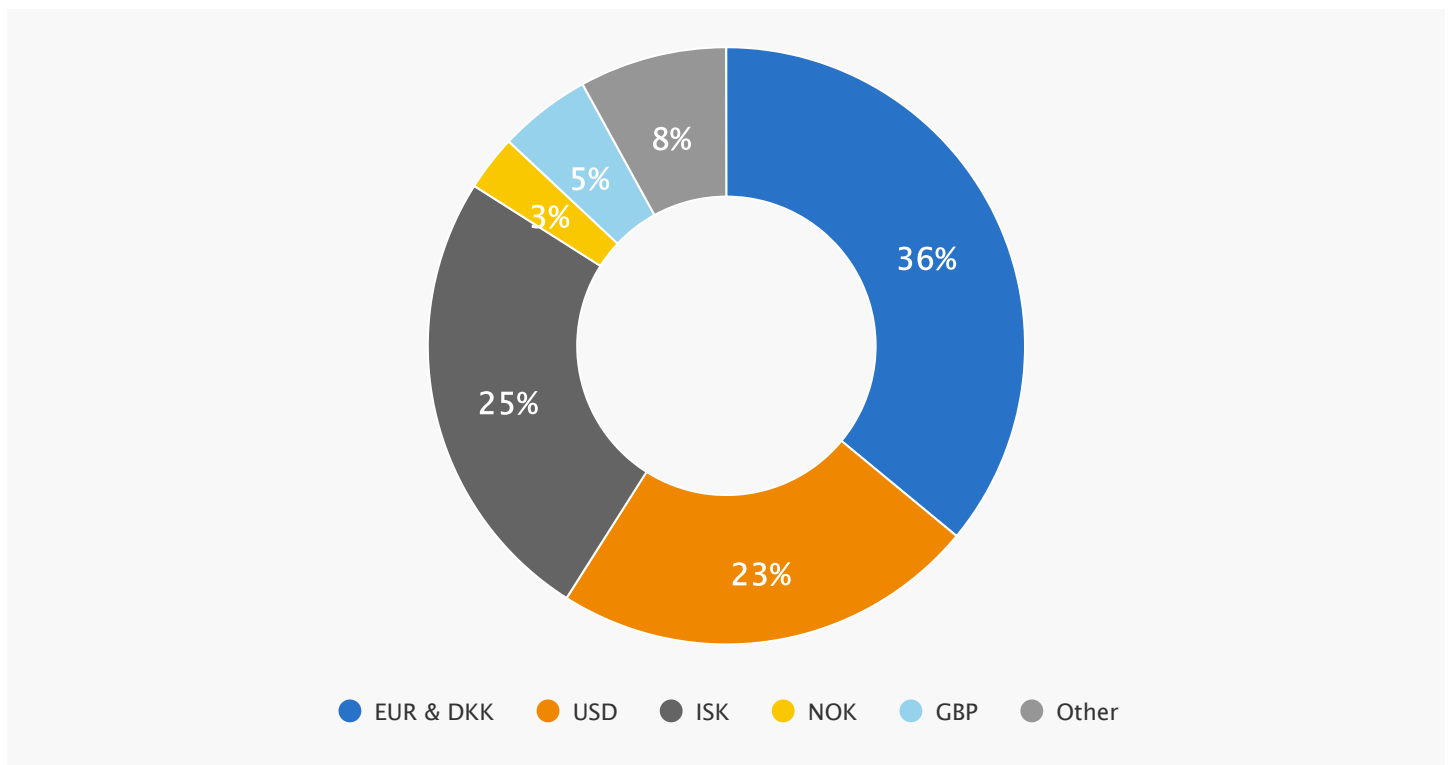
Assets and liabilities in the balance sheet are mostly denominated in EUR or the relevant operating currency of the entities. The mismatch of other non-operating currencies on the balance sheet is mainly related to the USD, as is shown in a table under note 19 in the Consolidated Financial Statements 2018.

