

PROSPECTUS

October 2012



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SUMMARY

October 2012



1. NOTICE TO INVESTORS

This Summary should be read as an introduction to the full text of the Prospectus of Eimskipafélag Íslands hf., ID No. 690409-0460, Korngarðar 2, 104 Reykjavík, Iceland (hereafter “Eimskip” or “the Company”) which consists of this Summary, a Securities Note and a Registration Document all dated 22 October 2012 (hereafter “the Prospectus”). The Prospectus is published in relation to the offering of shares in Eimskip, and the Company’s application for admission to trading of all of Eimskip’s shares (the “Shares”) on the Main Market at NASDAQ OMX Iceland hf. (hereafter “the Main Market”). An Icelandic translation of the Summary has been prepared, but should there be any differences between the Icelandic translation of the Summary and the authentic English text, the English text prevails.

The Prospectus can be obtained in an electronic format on the Company’s website, www.eimskip.is. A hard copy can be obtained from the Company’s headquarters, at Korngarðar 2, 104 Reykjavík. The Prospectus can be obtained for the next 12 months as of 22 October 2012.

Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might have to bear the cost of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who have tabled the Summary including any translation thereof, and applied for its notification, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

Any investment decision relating to the Offering (as defined below) and the Shares should be based on the consideration of the Prospectus as a whole. Prospective investors are advised to seek assistance from experts, such as licensed financial institutions, to assist them in their assessment of the securities issued by the Company as an investment option. Prospective Investors are furthermore advised to consider their legal status, including taxation issues that may concern the purchase or sale of the Shares and seek external and independent advice in that respect.

Information in the Prospectus is based on circumstances and facts on the date the Prospectus is signed and may change between that day and the time when the Shares are admitted to trading. If new information that is believed to affect Eimskip’s share price surfaces in that period a public announcement will be made and a supplement to the Prospectus will be published with the relevant information.

The Company is obliged to adhere to laws and regulations on on-going disclosure obligations. Information regarding Eimskip has not been made public in the European Economic Area prior to the date of this Summary.

2. SUMMARY OF THE SHARE OFFERING

Landsbanki Íslands hf., ALMC hf. and Samson eignarhaldsfélag ehf. (the “Selling Shareholders”) will jointly offer 50,000,000 Shares for sale, or 25% of the Company’s total issued share capital.

The offering of Shares (the “Offering”) will take place in two phases:

- **Book Building.** From 23 October 2012 to 25 October 2012, Shares will be offered to a limited number of investors, selected by the Company and the advisors of the Offering, Straumur fjárfestingabanki hf. and Íslandsbanki hf. (the “Listing Advisors”). The Book Building does not constitute a public offering pursuant to article 43 of act no. 108/2007 on securities transaction.
- **Public Offering.** From 30 October 2012 to 2 November 2012, Shares will be offered to investors, including the general public, in a process which constitutes a public offering pursuant to article 43 of act no. 108/2007 on securities transaction.

The Selling Shareholders reserve the right to increase the number of Shares offered in the book building in case of excess demand and to reduce the number of Shares offered in case of insufficient demand.

In the case of excess demand in the Public Offering, the Company will offer for sale up to 6,000,000 of its treasury Shares, equaling 3% of the issued share capital.

Table 1: Shares offered for sale by the Selling Shareholders in the Offering

	Book Building		Public Offering		Total offering	
	Number of shares	% of issued shares	Number of shares	% of issued shares	Number of shares	% of issued shares
Landsbanki Íslands hf.	35,888,211	17.94%	3,932,784	1.98%	39,820,995	19.92%
ALMC hf.	2,875,139	1.44%	5,448,891	2.72%	8,324,030	4.16%
Samson eignarhaldsfélag ehf.	1,236,650	0.62%	618,325	0.30%	1,854,975	0.92%
Total	40,000,000	20.00%	10,000,000	5.00%	50,000,000	25.00%

Table 2 : Shares offered for sale by the Company in the Public Offering in case of excess demand

	Book Building		Public Offering		Total offering	
	Number of shares	% of issued shares	Number of shares	% of issued shares	Number of shares	% of issued shares
Eimskipafélag Íslands hf.	0	0.00%	6,000,000	3.00%	6,000,000	3.00%

The Selling Shareholders’ main reasons for the Offering are to sell their Shares at an acceptable price, to facilitate the Company fulfilling the requirements of share capital distribution as a precursor for listing the Shares on the Main Market and to broaden the shareholder base by having both institutional investors and the general public acquire a stake in the Company.

The Company’s reasons for the Offering are to accommodate for potential excess demand in the Public Offering, in addition to the reasons defined by the Selling Shareholders.

The Sellers may withdraw the Offering if total demand for Shares does not exceed 50,000,000 Shares or if NASDAQ OMX Iceland hf. does not accept the Company’s application for admission to trading of the Shares on the Main Market before year-end 2012. If the Offering is withdrawn, all subscriptions for Shares will be deemed to be cancelled.

2.1 SUBSCRIPTION PERIOD

Subscriptions from investors invited to subscribe for Shares in the Book Building shall be made in the period from 10:00 on 23 October 2012 until 14:00 on 25 October 2012. The offer period in the Public Offering is from 10:00 on 30 October 2012 until 16:00 on 2 November 2012.

Subscriptions made outside of the time periods stated will not be accepted.

2.2 CONDITIONS FOR PARTICIPATION

On the date of this Summary, a limited number of investors, selected by the Listing Advisors and the Company, have already been invited to subscribe for Shares in the Book Building.

The Public Offering is held in Iceland and participants must have an Icelandic ID No. and be legally competent according to act. no. 71/1997 on legal competence. Employees of the Listing Advisors are allowed to take part in the Public Offering but their participation is restricted to the first three hours of the subscription period.

2.3 PRICING AND ALLOCATION OF SHARES

Shares will be allocated in the Book Building with the intention of selling the Shares at the highest price that will conclude the sale of at least 40,000,000 Shares. All Shares will be allocated at the same price (the "Final Price") within the range of ISK 205 to 225.

In the event of excess demand in the Book Building, Shares will be allocated on pro rata basis unless other allocation rules would better serve the interest of the Sellers and the goals of the Offering.

In the Public Offering, Shares will be offered for sale at the Final Price. A decision on allocation of the Shares in the Public Offering will be made following the expiration of the Public Offering subscription period.

In case of excess demand in the Public Offering, Shares will be allocated on pro-rata basis, with the intention of limiting reductions to ISK 2,000,000, purchase value, for Eimskip's employees and ISK 1,000,000, purchase value, for other investors, after which a flat reduction will be applied.

The Sellers reserve the right to reject any subscriptions in whole or in part at their sole discretion.

2.4 REGISTRATION OF SUBSCRIPTIONS

A subscription constitutes a legally binding agreement and investors cannot cancel or change their subscription once it has been made. All subscriptions not delivered electronically shall be delivered to the Listing Advisors:

Straumur fjárfestingabanki hf.
Eimskip IPO
Borgartún 25, 105 Reykjavík

Tel.: +354 585 6600
e-mail: eimskipIPO@straumur.com

Íslandsbanki hf.
Eimskip IPO
Kirkjusandur 2, 155 Reykjavík

Tel.: +354 440 4000
e-mail: eimskipIPO@islandsbanki.is

2.4.1 Book Building

Subscriptions for Shares in the Book Building shall be made via specially made subscription forms, provided by the Listing Advisors.

Investors shall register the aggregate purchase value of the Shares they wish to purchase in the Book Building. The minimum subscription is ISK 200 million, purchase value.

Investors can make their subscriptions conditional on the Final Price not exceeding a maximum price per share within the range of ISK 205 to 225. If the Final Price exceeds the maximum price per Share defined by the investor, the investor's subscription is not valid and that investor will not be allocated any Shares. If no maximum price is defined, the subscription will be assumed to be made on the Final Price. Each investor is allowed to submit more than one subscription form where each subscription can state a different maximum price.

2.4.2 Public Offering

Investors shall register the number of Shares they wish to purchase in the Public Offering. The purchase value is calculated by multiplying the price per share and the number of Shares subscribed for. The minimum subscription is ISK 25 thousand, purchase value, for Eimskip's employees and ISK 50 thousand, purchase value, for other investors.

Investors are allowed to submit multiple subscriptions in the Public Offering, whereby multiple subscriptions made by a single investor will be seen as a single combined subscription.

- **Subscriptions worth from ISK 50,000 to 50,000,000, purchase value** shall be made electronically via a subscription form available through the websites of the listing advisors.
- **Subscriptions worth ISK 50,000,001 and more, purchase value** shall be made via specially made subscription forms in paper format provided by the Listing Advisors.
- **Subscriptions made by employees of Eimskipafélag Íslands hf.** shall be made via an electronic subscription form, sent by the Listing Advisors to the e-mail addresses of individual employees before the beginning of the subscription period.
- **Subscriptions made on behalf of asset management clients** shall be made by a financial institution having a license to provide asset management services via a specially made subscription form, provided by the Listing Advisors.

2.5 PAYMENT GUARANTEES

The Listing Advisors reserve the right to demand payment guarantees from investors who subscribe for Shares in the Book Building and investors who subscribe for more than ISK 5 million in the Public Offering. If an investor does not comply with that demand, the Listing Advisors reserve the right to cancel the investor's subscription in part or in whole.

2.6 NOTIFICATION OF OFFERING RESULTS

The results of the Book Building will be published before 16:00 on 26 October 2012 and the results of the Public Offering before 16:00 on 5 November 2012. The Book Building announcement will include the Final Price on which shares are allocated as well as information on the aggregate number of Shares sold. The Public Offering announcement will contain information on the aggregate number of Shares sold.

2.7 PAYMENT AND DELIVERY OF SHARES

Investors who are allocated Shares will receive information on the allocation and payment instructions for the Shares when the aforementioned announcements have been made public. The due date for the invoices for both investors in the Book Building and the Public Offering is 12 November 2012. Assuming payment, the Shares will be delivered electronically to the investors.

2.8 USE OF PROCEEDS

The Company's proceeds, net of direct costs, from the Offering, if any, can amount to maximum of ISK 1,329,750,000 if all the 6,000,000 Treasury Shares offered for sale will be sold at the price of ISK 225 per Share. The Company's proceeds from the Offering, if any, will be used to enhance the Company's cash reserves and for general corporate purposes.

3. ADMISSION TO TRADING

An application has been made for the Shares to be admitted to trading on the Main Market. The first day of business, which could be 16 November 2012 at the earliest, will be announced by NASDAQ OMX Iceland hf. at least one business day in advance.

The Company has entered into a market making agreement with Straumur fjárfestingabanki hf. and Íslandsbanki hf. The agreements will become effective on the day the Shares are admitted to trading, are unlimited in time but can be terminated with one month's notice.

4. EXPENSE OF THE COMPANY

The Company will bear all cost of listing the Shares on the Main Market. The maximum total cost payable by the Company in this respect is estimated to be ISK 227 million.

5. LOCK-UP

Landsbanki Íslands hf., ALMC hf. and Samson eignarhaldsfélag ehf. have agreed not to sell the remaining Shares they will own after the Offering for a period of six months from the first day of trading of the Company's shares on the Main Market, unless the remaining Shares in whole or in part are sold in a single transaction where more than 5.0% of the outstanding Shares of the Company are sold in each transaction.

Employees of the Listing Advisors are required to own the Shares acquired in the Public Offering for a minimum of 30 days from the time the shares are admitted to trading.

6. RISK FACTORS

Investing in equities involves inherent risks. Prior to making any investment decisions regarding the Shares, investors should consider all information in the Prospectus, in particular, the information described in chapters named *Risk Factors* in the Prospectus. These risks and uncertainties could have a material adverse impact on the business, income, profits, assets, liquidity and share price of the Company.

6.1 RISK RELATED TO SHARES

Risks that could influence the price of shares include general equity risk, liquidity risk, changes in regulatory framework for financial and equity markets, fluctuations in the market price of the Shares, shareholder structure, foreign exchange risk and risk relating to further capital increase which can dilute shareholdings.

6.2 MARKET RISK

Demand for shipping and logistics services has historically been highly cyclical and closely correlated with the 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 further sensitive to foreign exchange fluctuations.

6.3 OPERATIONAL RISK

The Company's operations are dependent upon many factors, e.g. access to terminals, IT systems, operation and ownership of vessels, supply and demand of fuel, inflation, reputation of the Company, ability to retain key personnel and customer contracts. Further, refugees and stowaways, incidents involving significant damage, loss or environmental contamination are a risk factor to the Company.

6.4 LEGAL AND POLITICAL RISK

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 obligation to fulfill various provisions of its contracts.

6.5 FINANCIAL RISK

The Company is exposed to financial risk factors, including currency risk, risk related to availability of funding, interest rate risk, liquidity risk, credit risk, tax risk, risk related to the financial reorganization of A1988 hf. and risk in relation to proposed amendments on international financial reporting standards (IFRS).

7. INFORMATION ON THE COMPANY

7.1 BUSINESS OVERVIEW

Eimskip specializes in shipping, logistics and supply chain management and offers its customers solutions on both land and sea with special emphasis on the handling and storing of any type of temperature-controlled cargo, frozen or chilled. Eimskip has through the years built a network that links to its own shipping network allowing it to provide its customers with comprehensive logistics services.

Eimskip currently has 49 offices in 17 countries and 65 partners in 36 countries. The Company currently operates 17 vessels of which 12 are owned and five are chartered and employs around 1,300 people.






Eimskip business segments are liner services, which account for approximately 70% of Eimskip's sales, and forwarding services, which accounts for approximately 30%.

The operations of the Company are of the nature that it requires various licenses from applicable authorities.

Eimskip has nine direct subsidiaries all of which are fully owned by Eimskip with the exception of Harbour Grace CS Inc. in Canada, but Eimskip owns 51% of its issued share capital.

7.2 HISTORY AND DEVELOPMENT

Eimskip traces its roots to 17 January 1914 when its first predecessor was established. Important milestones in the development of Eimskip's business, including its own development and its predecessors, are highlighted below:

1914 - 1915	1921 - 1945	1971 - 1982	1985 - 2005	2005 - 2009	2011 - 2012
					
<p>1914 Eimskipafélag Íslands established</p> <p>1915 Gullfoss and Goðafoss arrive in Iceland</p>	<p>1921 Pósthússtræti, the Company's HQ for 82 years</p> <p>1926 Brúarfoss, the first temperature controlled vessel in Icelandic ownership, was built</p> <p>1941 - 1945 Five of the Company's vessels were sunk, including Goðafoss and Dettifoss</p>	<p>1971 Eimskip opens its first warehouses outside Iceland, in London and New York</p> <p>1973 First warehouse opens in Sundahöfn</p> <p>1982 Eimskip buys 440 containers</p>	<p>1985 Eimskip opens operations in Holland and USA</p> <p>1986 Eimskip opens operations in Sweden and Germany</p> <p>2004 - 2005 Eimskip acquires Faroe Ship og CTG shipping</p>	<p>2005 Avion Group acquires Eimskip and merges it with its aviation operations</p> <p>2006 - 2007 Eimskip acquires cold store businesses in Holland and the UK</p> <p>2009 Eimskip finalizes its formal reorganization and creditors along with a foreign investor take charge of the company</p>	<p>2011 Scheduled services between Northern Norway and the USA/Canada. Eimskip made an agreement to build two new container vessels.</p> <p>2012 Eimskip acquired three reefer vessels, which the Company had chartered since 2005.</p> <p>The Company opened an office in Bangkok, Thailand.</p>

7.3 BOARD OF DIRECTORS, EXECUTIVE MANAGEMENT, ADVISORS AND AUDITORS

The Company's Board of Directors is comprised of Bragi Ragnarsson, chairman of the board, Ólafur Helgi Ólafsson, Tómas Kristjánsson, Richard Winston Mark d'Abo and Ronald Wayne Burkle. Alternates are Elín Þórunn Eiríksdóttir and Marc Jason Smernoff. Three board members and one of the alternate board members of the Company are independent, but two board members and the other alternate board member are dependent.

The Executive management is comprised of Gylfi Sigfússon, Chief Executive Officer, Hilmar Pétur Valgarðsson, Chief Financial Officer, Bragi Þór Marinósson, Executive Vice President International, Guðmundur Nikulásson, Vice President of Eimskip Domestic, Ásbjörn Skúlason, Vice President of Liner & Vessels Operation and Matthías Matthíasson, Vice President of Sales and Customer Services.

The Corporate Finance divisions of Straumur fjárfestingabanki hf. and Íslandsbanki hf. are joint Listing Advisors in relation to the Offering and Eimskip's shares being admitted to trading on the Main Market NASDAQ OMX Iceland. The Corporate Finance division of Straumur fjárfestingabanki hf. has prepared the Prospectus in close co-operation with the Company's management and Board of Directors. Íslandsbanki hf. has provided critique and evaluation of the Prospectus in its role as one of the Listing Advisors. The elected audit company of Eimskipafélag Íslands hf. is KPMG ehf. KPMG ehf. has been the Company's auditor during the time that the financial information in the Prospectus covers.

PricewaterhouseCoopers ehf., ID No. 690681-0139, Skógarhlíð 12, 105 Reykjavík performed financial and tax due diligence on the Company and BBA Legal ehf., ID No. 661098-2959, Höfðatún 2, 105 Reykjavík, performed legal due diligence, with independent local law firms performing a legal due diligence review on Eimskip's operations in Denmark, the Faroe Islands, China, the Netherlands and Norway respectively, which each of were used as an input into BBA Legal ehf.'s due diligence report.

The due diligences covered selected companies that represent over 95% of the Company's gross revenue and holding companies holding the largest sub-groups within the Company.

In addition the Company had legal advisory in relation to its Shares being admitted to trading on the Main Market NASDAQ OMX Iceland hf. from Logos slf., ID No. 460100-2320, Efstaleiti 5, 103 Reykjavík and financial and tax advisory from KPMG ehf., ID No. 590975-0449, Borgartún 27, 105 Reykjavík, Iceland.

7.4 SELECTED FINANCIAL INFORMATION

Below is selected financial consolidated information which has been derived from the Company's financial statements. The financial statements for the years ended 2009, 2010 and 2011 as well as the interim account for the six months ended 30 June 2012 have been audited by KPMG ehf., but the interim accounts for the six months ended 30 June 2011 are unaudited management interim financial statements. The audited financial statements are included in chapter 16 *Financial Statements* in the Registration Document, dated 22 October 2012, and should be read in conjunction with the financial information.

INCOME STATEMENT

EUR '000	1H 2012 Audited	1H 2011 Unaudited	2011 Audited	2010 Audited	Q4 2010 Unaudited	2009 Audited
Operating revenue	198.078	186.537	384.727	365.222	87.397	87.708
Operating expenses	179.036	162.954	341.572	326.601	78.843	79.169
Operating profit before depreciation and impairment	19.042	23.583	43.155	38.621	8.554	8.539
Depreciation and impairment	(11.292)	(11.853)	(23.223)	(23.169)	(6.211)	(5.857)
Results from operating activities	7.750	11.730	19.932	15.452	2.343	2.682
Net finance expense	(2.038)	(3.442)	(3.709)	(2.601)	(1.003)	(1.057)
Net earnings before income tax	5.712	8.288	16.223	12.851	1.340	1.625
Income tax	2.264	(829)	(3.078)	(610)	1.489	678
Net earnings for the period	7.976	7.459	13.145	12.241	2.829	2.303

STATEMENT OF FINANCIAL POSITION

EUR '000	1H 2012 Audited	2011 Audited	2010 Audited	2009 Audited
Assets				
Total non-current assets	202,509	176,946	175,528	181,428
Total current assets	97,257	106,278	109,689	97,163
Total assets	299,766	283,224	285,217	278,591
Equity				
Total equity	184,698	176,509	162,468	150,007
Liabilities				
Total non-current liabilities	52,173	50,791	60,593	66,633
Total current liabilities	62,895	55,924	62,156	61,951
Total liabilities	115,068	106,715	122,749	128,584
Total equity and liabilities	299,766	283,224	285,217	278,591

CASH FLOW STATEMENT

EUR '000	1H 2012 Audited	1H 2011 Unaudited	2011 Audited	2010 Audited	2009 Audited
Cash flow from operating activities					
Net cash from operating activities	16,790	8,698	27,226	38,313	7,801
Net cash used in investing activities	(32,476)	(8,006)	(22,577)	(14,266)	28,153
Net cash used in financing activities	(964)	(5,606)	(11,495)	(11,501)	478
(Decrease) increase in cash and cash equivalents	(16,650)	(4,914)	(6,846)	12,546	36,432
Cash and cash equivalents at the beginning of the year	43,517	50,333	50,333	36,631	0
Effects of exchange rate fluctuations on cash held	334	(449)	30	1,156	199
Cash and cash equivalents at the end of the year	27,201	44,970	43,517	50,333	36,631

SELECTED FINANCIAL RATIOS

The table below shows selected ratios from Eimskip's operations and financial position. Numbers from the Company's interim statements are annualized.

	1H 2012	1H 2011	2011	2010	2009
	Audited	Unaudited	Audited	Audited	Audited
Sales growth	6.2%	2.5%	5.3%	n/a	n/a
EBITDA / Sales	9.6%	12.6%	11.2%	10.6%	9.8%
EBIT / Sales	3.9%	6.3%	5.2%	4.2%	2.7%
Interest bearing loans / EBITDA	n/a	n/a	1.4	1.9	n/a
Tangible assets / total assets	93.6%	93.3%	93.5%	92.7%	91.3%
Equity ratio	61.6%	58.7%	62.3%	57.0%	53.8%

8. WORKING CAPITAL, CAPITALIZATION AND INDEBTEDNESS

The Company's Board of Directors and its Chief Executive Officer declare that at the date of this Summary the Company has sufficient working capital for its requirements for the next 12 months thereafter.

The table below shows the Company's consolidated capitalization and net indebtedness as per 31 August 2012. Indebtedness is calculated based on the consolidated statement of financial position for the Company. As of 31 August 2012 the Company's total equity was EUR 187.5 million. The information has been derived from the Company's unaudited management accounts as at 31 August 2012. There has been no significant change in the Company's financial or trading position since 30 June 2012.

Capitalization 31.08.2012 (€'000)		Indebtedness 31.08.2012 (€'000)	
Current debt			
-	Guaranteed	0 a) Cash	28.088
-	Secured	9.503 b) Cash equivalents	0
-	Unsecured/unguaranteed	0 c) Trading securities	974
Total current debt		9.503 d) Liquidity (a)+(b)+(c)	29.062
Non-current debt		e) Current financial receivables	65.978
-	Guaranteed	0 f) Current bank debt	956
-	Secured	53.388 g) Current portion of non-current debt	8.547
-	Unsecured/unguaranteed	0 h) Other current financial debt	0
Total non-current debt		53.388 i) Current financial debt (f)+(g)+(h)	9.503
Share capital	1.174	j) Net current financial indebtedness (i)-(e)-(d)	(85.537)
Share premium	147.109		
Fair value and other reserves	872	k) Non-current bank loans	47.265
Retained earnings	35.638	l) Non-current bonds issued	0
Minority interest	2.691	m) Other non-current loans	6.123
Shareholders' equity	187.484	n) Non-current financial debt (k)+(l)+(m)	53.388
Total capitalization	250.375	Net financial indebtedness (j)+(n)	(32.149)

9. SHAREHOLDERS AND SHARE CAPITAL

9.1 SHARE CAPITAL

The total issued share capital of Eimskip is ISK 200,000,000 in nominal value, divided into an equal number of shares, each with nominal value of ISK 1.0. The Company's issued shares are fully paid. Eimskip owns 6.0% of the total issued share capital, but is authorized to own up to 10.0% of the Company's share capital as stated in the Company's articles of association, issued 29 June 2012.

9.2 DIVIDENDS

The Company's dividend policy is to pay annual dividends in the range of 10% to 30% of net profit after taxes. The Company did not pay dividends for the financial years 2009, 2010 and 2011.

9.3 SHAREHOLDERS

At the time of publication of the Prospectus, Eimskip has 82 shareholders. The ten largest shareholders own 91.3% of the issued share capital.

Largest shareholders

Shareholder	No. of shares	Share
Landsbanki Íslands hf.	60,613,310	30.3%
Yucaipa American Alliance Fund II, LP	30,504,030	15.3%
Lífeyrissjóður verzlunarmanna	29,135,070	14.6%
Yucaipa American Alliance (Parallel)	20,095,970	10.0%
Eimskipafélag Íslands hf.	11,918,820	6.0%
A1988 hf.	8,441,950	4.2%
ALMC hf.	8,324,030	4.2%
J.P. Morgan Clearing Corporation	7,672,360	3.8%
Samson eignarhaldsfélag ehf.	2,962,160	1.5%
Horn Fjárfestingarfélag hf.	2,898,250	1.4%
Other shareholders	17,434,050	8.7%
	200,000,000	100%

Source: Icelandic Securities Depository 16 October 2012

9.4 RELATED PARTY TRANSACTIONS

Parties related to the Company are those who have material influence on the Company's business as large shareholders of the Company, subsidiaries of the Company, affiliates of the Company, and members of the Board of Directors, CEO, CFO and other Executive Management within the Company. This definition is based on international accounting standard no. 24 (IAS24).

Transactions between individual units within the Company take place and are part of daily operations. Transactions between the Company and its subsidiaries and individual units within the Company have been eliminated in the preparation of consolidated accounts and are therefore not specified here.

There are no significant transactions between the Company and its related parties for the period covered by the historical financial information. Certain non-significant transactions have been made between the Company and a company owned by the chairman of the Board of Directors. These transactions were made on market terms, at arm's length basis.

10. DURATION AND DOCUMENTS ON DISPLAY

For the life of the Prospectus, or for 12 months from the date of issue, the following documents are available for viewing at the registered office of the Company, or electronically from the Company's website www.eimskip.is:

- The Summary, Securities Note and Registration Document all dated 22 October 2012.
- The Company's Articles of Association.
- The Company's audited consolidated financial statements in respect of the year-ended 31 December 2009, together with the audit report prepared in connection therewith.
- The Company's audited consolidated financial statements in respect of the year-ended 31 December 2010, together with the audit report prepared in connection therewith.
- The Company's audited consolidated financial statements in respect of the year-ended 31 December 2011, together with the audit report prepared in connection therewith.
- The Company's audited condensed consolidated interim financial statements in respect of the six months ended 30 June 2012.

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SECURITIES NOTE

October 2012



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1. RISK FACTORS

Eimskipafélag Íslands hf., ID No. 690409-0460, Korngarðar 2, 104 Reykjavík, Iceland (hereafter “Eimskip”, the “Company” or the “Issuer”) is an Icelandic based company providing worldwide transportation services. Eimskip’s transportation services include shipping, land transport, airfreight, warehousing, freight forwarding and expert advice on shipping and logistics. Eimskip currently has 49 offices in 17 countries and 65 partners in 36 countries. The Company operates 17 vessels and employs around 1,300 people.