Revenue 2018

REVENUE 2018



EXPENSES 2018



ACCESS TO CREDIT RISK

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

INTEREST RATE RISK

Interest rate risk is the risk borne by an interest-bearing liability, such as a loan or a bond, due to variability of interest rates. Eimskip's interest rate risk exposure is due to its debt and lease liabilities, which are mainly denominated in EUR. The Company's long-term debt is primarily based on floating interest rates and consequently Eimskip is exposed to fluctuations in the general level of interest rates. However, the Company's current funding structure limits to some extent risk against an increase in interest rates. The Company currently holds an interest rate swap to fix its interest rates denominated in the USD. Its interest rate exposure is carefully monitored and reviewed in line with interest rate developments on financial markets. For further information on Eimskip's nominal interest rates, reference is made to note 17 in the Consolidated Financial Statements 2018.

LIQUIDITY RISK

Eimskip has liabilities and obligations which arise over time and the Company may not have the liquidity to meet its liabilities as they fall due. Eimskip's approach to managing liquidity, i.e. cash on hand or short-term marketable securities, is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. For further information on liquidity status, reference is made to note 19 in the Consolidated Financial Statements.

CREDIT RISK

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

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

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

In spite of these precautionary measures, a general downturn in financial markets and economic activity may result in a higher volume of late payments and outstanding receivables. Eimskip's sales will depend on the financial position of its counterparties and there can be no guarantee that the financial position of the Company's customers and other contract parties will be sufficient to honor their obligations under their contracts with the Company. Even though the Company seeks to recover all

outstanding receivables, the amounts of write-offs may increase. Trade and other receivables of Eimskip amounted to EUR 124.1 million at the end of 2018, which represents 18.0% of the Company's revenue.

FUEL PRICE RISK

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

Fuel costs accounted for 6.7% of Eimskip's expenses in 2018. The Company is exposed to fluctuations in the price of crude oil and oil products. In order to minimize its exposure to fluctuations in oil prices, the Company adds a surcharge to its prices, commonly referred to as the Bunker Adjustment Factor (BAF) and the Bunker Adjustment Trucking (BAT) depending on the oil prices at the time of transport. The Company is also investing in some hedging instruments to minimize further the fuel price risk. The BAF, BAT and other pricing adjustments compensate for approximately 80% of Eimskip's risk relating to fluctuations in oil prices. However, significant increases in oil prices could lead to downward pressure on the Company's tariffs from its customers.

Majority of Eimskip's sailing routes lie through Emission Control Areas (ECA). Within ECA shipping companies are obliged to use fuel with a sulphur content no higher than 0.1%, which is more expensive than fuel with higher sulphur content. In order to compensate for the higher cost, the Company charges its customers a Low Sulphur Surcharge (LSS).



CORPORATE SOCIAL RESPONSIBILITY

EIMSKIP AND SOCIAL RESPONSIBILITY

Eimskip was established in Reykjavík in 1914 and has since then connected Iceland and the rest of the world with its transportation services. The Company has played an important role in Iceland's history and the fight for its independence. It realizes its responsibility and is committed to maintaining its presence and services.

The Company operates an efficient and responsible transportation system in the North Atlantic and offers worldwide forwarding services. Its mission is to be a leading transportation company in the North Atlantic with connections to international markets and to specialize in worldwide freight forwarding services. Eimskip's vision is excellence in transportation solutions and services.

To attain this, Eimskip strives to provide its customers with the most efficient and sustainable transportation solutions combined with outstanding services, while securing a good return for its shareholders and being responsible towards its employees and society, including the environment.

Eimskip defines society as one of its stakeholders. Other stakeholders are the Company's shareholders, customers and employees. Corporate social responsibility plays a large role in its operations and environmental matters are important. Eimskip's values are Achievement, Cooperation and Trust. These are the employees' guiding principles in the Company's endeavour to work for a better society, preserve and protect the environment and to be a role model when it comes to responsibility and trust.

Eimskip signed the Reykjavík Declaration on Climate Issues in November 2015. Eimskip was also one of many companies that signed a joint declaration on responsible tourism in 2017.

Eimskip wants to contribute to a better and safer society wherever it operates and responsibility towards the community is an integral part of its corporate responsibility policy. Eimskip supported a variety of community projects and non-governmental organizations in 2017. The Company gave priority to improving sea safety, supporting environmental projects, charities, sporting activities, culture and innovation and, last but not least, projects centered on youth and children.