To the best knowledge of the Company all risk factors that the Company considers material to the securities being offered for sale and admitted to trading in order to assess the market risk associated with these securities are presented in this chapter *1 Risk Factors* in this Securities Note, dated 22 October 2012. Investing in equities involves inherent risks. Prospective investors should study all of the information contained in the Prospectus regarding, among other things, the risk factors that could significantly affect Eimskip and investments in the Company’s shares. If any of these events materialize, the Company’s valuation and its share price may either increase or decrease, which could lead to investors losing all or part of their investment. This Securities Note should be read in conjunction with other parts of the Prospectus.

1.1 RISK FACTORS RELATED TO THE SHARES

1.1.1 General Risk Factors associated with investing in Equity Shares

Equities are, in general, a riskier investment than e.g. bonds. Share prices can fluctuate more than bond prices and their value can even drop to zero. In the event of the Company’s liquidation, the shareholders will receive what is remaining after all other claims have been met, including claims from bondholders. The return on equity securities is dependent on dividend payments and the change in share price, i.e. the difference between the purchase price and the selling price of each share. The risk involved can be reduced by investing in a collection of diverse investments and limiting the investments to companies that the investor either knows well or can study in detail. Nevertheless, the inherent risks of the stock market cannot be avoided when investing in equity securities.

In some cases in the past, investing in equities has provided better returns in the long run than investing in bonds. However, investors should note that investing in equities can also render lower returns than investing in bonds in the long run and even result in losses. Prospective investors should bear in mind that even though equities can provide a good return in general, there is always a risk that an investment in the shares of individual companies will decline in value. It is therefore recommended that prospective investors pay close attention to diversifying their risk and they are furthermore advised to seek assistance from experts, such as licensed financial institutions, to assist them in their assessment of the securities issued by the Company as an investment option.

1.1.2 Liquidity Risk

Liquidity risk is defined as the risk that arises from how easy or difficult it is to sell an asset as close to its real value as possible. The measurement of this risk is the spread between the bid and ask prices on the market. The risk is both dependent upon the amount, i.e. if the market will not absorb at full price the quantity an investor wishes to sell, and the price, since trading a large quantity of the same sort of shares can have a substantial impact on their price formation. Investors should note that, due to capital controls in Iceland, there is increased liquidity risk on the Main Market NASDAQ OMX Iceland as foreign investors can view the capital controls as negative and therefore not be willing to invest in Icelandic equities. It is possible that the Shares will not be liquid once the Offering is completed and the Shares are admitted to trading. There is also a possibility that even if the Shares are liquid immediately following the Offering and the time when the Shares are admitted to trading, the market will not remain liquid at all times after the trading commences. In an effort to mitigate this risk, the Company has entered into a market making agreement with Straumur fjárfestingabanki hf. and Íslandsbanki hf. where both banks are obliged to submit daily bid and ask prices for a minimal value of ISK 5,000,000 each time and maximum total of ISK 50,000,000 per day. Maximum bid-ask spread shall not exceed 1.5% and deviation from the last transaction price shall not exceed 3%. The agreements will become effective on the day the Shares are admitted to trading and are unlimited in time but can be terminated with one month's notice.

1.1.3 Legal and Regulatory Environment and Admission to Trading of the Shares

An application has been filed for the Company to have its shares admitted to trading on the Main Market NASDAQ OMX Iceland and therefore the Company is obliged to adhere to act no. 108/2007 on securities transactions, as well as regulations based on that act. In addition Eimskip is obliged to adhere to the Rules of NASDAQ OMX Iceland at each time and rules no. 987/2006 of the Financial Supervisory Authority, Iceland, on treatment of insider information and regulation no. 630/2005 on insider information and market abuse. Any violation of the aforesaid act, regulations based on that act and the Rules of NASDAQ OMX Iceland may have a material effect on the Company's financial and reputational position. Infringement of the Rules of NASDAQ OMX Iceland may e.g. result in that NASDAQ OMX Iceland issues a reprimand to the Company, makes a public announcement concerning the case in question, sets conditions for, or suspends the Company's shares from trading (temporarily or indefinitely), levies fines on the Company or removes the Shares of the Issuer from trading on the Main Market NASDAQ OMX Iceland, either temporarily or permanently. Sanctions for violation of act no. 108/2007 on securities transactions are governed by chapter XV of that act.

The Offering and proposed admission to trading of the Company's shares on the Main Market NASDAQ OMX Iceland is based on Icelandic laws in effect on the date of this Securities Note. No liability is assumed for impacts due to amendments of laws or court decisions that may occur after the date of this Securities Note.

1.1.4 Fluctuations in the Market Price of the Shares

The market price of the Shares is subject to fluctuations in response to factors such as actual or anticipated variations in the Company's operating results, changes in estimates or recommendations by financial analysts, currency exchange rates, regulatory developments, general market conditions and other factors. In addition, international financial markets have from time to time experienced price and volume fluctuations, which have been unrelated to the operating performance or prospects of individual companies. Consequently, the trading market for, and the liquidity of, the Shares may be materially adversely affected by general declines in the market or by declines in the market for similar securities.

1.1.5 An Increase in Share Capital can Dilute Existing Shareholdings

There is a possibility that the Company will in the future issue new shares, for example to finance new projects, unforeseen expenses or for other purposes. The issuance of new shares would dilute the ownership stake and voting share of the Shares held by investors prior to the issue of new shares, unless they themselves acquire the new shares in proportion to their existing holdings. According to the Articles of Association, shareholders shall have pre-emptive right to purchase new shares issued by the Company in proportion to their registered holdings. Exemptions from this are authorized cf. paragraph 3 of article 34 of act no. 2/1995 respecting public limited liability companies.

1.1.6 Ownership and Control

Investors must take into account that the structure of shareholder ownership can be a risk factor. For instance a lack of leading investors could render administrative complications whereas a high concentration of ownership tends to be at the cost of minority shareholders' rights. Investors should be aware of the fact that ownership of the Company can change very quickly and without any notice.

Those investing in shares traded on the Main Market NASDAQ OMX Iceland are subject to public regulation relating to securities transactions, including but not limited to rules relating to takeover bids and public disclosure of ownership stakes. Taking into account the expected sale of Shares by the Selling Shareholders, it is assumed that no shareholder will hold more than 26% of the Company's issued share capital when the Shares are admitted to trading on the NASDAQ OMX Iceland.

The Company intends to sell up to 3% of the Company's issued share capital or 6,000,000 Treasury Shares in the Public Offering in the case of the demand exceeding the number of Shares offered for sale by the Selling Shareholders. Any sale of Treasury Shares or the issue of new shares will increase the number of Shares outstanding.

1.1.7 Foreign Exchange Risk for Shareholders

The Shares will be traded in ISK while the accounts and operations of the Company are exposed to a large extent to other currencies, exposing the individual shareholder to risk of exchange rate fluctuations between the ISK and other currencies. If the ISK would depreciate against other currencies, the share price could be affected positively in ISK terms, while if the ISK would appreciate against other currencies, the share price in ISK terms could be affected adversely.

Since October 2008 capital controls have been in place in Iceland. Regardless whether the capital controls will be lifted or remain in place, they represent a risk to the share price e.g. by having a material impact on the exchange rate of the ISK.

1.1.8 Changes in Law

The Offering and the admission to trading of the Company's shares on the Main Market NASDAQ OMX Iceland are subject to Icelandic laws in force on the date of the Prospectus. No assurance can be given as to the impacts of any amendments to Icelandic law, court decisions, or administrative practice after the date of the Prospectus.

2. REFERENCES

“A1988 hf.” is a reference to A1988 hf. ID No. 660288-1049, Korngarðar 2, 104 Reykjavík, Iceland, formerly HF. Eimskipafélag Íslands.

“ALMC hf.” is a reference to ALMC hf. ID No. 701086-1399, Borgartún 25, 105 Reykjavík, Iceland.

“Annual General Meeting” is a reference to an annual general meeting of Eimskipafélag Íslands hf.

“Articles of Association” is a reference to the articles of association of Eimskipafélag Íslands hf. which are in effect on the date of the Prospectus, unless otherwise clear from the context.

The terms “Board of Directors” or “Board” refers to the current board of directors of Eimskipafélag Íslands hf., unless otherwise clear from the context.

“The Book Building” is a reference to the book building process, which will be conducted from 2 October 2012 to 25 October 2012, with a subscription period from 23 October 2012 to 25 October 2012, where Eimskip’s shares will be offered to selected investors.

The terms “Eimskip”, “Eimskipafélag Íslands hf.” and “the Company” refer to Eimskipafélag Íslands hf., ID No. 690409-0460, Korngarðar 2, 104 Reykjavík, Iceland, and its direct and indirect subsidiaries.

“EU” is a reference to the European Union.

“EUR” is a reference to the Euro, the official currency of the Eurozone.

The term “Executive Management” is a reference to the executive management of Eimskipafélag Íslands hf.

“Final Price” is a reference to the price per Share on which all shares in the Offering will be sold at. The Final Price will be decided by the Sellers based on subscriptions in the Book Building.

“Financial Supervisory Authority, Iceland” is a reference to the Financial Supervisory Authority, Iceland, ID No. 541298-3209, Höfðatún 2, 105 Reykjavík.

“HF. Eimskipafélag Íslands” is a reference to Eimskipafélag Íslands hf.’s predecessor

“Icelandic Securities Depository” is a reference to the Icelandic Securities Depository, i.e. Verðbréfasráning Íslands hf., ID No. 500797-3209, Laugavegur 182, 105 Reykjavík, Iceland.

“ISK” is a reference to the Icelandic krona, the official the currency of Iceland.

“Landsbanki Íslands hf.” is a reference to Landsbanki Íslands hf., ID No. 540291-2259, Álfheimar 74, 104 Reykjavík.

“Listing Advisors” is a reference to the Corporate Finance departments of Straumur fjárfestingabanki hf., ID No. 640210-0440 and Íslandsbanki hf., ID No. 491008-0160.

“Main Market NASDAQ OMX Iceland” is a reference to the Main Market at NASDAQ OMX Iceland hf.

“NASDAQ OMX Iceland” is a reference to NASDAQ OMX Iceland hf., ID No. 681298-2829, Laugavegur 182, 105 Reykjavík, Iceland.

“The Offering” is a reference to the Sellers’ offering of Shares for sale to investors that includes the Book Building and the Public Offering.

“The Public Offering” is a reference to the sale of Eimskip’s shares, from 30 October 2012 to 2 November 2012, to investors, including the general public.

“The Prospectus” is a reference to a prospectus, consisting of this Securities Note dated 22 October 2012, the Registration Document dated 22 October 2012 and the Summary dated 22 October 2012, and prepared in connection with the Offering and listing of Eimskip. An Icelandic translation of the Summary has been prepared, but should there be any differences between the Icelandic translation of the Summary and the authentic English text, the English text prevails. “The Registration Document” is a reference to the registration document, dated 22 October 2012 which is a part of the Prospectus prepared in connection with the Offering of Eimskip’s shares and admission to trading on NASDAQ OMX Iceland hf.

“The Remaining Shares” is a reference to the remaining portion of each of the Selling Shareholders’ shares in Eimskip after the conclusion of the Book Building and Public Offering.

“Rules of NASDAQ OMX Iceland” is a reference to the rules for issuers of financial instruments issued by NASDAQ OMX Iceland hf., effective as of 1 December 2009.

“Samson eignarhaldsfélag ehf.” is a reference to Samson eignarhaldsfélag ehf., ID No. 490902-2520, Aðalstræti 6, 101 Reykjavík.

“This Securities Note” is a reference to this securities note, dated 22 October 2012, prepared in connection with the Offering and admission to trading of Eimskip’s shares on the Main Market NASDAQ OMX Iceland.

“The Sellers” is a reference to the Company and the Selling Shareholders, which will jointly offer 50,000,000-56,000,000 Shares for sale in the Offering.

“The Selling Shareholders” is a reference to Landsbanki Íslands hf., ID No. 540291-2259, Álfheimar 74, 104 Reykjavík, Iceland, ALMC hf., ID No. 701086-1399, Borgartún 25, 105 Reykjavík, Iceland and Samson eignarhaldsfélag ehf., ID No. 490902-2520, Aðalstræti 6, 101 Reykjavík, Iceland unless otherwise clear from the context.

“Shares” is a reference to the shares in Eimskipafélag Íslands hf., unless otherwise clear from the context.

“Shareholders’ Meeting” is a reference to a shareholders’ meeting of Eimskipafélag Íslands hf., unless otherwise clear from the context.

“Treasury Shares” is a reference to the shares in Eimskipafélag Íslands hf. owned by the Company, unless otherwise clear from the context.

3. NOTICE TO INVESTORS

This Securities Note has been scrutinized and approved by the Financial Supervisory Authority, Iceland. This Securities Note is a part of the Prospectus, which was made in relation to the Offering of Shares in Eimskip and the admission of all of the Company's shares to trading on the Main Market NASDAQ OMX Iceland. The abovementioned is in accordance with Icelandic laws in effect on the date of this Securities Note, including act no. 108/2007 on securities transactions and directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 ("the Prospectus Directive"), which has been implemented into Icelandic law. The Prospectus is published in English and consists of a Summary dated 22 October 2012, this Securities Note dated 22 October 2012 and a Registration Document dated 22 October 2012. An Icelandic translation of the Summary has been prepared, but should there be any differences between the Icelandic translation of the Summary and the authentic English text, the English text prevails. The Prospectus is available for viewing at the Company's registered office at Korngarðar 2, 104 Reykjavík, Iceland. The Prospectus will also be available on the Company's website: <http://www.eimskip.is>.

References to any laws, acts or regulations are references to acts passed by the Icelandic parliament and regulations issued by Icelandic ministries, unless otherwise stated or clear from the context.

The Prospectus contains information for investors to evaluate the Company's assets and liabilities, financial situation, performance and future outlook, as well as the various rights attached to the Shares. Investors are encouraged to familiarize themselves with all information contained in the Prospectus and especially the chapters named *1 Risk Factors*, both in the Registration Document and in this Securities Note.

Only the Company is entitled to procure information about conditions described in this Securities Note. Information procured by any other person is of no relevance in relation to this Securities Note and cannot be relied on. No person is authorized to provide information or to make any representation in connection with the Shares other than as contained in the Prospectus. If any such information is provided or made, it must not be relied upon as having been authorized by the Company or any of the Company's respective affiliates or advisors.

This Securities Note, as well as other documents which are a part of the Prospectus, must not be sent or otherwise distributed, whether electronically or by other means, to countries in which distribution would require additional registration measures or other measures to be taken other than as applicable under Icelandic laws and regulations, or would be in conflict with laws and regulations in the relevant country. In some jurisdictions laws and regulations may restrict distribution of the Prospectus. Therefore the Company demands that all recipients of the Prospectus familiarize themselves with and act in accordance to such laws and regulations or other restrictions.

Neither Eimskip, Straumur fjárfestingabanki hf. nor Íslandsbanki hf. assume any liability for distribution of the Prospectus by any third parties in any jurisdiction. This Securities Note, as well as any other documents in the Prospectus, should not be distributed or sent to the USA, the UK, Australia, Canada or Japan.

This Securities Note, or other documents which are a part of the Prospectus, should by no means be viewed or construed as a promise by the Company of future success in operations or as a return on investments. Investors are reminded that equities are risky investments that are based on expectations, not promises. Investors must, first and foremost, trust their own judgment when it comes to investing in the Company's shares, and are advised to seek assistance from experts, such as licensed financial institutions, to assist them in their assessment of the Company's shares as an investment option. Investors are furthermore advised to consider their legal status, including taxation issues that may concern the purchase or sale of the Company's securities and seek external and independent advice in that respect.

Information in this Prospectus is based on circumstances and facts on the date the Prospectus is signed. If significant new information, material mistakes or inaccuracy relating to information in the Prospectus, which could affect the assessment of the Shares, is discovered between the time the Prospectus is approved, cf. article 52 of act no. 108/2007 on securities transactions, and the final closing of the Offering or, if applicable, the time when the Shares are admitted to trading, a supplement to the Prospectus shall be prepared describing the details in question in accordance with article 46 of act no. 108/2007 on securities transactions. The supplement shall be approved within seven working days and published in the same manner as the original Prospectus. The summary and any translations thereof shall also be supplemented if necessary to take into account the new information included in the supplement.

Investors who have already agreed to purchase or subscribe for the securities before the supplement is published shall have the right to withdraw their acceptances for at least two working days following the publication of the supplement in accordance with article 46 of act no. 108/2007 on securities transactions.

Neither Straumur fjárfestingabanki hf. nor Íslandsbanki hf. are under any obligation to evaluate whether participation in the Offering and purchasing the Company's shares is appropriate for investors. Investors participating in such transactions do not enjoy protection in accordance with article 16 of act no. 108/2007 on securities transactions.

4. PERSONS RESPONSIBLE

4.1 COMPANY'S STATEMENT

The CEO and the board of directors of Eimskipafélag Íslands hf., ID No. 690409-0460, registered office at Korngarðar 2, 104 Reykjavík, Iceland, hereby declare that having taken all reasonable care to ensure that such is the case that the information contained in the Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Reykjavík, 22 October 2012

On behalf of the Board of Directors of Eimskipafélag Íslands hf.

Bragi Ragnarsson
Chairman of the Board of Directors

and

Gylfi Sigfússon
Chief Executive Officer

4.2 STATEMENT BY THE SELLING SHAREHOLDERS

Landsbanki Íslands hf. is offering 39,820,995 shares in Eimskip for sale in an offering which is further discussed in this Securities Note. Landsbanki Íslands hf., ID no. 540291-2259, Álfheimar 74, 104 Reykjavík, declares that having taken all reasonable care to ensure that such is the case that the information in the Securities Note regarding the price per Share on which the Shares are offered, the timing of the Offering, including payment and delivery of the Shares, the description of the lock-up applicable to its Remaining Shares and the fees payable by Landsbanki Íslands hf. in relation to the Offering is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. Landsbanki Íslands hf. accepts no responsibility for any other information contained in this Securities Note and has not separately verified any such other information.

Reykjavík, 22 October 2012

On behalf of Landsbanki Íslands hf.

Magnús Magnússon
Managing Director of Corporate Banking

ALMC hf. is offering 8,324,030 shares in Eimskip for sale in an offering which is further discussed in this Securities Note. ALMC hf., ID no. 701086-1399, Borgartún 25, 105 Reykjavík, declares that having taken all reasonable care to ensure that such is the case that the information in the Securities Note regarding the price per Share on which the Shares are offered, the timing of the Offering, including payment and delivery of the Shares, the description of the lock-up applicable to its Remaining Shares and the fees payable by ALMC hf. in relation to the Offering is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. ALMC hf. accepts no responsibility for any other information contained in this Securities Note and has not separately verified any such other information.

London, 22 October 2012

On behalf of ALMC hf.

Andrew Bernhardt
Chief Executive Officer of ALMC hf.

Daniel Bingham
Legal Counsel of ALMC hf.

Samson eignarhaldsfélag ehf. is offering 1,854,975 shares in Eimskip for sale in an offering which is further discussed in this Securities Note. Samson eignarhaldsfélag ehf., ID No. 490902-2520, Aðalstræti 6, 101 Reykjavík, declares that having taken all reasonable care to ensure that such is the case that the information in the Securities Note regarding the price per Share on which the Shares are offered, the timing of the Offering, including payment and delivery of the Shares, the description of the lock-up applicable to its Remaining Shares and the fees payable by Samson eignarhaldsfélag ehf. in relation to the Offering is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. Samson eignarhaldsfélag ehf. accepts no responsibility for any other information contained in this Securities Note and has not separately verified any such other information.

Reykjavík, 22 October 2012

On behalf of Samson eignarhaldsfélag ehf.

Helgi Birgisson

Supreme Court Attorney
Trustee over Samson eignarhaldsfélag ehf. bankrupt estate

4.3 STATUTORY AUDITOR'S STATEMENT

KPMG ehf., ID No. 590975-0449, Borgartún 27, Reykjavík, Iceland, has audited the 2012 six month interim financial statement for Eimskipafélag Íslands hf. that has been prepared in accordance with IAS 34 "Interim financial reporting". Based on KPMG ehf.'s auditing, KPMG believes that the condensed consolidated interim financial statements are prepared, in all material respect, in accordance with IAS 34 "Interim financial reporting".

Furthermore KPMG ehf., ID No. 590975-0449, Borgartún 27, Reykjavík, Iceland, has audited the annual financial statements of Eimskipafélag Íslands hf. for the years 2009, 2010 and 2011. KPMG ehf. hereby confirms that the annual accounts of the Company for the years 2009, 2010 and 2011 give a true and fair view of the financial position of Eimskipafélag Íslands hf. for the respective years ended 31 December and of its financial performance and its cash flow for the years then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

KPMG ehf. confirms that the information in this Securities Note regarding the abovementioned financial statements for Eimskipafélag Íslands hf. is consistent with these abovementioned financial statements.

Reykjavík, 22 October 2012

On behalf of KPMG ehf.

Alexander G. Eðvardsson

Certified Public Accountant
and a member of The Institute of State Authorized Public Accountants in Iceland

and

Ólafur Már Ólafsson

Certified Public Accountant
and a member of The Institute of State Authorized Public Accountants in Iceland

4.4 LISTING ADVISORS

The Corporate Finance divisions of Straumur fjárfestingabanki hf. and Íslandsbanki hf. are joint Listing Advisors in relation to the Offering and Eimskip's shares being admitted to trading on the Main Market NASDAQ OMX Iceland. The Corporate Finance division of Straumur fjárfestingabanki hf. has prepared the Prospectus in close co-operation with the Company's management and Board of Directors and it has been prepared based on information provided by the Company, including financial, tax and legal due diligence reports, audited financial statements for the years ended 2009, 2010 and 2011, the interim audited financial statements for the six months ended 30 June 2012, the unaudited interim management accounts for the six months ended 30 June 2011, the one month unaudited interim management accounts for July 2012 as well as the one month unaudited interim management accounts for August 2012. Íslandsbanki hf. has provided critique and evaluation of the Prospectus in its role as listing advisor.

The Listing Advisors have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is assumed by the Listing Advisors as to the accuracy or completeness of the information contained in this document or any other information provided by the Company in connection with the sale of the Company's shares.

The financial and tax due diligence review was prepared by PricewaterhouseCoopers ehf., ID No. 690681-0139, Skógarhlíð 12, 105 Reykjavík.

The legal due diligence was performed by BBA Legal ehf., ID No. 661098-2959, Höfðatún 2, 105 Reykjavík, with independent local law firms performing a legal due diligence review on Eimskip's operations in Denmark, the Faroe Islands, China, the Netherlands and Norway, that were used as an input into BBA Legal ehf.'s due diligence report. Horten Advokatpartnerselskab, Philip Heymans Allé 7, DK-2900 Hellerup, performed the legal due diligence review on Eimskip's operations in Denmark and the Faroe Islands, Allen & Overy LLP, 15th floor phase II Shanghai IFC, 8 Century Avenue Pudong, Shanghai 200120, China for its operations in China, Stibbe New York P.C., 489 Fifth Avenue, 32nd floor, New York, NY 10017, USA, for its operations in the Netherlands and Advokatfirmaet Selmer DA, P.O. Box 1324 Vika, 0112 Oslo, Norway for its operations in Norway.

The due diligence performed by PricewaterhouseCoopers ehf. and BBA Legal ehf. covered selected companies that represent over 95% of the Company's gross revenue and holding companies holding the largest sub-groups within the Company. The companies within the scope were Eimskipafélag Íslands hf. and its following subsidiaries; Eimskip Ísland ehf., TVG-Zimsen ehf., P/F Faroe Ship, Sp/f Fossar, Eimskip Holding B.V., Eimskip B.V., Eimskip Denmark A/S, Eimskip Nederland B.V., Eimskip-CTG AS, Eimskip Asia B.V. and Eimskip Logistics (Qingdao) Co. Ltd. The due diligence covered the period of the last three years of the Company's operation and the materiality threshold was in the amount of EUR 500 thousand. The materiality threshold defines the benchmark used to determine if issues revealed in the due diligence review are considered to have a material impact on the Company's value or operations.

The due diligence reports are not intended to serve as guidance or recommendation to potential investors in relation to investing in the Shares.

Additionally the Company had legal advisory in relation to its Shares being admitted to trading on the Main Market NASDAQ OMX Iceland from Logos slf., ID No. 460100-2320, Efstaleiti 5, 103 Reykjavík, Iceland, and financial and tax advisory from KPMG ehf., ID No. 590975-0449, Borgartún 27, 105 Reykjavík, Iceland

5. KEY INFORMATION ON THE COMPANY

5.1 WORKING CAPITAL STATEMENT

The Company's Board of Directors and its CEO declare that at the date of this Securities Note the Company has sufficient working capital for its requirements for the next 12 months thereafter.

5.2 CAPITALIZATION AND INDEBTEDNESS

Table 1 below shows the Company's consolidated capitalization and net indebtedness as per 31 August 2012, based on audited interim statements as at 30 June 2012 and management accounts from July and August 2012. Indebtedness is calculated based on the consolidated statement of financial position for the Company. As at 31 August 2012 the Company's total equity was EUR 187.5 million. Depending on the Final Price and the number of shares sold, Eimskip is expected to receive maximum proceeds, net of direct costs, in the amount of ISK 1,329,750,000 if all the 6,000,000 Treasury Shares offered for sale will be sold at the price of ISK 225 per Share. The proceeds, if any, will be used to enhance the Company's cash reserves and for general corporate purposes. The Company has not made a detailed split between the expected use of proceeds. In order to enhance the Company's cash reserves and for general corporate purposes, the Company could also seek borrowings or use the cash generated by the Company's operations. There has been no significant change in the Company's financial or trading position since 31 August 2012.

Table 1 - Capitalization and indebtedness

Capitalization 31.08.2012 (€'000)		Indebtedness 31.08.2012 (€'000)	
Current debt			
-	Guaranteed	0 a) Cash	28,088
-	Secured	9,503 b) Cash equivalents	0
-	Unsecured/unguaranteed	0 c) Trading securities	974
Total current debt		9,503 d) Liquidity (a)+(b)+(c)	29,062
Non-current debt		e) Current financial receivables	65,978
-	Guaranteed	0 f) Current bank debt	956
-	Secured	53,388 g) Current portion of non-current debt	8,547
-	Unsecured/unguaranteed	0 h) Other current financial debt	0
Total non-current debt		53,388 i) Current financial debt (f)+(g)+(h)	9,503
Share capital	1,174	j) Net current financial indebtedness (i)-(e)-(d)	(85,537)
Share premium	147,109		
Fair value and other reserves	872	k) Non-current bank loans	47,265
Retained earnings	35,638	l) Non-current bonds issued	0
Minority interest	2,691	m) Other non-current loans	6,123
Shareholders' equity	187,484	n) Non-current financial debt (k)+(l)+(m)	53,388
Total capitalization	250,375	Net financial indebtedness (j)+(n)	(32,149)

5.3 POTENTIAL CONFLICTS OF INTEREST

Investors' attention is drawn to the following interests of the Listing Advisors on the date of this Securities Note:

- Straumur fjárfestingabanki hf. and Íslandsbanki hf. manage the admission of Eimskip's shares to trading on the NASDAQ OMX Iceland Main Market. Straumur fjárfestingabanki hf. and Íslandsbanki hf. receive a fee from the Company for this work.
- Straumur fjárfestingabanki hf. and Íslandsbanki hf. are advisors to the Sellers and receive a fee from the Sellers in relation to the Offering and the sale of Shares.
- The total commission, for the preparation of the Prospectus and the sale of treasury shares, payable by the Company to Straumur fjárfestingabanki hf. is estimated to be ISK 70 to 83 million and ISK 40 to 47 million to Íslandsbanki depending on the Final Price and number of Treasury Shares sold. For further information a reference is made to chapter 7.2 *Expense of the Company*.
- ALMC hf., which owns 100% of Straumur fjárfestingabanki hf.'s share capital, owns 4.2% or 8,324,030 shares in Eimskip. ALMC hf. intends to offer part of its Shares for sale as part of the Offering.
- Íslandsbanki hf.'s subsidiary, Miðengi ehf., and two funds managed by Íslandsbanki hf.'s subsidiary Íslandssjóðir hf., own a total of 0.9% or 1,782,400 shares in Eimskip. Glitnir banki hf., which owns 95% of Íslandsbanki hf.'s share capital, owns 0.7% or 1,420,300 shares in Eimskip through its subsidiary, GLB Holding ehf.
- Íslandsbanki hf. is a lender of the Company.

Investors' attention is drawn to the following interests of the Selling Shareholders on the date of this Securities Note:

- Landsbanki Íslands hf. owns 30.3% or 60,613,310 Shares in Eimskip. Landsbanki Íslands hf. intends to offer part of its Shares for sale as part of the Offering.
- Two independent members and one independent alternate board member were nominated by Landsbanki Íslands hf. to the Board of Directors.
- ALMC hf. owns 4.2% or 8,324,030 shares in Eimskip. ALMC hf. intends to offer part of its Shares for sale as part of the Offering. ALMC hf. owns 100% of the share capital of Straumur fjárfestingabanki hf., one of the two Listing Advisors.
- Samson eignarhaldsfélag ehf. owns a total of 1.5% or 2,962,160 Shares and intends to sell part of its Shares as part of the Offering.

6. TERMS AND CONDITIONS OF THE OFFERING

In the share offering described in this Securities Note, Landsbanki Íslands hf., ALMC hf. and Samson eignarhaldsfélag ehf. will jointly offer 50,000,000 Shares for sale, which equals 25% of the Company's total issued share capital. The Offering will take place in two separate phases. In the period 2 October to 25 October 2012 a book building process will take place where a limited number of investors, selected by the Listing Advisors and the Company, will be invited to subscribe for Shares at a price per share of ISK 205-225. No taxes or charges will be charged to the subscribers in direct relation to the Offering. The price range was determined by the Company and the Selling Shareholders. In the Book Building, minimum subscriptions accepted will be ISK 200 million. At the end of the Book Building, Shares will be allocated at a single price to all investors subscribing for Shares in the Book Building within the price range stated above. Following the Book Building, in the period 30 October to 2 November 2012, a Public Offering will take place where all investors will be invited to subscribe for Shares at the Final Price. Investors that participated in the Book Building can also subscribe in the Public Offering. Minimum subscriptions in the Public Offering will be ISK 25 thousand, purchase value, for Eimskip's employees and ISK 50 thousand, purchase value, for other investors.

The Selling Shareholders will offer 40,000,000 Shares for sale in the Book Building and 10,000,000 Shares for sale in the Public Offering. The Selling Shareholders reserve the right to increase the number of Shares offered in the Book Building in case of excess demand and to reduce the number of Shares offered in case of insufficient demand. Estimated net proceeds received by the Selling Shareholders will thus be in the range of ISK 10,096,250,000 – 11,081,250,000 assuming that a total of 50,000,000 Shares will be sold. The proceeds will be received by the Selling Shareholders in proportion to the number of Shares sold by each of the Selling Shareholders. Any change in the number of Shares offered by the Selling Shareholders will be announced in accordance with chapter 6.1.6 *Notification of Book Building Results*.

In addition to the Shares offered for sale by the Selling Shareholders, the Company will offer up to 6,000,000 of its Treasury Shares for sale in the Public Offering in case the demand in that part of the offering will exceed the number of Shares offered for sale by the Selling Shareholders in the Public Offering. The maximum proceeds, net of direct costs, received by the Company amount to ISK 1,329,750,000, which will be obtained if all 6,000,000 Treasury Shares will be sold at the price of ISK 225 per Share.

Table 2 - Summary of shares offered for sale by the Selling Shareholders in the Offering

	Book Building		Public Offering		Total offering	
	Number of shares	% of issued shares	Number of shares	% of issued shares	Number of shares	% of issued shares
Landsbanki Íslands hf.	35,888,211	17.94%	3,932,784	1.98%	39,820,995	19.92%
ALMC hf.	2,875,139	1.44%	5,448,891	2.72%	8,324,030	4.16%
Samson eignarhaldsfélag ehf.	1,236,650	0.62%	618,325	0.30%	1,854,975	0.92%
Total	40,000,000	20.00%	10,000,000	5.00%	50,000,000	25.00%

Table 3 - Shares offered for sale by the Company in the Public Offering in case of excess demand

	Book Building		Public Offering		Total offering	
	Number of shares	% of issued shares	Number of shares	% of issued shares	Number of shares	% of issued shares
Eimskipafélag Íslands hf.	0	0.00%	6,000,000	3.00%	6,000,000	3.00%

The Selling Shareholders' main reasons for the Offering are to sell their shares in the Company at an acceptable price, to facilitate the Company fulfilling the requirements set for share capital distribution as a precursor for listing the Company's shares on the Main Market NASDAQ OMX Iceland and to broaden the shareholder base by having both institutional investors and the general public acquire a stake in the Company.

The Company's reasons for the Offering are to accommodate for potential excess demand in the Public Offering, in addition to the reasons defined by the Selling Shareholders. Additionally, if Treasury Shares will be sold by the Company, the Company will enhance the Company's cash reserves and use the proceeds for general corporate purpose.

The Sellers may withdraw the Offering if total demand for the Shares does not exceed 50,000,000 Shares. The Selling Shareholders and the Company also reserve the right to withdraw the Offering if NASDAQ OMX Iceland does not accept the Company's application for admission to trading the Shares on the Main Market NASDAQ OMX Iceland before year-end 2012. If either the Selling Shareholders or the Company decide to withdraw the Offering as a result of the abovementioned reasons, all subscriptions for Shares will be deemed to be cancelled. The Selling Shareholders and the Company have appointed a committee consisting of three persons which will make formal decisions on behalf of the Selling Shareholders in relation to the offering based on discussions with each of the Selling Shareholders.

The Offering constitutes an offering of already issued Shares owned by the Selling Shareholders and the Company. The Sellers are not aware of whether major shareholders of the Company, board members or other administrators intend to subscribe for Shares in the Offering, or if any parties intend to subscribe for more than 5% of the Offering. The Offering is not underwritten.

The Company

Eimskipafélag Íslands hf., ID No. 690409-0460, Korngarðar 2, 104 Reykjavík, Iceland.

The Selling Shareholders

Landsbanki Íslands hf., ID No. 540291-2259, Álfheimar 74, 104 Reykjavík, Iceland;

ALMC hf., ID No. 701086-1399, Borgartún 25, 105 Reykjavík; and

Samson eignarhaldsfélag ehf., ID No. 490902-2520, Aðalstræti 6, 101 Reykjavík.

6.1 BOOK BUILDING

Investors' attention is drawn to the fact that the Book Building described in this chapter 6.1 of this Securities Note, does not constitute a public offering pursuant to article 43 of act no. 108/2007 on securities transaction.

6.1.1 Subscription Period

Subscriptions from the investors that have been invited to subscribe for Shares in the Book Building shall be made in the period from 10:00 on 23 October 2012 until 14:00 on 25 October 2012. Subscriptions made on the basis of the Book Building outside of that period will not be considered to be valid.

6.1.2 Conditions for Participation

On the date of this Securities Note, a limited number of investors, selected by the Listing Advisors and the Company, have already been invited to subscribe for Shares in the Book Building.

6.1.3 Registration of Subscriptions, Pricing and Number of Shares Offered

In the Book Building the Selling Shareholders will jointly offer for sale 40,000,000 Shares, reserving the right to increase or decrease the number of Shares offered based on the demand for Shares in the Book Building.

Subscriptions for Shares in the Book Building shall be made via specially made subscription forms, provided in paper form by the Listing Advisors.

A subscription constitutes a legally binding agreement and investors cannot cancel or change their subscription once it has been made.

Investors shall register the aggregate purchase value of the Shares they wish to purchase in the Book Building. The final subscription is obtained by rounding, either up or down, each subscription to equal whole number of Shares, taking into consideration the maximum price per Share defined by each investor as it is described below. The purchase value is calculated by multiplying the price per share and the number of Shares purchased. The minimum subscription is ISK 200 million, purchase value.

Investors can make their subscriptions conditional on the Final Price not exceeding a maximum price per share which the investor defines on the subscription form. If the Final Price exceeds the

maximum price per Share defined by the investor, the investor's subscription is not valid and that investor will not be allocated any Shares.

The maximum price stated in the subscription shall be within the range of ISK 205-225 per each Share. Subscriptions made stating a maximum price outside of that range will not be considered to be valid. If no maximum price is defined, the subscription will be assumed to be made on the Final Price.

The subscription form, which is in paper, shall be signed by the investor or a person or persons having the authority to sign the subscription on behalf of the investor. Investors shall deliver completed subscription forms to either one of the Listing Advisors within the Book Building subscription period, either in person or by e-mail, as a scanned attachment, with no requirement to deliver the original copy, to either address defined below:

Straumur fjárfestingabanki hf.
Eimskip IPO
Borgartún 25, 105 Reykjavík

Tel.: +354 585 6600
e-mail: eimskipIPO@straumur.com

Íslandsbanki hf.
Eimskip IPO
Kirkjusandur 2, 155 Reykjavík

Tel.: +354 440 4000
e-mail: eimskipIPO@islandsbanki.is

The same investor is allowed to submit more than one subscription form where each subscription can state a different maximum price within the price range of ISK 205 to 225. For an investor submitting multiple subscriptions within the range of ISK 205 to 225, the subscriptions submitted by that investor having a maximum price exceeding or equal to the Final Price will be seen as a single combined subscription, while other subscriptions made by that investors will not be valid in accordance with what is stated above. As an example, for explanatory purposes only, this would mean that if the Final Price would be ISK 220 per Share and the same investor would submit three subscriptions at a maximum price per Share of ISK 215, 220 and 225 respectively, the subscription made at ISK 215 per Share would not be valid, while the other two subscriptions would be seen as a single subscription at ISK 220 per Share.

Further information, if required, regarding the subscription procedure is provided by the Listing Advisors.

6.1.4 Payment Guarantees

The Listing Advisors reserve the right to demand payment guarantees from investors who subscribe for shares in the Book Building. If an investor does not comply with that demand, the Listing Advisors reserve the right to cancel the investor's subscription in part or in whole.

Payment guarantees are subject to the Listing Advisors approval. An example of an adequate guarantee could be granting collateral in a deposit account or a securities account or by granting a settlement guarantee issued by a financial institution. The payment guarantee is waived when the subscription is paid for on time and according to payment instructions as per chapter 6.3 *Payment and Delivery of Shares*.

6.1.5 Allocation of Shares

A decision on allocation of the Shares offered for sale in the Book Building will be made by the Sellers following the expiration of the Book Building subscription period. The Selling Shareholders and the Company have appointed a committee consisting of three persons which will make formal decisions on behalf of the Sellers based on discussions with each of the Sellers. The Sellers reserve the right to reject any subscriptions in whole or in part at their sole discretion.

Based on the subscriptions received, the Sellers will jointly determine the Final Price on which all Shares will be allocated, with the intention of selling the Shares at the highest price that will conclude the sale of at least 40,000,000 Shares. Before Shares in the Book Building will be allocated, the Sellers will decide if the number of Shares offered for sale will be changed. In the event of excess demand in the Book Building, Shares will be allocated on pro rata basis unless other allocation rules would better serve the interest of the Sellers and the goals of the Offering. In case other allocation rules would be applied, the Sellers reserve the right to allocate Shares at their sole discretion, which means that the Sellers will not declare how the allocation is implemented and investors are not given the opportunity to object to the decision.

6.1.6 Notification of Book Building Results

The results of the Book Building will be made public by an announcement published before 16:00 on 26 October 2012. The announcement will include the Final Price as well as information on the aggregate number of Shares sold.

6.2 PUBLIC OFFERING

The Public Offering, described in this chapter, constitutes a public offering pursuant to article 43 of act no. 108/2007 on securities transaction.

6.2.1 Subscription Period

The offer period in the Public Offering is from 10:00 on 30 October 2012 until 16:00 on 2 November 2012. Subscriptions made outside of that time period will not be accepted.

6.2.2 Conditions for Participation

The Public Offering is held in Iceland and participants must have an Icelandic ID No. and be legally competent according to act no. 71/1997 on legal competence. The Shares are not offered for sale in jurisdictions where such an offer would require additional registration measures to those already made. Employees of Straumur fjárfestingabanki hf. and Íslandsbanki hf. are allowed to take part in the Public Offering but their participation is restricted to the first three hours of the Public Offering subscription period, i.e. from 10:00 to 13:00 on 30 October 2012. Employees of Straumur fjárfestingabanki hf. and Íslandsbanki hf. are required to own the shares acquired in the Public offering for a minimum of 30 days from the time the shares are admitted to trading on the Main Market NASDAQ OMX Iceland.

6.2.3 Registration of Subscriptions, Pricing and Number of Shares offered

In the Public Offering the Selling Shareholders will jointly offer 10,000,000 Shares for sale. In case the demand in the Public Offering will exceed the number of Shares offered for sale by the Selling shareholders, the Company will offer for sale up to 6,000,000 Treasury Shares to accommodate for excess demand.

Shares are offered for sale at a fixed price per Share which will be made public before 16:00 on 26 October 2012. The price per Share at which Shares are offered for sale in the Public Offering is the Final Price on which Shares are allocated in the Book Building. Investors' attention is drawn to the fact that each investor bears its own expenses in relation to owning the Shares, including charges for custody services.

Subscriptions for Shares in the Public Offering shall be made via specially made electronic subscription forms in accordance with what is stated below, except those investors subscribing for ISK 50,000,001 and more, purchase value, which will be obliged to hand in subscriptions in person in a paper format or by e-mail, as a scanned attachment, with no requirements to deliver the original copy, to either one of the Listing Advisors, to either address stated below:

Straumur fjárfestingabanki hf.
Eimskip IPO
Borgartún 25, 105 Reykjavík

Tel.: +354 585 6600
e-mail: eimskipIPO@straumur.com

Íslandsbanki hf.
Eimskip IPO
Kirkjusandur 2, 155 Reykjavík

Tel.: +354 440 4000
e-mail: eimskipIPO@islandsbanki.is

A subscription constitutes a legally binding agreement and investors cannot cancel or change their subscription once it has been made.

Investors shall register the number of Shares they wish to purchase in the Public Offering. The purchase value is calculated by multiplying the Final Price and the number of Shares subscribed for. The minimum subscription is ISK 25 thousand, purchase value, for Eimskip's employees and ISK 50 thousand, purchase value, for other investors.

Investors are allowed to submit multiple subscriptions in the Public Offering, whereby multiple subscriptions made by a single investor will be seen as a single combined subscription. As an example for explanatory purposes only, this means that an investor that submits two different subscriptions both in the amount of ISK 100 thousand will be seen as having submitted one subscription in the amount of ISK 200 thousand in the allocation process.

Further information, if required, regarding the subscription procedure is provided by the Listing Advisors.

Subscriptions worth from ISK 50,000 to 50,000,000, purchase value

Investors who wish to subscribe for Shares worth between ISK 50,000 and ISK 50,000,000 shall subscribe electronically via a subscription form available through, the websites of the listing advisors, www.straumur.com and www.islandsbanki.is from 10:00 on 30 October 2012 to 16:00 on 2 November 2012.

Subscriptions worth ISK 50,000,001 and more, purchase value

Subscriptions for Shares in the Public Offering worth ISK 50,000,001 and more, purchase value, shall be made via specially made subscription forms in paper format, provided by the Listing Advisors from 10:00 on 30 October 2012 until 16:00 on 2 November 2012. The subscription forms will be provided by the Listing Advisors either by e-mail or in person and can be submitted in person in a paper format or by e-mail as a scanned attachment with no requirements to deliver the original copy.

Subscriptions made by employees of Eimskipafélag Íslands hf.

Subscriptions of employees of Eimskipafélag Íslands hf. shall be made from 10:00 on 30 October 2012 to 16:00 on 2 November 2012 via an electronic subscription form, sent electronically by the Listing Advisors to the e-mail addresses of individual employees before the beginning of the subscription period.

Subscriptions made on behalf of asset management clients

A financial institution having a license to provide asset management services is allowed to make subscriptions on behalf of multiple investors via specially made subscription forms, provided by the Listing Advisors.

6.2.4 Payment Guarantees

The Listing Advisors reserve the right to demand payment guarantees from investors who subscribe for more than ISK 5 million. If an investor does not comply with that demand, the Listing Advisors reserve the right to cancel the investor's subscription in part or in whole.

Payment guarantees are subject to the Listing Advisors approval. An example of an adequate guarantee could be posting collateral in a deposit account or a securities account or by granting a settlement guarantee issued by a financial institution. The payment guarantee is waived when the subscription is paid for on time and according to payment instructions as per chapter 6.3 *Payment and Delivery of Shares*.

6.2.5 Allocation of Shares

A decision on allocation of the Shares in the Public Offering will be made jointly by the Sellers following the expiration of the Public Offering subscription period. The Selling Shareholders and the Company have appointed a committee consisting of three persons which will make formal decisions on behalf of the Sellers based on discussions with each of the Sellers. The Sellers reserve the right to

reject any subscriptions in full or in part at their sole discretion, which means that the Sellers will not declare how the allocation is implemented and investors are not given the opportunity to object to the decision.

In case demand for Shares exceeds the amount of Shares offered for sale in the Public Offering, taking into account the maximum number of Treasury Shares offered for sale by the Company, Shares will be allocated on pro-rata basis, with the intention of limiting reductions to ISK 2,000,000, purchase value, for Eimskip's employees and ISK 1,000,000, purchase value, for other investors. Therefore, the intention is that no reductions will be applied to subscriptions by Eimskip's employees lower than or equal to ISK 2,000,000 and ISK 1,000,000 for other investors. In case of excess demand in the Public Offering after all subscriptions have been reduced to ISK 2,000,000 for Eimskip's employees and ISK 1,000,000 for other investors, a flat reduction will be applied until the number of Shares offered will match the number of Shares allocated to investors.

6.2.6 Notification of the Public Offering Results

The results of the Public Offering will be made public by an announcement published before 16:00 on 5 November 2012. The announcement will include the Final Price as well as information on the aggregate number of Shares sold.

6.3 PAYMENT AND DELIVERY OF SHARES

Investors who are allocated Shares, either in the Book Building or the Public Offering, will receive information on the allocation and payment instructions for the Shares when the aforementioned announcements have been made public. The results of the Book Building will be made public no later than 16:00 on 26 October 2012 and the results of the Public Offering will be made public not later than 16:00 on 5 November 2012. The information will be sent via e-mail to an address specified by the investor in the subscription form. The payment instructions will be in the form of invoices sent to investors via their online bank, or general mail if they specifically choose so on the subscription form. Those subscribers who do not receive an invoice will not be allocated any Shares.

The due date for the invoices for both investors in the Book Building and the Public Offering is 12 November 2012. For any Shares unpaid on the due date the Seller's may either collect payment with penalty interest and costs according to the principle rules of Icelandic law of obligation and contracts, or cancel the subscription of the Shares in question and allocate those Shares to a third party without notice or notification to subscribers. The Sellers have appointed a committee consisting of three persons which will make formal decisions on behalf of the Sellers based on discussions with each of the Sellers. For unpaid invoices, the Sellers hold rights proportional to the Shares sold by each of the Sellers.

Assuming payment, the Shares will be delivered electronically to the neutral zone of the Icelandic Securities Depository and the Listing Advisors will instruct the investor's custodian, which the investor specified in his subscription form, to receive the Shares from the neutral zone and deposit them in the investor's custody account.

6.4 USE OF PROCEEDS

The Company's proceeds from the Offering will equal the number of Treasury Shares sold multiplied by the Final Price. Therefore, the Company's proceeds, net of direct costs, from the Offering, if any, can amount to maximum of ISK 1,329,750,000 if all the 6,000,000 Treasury Shares offered for sale will be sold at the price of ISK 225 per Share. The Company's proceeds from the Offering, if any, will be used to enhance the Company's cash reserves and for general corporate purposes. The Company has not made a detailed split between the expected use of proceeds. In order to enhance the Company's cash reserves and for general corporate purposes, the Company could also seek borrowings or use the cash generated by the Company's operations.

7. INFORMATION REGARDING THE SHARES AND THEIR ADMISSION TO TRADING

7.1 ADMISSION TO TRADING

An application has been made for the Company's shares to be admitted to trading on the Main Market NASDAQ OMX Iceland, which is a regulated market in accordance with directive 2004/39/EC on markets in financial instruments, which has been implemented into Icelandic law through act no. 108/2007 on securities transaction and act no. 110/2007 on stock exchanges. Following the Financial Supervisory Authority, Iceland's approval of the Prospectus, NASDAQ OMX Iceland will review the Company's application and make its conclusion public in the European Economic Area. The Company believes it satisfies all of the requirements for admission to trading pursuant to the Rules of NASDAQ OMX Iceland with the exception of the requirement on share capital distribution.

To satisfy NASDAQ OMX Iceland's requirements on share capital distribution, an adequate number of the Company's shares must belong to general investors and the number of shareholders must be adequate. According to the Rules of NASDAQ OMX Iceland, companies having at least 500 shareholders holding shares with a value exceeding ISK 100,000 will under normal circumstances be considered to fulfill the requirement regarding the number of shareholders. Additionally, 25% of the share capital within the same class needs to be in public hands. As stated in the Rules of NASDAQ OMX Iceland, the term "general investors", in this context, refers to investors who are not insiders, parties financially connected to insiders, a parent company or subsidiary or shareholders with holdings of 10% or more. When calculating shares that are not publicly owned, shareholders who have pledged not to divest their shares during a protracted period of time (so-called lock-up) are included.

One of the main goals of the Public Offering is to satisfy the requirements on share capital distribution. Given that the Company fulfills those requirements, it is expected, although no guarantee can be provided, that NASDAQ OMX Iceland will admit the Company's shares to trading on the Main Market NASDAQ OMX Iceland. If the Shares will be admitted to trading, the first day of trading with Eimskip's shares will be on 16 November 2012 at the earliest. The first day of trading will be announced by NASDAQ OMX Iceland at least one business day in advance.

The Company has entered into a market making agreement with Straumur fjárfestingabanki hf. and Íslandsbanki hf. where both banks are obliged to submit daily bid and ask prices for purchase value of ISK 5,000,000 each time and maximum total of ISK 50,000,000, purchase value, per day. Maximum bid-ask spread shall not exceed 1.5% and deviation from the last transaction price shall not exceed 3%. The agreements will become effective on the day the Shares are admitted to trading, are unlimited in time but can be terminated with one month's notice.

7.2 EXPENSE OF THE COMPANY

The Company's proceeds from the Offering will equal the number of Treasury Shares sold multiplied by the Final Price. For any Treasury Shares sold, the Company will pay a total fee of 1.5% to the proceeds to the Listing Advisors for placing the Shares. Therefore, the Company's proceeds from the

Offering, net of direct costs, can amount to maximum of ISK 1,329,750,000 if all the 6,000,000 Treasury Shares offered for sale will be sold at the price of ISK 225 per Share. The total commission payable by the Company to Straumur fjárfestingabanki hf. for the placing of Shares is estimated to be up to ISK 12.8 million and ISK 7.4 million to Íslandsbanki depending on the Final Price and the number of Shares sold. The Sellers will be responsible for their portion of the selling expenses in proportion to the number of Shares sold in the Offering.

The Company will bear all cost of listing the Shares on the NASDAQ OMX Iceland Main Market. The maximum total commission payable by the Company to the Listing Advisors is ISK 130 million, including the commission for the placing of the Shares, depending on the Final Price and the number of Shares sold. The total cost, payable by the Company for the preparation of the due diligence reports is estimated at ISK 87 million. Other expenses, including the charges from the Financial Service Authority, Iceland, NASDAQ OMX Iceland and the cost payable by the Company to the Icelandic Securities Depository, is estimated ISK 10 million. The maximum total cost payable by the Company is therefore estimated to be ISK 227 million.

7.3 SHARE CAPITAL

The total issued share capital of Eimskip is ISK 200,000,000 in nominal value, divided into an equal number of shares, each with nominal value of ISK 1.0. The Company's share capital consists of one class of shares and each issued share carries equal rights according to the Company's Articles of Association. The Shares are issued in ISK and in accordance with act no. 2/1995 respecting public limited companies.

The ISIN number of the Shares is IS0000019800. The Shares' ticker symbol in the trading system of the NASDAQ OMX Iceland will be EIM if the Shares are admitted to trading.

7.4 PRIORITY AND VOTING RIGHTS

Each issued Share carries one vote at the Company's Shareholder Meetings, with the exception of Shares owned by the Company which no voting rights are attached to, in accordance with paragraph 3 of article 82 of act no. 2/1995 on public limited liability companies. The Company holds 11,918,820 Treasury Shares or 6.0% of the issued share capital at the date of this Securities Note and will sell a maximum of 6,000,000 Treasury Shares or 3.0% of the issued share capital in relation to the Offering. In this respect it should be noted that pursuant to an agreement relating to the financial reorganization of A1988 hf., A1988 hf. may not exercise any voting rights it might have relating to its 8,441,950 Shares or 4.2% of the issued share capital in Eimskip and has to abstain from any and all votes of the shareholders of Eimskip. All the Shares of the Company carry equal rights and no privileges are attached to Shares in the Company.