The Company is especially proud of its bicycle helmet project, which began in 2004 in cooperation with Kiwanis. The Company has given all six-year-old children in Iceland bicycle helmets and safety reflectors to contribute to youth safety. Eimskip has given helmets to about 69,600 children.

In 2018, Eimskip continued working on Corporate Social Responsibility. The Company focused on implementing the Company's CSR policy within the group and on developing CSR measurements and goals. We also worked to further reduce the Company's ecological footprint.

Eimskip is a registered participant of the UN Global Compact, the United Nation's initiative for social responsibility with respect to human rights, labor, environment and anti-corruption. The Company has committed to manage its business operations so that the UN Global Compact and its Ten Principles become a part of the Company's strategy, culture and day-to-day operations.

CORPORATE SOCIAL RESPONSIBILITY POLICY

Eimskip's Corporate Social Responsibility (CSR) Policy is based on the Nasdaq ESG Reporting Guide, published in March 2017. The Nasdaq voluntary reporting guide focuses on 33 environmental, social and governance (ESG) performance indicators. Eimskip's CSR policy focuses on the environment, society and governance.

CORPORATE SOCIAL RESPONSIBILITY

Eimskip has for over a century offered reliable transportation services and the Company's vision is to reach excellence in transportation solutions and services. Eimskip focuses on creating shared value for its shareholders, customers, employees, society and other stakeholders.



ENVIRONMENT

Eimskip respects its environment and seeks to limit its impact on the ecosystem and reduce its environmental footprint.



SOCIETY

Eimskip offers employees equal opportunities in a safe and healthy working environment and endeavors to be a good corporate citizen, recognizing its responsibility to work in partnership with the communities in which it operates.



GOVERNANCE

Eimskip strives to ensure open and transparent relationship between the company's management, its Board of Directors, its shareholders and other stakeholders.

Eimskip's measurements in accordance with the [ESG guidance](#) from Nasdaq is accessible on the Company's website.

ENVIRONMENT

DECLARATION ON CLIMATE ISSUES

The world is becoming increasingly aware of the negative impact that the use of fossil fuels has on nature. Global warming, ozone-layer depletion, and acid rain are just some of the consequences of fossil fuel consumption. The United Nations has led an international campaign to set goals for sustainable development and combat climate change for decades. They provide the necessary framework for all communities, large and small, to take action. A vital part of that program was the Paris Climate Conference, held in 2015, otherwise known as COP21. The aim of the conference was to unite the world in keeping global warming below 2°C.

Iceland bases a large part of its economic foundation on harvesting natural resources from the ocean in a sustainable way. The changes associated with global warming and pollution of the ocean leave all the key components of its modern economy utterly exposed, in addition to threatening the quality of life for future generations. To support global and local environmental initiatives, Eimskip signed the Reykjavík Declaration on Climate Issues in November 2015. The agreement includes reducing greenhouse gas emissions, reducing waste, monitoring the results of these measures, and regularly reporting this information.

Eimskip decided to use advanced software technology and change management to enable the Company to meet future environmental challenges related to environmental compliance, energy and waste efficiency, and knowledge dissemination.

The Company's environmental management solution is a digital data collection and environmental compliance solution, covering the energy and waste management of the vessel fleet, truck fleet, terminal assets, warehouses, and office space for Eimskipafélag Íslands hf., Eimskip Ísland ehf. and Faroe Ship. The solution is based on digital platform technology, connecting the Company digitally to its supply chain and to its customers. The software company Klappir Green Solutions works with Eimskip on smart environmental management and certifies its environmental management solutions.

Eimskip has developed a carbon calculator for both sea and land transport as an environmental service to its customers. The carbon calculator and the Company's Environmental Report are accessible on the Company's website.

Eimskip will continue focusing on reduced emissions and improved waste disposal, and, at the same time, increase the transparency of its ecological footprint throughout the supply chain. The focus in 2019 will be on the continued monitoring of emissions and waste from the supply chain by collecting electronic data from all emitting sources and streaming it automatically to a common data warehouse. Digitalization of emission and waste-registration data from the supply chain enables continuous monitoring of measures and provides reliable and transparent information on the status. In January 2017, Eimskip signed a contract with a shipyard in China on the manufacture two 2,150 TEU ice class Polar Code container vessels, with expected delivery next fall. These vessels are built in line with environmental standards and are designed to be fuel-efficient.