As set out in the Articles of Association, only a Shareholders' Meeting may decide to increase the Company's share capital, either by subscription of new shares or issuance of compensation shares. On the date of the Securities Note there is no valid authorization of the Board to increase the Company's share capital. A decision to increase share capital shall be made with the majority which is needed to amend the Articles of Association.

Upon an increase of share capital, shareholders are entitled to subscribe to new shares in direct proportion to their holdings. Those shareholders or others who have priority rights to subscription shall, immediately following a decision to raise the share capital, be given notice thereof in accordance with the same rules as those applying to the calling of a Shareholders' Meeting along with information about the nominal value and rate of the shares to the purchase of which the shareholder is entitled, respite for subscription and terms of payment.

In public limited liability companies, which do not impose restrictions upon transactions in shares between parties, such as applies to the Company, the shareholders may convey to other parties their right to subscription in part or in full, but in whole number of Shares only. In case one of the older shareholders does not use or convey his right to subscription in full, other older shareholders possess an increased right to subscription which they cannot convey to others.

However a Shareholders' Meeting may, with the approval of 2/3 of the vote cast, and the approval of shareholders controlling at least 2/3 of the share capital represented at the meeting, decide to waive the pre-emptive rights, provided that shareholders will in no way be treated with discrimination.

7.5 OWNERSHIP AND TRANSFER RIGHTS

The Shares are registered electronically at the Icelandic Securities Depository, Laugavegur 182, 105 Reykjavík, Iceland, in accordance with act no. 131/1997 on electronic registration of titles to securities. The Shares are registered in a book-entry form under the name and Icelandic ID no. of the relevant shareholders or their nominees. The share registry is viewed as valid proof for ownership of shares in the Company. Dividends and announcements shall at any given time be sent to the party registered in the Company's share register as owner of the shares in question.

Shareholder rights are, at any time, subject to the Company's Articles of Association and Icelandic legislation in effect. Only general legislative rules apply to the transfer of shares in the Company. In this respect it should be noted that A1988 hf. owns 8,441,950 Shares, equaling 4.2% of the total share capital, in Eimskip which may not be transferred disposed of or otherwise encumbered, while owned by A1988 hf., other than in accordance with an agreement relating to the financial reorganization of A1988 hf. In that respect these 4.2% of total share capital of Eimskipafélag Íslands hf. shall be returned to the Company in the event of A1988 hf. entering into bankruptcy proceedings, the contingent claims lapsing, or A1988 hf. entering into voluntary liquidation. It is however uncertain whether or when these shares will be returned to the Company.

In addition to the aforesaid, it should be noted that individual shareholders may have agreed that their Shares are subject to certain restrictions, see chapter 7.12 *Lock-up Agreement*.

7.6 DIVIDENDS

The Company's dividend policy, which was decided at the Company's Shareholders' Meeting on 29 June 2012, is to pay annual dividends that equal an amount in the range of 10% to 30% of net profit after taxes. Decision on dividend payment and the exact amount is subject to the Company's future

investment plans, market outlook and satisfactory capital structure at each time. The Company did not pay dividends for the financial years 2009, 2010 and 2011.

At the Annual General Meeting a decision shall be made on dividend payments based on a proposal from the Board of Directors. The Company will follow NASDAQ OMX Iceland's proposals on dividend payments, which is that trading in the Shares exclusive of dividends begin the business day after the dividend proposal is approved and that payment of dividends will be made no later than 30 days after the record date.

The Company is subject to restrictions on dividend payments in accordance with the provisions of act no. 2/1995 on public limited liability companies. According to paragraph 1 of article 99 of the aforementioned act, the Company is only authorized to allocate profit as dividends in accordance with (i) approved annual accounts for the immediate past fiscal year, (ii) profit brought forward from previous years and (iii) distributable reserves, after deduction of (a) any uncovered losses and (b) moneys which, according to law or the Articles of Association, shall be contributed to a reserve fund or for other use. Moreover, the Company must take into account that authorization to pay dividend is subject to relevant covenants in one of relevant loan agreements of the Company, which state that no dividend payments are allowed unless the Company is in compliance with its covenants and that annual dividends or other distributions to shareholders cannot exceed 75% of net profits after tax for a given year.

Shareholders can collect their dividends at the Company's office within four years after the due date of payment. Four years after the due date, the right to collect dividend payments lapses in accordance with act no. 150/2007 on the lapse of debts and other claim rights, and the rights fall to the Company.

Eimskip has no special restrictions or procedures regarding dividend payments for shareholders who are non-residents of Iceland.

With the exception of dividend payments, shareholders are not entitled to any of the Company's profits.

7.7 DISSOLUTION OR MERGER OF THE COMPANY

According to the Articles of Association of Eimskip, proposals on dissolving the Company, should it be advisable or necessary, shall be governed by chapter XIII of act no. 2/1995 on public limited liability companies. Furthermore, the provisions of chapter XIV of the aforesaid act shall apply in relation to a merger of the Company with other companies.

7.8 ACTIONS NECESSARY TO CHANGE SHAREHOLDERS' RIGHT

According to article 93 of act no. 2/1995 on public limited liability companies, the Articles of Association may only be amended at a lawful Annual General Meeting or extraordinary Shareholders' Meeting, provided that the notice of the meeting clearly indicates that such an amendment is proposed and outlines the main substance of the amendment. A decision is valid only if it has the support of at least 2/3 of the vote cast and the support of shareholders controlling at least 2/3 of the

share capital represented at the meeting, provided always that no other force of votes is required by the Articles of Association or statutory law.

Certain changes in the Articles of Association may only be amended with the consensus of all the shareholders. Article 94 of the act on public limited liability companies stipulates three conditions for which such consensus is required. These conditions are reducing dividends or other payments to shareholders, increasing shareholders' obligations to the Company, and limiting shareholders' freedom to exercise their rights according to their shares in conjunction with articles 22 and 23 of the act on public limited liability companies, or if shareholders are forced to sell their shares without the dissolution of the Company. Certain exemptions apply, when changes result from actions previously decided by a lawful shareholders meeting.

7.9 MANDATORY TAKEOVER BIDS

If the Company's shares will be admitted to trading on the Main Market NASDAQ OMX Iceland, the Company will become subject to chapter X of act no. 108/2007 on securities transactions, a legislation that is based on directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids. According to paragraph 1, article 100 of act no. 108/2007 on securities transactions, if a party, directly or indirectly, acquires control of the Company it is obligated to make an offer within four weeks to the other shareholders of the Company. The offer price must match, at least, the highest price paid for the Shares by the acquirer or its partners during the previous six months. "Control" of the Company means that the party and any party acting with it has acquired (i) in total at least 30% of the voting rights in the Company, (ii) the right to control at least 30% of the voting rights in the Company by virtue of an agreement with other shareholders, (iii) the right to appoint or dismiss the majority of the members of the Company's Board of Directors.

At the date of this Securities Note, Landsbanki Íslands hf. holds 30.3% of the Company's issued share capital. Following the Book Building and the Public Offering, it is assumed that Landsbanki Íslands hf. will hold no more than 15% of the Company's issued share capital.

7.10 TAKEOVER BIDS BY THIRD PARTIES

No takeover bid has been made by a third party in the last and current fiscal year with respect to shares in the Company.

7.11 REDEMPTION PROVISIONS

According to Eimskip's Articles of Association, shareholders are not obligated to accept their shares being redeemed, except as provided by law.

Under article 24 of act no. 2/1995 on public limited liability companies, a shareholder holding more than 90% of a company's share capital and controlling an equivalent proportion of its voting rights may decide, in conjunction with the board of directors of the company, that other shareholders in the company be subjected to a mandatory redemption of their shares. Correspondingly, each individual minority shareholder may demand redemption from the shareholder.

In article 110 of act no. 108/2007 on securities transactions, there are also provisions on redemption, wherein it is stated that if the offering party and parties acting in concert with it acquire more than 9/10 of the share capital or voting rights in the target company, the offering party and board of the company may jointly decide that other shareholders shall be subject to redemption of their shares.

7.12 LOCK-UP AGREEMENT

In an agreement between the Company and Landsbanki Íslands hf., ALMC hf. and Samson eignarhaldsfélag ehf. it is stated that each of Landsbanki Íslands hf., ALMC hf. and Samson eignarhaldsfélag ehf. have agreed not to offer to sell, contract to sell, or otherwise sell, dispose of, loan, pledge or grant any rights with respect to the Remaining Shares held by the parties after the listing of the Company for a period of six months from the first day of trading of the Company's shares on the Main Market at NASDAQ OMX Iceland, unless the Remaining Shares in whole or in part are sold in a single transaction where more than 5.0% of the outstanding shares of the Company are sold in each transaction ("block sale"). In this regard any such block sale during the lock-up period of six months shall be carried out outside of open markets and without the Selling Shareholders publicly announcing their plans for selling their Shares before the transaction is completed. Chapter XIII. of act no 108/2007 on securities transactions applies to any such transactions.

Employees of Straumur fjárfestingabanki hf. and Íslandsbanki hf. are required to own the Shares acquired in the Public offering for a minimum of 30 days from the time the Shares are admitted to trading.

7.13 CONVERTIBLE LOANS AND WARRANTS

The Company has no convertible loans or warrants outstanding.

7.14 TAXES

The taxation of income from investment in shares is dependent on the current tax legislation at any given time, which is subject to change. Investors are advised to familiarize themselves with all changes and revisions to the tax legislation. The discussion in this chapter is meant to provide general guidelines and does not cover all possible scenarios which may be of importance to prospective investors, for example if the Shares are a part of an asset portfolio. It is therefore recommended that investors consult a tax advisor regarding the tax consequences of investing in the Company's shares, including the effects of foreign legislations and double taxation treaties Iceland has made with other countries.

The Company's shares are subject to stamp duty in Iceland, which the Company has already paid on all issued shares. The sale of the Company's shares is not subject to stamp duty.

7.14.1 Tax Consideration for Residents of Iceland

Taxation on dividends

The Company is obligated to withhold tax on dividends paid to individuals and legal entities in Iceland, in accordance with provisions of paragraph 2 of article 3 and paragraph 4 of article 5 of act no. 94/1996 on capital income tax. The tax rate is 20%. For income tax purposes most taxable legal entities, such as limited liability companies, may declare a deemed deduction of the same amount as the dividend received and consequently there will be no effective taxation of dividend income of such companies. If the withheld tax is higher than the levied tax, then the difference will be refunded upon assessment of tax returns.

Taxation on capital gains

Capital gains constitute taxable income according to act no. 90/2003 on income tax. The tax rate is 20%. Upon the sale or other disposal of shares, the shareholders' average acquisition costs for all shares of the same class and type will be used as the tax base on which the capital gain of the sale/disposal is calculated. Individuals can deduct losses from the sale of shares from the profits from the sale of other shares. The profit and loss must however occur within the same calendar year. Losses from the sale of shares cannot be carried forward and offset against future capital gains from the sale of shares. In the case of legal entities capital gains from the sale or disposal of shares are taxable income according to the income tax act. However, the same act permits limited liability companies to deduct from their income any gains from sale or other disposals of shares.

7.14.2 Tax Consideration for Non-residents of Iceland

Taxation on dividends

The Company is obligated to retain taxes on dividend payments paid to individuals not residing in Iceland. For individuals the withholding tax rate is 20% and for foreign legal entities the tax rate is 18%. Foreign legal entities can apply to be exempt from withholding taxes on dividends. However, non-resident legal entities within the European Economic Area can deduct from their income, including their dividend income any sum which they may have received in dividends.

Taxation on capital gains

Capital gains from the sale of Shares by individuals not residing in Iceland are taxable in Iceland according to the income tax act. For individuals the tax rate is 20% and for foreign legal entities the tax rate is 18%, absent treaty provisions to the contrary. However, non-resident legal entities within the European Economic Area can deduct from their income any gains from the sale or other disposals of Shares.

Double taxation treaties may contain provisions for exemptions to withholding tax, or provisions for lowering the percentage. Iceland has made double taxation treaties with about 30 countries. The treaties are generally in accordance with a model taxation treaty from OECD (OECD Model Tax Convention on Income and on Capital).

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REGISTRATION DOCUMENT

October 2012



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1. RISK FACTORS

1.1 GENERAL

Eimskipafélag Íslands hf., ID No. 690409-0460, Korngarðar 2, 104 Reykjavík, Iceland (hereafter “Eimskip”, the “Company” or the “Issuer”) is an Icelandic based company providing worldwide transportation services. Eimskip’s transportation services include shipping, port operations, ocean-, land- and airfreight-transport, warehousing, freight forwarding and expert advice on shipping and logistics. Eimskip currently has 49 offices in 17 countries and 65 partners in 36 countries. The Company currently operates 17 vessels and employs around 1,300 people.

The risk factors that Eimskip is aware of and are in the Company’s opinion specific to Eimskip and its industry are described in this chapter *1 Risk Factors*. Investor’s attention is drawn to chapter 2 *References* where specific terms are defined.

Investing in equities involves inherent risks. Prospective investors should consider carefully all the information in this document and, in particular, the risks and uncertainties described in chapter *1 Risk Factors* of this Registration Document dated 22 October 2012 and chapter *1 Risk Factors* of the Securities Note dated 22 October 2012. Investors are advised to make their own independent examination of those risk factors and others that may apply specifically to their investment in the Company. Furthermore, prospective investors should consult expert advisors as to the suitability of an investment in the Shares. No guarantee can be made that investing in the Company’s shares will be profitable. These risk factors and uncertainties are not the only risks facing the Company as a whole. Additional risks, not presently known to the Company, or currently deemed by the Company to be immaterial to its business, may in the future impair the Company’s business operations and adversely affect the price of the Shares.

The risk factors are not listed in any order of priority with regard to significance or likelihood of occurrence. It is not possible to quantify the significance of each individual risk factor for the Company, as the risk factors mentioned in the Prospectus may materialize to a greater or lesser degree. The Prospectus includes forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors which may cause the Company’s actual result, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements presented in the Prospectus are based on various assumptions. These assumptions were reasonable when made, but as assumptions are inherently subject to uncertainties and contingencies which are difficult or impossible to predict, the Company cannot give any assurance that expectations regarding the future outlook will be achieved or accomplished.

The information in this chapter is presented as of the date of the Prospectus and is subject to change, completion or amendment without notice. If any of the risks described in chapter *1 Risk Factors* of this Registration Document or chapter *1 Risk Factors* of the Securities Note actually materialize, the Company’s business, financial position and operating results could be materially adversely affected, and the trading price of the Shares could decline and investors might lose part or all of their investment.

1.2 MARKET RISK

1.2.1 Industry

Historically, demand for shipping and logistics services has been highly cyclical and closely correlated with global economic activity. According to the Company's management and information regarding Icelandic export and import gathered from Statistics Iceland¹, the recent weakening of the global economy resulted in lower demand for cargo transportation in general. The duration and scale of the impact of the weakening of the global economy on various parts of the Company's activities are subject to a high degree of uncertainty.

The Company will, in the future, continue to be exposed to a possible economic downturn or recession, either globally or in one or more of the Company's main markets. In particular, Eimskip defines the North-Atlantic as its home market and is thus especially vulnerable to an economic slowdown in that market. A continued slowdown of the world economy, deterioration in the global economic outlook and/or future downturns may decrease demand for transportation and logistics services.

The global shipping industry has been experiencing volatility in profitability and asset values that has mainly been due to changes in the level and pattern of global economic growth, the highly competitive nature in the global shipping industry and changes in the supply and demand of vessel cargo capacity. The downturn in the global economy has led to a decline in world trade, which has in turn resulted in decreases in freight volumes and rate adjustments in the transportation industry, reduced demand for logistics services, and corresponding decreases in the revenues of businesses in the industry.

In the forwarding services, the Company aims to mitigate its risks from economic downturn by focusing on doing business with temperature controlled cargo with diverse parties and not focus on a single business relationship.

Eimskip's vessels are to a large extent specially designed to serve Eimskip's main markets. According to Eimskip's management, the Company has specialized container vessels, i.e. vessels with cranes, good maneuvering capabilities and large quantity of electrical freezer container plugs. Part of the vessels are specially designed e.g. to enter narrow fjords and port areas where the vessels of the major container operators cannot enter due to their size. According to the Company's management there are fewer companies operating in the Company's main market, the North-Atlantic, than in other markets which in turn leads to less competition and more stable volume. Thus, the Company is operating on a niche market that can lead to a more stable source of operation and mitigates to some extent the risk related to the industry. For a further description of the Company's industry a reference is made to chapter 10.6 *Principal Markets*.

¹ <http://statice.is/Statistics/External-trade>.

1.2.2 Customer Markets

The demand for the Company's services is sensitive to any negative developments in the supply, demand and sales of the goods and materials which the Company transports. Historically, the reefer² forwarding market has been more stable than the dry cargo forwarding market, according to Eimskip's management. The Company is sensitive to foreign exchange fluctuations, as well as fluctuations in the global private and public spending. The general economic situation primarily affects Eimskip's transport volume. The transport volume of seafood has however a certain stability and is mostly independent of the economic situation in the world.³

A potential shift in the balance between imported and exported cargo may impact the overall demand for ocean transportation, resulting in lower and/or less efficient utilization of the Company's fleet. Shifts in domestic production and sales may also result in lower and less utilization of the Company's land based logistics facilities and transportation networks.

1.2.3 Competition

There are number of companies that currently provide services similar to those the Company offers and there is always the possibility that new competitors will enter the market, or that current competitors in the market will become more aggressive, e.g. in terms of pricing or services offered.

Eimskip has a good position in scheduled transport services in the North-Atlantic, which it has accomplished e.g. by improving its fleet with purchase of vessels and containers, increasing the cost-efficiency of operations and by providing over-all transport solutions to its customers. The global market for freight forwarding services is highly fragmented and very competitive. Eimskip has specialized in reefer logistics services which, in its opinion, along with the Company's long term relationships with other logistics companies, strengthen the Company's competitive position.

Any new markets that are entered into could include participants that have greater experience or financial strength than the Company, and the Company may thus not be successful in entering such new markets. While the Company believes it is currently well positioned to compete effectively with its competitors, there can be no assurance that existing or increased competition will not adversely affect the Company. The demand for the Company's products is also dependent on levels of customer confidence, prevailing market rates and other factors that influence customers' economic situation. For a further description of the Company's industry a reference is made to chapter 10.6 *Principal Markets*.

1.3 OPERATIONAL RISK

1.3.1 Access to Terminals and Infrastructure

The Company is dependent upon access to terminals in a number of strategic ports in its main markets as well as necessary infrastructure and the services of third parties at those terminals in order to provide efficient logistics services. The Company's loss of access to terminals and ports may

² In this context reefer is a reference to handling of any type of temperature controlled cargo, frozen or chilled.

³ Source: Drewry Report 2010/2011 on the reefer shipping market as available for purchase on www.drewry.co.uk.

have a materially adverse effect on the Company's ability to deliver its services. The Company could further become liable for delays or deficiencies by third parties. Difficulties the Company encounters with respect to obtaining access to terminals and necessary infrastructure could adversely affect its reputation and may result in loss of customer contracts. Refugees and stowaways are a risk factor to the Company in relation to access to terminals and infrastructure. For further information in that respect a reference is made to chapter *1.3.8 Refugees and Stowaways*.

In order to limit the aforesaid risk, the Company strives to build long term business relationships in the countries it operates in. In general, the Company has more flexibility with regards to access to ports outside of Iceland, e.g. if the Company cannot for some reason continue to access a certain port, it can in most instances negotiate with another party and enter another port close by, which in turn limits the risk described in this chapter to a certain extent.

1.3.2 Information Technology and Operating Systems

The Company's operations are dependent upon IT systems and other operating systems. Many factors outside the Company's control can cause such systems to fail. Disruption of IT systems from external hackers is unfortunately becoming more common and is a risk factor for the Company. Any failure or disruption to IT systems, whether internal or external, could affect the Company's ability to carry out its business operations and services to its customers. Eimskip aims to protect this valuable part of the Company's operation by, including but not limited to, storing all data in Iceland based data center and protecting subsidiaries outside of Iceland by backup, having operation of the Company's main IT systems performed by ISO27001 certified partner who further monitors all services (local systems in Asia do however not apply to this), hosting critical systems in two separated colocations and partly mirroring them, centrally managing virus protections for all computers and servers, securing internet connectivity by firewalls and web security gateway, and securing all services open for external usage by application firewall. Moreover, work has started on documenting risk factors and disaster recovery plan aiming at securing the Company's business continuity. Due to the scope of the Company's operations there is a risk that operating systems assigned to different parts of the Company's operations are not used in accordance with internal guidelines. This could among other influence filing of documents, information flow between units and storing of documents.

1.3.3 Operation and Ownership of the Vessels

Operation and ownership of vessels involves risk. The average age of the vessels owned and/or controlled by the Company is 14.6 years. However the lifetime ultimately depends on many factors including maintenance, usages and efficiency. According to Eimskip's management, a newly built vessel has generally an estimated lifetime of 25 to 35 years. There can be no assurance that the Company's vessels will be successfully deployed for the vessels' expected life time. There will always be some exposure to technological risks with unforeseen operational problems that may contribute to higher operational costs than budgeted and/or lost earnings. The timing and cost of repairs of the Company's vessels are difficult to predict with certainty and may be substantial. The Company mitigates this risk to some extent through preventative measures, including regular vessel docking and good maintenance.

The market value of the vessels the Company currently owns or may acquire in the future may increase or decrease depending on a number of factors, including general economic and market conditions affecting supply and demand. Forced vessel sales may also take place at lower prices than in transactions between a willing buyer and a willing seller and forced vessel sales may lead to lower broker valuations. These factors may impact the estimated market value of the Company's vessels. The last valuation of the vessel fleet was done in the year 2009.

1.3.4 Company's New Vessel Building Projects

Vessel construction projects are subject to risks of delay or cost overruns inherent in any large construction project due to numerous factors. These factors include, but are not limited to, shortages of equipment, materials or skilled labor, unscheduled delays in the delivery of ordered materials and equipment, financial or operating difficulties experienced by equipment vendors or the shipyard, unanticipated change in orders, inability to obtain required permits or approvals, new regulatory or class changes applicable to the vessels, failure of equipment to meet quality and/or performance standards, work stoppages and other labor disputes, and other events of force majeure. New vessels may also experience start-up difficulties following delivery or other unexpected operational problems. In the case of delay of delivery of Eimskip's New Vessels, daily fines are imposed on the shipyard. The first vessel was to be delivered in January 2013 but currently a delivery is expected to take place in May 2013. This delay would require the shipyard to pay Eimskip USD 552 thousand (EUR 438 thousand⁴). The second vessel was estimated to be delivered in May 2013. Some delay is expected in its delivery with penalties starting from as of June 2013. In the case of default of the shipyard, a bank refund guarantee is in place which increases with every payment made by the Company to the shipyard. The daily fines are intended to cover to some extent direct loss of the Company should the shipyard not deliver the New Vessels at a predefined date or not at all. Moreover, the Company has in place a new building FDD⁵ which covers legal costs for disputes arising under the new building contract in question. The cover is incepted from the date of signing of the contract in question and runs to the time of delivery of the vessels. The Company's FDD insurance policy is based on details of the vessels to be built, timeline for the build and a copy of the building contract. The aforesaid could mitigate some but not all of the Company's risk in relation to its new building projects.

1.3.5 Fuel Price Risk

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

⁴ Exchange rate EUR/USD is 1.26 which was the rate at 30.06.2012. Currency rates are based on currency table published daily by the European Central Bank (ECB).

⁵ "FDD" is a reference to Freight Demurrage & Defence insurance.

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 approximately 12% of Eimskip's total operating costs in the first six months of 2012. 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 price, the Company adds a surcharge to its prices, commonly referred to as the Bunker Adjustment Factor (BAF) and the Bunker Adjustment Trucking (BAT), depending on the oil prices at the time of transport. The BAF, BAT and other pricing adjustments compensate for approximately 80% of Eimskip's risk relating to fluctuations in oil prices. However, significant increases in oil price could lead to downward pressure on the Company's tariffs from its customers.

1.3.6 Inflation Risk

All operations and hence operational expenses of the Company are subject to inflation to a certain level. In order to minimize its risk related to inflation, the Company, among other, updates its tariffs on a regular basis to adjust its pricing for inflation. The Company does not have liabilities or assets directly linked to inflation which further reduces the Company's exposure to inflation.

1.3.7 Incidents Involving Significant Damage, Loss or Environmental Contamination

Events such as marine disaster, human errors, bad weather conditions, war and terrorism, grounding, fire, explosions and collisions can lead to the Company's vessels and other transportation equipment being delayed, out of service, damaged or lost.

An accident involving any of Eimskip's vessels or other transportation equipment could result in death or injury to persons, loss of property or environmental damage, delays in the delivery of cargo, damage to cargo, loss of revenues from or termination of charter contracts, governmental fines, penalties or restrictions on conducting business, higher insurance rates and damage to its reputation and customer relationships in general. For a description of how the stranding of Goðafoss in February 2011 affected the Company a reference is made to chapter *1.4.3 Disputes*.

Many of these factors are outside the control of the Company. To minimize this risk the Company however carries insurance coverage for most of its insurable risks involved in the conduct of its business.

1.3.8 Refugees and Stowaways

If refugees or stowaways illegally board the Company's vessels in order to get to other countries, the vessels are held liable in case the refugees or stowaways are caught entering another foreign port. In this respect, fines may be imposed on the vessel in question and the crew members could be grounded or the vessel could be delayed. Moreover there is a risk that the Company will be banned from entering ports in the respective country. The number of stowaways who have tried, without applicable permission, to board the Company's vessels has increased recently. From June 2012 to the date of this Registration Document, the Company has brought charges against ten stowaways, but an indictment has not been issued in relation to any of the aforesaid charges. However such instances

may be more than the charges that have been brought. To mitigate the aforesaid risk, the Company maintains protocols and procedure related to this, including monitoring the Company's premises, and prepares an action plan to prevent refugees or stowaways from entering the Company's vessels.

1.3.9 Reputation Risk

The Company is subject to risks regarding bad publicity. Should the Company receive bad publicity due to its business practices it could have a material adverse effect on the Company and its operations. The cause of such bad publicity could be e.g. mistakes in the Company's operations or if the Company or its related parties are accused or convicted of breaking any laws and/or rules. To mitigate such risk the Company has e.g. implemented Code of Conduct and Social Responsibility that applies to all board members and employees of Eimskip and companies within Eimskip as well as held internal seminars in relation to business ethics. Moreover the Company sometimes hires public relations agencies to provide advice in order to avoid bad publicity and/or limit loss in this respect.

1.3.10 Fraudulent Conduct and Compliance with Rules

The Company believes that all of its employees conduct themselves with honesty and professionalism. However the Company is subject to risk regarding fraudulent or improper conduct of its employees. The Company constantly monitors these aspects in order to minimize this risk, e.g. by incorporating appropriate operating procedures of accounting and security issues. In that respect the Company has in place segregation of duties and access control to its financial systems. The Company takes any fraudulent conduct and violations of rules by its personnel very seriously.

1.3.11 The Company's Ability to Retain Experienced and Qualified Personnel

The Company's success is dependent on key members of management and other employees of the Company. The Company's employees are a diverse group of individuals with different backgrounds and knowledge. The Company's employees have accumulated vast experience in the fields of shipping, business and management on an international level. There is no assurance that the Company can successfully attract and retain personnel required to continue to successfully execute its business strategy. Furthermore, as the forwarding business is often built on personal relationships, the possibility of the Company's personnel leaving the Company to work for competitors of the Company, taking the Company's customers with them, is a risk for the Company.

1.3.12 The 2011 Icelandic Collective Wage Agreement⁶

In May 2011 a three year Collective wage agreement was signed between the Icelandic Confederation of Employers and various Icelandic trade unions. The Collective wage agreement increased the salary cost of the Company's Icelandic employees by 7.4% from 1 June 2011. The change included both an increase by percentage (4.3%) and certain amount (ISK 11 thousand) depending on employee salary structure. Following the signing of the Icelandic Collective wage agreement, Sp/f Fossar, which is owned by P/F Faroe Ship, a subsidiary of Eimskip, entered into

⁶ <http://www.sa.is/kjaramal/kjarasamningar-2011---2014/>.

agreements with Icelandic trade unions as many of its employees are Icelandic nationals. For further information on Sp/f Fossar a reference is made to chapter 10.4 *Subsidiaries*.

The Collective wage agreement is conditional upon several factors, including that the Icelandic government reaches its goals in terms of economic factors such as lower unemployment rates, increased purchasing power and the strengthening of the ISK. According to the Collective wage agreement, salaries will rise by at least 11.4% in the three years following the signing. Minimum wages will however rise by 23.6% in the same period. If the previously mentioned conditions do not hold, the agreement can be terminated on 1 February 2013, following a second review.

Any defaults that can trigger the Collective wage agreement to be canceled with potential consequences, such as further increase in salaries or labor strikes, is a risk for the Company.

1.3.13 Customer Contracts

Eimskip has entered into a number of contracts with its customers. Contracts for a definite period generally have duration of one year while the contracts for an undefined period can generally be terminated with three or six month notice. The trade volumes under each contract are not guaranteed. There can be no assurance that the Company will be able to renew its existing customer contracts and/or establish new customer agreements, or that any such future agreements will be on the same or similar terms as is currently the case. As at 30 June 2012 the 20 largest customers of the Company accounted for 24% the Company's revenues. No single customer accounted for more than 5% of the Company's revenues. The aluminum business in Iceland has been looking more into mixed bulk and container solutions for import and export of raw material and final products so the Company is aware of the possibility of new parties coming into this trade to and from Iceland. To mitigate risk in relation to customer contracts the Company has in place Code of Conduct and Social Responsibility that applies to all board members and employees of Eimskip and its subsidiaries. The Company focuses on serving its customers' needs by offering services through a dependable transportation system and the employee's mission is always to provide customers and co-workers with excellent service.

1.3.14 Insurance Risk

The Company's business is subject to various risks, including mechanical failure, total loss and/or damages to vessels or transportation equipment, cargo damages, warehouse risks and business interruption due to natural, human or political circumstances, hostilities and labor strikes. Situations may occur due to policy exclusions where the Company's insurance policies do not cover the necessary repair costs. The loss of earnings while vessels are being repaired, as well as the actual cost of these repairs, would decrease the Company's results of operations. In addition, the Company may not be able to get comparable insurance coverage at competitive rates in the future.

In 2008 the Company's needs and risk factors were reviewed and combined globally under the supervision of the Company's insurance broker, Willis Limited, UK⁷. The Company's risk is further reviewed annually by the Company and the Company's insurance broker in relation to the renewal

⁷ A Lloyd's broker, authorized and regulated by the Financial Services Authority.

process of the Company's insurance policies which apply to property and liability risks of the Company on a global scale.

1.3.15 Workplace Safety

Safety and security of Eimskip's employees on land and on sea is a priority within the Company. Safety mainly concerns health and safety at the workplace and safe operations. Security mainly concerns avoiding external interruption, criminal activity and protecting the security of employees, customers and the Company's equipment, properties and facilities. The Company can become liable for any accidents or claims that can be related to lack of safety or security in its daily operation. To mitigate the aforesaid risk employees of the Company get relevant training from the Company, the Company issues workplace safety brochures and regularly holds seminars for employees in relation to work place safety and work procedures. The Company's security department is monitoring this risk and has in place an action plan to ensure workplace safety.

1.4 LEGAL AND POLITICAL RISK

1.4.1 Applicable Laws, Regulations and Licenses

Eimskip is an international company with operations in various parts of the world. The Company must comply with the laws and regulations that apply to its activities and operations in each of these respective countries. The operations of Eimskip are subject to extensive regulatory and legal compliance requirements that result in significant costs. Amendments to laws or implementation of new laws that apply to the Company's operations, may impact how the Company manages its operation and the financial performance of the Company. Violation of any applicable laws or regulations can result in a revocation of operating licenses in the country in question, and adversely affect the operation of the Company. From time to time, regulatory authorities issue directives and other regulations related to maintenance and operations of e.g. vessels and trucks that require significant expenditure. Compliance with the applicable laws and regulations requires continuous management effort and expenditure by the Company.

An application has been made for the Company's shares to be admitted to trading on the Main Market NASDAQ OMX Iceland and therefore the Company is obliged to adhere to act no. 108/2007 on securities transactions, as well as regulations based on that act. In addition Eimskip is obliged to adhere to the Rules of NASDAQ OMX Iceland at each time, rules no. 987/2006 of the Financial Supervisory Authority, Iceland, on treatment of insider information and regulation no. 630/2005 on insider information and market abuse. Any violation of the aforesaid act, regulations based on that act and the Rules of NASDAQ OMX Iceland may have a material effect on the Company's financial and reputational position. Infringement of the Rules of NASDAQ OMX Iceland may e.g. result in NASDAQ OMX Iceland giving the Company a reprimand, making a public announcement concerning the case in question, setting conditions for or suspending the Company's shares from trading (temporary or indefinitely), levying fines on the Company or removing the Shares of the Issuer from trading on the Main Market NASDAQ OMX Iceland, either temporarily or permanently. Sanctions for violation of act no. 108/2007 on securities transactions are governed by chapter XV of that act.

No liability is assumed for impacts due to amendments of laws or due to court decisions that may occur after the date of this Registration Document.

The operations of the Company are of the nature that it requires various licenses from applicable authorities, such as in relation to vessel liner services, trucking and distribution, port operations, warehousing and cold storage, bonded warehouses, airfreight, freight forwarding and non-vessel operating common carrier services (NVOCC), port services, transportation of passengers, goods and materials on land, air and sea. In addition, Eimskip Ísland ehf., which covers all of the Company's operations in Iceland with the exemption of TVG-Zimsen ehf., is to some extent dependent upon an exemption from the Central Bank of Iceland in relation to the foreign currency restrictions which have been in place in Iceland since October 2008. For further information on the Company's risk relating to capital controls a reference is made to chapter 1.4.6 *Capital Controls*.

1.4.2 Political Environment

Changes in the legislative, political, governmental and economic framework in the regions in which the Company operates could have a material impact on the business. In particular, amendments of laws and policies affecting trade, investment and changes in tax regulations.

In particular, the political environment in Iceland has an impact on the Company's operations, including changes of laws and regulations, changes in taxes or other fees, the capital controls and any other uncertainty regarding the political environment. Further coverage regarding the Company's legal environment may be found in chapter 9.2 *Legal Environment*.

1.4.3 Disputes

Due to the size and scope of the Company's operations, Eimskip is currently and may in the future become involved in various disputes, governmental, legal or arbitration proceedings in Iceland and other jurisdictions that could potentially expose the Company to losses and liabilities. Claims of the aforementioned nature are subject to many uncertainties and their outcomes can be difficult to predict.

As of the date of this Registration Document there are several outstanding cases relating to the Company. In the opinion of the Company's Board of Directors and Executive Management, none of the outstanding cases, other than those specifically stated in this Registration Document, are likely to have material impact on the financial status or returns of the Company. For the avoidance of doubt, and despite the aforesaid, the Company cannot guarantee anything in that respect.

In relation to the aforesaid the Company considers it relevant to disclose information on the following three cases that have led to claims or could possibly lead to further claims towards the Company⁸:

⁸ Despite information only being disclosed on the specific cases in this Registration Document, they are, for the avoidance of doubt, not the only cases that can possibly lead to a claim(s) against the Company.

Stranding of Goðafoss in Norway

On her scheduled route from Fredrikstad to Helsingborg, M/V Goðafoss grounded in the Oslo Bay on 17 February 2011. The vessel and cargo was safely rescued and fortunately there were no injuries to crew members. Due to the size of the incident Eimskip declared a General Average according to maritime laws, meaning that the cargo on board was requested to participate in the rescue costs and costs involved in getting the vessel to the repair yard. The General Average calculation is still being worked on by the Average Adjuster. Once the calculation is completed the vessel insurers and cargo will contribute in accordance with the calculations. Eimskip's total direct costs in relation to this case have, as of the date of the Prospectus, been USD 220 thousand (EUR 175 thousand⁹) with the remainder being covered by the Company's insurer. The total rescue award eventually negotiated with the salvors, covering the vessel and cargo on board, amounted to USD 3.6 million (EUR 2.9 million), which was split between the values rescued. Eimskip collected securities from the cargo and paid the cargo proportion on behalf of its customers in the amount of approx. USD 1.4 million (EUR 1.1 million). The rescue operation and repair costs amounted to approx. USD 7.0 million (EUR 5.6 million). The applicable deductible under the Hull & Machinery policy¹⁰ was USD 100 thousand (EUR 79 thousand) which Eimskip has already paid. Eimskip also decided to absorb roughly USD 100 thousand in connection to the repair costs, in order to close a difficult dispute between the repair yard and the underwriters.

A few small third party claims have been brought forward against Eimskip which have all been covered by the Company's insurers. On the date of this Registration Document the following is still outstanding with respect to this case. The Company's insurance should however cover those possible claims and the applicable deductible in the amount of USD 20 thousand (EUR 16 thousand) has already been paid by the Company:

- i. The Norwegian authorities have not yet filed a claim for the pollution and clean-up work performed by their Coast Guard in relation to the fuel spilled from the grounded vessel. The Company can, as a result, expect a claim from the Norwegian authorities amounting to approx. USD 15.0 million (EUR 11.9 million). Based on available information on the date of this Registration Document it is the opinion of the Company that the Company's insurance would however cover this potential claim.
- ii. Three law firms have been granted a time extension until 17 May 2013 in relation to the cargo salvage. Those law firms represent several cargo insurers who in total paid roughly USD 630 thousand (EUR 500 thousand) to Eimskip following the salvage agreement with the salvors. Their intention is to claim that the vessel was unseaworthy and make an attempt to get the money they paid to Eimskip reimbursed from the Company. Based on available information on the date of this Registration Document it is the opinion of the Company that the Company's insurance would however cover this potential claim. The Company has not received claims from other cargo interests which are consequently time-barred.

⁹ Exchange rate EUR/USD is 1.26 which was the rate at 30.06.2012. Currency rates are based on currency table published daily by the European Central Bank (ECB).

¹⁰ A Hull & Machinery policy covers the assured's losses resulting from physical damage to the ship and on-board equipment.

Total direct and indirect cost paid by the Company in relation to the stranding of Goðafoss was about EUR 700 thousand and has fully been paid by the Company.

Nordica Case

In 1999 two different companies made claims against Eimskip USA Iceland Steamship Inc.¹¹, The Icelandic Steamship Company Ltd.¹², and two cold storage facilities in Newfoundland, Argentia Freezers & Terminals Limited¹³ and Harbour Grace CS Inc.¹⁴ The first claim is from Nordica Foods A/S in the amount of CAD 8.2 million (EUR 6.4 million¹⁵) and the second claim is from Nordica Fishery (UK) Limited in the amount of CAD 15.9 million (EUR 12.4 million). The claims are for damages said to stem from an alleged wrongful detention of shrimps, in October 1997, held by Argentia Freezers & Terminals Limited and Harbour Grace CS Inc.

In 2003, a Norwegian court of competent jurisdiction found, as between the Nordica Foods A/S and Eimskip USA, Inc., that Eimskip USA, Inc. acted lawfully in refusing to release the shrimp. The court found that the parties had in fact reached an agreement concerning the repayment of Nordica Foods A/S debt to Eimskip USA, Inc. and had agreed that shrimp could be retained in storage by Eimskip USA, Inc., if Nordica Foods A/S did not honor the agreed debt repayment terms. The court further found that Nordica Foods A/S had in fact not complied with the repayment provisions of the agreement and that Eimskip USA, Inc. was accordingly entitled to retain the shrimp as it did. The court concluded that Nordica Foods A/S had no claim against Eimskip USA, Inc. upon which to found a set-off. The Norwegian court of competent jurisdiction awarded Eimskip USA, Inc. CAD 948 thousand (EUR 740 thousand¹⁶) and costs. None of this has been paid. Nordica Foods A/S appealed this decision to the Frostating Court of Appeal. The day before the appeal, Nordica Foods A/S withdrew any challenge to the District Court's finding on the issue of set-off. Further, it withdrew its appeal completely after the first day of hearing. The Court of Appeal upheld the decision of the District Court and ordered costs against Nordica Foods A/S. These costs have not been paid.

Nordica Foods A/S was declared bankrupt in 2006. In the Norwegian bankruptcy, neither the trustee in bankruptcy, nor any creditors, nor the principal shareholder of the plaintiffs elected to take over this litigation and pursue it for their own account and at their own risk. Rather, the claim was assigned by the bankrupt company, and/or the principal shareholder, to the Nordica Fishery (UK) Limited. The plaintiff Nordica Fishery (UK) Limited is pursuing the claim as assignee of Nordica Foods A/S. Nordica Fishery (UK) Limited is a company with no assets other than this claim. The assignment is challenged by the defendants. The case was dormant with no court-related activity between August 2005 and July 2009.

¹¹ First defendant. Currently known as Eimskip USA, Inc., a fully owned subsidiary of the Company.

¹² Second defendant. Icelandic public limited company, currently known as A1988 hf.

¹³ Third defendant. Unrelated to Eimskip USA, Inc., A1988 hf., Harbour Grace CS Inc. and the Company.

¹⁴ Fourth defendant. Subsidiary of the Company which the Company owns 51% of the total share capital.

¹⁵ Exchange rate EUR/CAD is 1.28 which was the rate at 30.06.2012. Currency rates are based on currency table published daily by the European Central Bank (ECB).

¹⁶ Exchange rate EUR/CAD is 1.28 which was the rate at 30.06.2012. Currency rates are based on currency table published daily by the European Central Bank (ECB).

The Company considers its defenses in the case to be strong and bases that, among other things, on the fact that in a court ruling on 2 December 2011, Eimskip USA Inc.'s, A1988 hf.'s¹⁷ and Harbour Grace CS Inc.'s claim for guarantee of costs was accepted among other things on the basis that Nordica claim is too weak to allow it to proceed without the provisions of additional security. The Company's position is that the core issue of the claim, the alleged illegality of the detention of shrimp, has already been decided in a Norwegian court of competent jurisdiction. Therefore the case should be dismissed. Eimskip is considering making a pre-trial motion requesting the dismissal of the claim on the basis of the ruling of the Norwegian court without having to go through full trial.

All possible liabilities regarding this Nordica case were specifically excluded from the transfer to the Company in the financial restructuring of HF. Eimskipafélag Íslands in 2009. The risk of the Company relates to its subsidiaries, Eimskip USA, Inc. and Harbour Grace CS Inc. which are first and fourth defendants in the case.

The Company's insurance has continued to pay the legal fees in relation to this case. The extent of legal and contractual liability coverage provided under the relevant insurance is quite wide by current standards but there are a number of exclusions/coverage limitations applicable. The policy limit is GBP 12.0 million (EUR 15.3 million¹⁸) on any one incident or occurrence. The deductible under the insurance policy is GBP 25 thousand (EUR 32 thousand) on any one accident or occurrence or underlying amount. At this stage the Company cannot state with any certainty that it would be covered under the policy, however the insurers have stated they will make every effort to secure the fullest recovery possible under the policy, since the wording of the insurance aimed at providing the widest possible coverage available at the time.

The Company can make no assurance as to when and how this case will proceed and be concluded.

Euler Hermes Case

In January 2006 Eimskip Holding B.V., a fully owned subsidiary of Eimskip, purchased 40% of the shares of Daalimpex Beheer B.V., a private company with limited liability according to Dutch law. In January 2007 the remaining 60% of the shares were acquired by Eimskip Holding B.V. For a further description of Eimskip Holding B.V. a reference is made to chapter 10.4 *Subsidiaries*.

Daalimpex Beheer B.V. is a 100% shareholder of two subsidiaries, i.e. Daalimpex Holding B.V. and Daalimpex Vastgoed B.V. In turn Daalimpex Holding B.V. is 100% shareholder of two subsidiaries, i.e. FTS International B.V. ("FTS") and Daalimpex Logistics B.V. ("Logistics"). On 10 February 2009 Daalimpex Beheer B.V. and the underlying companies were declared insolvent. Up till now the liquidation of these companies has not been finalized. The Daalimpex companies mentioned in this section are hereinafter referred to as the "Daalimpex Group".

Daalimpex Group was a member of A1988 hf. from 2007 to 2009. FTS and Logistics had a customs license to operate a bonded warehouse and to act as a custom broker in Holland. Dutch Directorate

¹⁷ "A1988 hf." is a reference to A1988 hf. ID No. 660288-1049, Korngarðar 2, 104 Reykjavík, Iceland, formerly HF. Eimskipafélag Íslands.

¹⁸ Exchange rate EUR/GBP is 0.78 which was the rate at 30.06.2012. Currency rates are based on currency table published daily by the European Central Bank (ECB).

of Customs required bank guarantees related to these licenses. These bank guarantees were issued by the insurance company Euler Hermes, on behalf of Daalimpex Group. As security, Euler Hermes required that all members of the Daalimpex Group, and its shareholder Eimskip Holding B.V., signed a deed of joint and several liabilities and a guarantee facility, stating that the Daalimpex Group and Eimskip Holding B.V. would all be fully liable for any claims Euler Hermes would ever receive from Dutch Directorate of Customs in relation to these licenses.

Daalimpex Group became bankrupt in 2009, leaving a debt towards Dutch Directorate of Customs of EUR 1.7 million in relation to its operation of bonded warehouse and custom brokerage. As Daalimpex Group was no longer able to pay, Dutch Directorate of Customs claimed these funds from Euler Hermes. Euler Hermes paid the amount due to the Dutch Fiscal Authorities. Euler Hermes claimed this amount, interest and the costs made by Euler Hermes back from Eimskip Holding B.V. based on the aforementioned deed.

Eimskip Holding B.V. rejected Euler Hermes's claim which consequently initiated a case before a Dutch court against Eimskip Holding B.V. On 9 November 2011 a Dutch Court ruled that Eimskip Holding B.V. should be liable to pay Euler Hermes the original claim of EUR 1.6 million plus the interest and the proceedings cost, determined at EUR 16 thousand. The aforementioned claim is fully related to the business activities of FTS. The final audit of the Customs did not show other claims.

Both parties decided not to appeal this decision. Consequently Eimskip Holding B.V. paid Euler Hermes EUR 1.6 million, plus the ordered interest and proceedings cost.

Euler Hermes confirmed that Dutch Directorate of Customs had no other outstanding claims towards Daalimpex Group and that the bank guarantees issued by Euler Hermes on behalf of Daalimpex Group had been returned by Dutch Directorate of Customs.

The original claim of the Dutch Directorate of Customs to the estate of Daalimpex Group is a preferential debt. In the last submitted public report on the estate of Daalimpex Group the liquidators stated that Euler Hermes is no longer creditor of the estate due to the payment by Eimskip Holding B.V. of the customs claim to Euler Hermes. The customs claim is strictly related to the estate of FTS and in the same report the liquidators stated that Eimskip Holding B.V. has become subrogated creditor with preferential debt in the estate of FTS for the customs claim paid to Euler Hermes. The reports of the liquidator of the bankrupt estate show that there are still funds in the estate of Daalimpex Group. It is expected that the liquidator will complete his work in the near future and be able to start paying out to creditors. In case (part of) the original claim will be paid out of the estate to creditors, Eimskip Holding B.V. is entitled to repayment. The Company can however make no assurance as to whether the liquidators will stand by the last submitted statement and whether the preferential debt towards the bankrupt estate will be paid to Eimskip Holding B.V., in whole or in part, or rejected. To the best knowledge of Eimskip Holding B.V. at the date of this Registration Document there is no risk that Eimskip Holding B.V. will be confronted with additional claims from Euler Hermes or the Dutch Directorate of Customs.

1.4.4 Competition Cases

The Company is currently and may in the future become involved in administrative investigations and/or cases before competition authorities in Iceland. On the date of this Registration Document Eimskip Ísland ehf. and TVG-Zimsen ehf., the Company's Icelandic subsidiaries, are under investigations by the Icelandic Competition Authority. The investigations that Eimskip Ísland ehf. is under are aimed both at the market for maritime transportation and land transportation. These investigations deal with disputable matters such as what might be considered to be an infringement of article 10 and 11 of the competition act no. 44/2005 (the "Competition Act"). TVG-Zimsen ehf. is under one investigation due to a complaint, made by one of its competitors, of alleged infringement of article 11 of the Competition Act. Furthermore, the Company has requested and may in the future request exemptions from article 10 of the Competition Act due to coopereation with its competitors in certain operational areas. It is impossible for the Company to predict the outcome of the aforesaid investigations, or of any possible regulatory proceeding of the Icelandic Competition Authority involving the business of the Icelandic subsidiaries of the Company.

The Icelandic Competition Authority imposes administrative fines on inter alia undertakings that violate prohibitions set out in article 37 of the Competition Act. Pursuant to paragraph 2, article 37 of the Competition Act, fines may amount to up to 10% of the total turnover of the preceding business year of any undertaking or association of undertakings involved in a violation.

1.4.5 Contractual Risk and Important Contracts

The Company is subject to contractual risk in relation to its obligation to fulfill various provisions of charter-, lease-, insurance- and financing contracts and in relation to the Company's customer contracts. If the Company is unable to meet its obligations, or for some reason, ceases to meet its obligations, counterparties have the right to revoke the contracts in question which could lead to e.g. acceleration of such charter-, lease-, insurance- or loan commitments. The permission to accelerate is based on general default provisions, e.g. default of contractual repayments, payments of interests, charter-, lease- or insurance premiums and breaches of financial terms. Some of the aforesaid contracts of the Company contain covenants regarding change of control, restrictions on the payment of dividends, mergers and disposal of assets and negative pledge clauses. The Company is not in breach of any covenants as of the date of this Registration Document. For further information in relation to covenants in the Company's loan agreements a reference is made to chapters 1.5.4 *Loan Covenants* and 11.6.4 *Obligations Pursuant to Loan Agreements*.

The Company has not entered into any material contracts outside the ordinary course of business. The profitability of the Company is not based on any one individual contract.

The Company has entered into a number of customer contracts within both the liner services and forwarding services segments. There are no formal written agreements between the Company and a large part of the Company's key customers. The practice of not entering into written agreements but rather to conduct business on an offer by offer basis is widespread in the Company's business. In general, contractual relationships are based on contracts of affreightment that are applicable for all transportation services provided by the Company. Such contracts are based on the applicable laws, terms and conditions published on bills of lading and waybills issued by the Company, and other

terms and conditions applicable from time to time as published on the Company's website, www.eimskip.is. Reference to applicable laws and current terms and conditions can be found on offers and notices which customers receive from the Company, and also on the Company's website.

1.4.6 Capital Controls

Since October 2008 capital controls have been in place in Iceland. Regardless whether the capital controls will be lifted or remain in place, they represent a risk to the Company, e.g. by having a material impact on the exchange rate of the ISK.

Eimskip Ísland ehf., which covers all of the Company's operations in Iceland with the exception of TVG-Zimsen, had an exemption from the capital controls pursuant to paragraph 5 of clause 13 n of act no. 87/1992 on foreign exchange, as amended (exemptions were previously provided pursuant to paragraph 5 of clause 14 of the rules on foreign exchange no. 370/2010). The Company is currently in the process of re-applying for this exemption which is, if granted, valid for 12 months, at which time Eimskip Ísland ehf. has to re-apply for an extension. That exemption, if granted, allows Eimskip Ísland ehf. to make cross-border transfers as necessary and relieves it from submitting all acquired currency abroad to a domestic financial institution. Eimskip Ísland ehf. has a partial exemption from article 13 d of act no. 87/1992 on foreign exchange, as amended, that allows Eimskip Ísland ehf. to withdraw cash in foreign currency from domestic accounts required to service cruise ships and other foreign vessels. The exemption is valid for six months from the date when it was granted, at which time Eimskip Ísland ehf. has to re-apply for an extension which will next be in March 2013.

1.4.7 Trademarks and Other Intellectual Property Rights

The Company, by itself and through its subsidiaries, owns several trademarks, domains and other intellectual property rights. No objections have been filed in Iceland concerning the Company's trademark registrations. However objections have been filed abroad regarding two trademarks of the Company. So far the majority of these objections have been resolved by negotiations between parties followed by formal agreements and the objections subsequently withdrawn and trademarks registered with conditional rights. Currently two objections regarding two trademarks are being negotiated. Should any such conflicts proceed to litigation, the financial position of the Company could be adversely affected. Furthermore, it could impact the operations of the Company if it cannot, for some reason, continue to rely on important intellectual property rights, e.g. due to mistakes in relation to registration or due to older rights of another party. The impact of such setbacks could deem it necessary for the Company to invest in additional property rights.

It should be noted that a former subsidiary of the Company is still operated under its name Eimskip Coldstorage Qingdao Ltd. and is using the brand of Eimskip. Eimskip is working in cooperation with the coldstore company, receiving commission for its work, and it is a mutual understanding between both parties, that Eimskip can at any time request for name change and brand removal.