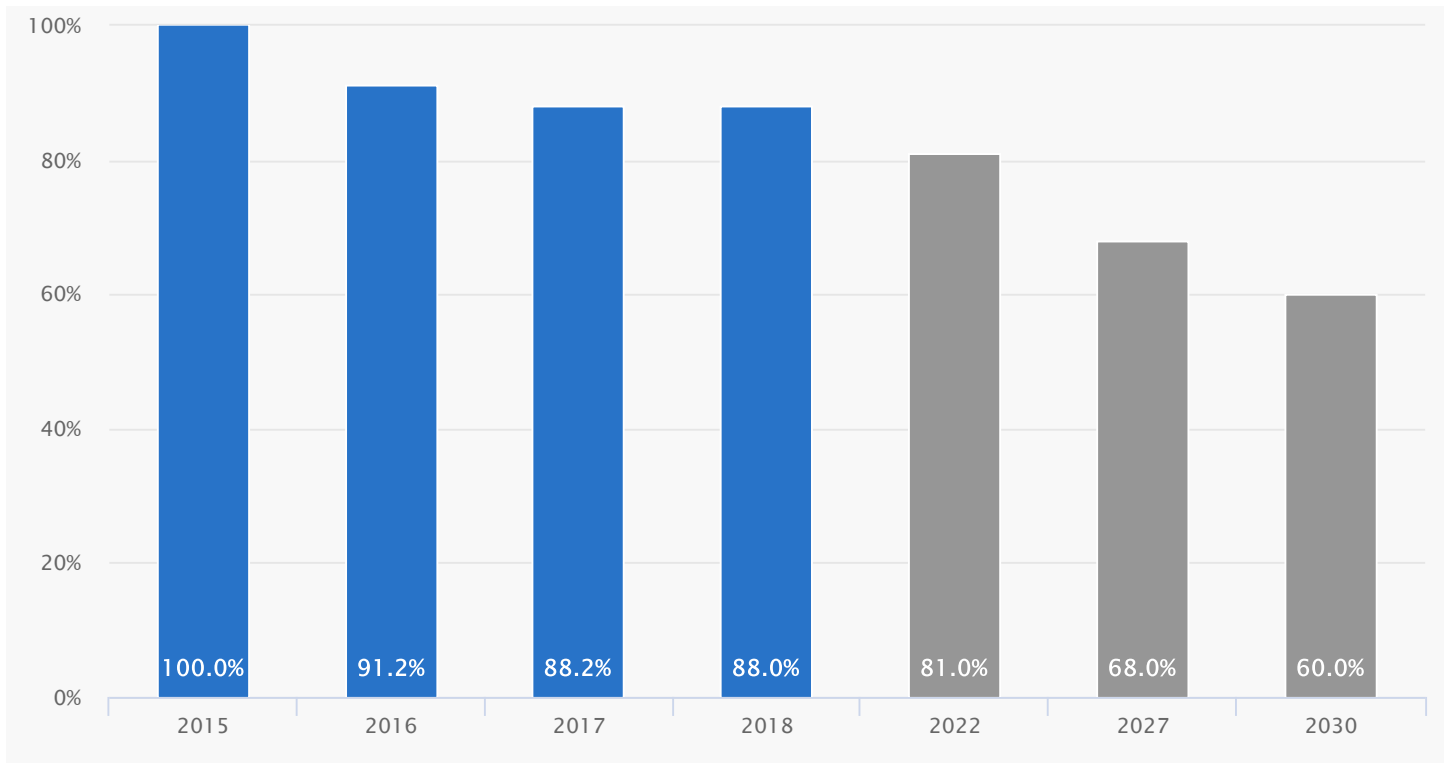
CARBON FOOTPRINT

Eimskip defines its ecological footprint as a combination of carbon footprint and waste disposal. The operation of the Company's vessels is the main contributor to its carbon footprint.