1.4.8 Employee Issues

The Company is subject to risk in relation to a verbal conditional promise provided by the Company's predecessor to Icelandic employees of Sp/f Fossar, an affiliate of Eimskipafélag Íslands hf. Icelandic

employees on vessels owned by the Company are hired by the Faroese company Sp/f Fossar. These employees do not enjoy various social and labor rights usually afforded to Icelandic employees under Icelandic law. However the Company's predecessor verbally promised to ensure the employees some of the rights they might have forgone pursuant to the conditions of the verbal promise. Laws of other jurisdictions, such as Faroese law, could apply to these employees. The employee agreements generally stipulate that employee's salaries shall be amended in accordance with collective wage agreements of the Confederation of Icelandic Employers and the relevant Icelandic union. The employees participate in payments of premiums for accidental insurances in accordance with collective wage agreements. The employees pay premiums to an Icelandic pension fund and Sp/f Fossar pays a counter contribution in accordance with Icelandic law and collective wage agreements. Save as otherwise provided, other employee terms and benefits shall be determined by act no. 35/1985 on sailors', applicable collective wage agreements and the employee agreements.

1.4.9 Environmental Issues

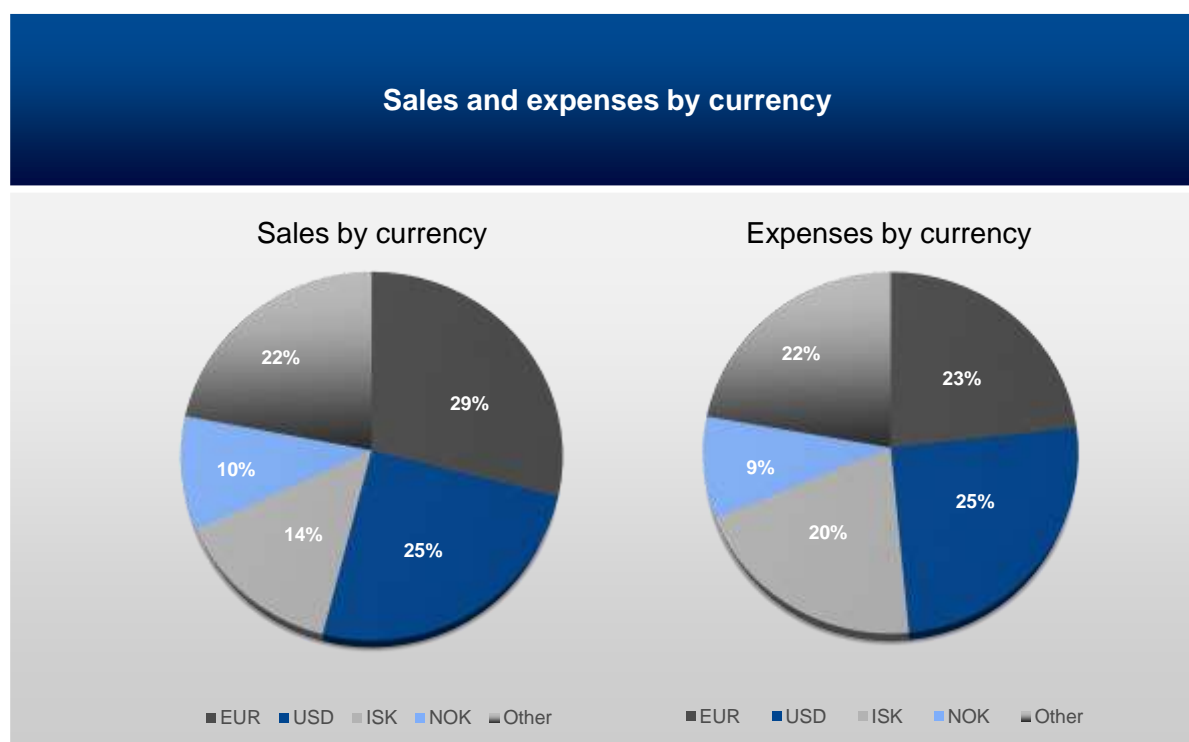
The Company is subject to environmental laws and regulations. Compliance with such regulations may require expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is setting stricter standards and has become more stringent in recent years, with larger fines and liability which can potentially increase capital expenditures and operating cost. To mitigate the aforesaid risk the Company monitors new environmental laws and regulations and has recently established a recycling workgroup.

1.5 FINANCIAL RISK

1.5.1 Currency Risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of the Company and its entities, primarily the USD, but also the ISK and the NOK. The majority of the Company's operating revenue and assets, as well as a large portion of its obligations and interest bearing debt, is denominated in currency other than ISK. The functional currency of the main subsidiaries is in each of the subsidiaries' domestic currencies, except in Iceland, where the functional currency is EUR. The reporting currency for the Company is in EUR.

Figure 1 - Sales and expenses by currencies



The sales and expenses of Eimskip provide, to a certain degree, a natural currency hedge. As can be seen in figure 1 the Company is sensitive to changes in the exchange rate of the EUR against other operating currencies. The Company believes that the natural currency balance of its operations provides acceptable hedging and does not generally invest in any external hedging instruments, such as derivatives. However, when making large investments in a non-EUR currency, due consideration is given to whether hedging is prudent. Decisions thereof are made on a case by case basis.

Since 1 October 2009, the Company has only made hedging arrangements on one occasion in relation to the investment in New Vessels. On 28 September 2011 the Company entered into a forward agreement in the amount of USD 14.6 million. The transactions are to be settled during the period from 17 January 2012 to 17 January 2013 in unison with the proposed payment schedule from the Chinese shipyard which is building the New Vessels.

1.5.2 Access to Credit

The Company 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 the Company may not be able to secure new sources of liquidity or funding, should projected or actual liquidity fall below levels the Company requires. These factors could also impact the ability of the Company's shareholders to provide it with liquidity and there can be no assurance that the Company could obtain additional shareholder funding.

Difficulties in securing funding may require the Company to scale back its operations, divest assets or postpone or cancel new investments. For further information in this respect a reference is made to chapter 11.6 *Capital Resources*.

1.5.3 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. The Company'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 the Company is exposed to fluctuations in the general level of interest rates. However, the Company's current funding structure limits to some extent the Company's risk against an increase in interest rates. The Company does currently not use any interest rate swaps or options to hedge its exposure. Its position is however carefully monitored and reviewed in line with developments on interest rate markets. For further information on the Company's nominal interest rates a reference is made to Table 24 – *Contractual Terms of Interest Bearing Loans and Borrowings*.

1.5.4 Loan Covenants

The Company is subject to various financial and operational covenants in its loan agreements. The main operational covenants relate to restrictions on change of business, limiting major disposals and corporate restructuring. There are also covenants in relevant loan agreements that restrict dividend payments unless the Company is in compliance with its covenants. Furthermore there is a covenant that relates to the shareholding of the Company and states that unless previously approved not more than 33.0% of shares can become owned or controlled, directly or indirectly, by one shareholder (or by parties acting in consort by agreement or implication). The financial covenants relate to equity ratio, leverage ratio, financial indebtedness, fixed charge coverage ratio, market value of vessels, free cash, cross defaults and dividends.

At the date of this Registration Document the Company is in compliance with all covenants. The management of the Company does not consider any of the covenants to be unconventional or restrictive for the Company's current business nor does it consider the Company to be at risk of breaching any of the covenants. However failure to comply with financial and other covenants may have a negative effect on the Company. These include potential increased financial cost, requirement for additional collateral or loans being called in. For further information on specific loan covenants of the Company a reference is made to chapter 11.6.4 *Obligations Pursuant to Loan Agreements*.

1.5.5 Liquidity Risk

The Company has liabilities and obligations which arise over time and the Company may not have the liquidity to meet its liabilities as they fall due. The Company'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 a reference is made to chapter 11.6 *Capital Resources*.

1.5.6 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.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, no single customer accounts for more than 5% of the Company's revenues. The Company's geographical risk relates to the majority of receivables being with Icelandic, Faroese and Chinese counterparties. It should be noted that the Company has in certain instances experienced late payments on receivables from Chinese counterparties, although the write-off of those receivables has not been substantial.

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

In spite of these precautionary measures, a general downturn in financial markets and economic activity may result in a higher volume of late payments and outstanding receivables. The sales of the Company will depend on the financial position of its counterparties and there can be no guarantees 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 the Company amounted to EUR 66.3 million at the end of 30 June 2012 which represents 33.4% of the Company's sales.

1.5.7 Tax Risk

The Company is subject to taxation by Icelandic tax authorities and the relevant governmental authorities in the other countries in which it is established or operates. Eimskip's vessels are operated under tonnage tax regimes, which are tax regimes intended for vessel operating companies. Any change in taxation regime or interpretation of present tax regulations may affect the payable or deferred taxes of the Company.

There is a risk that the Company and its subsidiaries will be subject to tax in one or more jurisdictions if, under the laws of any such jurisdiction, the Company or such subsidiary is considered to earn income that is considered to be potentially taxable there and the Company or such subsidiary do not qualify for an exemption in that respect.

The Company is not aware of any outstanding tax issues that could materially affect its financial position. As with any company there is a possibility that tax authorities, in any jurisdiction, will review the Company's financial statements and tax documentation at a later stage as appropriate by the current rules and regulation. The Company and the tax authorities could, at any time, disagree on how to manage financial positions in relations to tax issues. If any tax authority successfully

challenges the Company's operational structure, inter-company pricing policies, or if the Company loses a material tax dispute in any country or any tax challenge of the Company's tax payments is successful, its effective tax rate on its earnings could increase and the Company's financial position could be materially adversely affected. The Company believes that it complies fully with current laws and regulations and does not assume that tax authorities will put forward claims against the Company.

1.5.8 Risk Related to the Financial Reorganization of A1988 hf.

In September 2008 the board of directors of A1988 hf. implemented a reorganization plan for A1988 hf. (then HF. Eimskipafélag Íslands) and its direct and indirect subsidiaries which entailed a sale of certain companies within the group. Following the reorganization the main focus of the restructured Company was to be on its core assets and business in the maritime transportation sector. In 2009, A1988 hf. requested a composition with its creditors which was granted in August 2009. In essence, the reorganization entailed the transfer of the majority of A1988 hf.'s business to the Company. As consideration for the transfer, the Company relinquished a total of 10.8 million shares (54.1% of its total issued and outstanding shares) to A1988 hf., which in accordance with the composition agreement disbursed these shares to its general creditors, on a pro rata basis pursuant to each creditor's claim. According to the composition of A1988 hf., unsecured creditors received shares in Eimskip as payment for their claims against A1988 hf. that correspond to 11.9% of the value of their claims. Pursuant to the composition agreement, A1988 hf. withheld 4.2% of the total share capital in the Company, or 8.4 million shares, enabling the satisfaction of any contingent claims against A1988 hf. not raised or settled pursuant to the composition procedure. These shares in Eimskip, that are owned by A1988 hf., may not be transferred, disposed of or otherwise encumbered, while owned by A1988 hf., other than to contingent creditors of A1988 hf., as set forth in an agreement relating to the financial reorganization of A1988 hf. In that respect the 4.2% of total share capital of Eimskipafélag Íslands hf. shall be returned to the Company in the event of A1988 hf. entering into bankruptcy proceedings, the contingent claims lapsing, or A1988 hf. entering into voluntary liquidation. It is uncertain whether or when these shares will be returned to the Company. If these shares will be returned, it is further uncertain how many shares it will be, e.g. due to the reason whether, before that time, any parties have demonstrated they have a composition claim against A1988 hf.¹⁹

Bankruptcy proceedings over A1988 hf. could entail readjustments of claims formerly held by the current shareholders of the Company and to a further extent to their shareholdings in the Company. The transfer of assets by A1988 hf. to the Company prior to and pursuant to the restructuring plan and the composition agreement would be considered transactions between related parties pursuant to act no. 21/1991 on bankruptcy etc. Such transactions are subject to rights of rescindment by the estate which, if successful, can entitle the estate to damages from the related party.

¹⁹ The claims against the debtor affected by composition, and not cancelled by composition as provided for in article 28 of act no. 21/1991 on bankruptcy etc., are referred to as composition claims.

1.5.9 International Financial Reporting Standards

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements of the Company's subsidiaries are subject to local accounting standards. The accounting policies of subsidiaries have been changed when necessary to align with the policies adopted by the Company when included in the consolidated financial statements through standard reporting packages and verified SAP business consolidation system.

An exposure draft²⁰ on lease agreements was presented in August 2010. According to the exposure draft, significant changes in accounting for leases will be introduced. The main change is that the lessee's right to use an asset will be capitalized with a corresponding recognition of a liability, calculated as the present value of future payments according to the lease agreements. The exposure draft has not been confirmed and it is evident that it will not be confirmed unchanged. The exposure draft is being amended taking into consideration remarks and comments on the draft. An updated standard is expected to be issued before year-end 2013 which would then be effective from 1 January 2015 at the earliest.

Changes to the financial statements, as a result of the new standard, will affect the amounts of assets and liabilities in the Company's balance sheet. The Company leases vessels and properties through long term lease agreements and accordingly, the amounts of assets and liabilities in the balance sheet will increase if the exposure draft will be confirmed. The exact amount of the effect is unknown as the exposure draft will be changed and the accounting method for the valuation method for the right to use an asset is not known. The change may also affect the amount of operating expenses in the income statement as the amount currently recognized as lease expenses will be reclassified and recognized as depreciation and interest expenses. This change will increase operating profit before depreciation, interest expenses and taxes. The Company's cash flows will however remain unchanged.

²⁰ A document released by the Financial Accounting Standards Board (FASB) for public commentary on proposed new accounting standards.

2. REFERENCES

“A1988 hf.” is a reference to A1988 hf. ID No. 660288-1049, Korngarðar 2, 104 Reykjavík, Iceland, formerly HF. Eimskipafélag Íslands.

“Act on Electronic Registration of Title of Securities” is a reference to act no. 131/1997 on electronic registration of title of securities.

The terms “AGM” and “Annual General Meeting” refer to annual general meeting of Eimskipafélag Íslands hf.

“ALMC hf.” is a reference to ALMC hf. ID No. 701086-1399, Borgartún 25, 105 Reykjavík, Iceland.

“Articles of Association” is a reference to the articles of association of Eimskipafélag Íslands hf., which are in effect on the date of this Registration Document, unless otherwise clear from the context.

“Average Adjuster” is a reference to an individual or firm hired by an insurance firm to apportion loss in a maritime claim and to determine if specific claim is to be classified as general average or particular average.

The terms “Board of Directors” and “Board” refer to the current Board of Directors of Eimskipafélag Íslands hf., unless otherwise clear from the context.

“The Book Building” is a reference to the book building process, which will be conducted from 2 October 2012 to 25 October 2012, with a subscription period from 23 October 2012 to 25 October 2012, where Eimskip’s shares will be offered to selected investors.

“Bulk cargo” is a reference to unpacked transported cargo, such as coal and grain.

“Capex” is a reference to capital expenditure.

“CAD” is a reference to the Canadian dollar, the official currency of Canada.

“CEO” is a reference to chief executive officer.

“CFO” is a reference to chief financial officer.

“Chartering” is a reference to renting of a vessel.

“Code of Conduct and Social Responsibility” is a reference to code of conduct and social responsibility that apply to all board members and employees of Eimskip and its subsidiaries which were approved by the Board of Directors, on 10 August 2012.

“Collective wage agreement” is a reference to a three year collective wage agreement that was signed in May 2011 between the Confederation of Icelandic employers and various Icelandic trade unions.

“Competition Act” is a reference to the Icelandic competition act no. 44/2005.

“Covenant” is a reference to a clause in, for example loan agreements, at which the borrower undertakes to perform or refrain from certain obligations.

“DKK” is a reference to the Danish krona, the official currency of Denmark.

The terms “Eimskip”, “Eimskipafélag Íslands hf.” and “the Company” refer to Eimskipafélag Íslands hf., ID No. 690409-0460, Korngarðar 2, 104 Reykjavík, Iceland, and its direct and indirect subsidiaries.

“EBIT” is a reference to earnings before interest and taxes.

“EBITDA” is a reference to earnings before interest, taxes, depreciation and amortization.

“EVP” is a reference to Executive Vice President.

“EU” is a reference to the European Union.

“Euler Hermes” is a reference to Euler Hermes Kredietverzekering N.V., a global leader in credit insurance.

“EUR” is a reference to the Euro, the official currency of the Eurozone.

The term “Executive Management” is a reference to the executive management of Eimskipafélag Íslands hf.

“FCL” is a reference to full container load, which is a term used in ocean freight service describing full container shipping from one place to another.

“FDD” is a reference to freight demurrage & defense insurance.

The term “Financial Supervisory Authority” refers to the Financial Supervisory Authority, Iceland, ID No. 541298-3209, Höfðatún 2, 105 Reykjavík, Iceland.

“GBP” is a reference to the Great British pound, the official currency of the United Kingdom.

“General Average” is a reference to a legal principle of maritime law according to which all parties in a sea venture proportionally share any losses resulting from a voluntary sacrifice of part of the ship or cargo to save the whole in an emergency.

“HF. Eimskipafélag Íslands” is a reference to Eimskipafélag Íslands hf.’s predecessor.

“IPO” is a reference to initial public offering of Eimskip’s shares.

“ISK” is a reference to the Icelandic krona, the official currency of Iceland.

“ISPS” is a reference to the International Ship and Port Facility Security.

“ISO 27001” is a reference to ISO/IEC 27001 which is a part of the growing ISO/IEC 27000 family of standards, and is an Information Security Management System standard published in October 2005 by the International Organization for Standardization and the International Electrotechnical Commission.

“IT” is a reference to information technology which is a branch of engineering that deals with the use of computers to store, retrieve, and transmit information.

“JPY” is a reference to the Japanese yen, the official currency of Japan.

“Landsbanki Íslands hf.” is a reference to Landsbanki Íslands hf., ID No. 540291-2259, Álfheimar 74, 104 Reykjavík, Iceland.

“LCL” is a reference to Less than Container Load, which is a term used in ocean freight service describing a shipment that is not large enough to fill a standard cargo container.

“Listing Advisors” is a reference to the corporate finance departments at Straumur fjárfestingabanki hf., ID No. 640210-0440, Borgartún 25, 105 Reykjavík, Iceland and Íslandsbanki hf., ID No. 491008-0160, Kirkjusandur 2, 155 Reykjavík, Iceland.

“Main Market NASDAQ OMX Iceland” is a reference to the Main Market at NASDAQ OMX Iceland hf.

“MD” is a reference to Managing Director.

“NASDAQ OMX Iceland” is a reference to NASDAQ OMX Iceland hf. ID No. 681298-2829, Laugavegur 182, 105 Reykjavík, Iceland.

The term “New Vessels” is a reference to the two vessels that are being built for the Company by a Chinese shipyard.

“NOK” is a reference to the Norwegian krona, the official currency of Norway.

“The Offering” is a reference to the Sellers’ offering of Shares for sale to investors that includes the Book Building and the Public Offering, unless otherwise clear from the context.

The term “On-carriage” is a reference to transportation beyond the port of discharge, usually up to the point of delivery.

“OPEC” is a reference to the Organization of the Petroleum Exporting Countries.

“Option Agreement” is a reference to an agreement that the Company entered into with each of six employees of the Company, i.e. Gylfi Sigfússon, Hilmar Pétur Valgarðsson, Bragi Þór Marinósson,

Guðmundur Nikulásson, Ásbjörn Skúlason and Matthías Matthíasson, granting them options in relation to shares in the Company.

“Options” is a reference to options granted under option agreement that six key employees of Eimskipafélag Íslands hf. have each respectively entered into with the Company, relating to shares in the Company. In general terms, an option is defined as a financial contract sold by one party to another party. The contract offers the buyer the right, but not the obligation, to buy or sell a security or other financial asset at an agreed-upon price during a certain period of time or on a specific date.

The term “Pre-carriage” is a reference to any inland movement activity that takes place prior to the container being loaded at a port of loading.

“The Prospectus” is a reference to this Prospectus, consisting of this Registration Document dated 22 October 2012, the Securities Note dated 22 October 2012 and the Summary dated 22 October 2012, and prepared in connection with the Offering and listing of Eimskip. An Icelandic translation of the Summary has been prepared, but should there be any differences between the Icelandic translation of the Summary and the authentic English text, the English text prevails.

“Public Companies Act” is a reference to the Icelandic act no. 2/1995 respecting public limited companies.

“The Public Offering” is a reference to the sale of Eimskip’s shares, from 30 October 2012 to 2 November 2012, to investors, including the general public.

“This Registration Document” is a reference to the registration document, dated 22 October 2012 which is a part of the Prospectus prepared in connection with the Offering and admission to trading of Eimskip’s shares on NASDAQ OMX Iceland hf., unless otherwise clear from the context.

“The Remaining Shares” is a reference to the remaining portion of each of the Selling Shareholders’ shares in Eimskip and Shares owned by YAAF II and YAAF II (Parallel) after the conclusion of the Book Building and Public Offering.

“Rules of NASDAQ OMX Iceland” is a reference to the rules for issuers of financial instruments issued by NASDAQ OMX Iceland hf., effective as of 1 December 2009.

“Rules of Procedure” is a reference to the rules of procedure of the board of directors of Eimskipafélag Íslands hf., which were approved by the Board of Directors, on 9 July 2012.

“Samson eignarhaldsfélag ehf.” is a reference to Samson eignarhaldsfélag ehf., ID No. 490902-2520, Aðalstræti 6, 101 Reykjavík, Iceland.

“SCR” is a reference to the safety and security department of Eimskip.

“The Securities Note” is a reference to the securities note, dated 22 October 2012, prepared in connection with the Offering and admission to trading of Eimskip’s shares on NASDAQ OMX Iceland hf., unless otherwise clear from the context.

“The Sellers” is a reference to the Company and the Selling Shareholders, which will jointly offer 50,000,000 to 56,000,000 Shares for sale in the Offering.

“The Selling Shareholders” is a reference to Landsbanki Íslands hf., ID No. 540291-2259, Álfheimar 74, 104 Reykjavík, Iceland, ALMC hf., ID No. 701086-1399, Borgartún 25, 105 Reykjavík, Iceland and Samson eignarhaldsfélag ehf., ID No. 490902-2520, Aðalstræti 6, 101 Reykjavík, Iceland unless otherwise clear from the context.

“SEK” is a reference to the Swedish krona, the official currency of Sweden.

The terms “Shares” or “Share” is a reference to the equity shares in Eimskipafélag Íslands hf., unless otherwise clear from the context.

“Statistics Iceland” is a reference to the Statistics Iceland, ID No. 590169-0809, Borgartún 21a, 150 Reykjavík, Iceland. Statistics Iceland is the center for official statistics in Iceland and collects, processes and disseminates data on the economy and society.

“TEU” is a reference to “twenty-foot equivalent unit” which is a measure used for capacity in container transportations. One TEU represents the cargo capacity of a standard intermodal container, 20 feet (6.1 m) long and 8 feet (2.44 m) wide.

“Treasury shares” is a reference to the portion of equity shares that the Company keeps in its own treasury.

“TVG” is a reference to TVG-Zimsen ehf., ID No. 650269-4389, Korngarðar 2, 104 Reykjavík, Iceland, which is a direct subsidiary of Eimskip.

“USD” is a reference to the United States dollar, the official currency of the United States of America.

“YAAF II” is a reference to the fund Yucaipa American Alliance Fund II, LP., 9130 West Sunset Boulevard, Los Angeles, CA, United States.

“YAAF II (Parallel)” is a reference to the fund Yucaipa American Alliance (Parallel) Fund II, LP., 9130 West Sunset Boulevard, Los Angeles, CA, United States.

“The Yucaipa Companies, LLC” is a reference to the Yucaipa Companies, LLC, 9130 West Sunset Boulevard, Los Angeles, CA, United States.

3. NOTICE TO INVESTORS

This Registration Document is a part of the Company's Prospectus in connection with the Offering of shares in the Company as well as the admission to trading of all its shares on the Main Market NASDAQ OMX Iceland. The abovementioned is in accordance with Icelandic laws and regulations in effect on the date of this Registration Document, including act no. 108/2007 on securities transactions and directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, which has been implemented into Icelandic law. The Prospectus has been scrutinized and approved by the Financial Supervisory Authority, Iceland. The Prospectus is published in English and consists of three independent documents, a Summary dated 22 October 2012, a Securities Note dated 22 October 2012 and this Registration Document dated 22 October 2012. An Icelandic translation of the Summary has been prepared, but should there be any differences between the Icelandic translation of the Summary and the authentic English text, the English text prevails. The Prospectus is available for viewing at the Company's registered office at Korngarðar 2, 104 Reykjavík, Iceland. The Prospectus will also be available on the Company's website: <http://www.eimskip.is>.

References to any laws, acts or regulations are references to acts passed by the Icelandic parliament and regulations issued by Icelandic ministries, unless otherwise stated or clear from the context.

An application has been made for the Company's shares to be admitted to trading on the Main Market NASDAQ OMX Iceland. Following approval of the Prospectus, NASDAQ OMX Iceland will review the Company's application and make its conclusion public in the European Economic Area. The Company considers that it satisfies all of the requirements for admission to trading on the Main Market NASDAQ OMX Iceland with the exception of requirements on share capital distribution.

To satisfy NASDAQ OMX Iceland's requirements of share capital distribution as set out in the Rules of NASDAQ OMX Iceland, an adequate number of the Company's shares must belong to public investors and the number of shareholders must be adequate. According to the Rules of NASDAQ OMX Iceland, companies having at least 500 shareholders holding shares with a value of around ISK 100,000 will under normal circumstances be considered to fulfill the requirement regarding the number of shareholders. Additionally 25% of the share capital within the same class needs to be in public hands. As stated in the Rules of NASDAQ OMX Iceland, the term "general investors", in this context, refers to investors who are not insiders, parties financially connected to insiders, a parent company or subsidiary or shareholders with holdings of 10% or more. When calculating shares that are not publicly owned, shareholders who have pledged not to divest their shares during a protracted period of time (so-called lock-up) are included.

One of the main goals of the Public Offering is to satisfy the requirement on share capital distribution. Given that the Company fulfills those requirements, it is expected, although no guarantee can be provided, that NASDAQ OMX Iceland will admit the Company's shares to trading on the Main Market NASDAQ OMX Iceland. If the Shares will be admitted to trading, the first day of trading with Eimskip's shares will be on 16 November 2012 at the earliest. The first day of trading will be announced by NASDAQ OMX Iceland at least one business day in advance.

The conditions of NASDAQ OMX Iceland regarding the distribution of the Company's share capital will be met with a Public Offering of already issued Shares belonging to Landsbanki Íslands hf., ALMC hf., and Samson eignarhaldsfélag ehf., as set out in the Company's Securities Note dated 22 October 2012, and is considered a public offering to Icelandic investors in accordance with article 43 of act no. 108/2007 on securities transactions. The size of the Public Offering is 5% of the Company's issued shares capital, with the Company selling additionally Treasury Shares equaling up to 3% of the issued share capital to accommodate for potential excess demand in the Public Offering in accordance with what is stated in the Securities Note. Prior to the Public Offering, a non-public offering will take place where 20% of the Company's shares will be offered for sale to selected investors on the terms stated in the Securities Note, with the Selling Shareholders reserving the right to increase or decrease the number of Shares offered based on the demand for Shares in the Book Building. The Public Offering subscription period will be during the period 30 October until 2 November 2012. The results of the Public Offering will be made public on or before 5 November 2012. The sellers will cancel the Public Offering if NASDAQ OMX Iceland hf. does not approve the Company's current application for admission to trading of its Shares before 31 December 2012. The Sellers also reserve the right to cancel the Public Offering at any time up to NASDAQ OMX Iceland's announcement of the Company's shares being admitted to trading, for example if there is a downturn in the economic environment or the Icelandic securities market.