The Company respects the environment and recognizes the effects that climate change could have on society and its business activities and the need for a low-carbon economy. Minimization of the environmental load from its operations focuses on achieving full clarity regarding emissions and waste from each emitting source in the supply chain. To make this possible, use of data and analytics was stepped up in 2016 and the biggest steps yet made in 2018, giving Eimskip a better overview of its ecological footprint and reduction opportunities.

The calculation of the Company's carbon footprint is presented in the graph below, which shows accumulated results of carbon intensity per ton of transported units, compared to the base year 2015.

CARBON INTENSITY PER TON OF TRANSPORTED UNITS
Accumulated results compared to the base year 2015



The accumulated reduction of Eimskip’s carbon footprint in the year 2018 was 12%, compared to the base year 2015, calculated per ton of transported units. The Company’s aim is to further reduce its footprint in the coming years, with a goal of 19% accumulated reduction in 2022 (compared to the base year 2015), 32% in 2027 and 40% accumulated reduction in 2030. This goal of total reduction is compatible with Iceland’s decision to join the European Union and Norway in their common goal of 40% reduction of emissions by 2030.

ENVIRONMENTAL POLICY AND AIMS

In 1991, Eimskip became one of the first companies in Iceland to establish an environmental policy. Since then, challenges in this field have developed rapidly and the transportation industry, as well as others, realizes how important environmental issues are for the world today.

ENVIRONMENTAL POLICY

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

Much has been accomplished since 1991, and Eimskip continues to take further steps towards improving its environmental performance and aligning to global and international initiatives.

EIMSKIP HAS THE FOLLOWING ENVIRONMENTAL AIMS:

- Identify and control potential environmental risks posed by the Company’s operations
- Manage the Company’s operations according to applicable laws, regulations, and international conventions
- Recycle and minimize waste
- Improve energy efficiency of the Company’s vessels
- Improve energy efficiency of the Company’s fleet of trucks and other equipment
- Work on savings and improving efficiency in energy consumption on the Company’s premises
- Set yearly goals on environmental issues
- Provide employees and customers with regular training on environmental issues

IDENTIFY AND CONTROL POTENTIAL ENVIRONMENTAL RISKS POSED BY THE COMPANY’S OPERATIONS

All the Company’s vessels are operated according to a certified Safety Management System complying with the ISM (International Safety Management) code. This includes environmental risk assessments and applicable procedures to control and mitigate environmental risks as carefully as possible. It also includes emergency procedures for each vessel and the office to ensure proper response to incidents that potentially could harm the environment.

Eimskip operates a loss prevention team. One of its tasks is to monitor and identify potential environmental risks anywhere inside the Company and with regard to its operations and to highlight them to the applicable managers and/or employees.

MANAGE THE COMPANY'S OPERATIONS ACCORDING TO APPLICABLE LAWS, REGULATIONS, AND INTERNATIONAL CONVENTIONS

New rules will come into effect on January 1st 2020, regarding Sulphur emissions from vessels in international waters. The rules oblige shipping companies to use fuel with a Sulphur content of no more than 0.5% in international waters.

Eimskip's ambition is to be a leading transportation company in the North Atlantic and a leader in responsibly fulfilling global environmental requirements. The new regulation is intended to have a positive effect on the environment. Eimskip will meet those new regulations by installing scrubbers in the new vessels, currently under construction in China. "Lagarfoss" will also have scrubber installed.

RECYCLE AND MINIMIZE WASTE

For many years, Eimskip has categorized and recycled the majority of waste from its operations. In recent years, the focus has been on recycling waste as far as possible, and this will continue.

According to MARPOL Annex V, all vessels are to have a garbage management plan and a garbage record book. To further improve the monitoring, recycling, and reporting, Eimskip digitized the garbage log and started streaming the data to the environmental data warehouse in 2016. The solution was further developed in 2017, with digitalization of MARPOL Annex I and MARPOL Annex VI. Through this, waste has become a part of the supply chain footprint calculation and analytics. This also increases the possibility of further creating value from the waste.