The Company's Prospectus, contains information for investors to evaluate the Company's assets and liabilities, financial situation, performance and future outlook, as well as the various rights attached to the Shares. Investors are encouraged to familiarize themselves with all information contained in the Prospectus and especially the chapters with the name *1 Risk Factors*, both in the Securities Note and in this Registration Document.

This Registration Document, dated 22 October 2012, or other documents which form a part of the Prospectus, should by no means be viewed or construed as a promise by the Company of positive future operational results or an acceptable return on investment. Investors are reminded that equity shares are risky investments that are based on expectations, not promises. Investors must first and foremost trust their own judgment when it comes to investing in the Company's shares and are advised to seek assistance from experts, such as licensed financial institutions, in their assessment of the Company's shares as an investment option. Investors are furthermore advised to consider their legal status, including taxation issues that may concern the purchase or sale of the Company's securities and seek external and independent advice in that respect.

Information in the Prospectus is based on circumstances and facts on the date this Registration Document is signed. If significant new information, material mistakes or inaccuracy relating to information in the Prospectus, which could affect the assessment of the Shares, is discovered between the time the Prospectus is approved, cf. article 52 of act no. 108/2007 on securities transactions, and the final closing of the Offering or, if applicable, the time when the Shares are admitted to trading, a supplement to the Prospectus, describing the details in question, shall be prepared in accordance with article 46 of act no. 108/2007 on securities transactions. The supplement shall be approved within seven working days and published in the same manner as the original Prospectus. The Summary and any translations thereof shall also be supplemented if necessary to take into account the new information included in the supplement. Investors who have

already agreed to purchase or subscribe for the securities before the supplement is published shall have the right to withdraw their acceptances for at least two working days following the publication of the supplement in accordance with article 46 of act no. 108/2007 on securities transactions.

This Registration Document, as well as any other documents which are a part of the Prospectus, must not be sent or otherwise distributed, whether electronically or by other means, to countries where distribution would require additional registration measures or other measures to be taken other than as applicable under Icelandic law and regulations, or would be in conflict with law and regulations in the relevant country. In some jurisdictions, laws and regulations may restrict distribution of the Prospectus. Therefore the Company demands that all recipients of the Prospectus familiarize themselves with and act in accordance to such laws and regulations or other restrictions. Neither Eimskip, Straumur fjárfestingabanki hf. nor Íslandsbanki hf. assume any liability for distribution of the Prospectus by any third parties in any jurisdiction. This Registration Document, as well as any other documents in the Prospectus, should not be distributed or sent to the USA, the UK, Australia, Canada or Japan.

An application has been made for the Company's shares to be admitted to trading on the Main Market NASDAQ OMX Iceland and therefore the Company is obliged to adhere to laws and regulations on on-going disclosure obligations. Information regarding Eimskip has not been made public in the European Economic Area prior to the date of this Registration Document.

Neither Straumur fjárfestingabanki hf. nor Íslandsbanki hf. are under any obligation to evaluate whether participation in the Offering and purchasing the Company's shares is appropriate for investors. Investors participating in such transactions do not enjoy protection in accordance with article 16 of act no. 108/2007 on securities transactions.

4. PERSONS RESPONSIBLE

4.1 COMPANY'S STATEMENT

The CEO and the Board of Directors of Eimskipafélag Ísland hf., ID No. 690409-0460, registered office at Korngarðar 2, 104 Reykjavík, Iceland, hereby declare that having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document dated 22 October 2012 is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Reykjavík, 22 October 2012

Korngarðar 2, 104 Reykjavík, Iceland:

Bragi Ragnarsson

Chairman of the Board of Directors

and

Gylfi Sigfússon

CEO

4.2 STATUTORY AUDITOR'S STATEMENT

KPMG ehf., ID No. 590975-0449, Borgartún 27, Reykjavík, Iceland, has audited the 2012 six month interim financial statements for Eimskipafélag Íslands hf. KPMG ehf. conducted an audit that has been prepared in accordance with, IAS 34 "Interim financial reporting". Based on KPMG ehf.'s auditing, KPMG believes that the condensed consolidated interim financial statements are prepared, in all material respect, in accordance with IAS 34 "Interim Financial Reporting".

Furthermore KPMG ehf., ID No. 590975-0449, Borgartún 27, Reykjavík, Iceland, has audited the annual financial statements of Eimskipafélag Íslands hf. for the years 2009, 2010 and 2011. KPMG ehf. hereby confirm that the financial statements of the Company for the years 2009, 2010 and 2011 give a true and fair view of the financial position of Eimskipafélag Íslands hf. for the respective years ended 31 December and of its financial performance and its cash flow for the years then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. KPMG ehf. confirms that the information in this Registration Document dated 22 October 2012 regarding the

abovementioned financial statements for Eimskipafélag Íslands hf. is consistent with these abovementioned financial statements.

Reykjavík, 22 October 2012

On behalf of KPMG ehf.

Alexander G. Eðvardsson

Certified Public Accountant

and member of The Institute of State Authorized Public Accountants in Iceland

and

Ólafur Már Ólafsson

Certified Public Accountant

and a member of The Institute of State Authorized Public Accountants in Iceland

5. THE LISTING ADVISORS

The Corporate Finance divisions of Straumur fjárfestingabanki hf. and Íslandsbanki hf. are joint Listing Advisors in relation to the Offering and Eimskip's shares being admitted to trading on the Main Market NASDAQ OMX Iceland. The Corporate Finance division of Straumur fjárfestingabanki hf. has prepared the Prospectus in close co-operation with the Company's management and Board of Directors and it has been prepared based on information provided by the Company, including financial, tax and legal due diligence reports, audited financial statements for the years ended 2009, 2010 and 2011 and the interim audited financial statements for the six months ended 30 June 2012, the unaudited interim management accounts for the six months ended 30 June 2011 as well as the one month unaudited interim management account for July 2012 and the one month unaudited interim management accounts for August 2012. Íslandsbanki hf. has provided critique and evaluation of the Prospectus in its role as Listing Advisor.

The Listing Advisors have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is assumed by the Listing Advisors as to the accuracy or completeness of the information contained in this document or any other information provided by the Company in connection with the sale of the Company's shares.

The financial and tax due diligence review was prepared by PricewaterhouseCoopers ehf., ID No. 690681-0139, Skógarhlíð 12, 105 Reykjavík.

The legal due diligence was performed by BBA Legal ehf., ID No. 661098-2959, Höfðatún 2, 105 Reykjavík, with independent local law firms performing a legal due diligence review on Eimskip's operations in Denmark, the Faroe Islands, China, the Netherlands and Norway, that were used as an input into BBA Legal ehf.'s due diligence report. Horten Advokatpartnerselskab, Philip Heymans Allé 7, DK-2900 Hellerup, performed the legal due diligence review on Eimskip's operations in Denmark and the Faroe Islands, Allen & Overy LLP, 15th floor phase II Shanghai IFC, 8 Century Avenue Pudong, Shanghai 200120, China for its operations in China, Stibbe New York P.C., 489 Fifth Avenue, 32nd floor, New York, NY 10017, USA, for its operations in the Netherlands and Advokatfirmaet Selmer DA, P.O. Box 1324 Vika, 0112 Oslo, Norway for its operations in Norway.

The due diligence performed by PricewaterhouseCoopers ehf. and BBA Legal ehf. covered selected companies that represent over 95% of the Company's gross revenue and holding companies holding the largest sub-groups within the Company. The companies within the scope were Eimskipafélag Íslands hf. and its following subsidiaries; Eimskip Ísland ehf., TVG-Zimsen ehf., P/F Faroe Ship, Sp/f Fossar, Eimskip Holding B.V., Eimskip B.V., Eimskip Denmark A/S, Eimskip Nederland B.V., Eimskip-CTG AS, Eimskip Asia B.V. and Eimskip Logistics (Qingdao), Co., Ltd. The due diligence covered the period of the last three years of the Company's operation and the materiality threshold was in the amount of EUR 500 thousand. The materiality threshold defines the benchmark used to determine if issues revealed in the due diligence review are considered to have a material impact on the Company's value or operations.

The due diligence reports are not intended to serve as guidance or recommendation to potential investors in relation to investing in the Shares.

Additionally the Company had legal advisory in relation to its Shares being admitted to trading on the Main Market NASDAQ OMX Iceland from Logos slf., ID No. 460100-2320, Efstaleiti 5, 103 Reykjavík, Iceland, and financial and tax advisory from KPMG ehf., ID No. 590975-0449, Borgartún 27, 105 Reykjavík, Iceland.

5.1 POTENTIAL CONFLICTS OF INTEREST

Investors' attention is drawn to the following interests of Straumur fjárfestingabanki hf. and Íslandsbanki hf. on the date of this Registration Document:

- ALMC hf., ID No. 701086-1399, which owns 100% of Straumur fjárfestingabanki hf.'s share capital, currently owns 4.2% or 8,324,030 shares in Eimskip and is a Selling Shareholder in the Offering.
- Íslandsbanki hf. and its subsidiary, Miðengi ehf., own a total of 0.8% or 1,618,740 shares in Eimskip. Glitnir banki hf., which owns 95% of Íslandsbanki hf.'s share capital, owns 0.7% or 1,420,300 shares in Eimskip through its subsidiary, GLB Holding ehf.
- Íslandsbanki hf. is a lender to Eimskip.
- In accordance with article 8 of act no. 108/2007 on securities transactions, Straumur fjárfestingabanki hf., ID No. 640210-0440, has implemented rules on conflicts of interests and treatment of confidential information. Straumur requests that investors familiarize themselves with the rules which can be obtained under the following link: <http://www.straumur.com/en/about-straumur/information/conflict-of-interest/>.
- In accordance with article 8 of act no. 108/2007 on securities transactions, Íslandsbanki hf., ID No. 491008-0160, has implemented rules on conflicts of interests. Íslandsbanki hf. requests that investors familiarize themselves with the rules, of which excerpt can be obtained at the following link: http://vib.is/servlet/file/store156/item66306/Excerpt%20from%20%C3%8Dslandsbanki%20hf.'s%20Rules%20on%20Conflicts%20of%20Interest_201007.pdf.

Investors' attention is drawn to the following interests of other parties on the date of this Registration Document:

- Ólafur Helgi Ólafsson, board member of Eimskip, is a board member of Landsbankinn hf., ID No. 471008-0280, Austurstræti 11, 155 Reykjavík, Iceland, which is the commercial bank of Eimskip. Ólafur Helgi Ólafsson was nominated to the Board of Directors of Eimskip and Landsbankinn hf. by Landsbanki Íslands hf. Landsbanki Íslands hf. indirectly owns 18.7% in Landsbankinn hf.

6. DOCUMENTS ON DISPLAY

For the life of the Prospectus, or for 12 months from the date of issue, the following documents are available for viewing at the registered office of the Company, or electronically from the Company's website www.eimskip.is:

- The Summary, Securities Note and Registration Document all dated 22 October 2012.
- The Company's Articles of Association.
- The Company's audited consolidated financial statements in respect of the year-ended 31 December 2009, together with the audit report prepared in connection therewith.
- The Company's audited consolidated financial statements in respect of the year-ended 31 December 2010, together with the audit report prepared in connection therewith.
- The Company's audited consolidated financial statements in respect of the year-ended 31 December 2011, together with the audit report prepared in connection therewith.
- The Company's audited condensed consolidated interim financial statements in respect of the six months ended 30 June 2012, together with the audit report prepared in connection therewith.

7. THIRD PARTY INFORMATION

Where third party information has been used in the Prospectus, the information has been accurately reproduced and the source of such information has been identified. As far as the Company is aware and able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

When third party information has been used in the Prospectus, it has been on the basis of publicly available information which is cited in footnotes where they are referred to. The footnotes are structured in such a way as to make it straightforward for the reader to identify the relevant source of the information if the need or will arises to examine the underlying documents further.

8. SELECTED FINANCIAL INFORMATION

Below is selected financial information for the Company. The information from the following tables has been derived from the Company's financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the EU and corresponds with the interpretations of the International Accounting Standards Board. The Company's financial statements for 2009 to 2011 as well as the interim account for the six months ended 30 June 2012 have been audited by KPMG ehf. The interim accounts for the six months ended 30 June 2011 are however unaudited condensed consolidated management interim financial statements. The audited financial statements are included in chapter 16 *Financial Statements* and should be read in conjunction with the financial information.

Percentages in the tables have been rounded and accordingly may not add up to 100%. In addition, certain financial data has been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

INCOME STATEMENT

Table 1 - Consolidated statement of comprehensive income for the years ended 31 December 2011, 2010 and 2009, and for the six months ended 30 June 2012 and 2011

EUR '000	1H 2012 Audited	1H 2011 Unaudited	2011 Audited	2010 Audited	Q4 2010 Unaudited	2009 Audited
Operating revenue	198,078	186,537	384,727	365,222	87,397	87,708
Operating expenses	179,036	162,954	341,572	326,601	78,843	79,169
Operating profit before depreciation and impairment	19,042	23,583	43,155	38,621	8,554	8,539
Depreciation and impairment	(11,292)	(11,853)	(23,223)	(23,169)	(6,211)	(5,857)
Results from operating activities	7,750	11,730	19,932	15,452	2,343	2,682
Net finance expense	(2,038)	(3,442)	(3,709)	(2,601)	(1,003)	(1,057)
Net earnings before income tax	5,712	8,288	16,223	12,851	1,340	1,625
Income tax	2,264	(829)	(3,078)	(610)	1,489	678
Net earnings for the period	7,976	7,459	13,145	12,241	2,829	2,303

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Table 2 - Consolidated statement of financial position as at 31 December 2011, 2010 and 2009

EUR '000	1H 2012 Audited	2011 Audited	2010 Audited	2009 Audited
Assets				
Total non-current assets	202,509	176,946	175,528	181,428
Total current assets	97,257	106,278	109,689	97,163
Total assets	299,766	283,224	285,217	278,591
Equity				
Total equity	184,698	176,509	162,468	150,007
Liabilities				
Total non-current liabilities	52,173	50,791	60,593	66,633
Total current liabilities	62,895	55,924	62,156	61,951
Total liabilities	115,068	106,715	122,749	128,584
Total equity and liabilities	299,766	283,224	285,217	278,591

CASH FLOW STATEMENT

Table 3 - Consolidated statement of cash flows for the years 2011, 2010, 2009 and six months 2012 and 2011.

EUR '000	1H 2012 Audited	1H 2011 Unaudited	2011 Audited	2010 Audited	2009 Audited
Cash flow from operating activities					
Net cash from operating activities	16,790	8,698	27,226	38,313	7,801
Net cash used in investing activities	(32,476)	(8,006)	(22,577)	(14,266)	28,153
Net cash used in financing activities	(964)	(5,606)	(11,495)	(11,501)	478
(Decrease) increase in cash and cash equivalents	(16,650)	(4,914)	(6,846)	12,546	36,432
Cash and cash equivalents at the beginning of the year	43,517	50,333	50,333	36,631	0
Effects of exchange rate fluctuations on cash held	334	(449)	30	1,156	199
Cash and cash equivalents at the end of the year	27,201	44,970	43,517	50,333	36,631

SELECTED FINANCIAL RATIOS

Table 4 shows selected financial ratios from Eimskip's operations and consolidated financial position. Numbers from the Company's interim statements are annualized.

Table 4 - Selected ratios from Eimskip's operations

	1H 2012	1H 2011	2011	2010	2009
	Audited	Unaudited	Audited	Audited	Audited
Sales growth	6.2%	2.5%	5.3%	n/a	n/a
EBITDA / Sales	9.6%	12.6%	11.2%	10.6%	9.8%
EBIT / Sales	3.9%	6.3%	5.2%	4.2%	2.7%
Interest bearing loans / EBITDA	n/a	n/a	1.4	1.9	n/a
Tangible assets / total assets	93.6%	93.3%	93.5%	92.7%	91.3%
Equity ratio	61.6%	58.7%	62.3%	57.0%	53.8%

9. INFORMATION ABOUT THE COMPANY

9.1 ISSUER

Legal name:	Eimskipafélag Íslands hf.
ID No.:	690409-0460.
Legal form:	The Company is a public limited liability company according to act no. 2/1995 respecting public limited liability companies.
Date of incorporation:	17 April 2009.
Total outstanding share capital:	ISK 188,081,180, divided into shares of one ISK each.
Total share capital:	ISK 200,000,000, divided into shares of one ISK each.
Ticker symbol with NASDAQ OMX Iceland hf. and Icelandic Securities Depository:	EIM
ISIN-number:	IS0000019800
Domicile:	Korngarðar 2, 104 Reykjavík, Iceland.
Website:	www.eimskip.is
E-mail:	investors@eimskip.is
Telephone:	+354 525 7000

9.2 LEGAL ENVIRONMENT

Eimskipafélag Íslands hf. is an Icelandic company, registered in accordance with act no. 2/1995 respecting public limited liability companies. The Company's object is the operation, ownership and investment in transportation companies and other related activities according to article 1.4 in the Articles of Association.

Eimskip has international operations in various parts of the world. The Company's Icelandic subsidiaries are registered in accordance with act no. 138/1994 respecting private limited liability companies. All of Eimskip's other subsidiaries, direct or indirect, are registered in accordance with the applicable laws of the respective countries.

As a transportation company, Eimskip is obliged to operate in accordance with various laws and regulations that apply to its industry, activities and operations in each respective country it operates in. The Icelandic laws that the Company is obliged to operate in accordance with are, *inter alia*, the maritime act no. 34/1985, act no. 40/2010 on carriage by road and the customs act no. 88/2005. The Company is moreover obliged to obey various laws and regulations in its operations, including but not limited to, in relation to vessel liner services, trucking and distribution, warehousing and cold storage, airfreight, documentation services, reefer forwarding and non-vessel operating common carrier (NVOCC), port state services, transportation of passengers, goods and materials on land, as well as regarding public health and pollution control, safety at work, competition, personnel records system, accounting, financial statements and tax. For further information in relation to the Icelandic competition act no. 44/2005 and supervision of the Competition Authority a reference is made to chapter 1.4.4 *Competition Cases*.

An application has been made for the Company's shares to be admitted to trading on the Main Market NASDAQ OMX Iceland and therefore the Company is obliged to adhere to act no. 108/2007 on securities transactions, as well as regulations based on that act. In addition Eimskip is obliged to adhere to the Rules of NASDAQ OMX Iceland at each time and rules no. 987/2006 of the Financial Supervisory Authority, Iceland on treatment of insider information and regulation no. 630/2005 on insider information and market abuse.

9.3 HISTORY AND DEVELOPMENT

In this chapter, chapters 10 *Business Overview*, 12.6 *The Board of Directors* and 12.7 *Executive Management* in this Registration Document, the history and development of Eimskip and its predecessors is discussed as one coherent whole from the date of Eimskip's first predecessor's establishment, on 17 January 1914. In that respect Eimskip and Eimskip's predecessors are collectively referred to as Eimskip or the Company in the aforesaid chapters. Below are important events and milestones in the development of Eimskip's business.

Table 5 - History and development of Eimskip

History and development	
1914	Eimskip was founded in 1914, making it the oldest shipping company in Iceland. The Company was commonly referred to as "The Nation's Favored Child" by the Icelandic media and the public, which saw its establishment as one of the most important steps in Icelandic history and independence stand. Around 15 thousand Icelanders, corresponding to 15% of the Icelandic nation at the time, became shareholders in the Company giving it a unique status and exceptional strength.
1915	The Company's first two vessels, Gullfoss and Goðafoss, arrived in Iceland and 34 agents were appointed around Iceland.
1916	Goðafoss stranded and was destroyed off the Western coast of Iceland.
1917	The war in Europe affected transport to and from Iceland, with shipping routes mostly closed. Eimskip started sailing to America.

- 1921** Eimskip's operations were moved to new headquarters in downtown Reykjavík which served as the Company's headquarters for the next 82 years.
- 1926** The first temperature controlled vessel in Icelandic ownership, Brúarfoss, was built and received by Eimskip.
- 1939** Shipping to Germany were suspended due to the war and the Company's focus was shifted towards the USA. Two of Eimskip's own vessels, Goðafoss and Dettifoss, in addition to four rented vessels, were bombed and destroyed during the World War II.
- 1950** A new fully equipped passenger vessel, Gullfoss, arrived in Reykjavík. The vessel, that held 209 passengers and had a crew of 67, had been custom-built five years earlier.
- 1967** One of Eimskip's warehouses in Reykjavík was destroyed in a fire. Its replacement at Reykjavík harbour, Faxaskáli, was ready for use a year later, becoming the largest warehouse in Iceland at the time.
- 1969** The first aluminum cargo was shipped to England from a newly built aluminum smelter in Straumsvík, South-Iceland.
- 1971** Eimskip opened its first warehouses outside Iceland, in London and in New York.
- 1972** Eimskip started building a new warehouse, Sundaskáli, at Sundahöfn in Reykjavík.
- 1973** A volcanic eruption in the Westman Islands increased the need for storage room in Iceland and Eimskip took Sundaskáli, the new warehouse in Sundahöfn, earlier than planned.
- 1981** A 4.000 square meter warehouse was taken into operation in Sundahöfn, making it Eimskip's transport center.
- 1984** Eimskip acquired Jes Zimsen.
- 1985** Eimskip expanded its operations by opening own offices in Rotterdam in Holland and in Norfolk in USA.
- 1986** Two additional offices were opened, in Gothenburg in Sweden and in Hamburg in Germany, further expanding the Company's operations.
- 1989** Eimskip introduced a new logo on its 75th anniversary.
- 1990** Eimskip opened own offices in Tórshavn in Faroe Islands and in St. John's in Newfoundland.
- 1991** Eimskip acquired the UK transportation company MGH Ltd. in full, and opened an office in Immingham in the UK.
- 1995** A service center for frozen goods, Sundafrost, and the customer service center Sundaklettur were established.
- 1996** Eimskip acquired an Icelandic transportation company, Tollvörugeymslan (TVG), and merged it with Jes Zimsen under the name TVG-Zimsen.
- 1999** Eimskip opened an office in Antwerp in Belgium.
- 2002** Eimskip opened an office in Aarhus in Denmark.

- 2003** Eimskip's headquarters were moved from its landmark building in down town Reykjavík to the Sundahöfn area and a new warehouse hotel in Sundahöfn in Reykjavík started operation. Eimskip opened an office in Fredrikstad in Norway.
- 2004** Eimskip acquired CTG A/S in Norway and the Faroese shipping Company Faroe Ship. Eimskip opened an office in Qingdao in China.
- 2005** Avion Group acquired Eimskip and merged it with its aviation operations. Own office in Vigo in Spain was opened.
- 2006** Avion Group acquired cold storage businesses in the Netherlands and the UK, as well as shipping companies in the Baltics and Finland. Eimskip opened an office in Genoa in Italy.
- 2007** Avion Group sold its aviation operations and merged the shipping operations with the holding company of Avion Group and changed the name to HF. Eimskipafélag Íslands. Eimskip acquired international cold storage businesses in North-America. Own offices in Ho Chi Minh City in Vietnam and in Tokyo in Japan were opened.
- 2008** Following a time of extensive acquisition activities, high leverage and difficult market conditions HF. Eimskipafélag Íslands underwent operational and financial restructuring, whereby assets and operations that were not part of the Company's core business were divested.
- 2009** Eimskip finalized its restructuring with a formal composition agreement with its creditors in August 2009. A new company, Eimskipafélag Íslands hf., was established to take over the transportation business and started operations 1 October 2009.
- 2010** Eimskip's operations were profitable following a successful restructuring.
- 2011** Eimskip became the first container carrier to offer scheduled services between Northern Norway and the USA/Canada. Eimskip's board of directors announced the intention to list the Company on the NASDAQ OMX Iceland, the goal being that trading of shares could start late 2012. Eimskip made an agreement with Chinese Shipyard to build two new 880 TEUs container vessels to be delivered in 2013.
- 2012** Eimskip acquired three reefer vessels, which the Company had chartered since 2005. The Company opened an office in Bangkok in Thailand.

10. BUSINESS OVERVIEW

10.1 VISION STATEMENT

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

Eimskip's tasks for stakeholders are to:

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

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

- Their values are ACT, or Achievements – Cooperation – Trust

10.2 PRINCIPAL ACTIVITIES

Eimskip's transportation services include shipping, port operations, ocean- and land transport, airfreight, warehousing, freight forwarding and expert advice on shipping and logistics. Eimskip currently has 49 offices in 17 countries and 65 partners in 36 countries. The Company currently operates 17 vessels and employs around 1,300 people.

Eimskip specializes in shipping, logistics and supply chain management and offers its customers solutions on both sea and land with special emphasis on the handling and storing of any type of temperature-controlled cargo, frozen or chilled. The cargo goods are mainly fish (frozen, salted and fresh) and aluminum, and a wide range of general goods from heavy machinery to fruits and vegetables. Eimskip has through the years built a network that links to its own shipping network allowing it to provide its customers with comprehensive logistics services.

Eimskip has two business segments: Liner services and forwarding services.

Table 6 - Eimskip's business segments

Liner Services	Forwarding Services
<ul style="list-style-type: none"> Iceland liner services Faroe Islands liner services Norway liner services US and Europe short sea Trans-Atlantic services Bulk Transport 	<ul style="list-style-type: none"> Reefer forwarding General forwarding
<ul style="list-style-type: none"> Port operations Chilled and cold storages Warehousing Trucking and distribution Airfreight services Agency services 	

Approximately 70% of Eimskip's sales come from liner services and 30% from forwarding services. Cargo volume in the liner system amounted to about 1.5 million tons in 2011. Forwarding cargo was approximately 117 thousand TEUs²¹ in 2011, whereof around 91 thousand TEUs were frozen or chilled.

Table 7 - Sales by segment and geographical split²²

Sales by segment and geographical split				
Segment split	1H 2012	2011*	2010	2009
Liner services	144,530	268,458	247,560	56,959
Forwarding services	53,548	109,879	117,662	30,749
Geographical split				
North-Atlantic	173,453	321,870	305,009	72,494
Other	24,625	56,467	60,213	15,214
*One-off item of EUR 6.4 million was accounted for under other revenues and hence the total sales for the year do not add up, see note 5 in Eimskip's annual report 2011.				