IMPROVE ENERGY EFFICIENCY OF THE COMPANY'S VESSELS

As a front-runner in the industry, Eimskip started to explore the use of new energy management technologies in 2005, with the intention of increasing the energy efficiency of its fleet. Energy management solutions in shipping were new at the time and the technology was in its infancy. Today, energy efficiency is an integrated part of the operation of the vessel fleet. Based on the positive results, Eimskip will continue to improve energy efficiency and decrease the environmental impact of its vessels.

IMPROVE ENERGY EFFICIENCY OF THE COMPANY'S FLEET OF TRUCKS AND OTHER EQUIPMENT

Eimskip operates about 144 trucks in Iceland, which are connected to a monitoring system for improved energy efficiency.

The Company operates mobile harbor cranes connected directly to external electrical power at three of the Company's terminals in Iceland: Reykjavik, Grundartangi, and Reyðarfjörður on the east coast. They were made by Konecranes/Gottwald and were originally designed to be able to run either on diesel engines or by being connected to an external, electrical power supply. The cranes use 1.2 MW power at 11 KV, which is similar to the requirements of a village of 500 to 700 inhabitants. Their operation is environmentally-friendly since they produce no emissions when running on electrical power. By operating cranes with electricity, Eimskip reduces carbon dioxide (CO₂) by 340 metric tons per year. This amounts to what a 17-hectare forest is able to bind on an annual basis. In addition, pollution from noise and dust is reduced at the terminals. Five harbor cranes were taken into operation 2015 to 2017 and three of them are fitted for an external, electrical power supply. In 2019, the rail mounted STS crane in Reykjavik from 1984 will be replaced with another STS crane running on 11kV external power when the terminal moves to a new quay.

WORK ON SAVINGS AND IMPROVING EFFICIENCY IN ENERGY CONSUMPTION ON THE COMPANY'S PREMISES

Most of the Company's premises and storage facilities use electricity for lighting and operation of refrigeration systems and electrical loading stations. The harbor lighting also consumes electrical power. The focus of 2016 and 2017 was to obtain full transparency regarding electrical power consumption and its distribution between various consumption units by streaming power data into the environmental database for analytical purposes, the aim being a further reduction of energy use.

SET YEARLY GOALS ON ENVIRONMENTAL ISSUES

In 2015, Eimskip decided to take a vast step forward in improving its overview of its ecological footprint by implementing its own electronic Environmental Management System using data analytics and connectivity solutions. This allows the Company to link together various categories of data collected from the entire supply chain. Crews and office personnel are now provided with high-quality information on environmental performance in a user-friendly format.

Eimskip's Environmental Management System utilizes the data collected from the various data sources in the supply chain. The system employs in-built predictive analytics, data preparation, and user dashboards. This supports monitoring of the footprint throughout the supply chain, including all users, and indicates where improvements are needed. Data from the entire fleet is now streamed into one Company-designed data warehouse. Other emitters, including trucks and electrical power users, were also connected to the data warehouse in 2016.

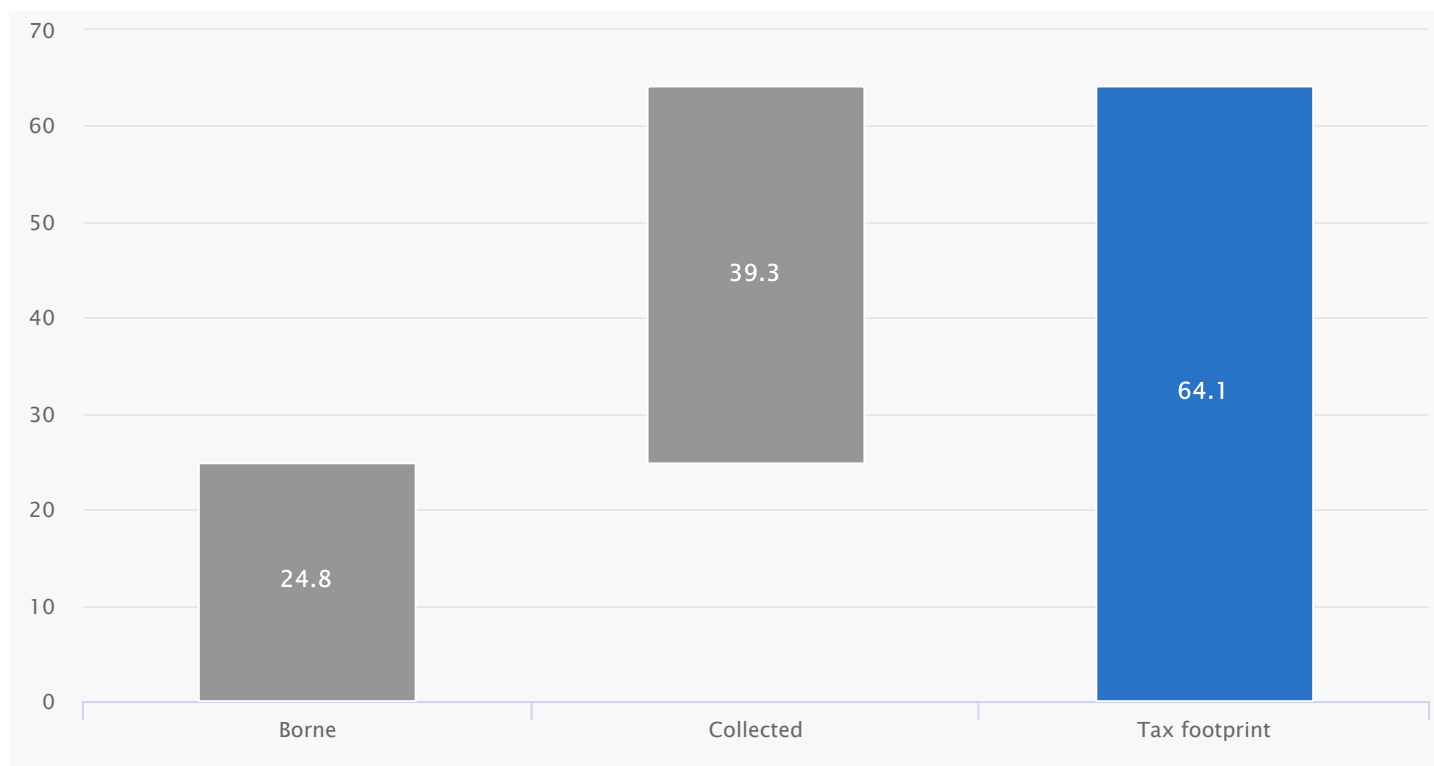
PROVIDE EMPLOYEES AND CUSTOMERS WITH REGULAR TRAINING ON ENVIRONMENTAL ISSUES

Training crew members has been a crucial part of implementing the energy management solutions on the Company's vessels and has resulted in a strong teamwork with goals for each week of the year. Specific training sessions have been carried out on the vessels in using a Ship Energy Efficiency Management Plan (SEEMP) as a tool for efficiency improvement, in using the onboard energy management system, and in working with fuel changeovers when sailing into ECA zones. The focus in 2019 is to further follow up on the energy efficiency efforts on the vessels and the applicable registration. With regard to garbage, the focus in 2019 will be to continue working on further categorization and recycling.

TAX FOOTPRINT

The economic value generated by Eimskip's operations in the year 2018 amounted to EUR 689.7 million, consisting of revenue, gain on sale of assets and finance income. Economic value has been contributed in many different ways to the societies in which the Company operates including, salaries to employees, payroll taxes to authorities, purchase of goods and services from suppliers etc.

TAX FOOTPRINT
EUR million



The total tax footprint of Eimskip amounted to EUR 64.1 million in 2018 of which EUR 24.8 million was borne by the company and EUR 39.3 million was collected on behalf of local authorities. For comparison, the Company's total tax footprint was EUR 63.7 million in 2017.

The Company's taxes borne include employment taxes in the amount of EUR 16.8 million, corporate income tax of EUR 3.2 million, property taxes of EUR 2.0 million, VAT of EUR 1.1 million and other expenses of EUR 1.7 million. Collected taxes include employment taxes borne by employees amounting to EUR 31.2 million, and other collected expenses of EUR 7.9 million.



DISCLAIMER

FORWARD-LOOKING STATEMENTS

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

Eimskip's Annual Report 2018

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