Eimskip operates 17 vessels of which 12 are owned and five are chartered. The operations of the vessels are focused on the Company's home market in the North-Atlantic. Twelve are used to serve the liner routes, three for spot-market services and two for bulk transportation.

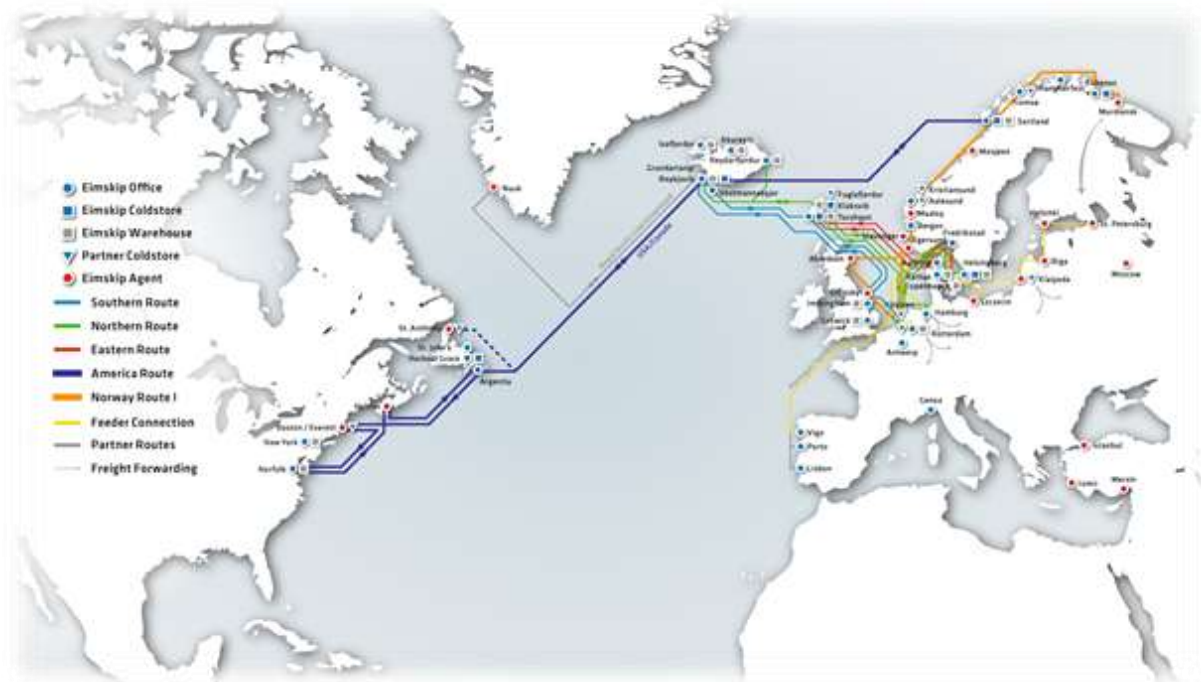
²¹ TEU refers to "twenty-foot equivalent unit" which is a measure used for capacity in container transportations.

²² The table includes a breakdown of total sales by category of activity and geographic market for each financial year for the period 2009 to 1H 2012.

10.2.1 Liner Services

Eimskip operates a sailing schedule in the North-Atlantic area with five different sailing routes. Weekly services are scheduled on two sailing routes between Iceland and base ports in continental Europe, the Faroe Islands, the UK and Scandinavia as well as fortnightly container services to North-America. Weekly services are offered between Murmansk in Russia along the Norwegian coast to Holland and the UK. An Eastern route between the Faroe Islands and Scandinavia is also being operated, as well as a new route between Northern Norway and North-America which Eimskip started operating in July 2011.

Figure 2 - Eimskip's sailing schedule



Eimskip offers specialized transport for bulk cargo in whole loads or by the needs of its customers. When shipping bulk cargo there are no set schedules or sailing routes since the nature and quality of the cargo determines how and when such cargo is shipped.

The Company operates six container ports in four countries, thereof three in Iceland and one each in the Faroe Islands, Norway and Newfoundland. The Company's container fleet consists of roughly 15,000 TEUs, whereof around 3,700 TEUs are reefer containers.

Eimskip owns or operates ten chilled and/or cold storages in six countries, three in Iceland, two in each of the Faroe Islands and Norway and one each in Sweden, Newfoundland and China. Eimskip also operates a total of 24 warehouses for dry cargo in eight countries, 14 in Iceland, two in each of the Faroe Islands, the UK and the USA and one each in Norway, Sweden, Denmark and Holland.

Trucking and distribution services are operated in Iceland, the Faroe Islands, Denmark, Holland and the USA. The Company operates a total of around 340 cranes and forklifts and around 730 trucks, vans and trailers.

Eimskip offers airfreight services in Iceland, the Faroe Islands, the UK, Holland and the USA.

Eimskip's reefer services are reefer transportation services, especially focused on transportation of frozen or chilled seafood and other perishable products in bulk direct from port to port, full or part loads. To carry out this service, Eimskip offers specialized reefer vessels, working on ad-hoc/spot, time charter or contract of affreightment basis. The vessels connect Scandinavia/Europe to the North-Atlantic, Russia, Poland and the Baltic.

10.2.2 Forwarding Services

Eimskip's forwarding services are transportation solutions outside the Company's own operating system. Eimskip is supporting its customers in their globalization by creating a service network in co-operation with various transportation companies all over the world. The Company currently has 49 offices and 65 agents in 44 countries in total. This service network is constantly evolving as well as attracting new customers. Forwarding cargo is in general full container load rather than part load.

Eimskip's forwarding services utilize the Company's global network and the Company's agency network, mainly in the reefer sector where seafood products play an important role and include reefer forwarding of temperature controlled cargo and general forwarding of dry cargo offering various logistic solutions worldwide.

Figure 3 - Eimskip's forwarding services



Eimskip operates reefer forwarding services through the Eimskip reefer logistics network which offers specialized services in handling any type of temperature controlled cargo, frozen or chilled. The Company's general forwarding services cover specialized services in handling any type of cargo, containerized or not containerized. The general forwarding services are performed both by Eimskip and TVG-Zimsen, one of Eimskip's Icelandic subsidiaries. The largest markets for Eimskip's general forwarding are China, Holland and Germany.






10.3 VESSELS AND OTHER OPERATING ASSETS









The Company currently operates 17 vessels, of which 12 are for scheduled services, three for spot services and two for bulk cargo. Eimskip's vessels are specially built in relation to size, cranes, reefer plugs, low draft and good maneuvering capabilities to enter narrow ports, strengthening the Company's competitive position. The Company constantly re-evaluates its vessel fleet with the aim of optimizing the Company's operational efficiency.

As at 30 June 2012, all the Company's vessels are valued at initial purchase price plus subsequent capitalized maintenance investments less accumulated depreciation.





The following table lists all vessels owned or controlled by the Company. The table further sets out the period in which the vessels were purchased or chartered as applicable.

Table 8 - Vessels owned or controlled by the Company

Southern route, Northern route and Eastern route							
	Flag	Type	Ownership	Financing	Managing company	Terms and duration of the appointment	Bases of remuneration
 Goðafoss 1995. TEU 1,457, GT 14,664.	Antigua Barbuda	Container	Owned since 1.9.2000	Danmark Skibskredit, USD 4,050,000, final installment 3.6.2015	Sp/f Fossar	No timelimit	T/c agreement between Sp/f Fossar and Eimskip Ísland ehf.
 Dettifoss 1995. TEU 1,457, GT 14,664.	Antigua Barbuda	Container	Chartered from 19.10.2000 and owned from 7.1.2004	Danmark Skibskredit, USD 4,050,000, final installment 3.6.2015	Sp/f Fossar	No timelimit	T/c agreement between Sp/f Fossar and Eimskip Ísland ehf.
 Brúarfoss 1992. TEU 724, GT 7,676.	Antigua Barbuda	Container	Owned since 24.4.2001	No financing	Sp/f Fossar	No timelimit	T/c agreement between Sp/f Fossar and Eimskip Ísland ehf.
 Selfoss 1991. TEU 724, GT 7,676.	Antigua Barbuda	Container	Owned since 27.4.1999	No financing	Sp/f Fossar	No timelimit	T/c agreement between Sp/f Fossar and Eimskip Ísland ehf.
 Tetuan 2003. TEU 707, GT 6,434.	Liberia	Container	Chartered from 28.7.2012	Chartered	Not applicable	Charter agreement valid until 2-20.1.2013	T/c agreement between M/S "Tetuan" Schifffahrtsgesellschaft GmbH & Co. KG and Eimskip Ísland ehf.

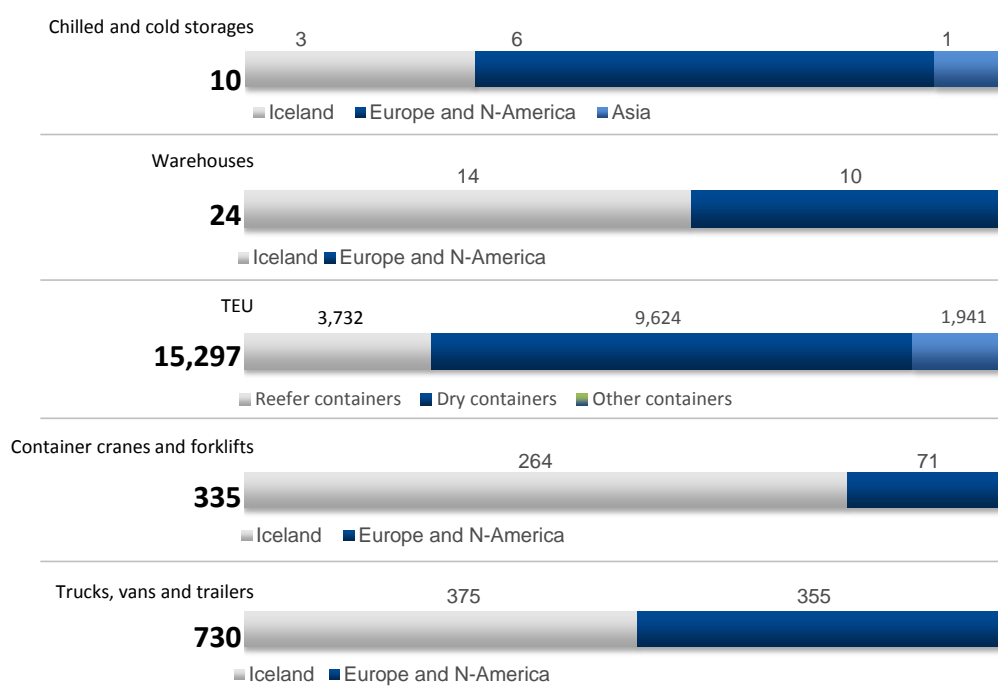
America route							
	Flag	Type	Ownership	Financing	Managing company	Terms and duration of the appointment	Bases of remuneration
	Antigua Barbuda	Container	On charter from 7.7.2011	Chartered	Not applicable	Charter agreement valid until 7.12.2012 +/- 15 days	T/c agreement between EMS ConBulk Befrachtungs GmbH & Co. KG and Eimskip Ísland ehf.
Skógafoss 2007. TEU 700, GT 7,545.							
	Antigua Barbuda	Container	On charter from 13.9.2005	Chartered	Not applicable	Charter agreement valid until 25.1.2013 +/- 20 days with 6 months option	T/c agreement between MS "Westersingel" Schiffahrts GmbH & Co. KG and Eimskip Ísland ehf.
Reykjafoss 1999. TEU 712, GT 7,541.							
Norway route							
	Flag	Type	Ownership	Financing	Managing company	Terms and duration of the appointment	Bases of remuneration
	Antigua Barbuda	Reefer	Owned since 2.5.2008	No financing	Sp/f Fossar	No timelimit	T/c agreement between Sp/f Fossar and Eimskip Shipping AS
Pólfoss 2008. Reefer, GT 3,538.							
	Antigua Barbuda	Reefer	Owned since 18.11.2005	Eksport finance, USD 506,144.61 and CHF 666,553.71, final installment 16.11.2012	Sp/f Fossar	No timelimit	T/c agreement between Sp/f Fossar and Eimskip Shipping AS
Svartfoss 2005. Reefer, GT 2,990.							
	Antigua Barbuda	Reefer	Owned since 11.12.2007	No financing	Sp/f Fossar	No timelimit	T/c agreement between Sp/f Fossar and Eimskip Shipping AS
Hólmfoss 2007. Reefer, GT 3,538.							
	Antigua Barbuda	Reefer	Chartered from 19.1.2006 and owned from 10.02.12	No financing	Maestro Shipmanagement Ltd.	Shipmanagement contract valid for 2 years from February 2012 and no timelimit on charter agreement	T/c agreement between Sp/f Fossar and Eimskip Shipping AS
Ice Star 1990. Reefer, GT 3,625.							
	Antigua Barbuda	Reefer	Chartered from 4.10.2005 and owned from 24.02.12	No financing	Maestro Shipmanagement Ltd.	Shipmanagement contract valid for 2 years from February 2012 and no timelimit on charter agreement	T/c agreement between Sp/f Fossar and Eimskip Shipping AS
Ice Bird 1990. Reefer, GT 3,625.							
	Antigua Barbuda	Reefer	Chartered from 1.3.2006 and owned from 16.02.12	No financing	Maestro Shipmanagement Ltd.	Shipmanagement contract valid for 2 years from February 2012 and no timelimit on charter agreement	T/c agreement between Sp/f Fossar and Eimskip Shipping AS
Ice Crystal 1991. Reefer, GT 3,625.							

Other assignments in the North-Atlantic

	Flag	Type	Ownership	Financing	Managing company	Terms and duration of the appointment	Bases of remuneration
	Antigua Barbuda	Bulk	Owned since 30.3.2004	No financing	Eimskip Ísland ehf.	No timelimit	B/c agreement between Lyra Line Ltd. and Eimskip Ísland ehf.
Írafoss 1991. Bulk, GT 1,574.							
	Antigua Barbuda	Bulk	Owned since 28.9.2005	No financing	Eimskip Ísland ehf.	No timelimit	B/c agreement between Lyra Line Ltd. and Eimskip Ísland ehf.
Laxfoss 1995. Bulk, GT 1,682.							
	Antigua Barbuda	Container	Chartered since 27.8.2010	Chartered	Not applicable	Charter agreement valid until 31.12.2012	T/c agreement between BBC Chartering & Logistic GmbH & Co. KG and Eimskip Ísland ehf.
S. Rafael 2000. TEU 501, GT 4,454.							
	Iceland	Ferry	Chartered since 01.01.2006	Chartered	Eimskip Ísland ehf.	Charter agreement valid until 31.10.2015. Owner has the right to terminate as from 1.6.2014 with 6 months prior written notice	B/c agreement between Vegagerðin and Eimskip Ísland ehf.
Herjólfur 1992. Ferry, GT 3,354.							

Other operating assets mainly consist of chilled and cold storages, warehouses, containers, container cranes and forklifts, and trucks, vans and trailers. Figure 4 shows a split of the Company's other operating assets.

Figure 4 - Other operating assets



10.4 SUBSIDIARIES

Eimskip has nine direct subsidiaries all of which are fully owned by Eimskip with the exception of Harbour Grace CS Inc. in Newfoundland, Canada. In all of the subsidiaries, the voting power equals the ownership interest. Eimskip's subsidiaries further own 39 subsidiaries which are mostly 100% owned entities.

Table 9 - Eimskip's direct subsidiaries

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

Eimskip Ísland ehf.

Eimskip Ísland ehf. is responsible for all of Eimskip's operations in Iceland with the exception of TVG-Zimsen ehf., which is a separate company. Eimskip Ísland ehf.'s operations are located in Reykjavík as well as in 12 other places around the country. Included in Eimskip Íslands ehf.'s operations are the Company's liner systems, bulk transport, three container ports, three chilled and cold storages, 14 warehouses, trucking and distribution, as well as all related sales and services. In addition, Eimskip Ísland ehf. operates branch offices in Norway, Sweden, Denmark, the UK, Holland and Germany.

TVG-Zimsen ehf.

TVG-Zimsen ehf. is a forwarding company located in Iceland which offers all types of services related to import and export with a full range of transit services around the world by air, sea or land and agency for cruise vessels in Iceland. TVG-Zimsen ehf. is affiliated with major transport companies around the world, utilizing their broad service networks as well as the network and production systems of Eimskip. TVG-Zimsen ehf. traces its roots back to the stevedoring company Jes Zimsen which was established in 1894 and to TVG the Bonded Warehouse/Free Zone operation established in 1965.

Eimskip USA, Inc.

Eimskip USA, Inc. operates in both the USA and Canada. The company operates warehouses in Norfolk, Virginia and at JFK Airport, New York. Other services include distribution, reefer logistics and airfreight services. Eimskip USA, Inc. in Norfolk runs the agency for Eimskip's liner operations in the USA and handles Pre-carriage and On-carriage. In St. John's in Newfoundland, Eimskip offers all general logistics services, specializing in seafood and industrial cargo, as well as being responsible for the Eimskip agency.

Eimskip UK Ltd.

Eimskip UK Ltd. is located in Immingham, North East Lincolnshire and at London Gatwick Airport where the company's warehouses are located. The company runs the agency for Eimskip's liner operations and for Faroe Ship and takes care of Pre-carriage and On-carriage. Eimskip UK Ltd. also offers distribution, reefer logistics and airfreight services.

Eimskip Holding B.V.

Eimskip Holding B.V. is a holding company for many of Eimskip's subsidiaries. The most significant of these are, Eimskip Denmark A/S, Eimskip Logistics AB, Eimskip Nederland B.V., Eimskip-CTG AS and Eimskip Asia B.V.

Eimskip Denmark A/S is responsible for Eimskip's and Faroe Ship's agency in Denmark, taking care of all Pre-carriage and On-carriage. The company runs a warehouse in Aarhus and a trucking brokerage company in Aalborg, as well as offering reefer logistics.

Eimskip Logistics AB is responsible for Eimskip's and Faroe Ship's agency in Sweden and offers distribution and reefer logistics. Today, the operation is located in Helsingborg where the company runs a warehouse and a distribution center, including a chilled and cold storage.

Eimskip Nederland B.V. is located in Rotterdam and was established as a branch office in 1985. The company offers agency services for Eimskip's liner operations and for Faroe Ship, including Pre-carriage and On-carriage. In addition, warehouse services are offered in Rotterdam, as well as distribution and reefer logistics.

Eimskip-CTG AS operates in seven locations in Norway. Eimskip-CTG operates a fleet of reefer vessels and provides flexible and comprehensive services with direct port-to-port transport of full or part loads of chilled or frozen consignments. There are weekly liner services from Murmansk in Russia along the Norwegian coast to Holland and the UK and back to Murmansk. In addition, Eimskip-CTG operates chilled and cold storages in Sortland and Kirkenes and a warehouse in Sortland. The liner agency for Eimskip is in Sortland and Fredrikstad and the reefer logistics are located in Aalesund.

Eimskip Asia B.V. is a Dutch holding company which owns all the companies that Eimskip operates in Asia, including Eimskip Logistics (Qingdao) Co. Ltd. Eimskip Logistics (Qingdao) offers worldwide reefer logistics services in five locations in China with its headquarters in Qingdao. Eimskip's main focus in China is on transportation of frozen seafood, fruit and vegetables.

P/F Faroe Ship

P/F Faroe Ship was founded in 1919 and is the oldest and largest transportation company in the Faroe Islands. The company was acquired by Eimskip in 2004. P/F Faroe Ship has taken a leading position in the Faroese transport market with the import and export demand in the Faroe Islands similar to the one in Iceland. P/F Faroe Ship has a similar set-up as Eimskip Ísland ehf., running stevedoring, terminal operation, warehousing, a chilled and cold storage, trucking and distribution, as well as taking care of Eimskip's agency and related services in the Faroe Islands. Eimskip's vessels are registered with P/F Faroe Ship.

Sp/f Fossar, which is a wholly owned subsidiary of P/F Faroe Ship, that operates most of the vessels owned by the Company.

Avia Technical Services Ltd.

Avia Technical Services Ltd. (ATS) is a UK company that held the shares in Air Atlanta Aero Engineering Ltd. (AAAE) in Ireland. AAAE is an airplane maintenance company operating in Shannon Airport in Ireland. AAAE was sold in March 2012 and therefore no operation exists in ATS anymore. On the date of this Registration Document no decision has been taken as regards dissolution of ATS.

Harbour Grace Cold Storage Inc.

Harbour Grace Cold Storage Inc. runs a cold storage facility in Harbour Grace, Newfoundland. The cold storage has a capacity of 2,500 tons and the company discharges around 30 thousand tons of frozen fish every year, mainly shrimp.

Eimskip REIT ehf.

Eimskip REIT ehf. is a holding company for one of Eimskip's real estate in Iceland. Among current projects is the construction of a seafood distribution center in the domestic terminal in Reykjavík.

10.5 EMPLOYEES

Eimskip's employees, their knowledge and skills, are the Company's most important resource and asset. Eimskip's goal is to recruit and train highly qualified employees. Eimskip aims to attract employees that have superior skills, knowledge and expertise and that strive to provide the Company's customers with exceptional service. The team consists of a diverse group of individuals that perform a variety of jobs and have different backgrounds and knowledge.

Table 10 - Eimskip's human resources strategy

Human resources strategy	
The workplace <i>The Company strives to create an enjoyable workplace.</i> <ul style="list-style-type: none"> - Encourages creativity - Maintains a safe and healthy environment - Provides a family-friendly environment 	Recruitment <i>Eimskip's success depends on the quality of its people.</i> <ul style="list-style-type: none"> - High-quality recruitment procedures - Organized training for new employees - Seeks to attract the right people
Reward and recognition <i>Success is monitored and rewarded.</i> <ul style="list-style-type: none"> - Guide, encourage and praise for achievements - Recognize good performance and loyalty 	Training and staff development <i>Continuous development is a crucial factor.</i> <ul style="list-style-type: none"> - Participate in targeted training - Allow employees to reach their full potential

Through emphasizing the workplace, recruitment, reward and recognition, and training and staff development, Eimskip creates an enjoyable workplace that reflects the Company's values: Achievement, Co-operation and Trust, abbreviated as ACT.

As of 30 June 2012, Eimskip had 1,317 employees. Table 11 illustrates the development in number of employees in Eimskip over the last three years, as per the end of each calendar year. No significant changes have been in the numbers after the reorganization of Eimskip in 2009. Some reductions in staff were realized in 2010 and since then the number of employees has increased slightly, in line with increased operations both in Iceland and in other areas. Temporary employees, mostly students, are hired during the summer and other holidays. However the total number of temporary employees on an annual basis is immaterial.

Table 11 - Employees by geography and sector

Employees				
	1H 2012	YE 2011	YE 2010	YE 2009
Employees - Geographical split				
Iceland	756	736	724	755
Europe and North-America	385	367	356	364
Asia	176	169	167	168
Total	1,317	1,272	1,247	1,287
Employees - Sector split				
Liner services	873	852	834	866
Forwarding services	444	420	413	421
Total	1,317	1,272	1,247	1,287

10.6 PRINCIPAL MARKETS

Eimskip's operations are mainly in two principal market segments: Liner services in the North-Atlantic and worldwide reefer forwarding services.

The North-Atlantic market includes islands and remote areas, which creates a niche market position for Eimskip since the Company's vessels are specially built to serve this market with regards to size, cranes, side doors loaders, reefer plugs, low draft and good maneuvering capabilities to enter narrow ports.

Eimskip places emphasis on the transportation, handling and storing of any type of temperature-controlled cargo, frozen or chilled. Exported goods are mainly fish, salted, frozen or fresh, and aluminum.

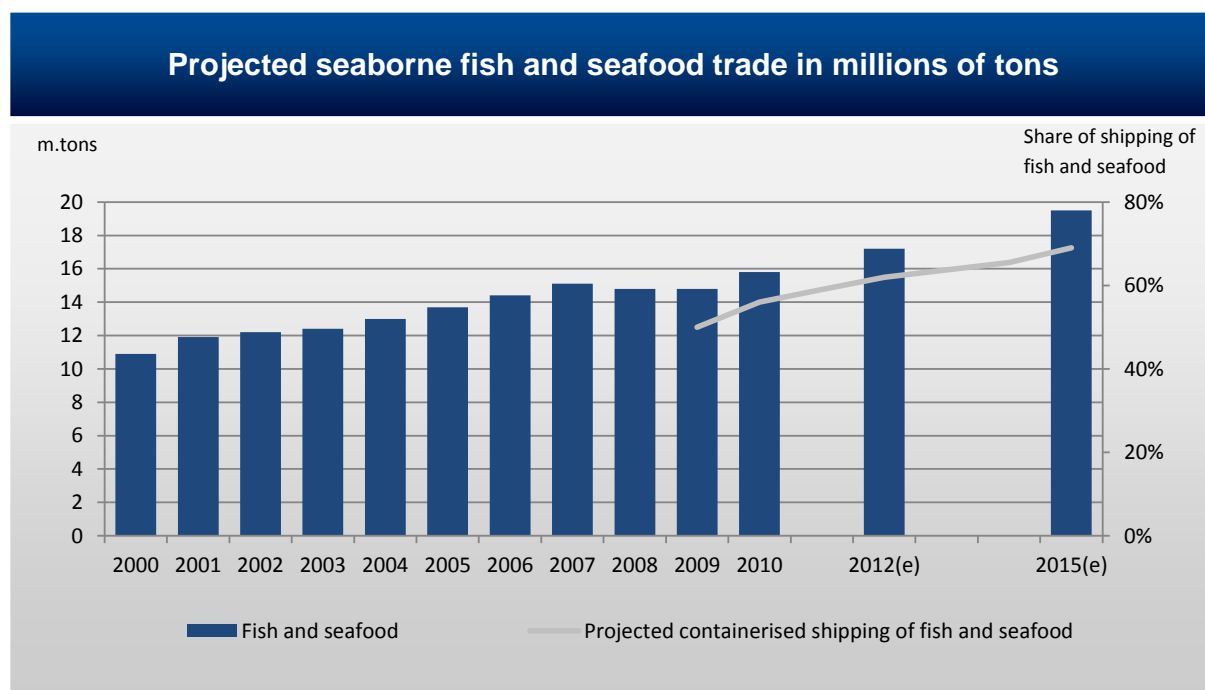
Fish and seafood

Total worldwide perishable reefer trade has increased from 112.6 million tons in the year 2000 to 157.1 million tons in the year 2009. The total seaborne perishable reefer trade, which accounts for around 55% of the total trade, has increased from 62.2 million tons to 84.9 million tons during the same ten year period. Trade with seaborne fish and seafood amounted to 10.9 million tons in 2000 compared to 14.8 million tons in 2009. As can be seen in figure 5 this growth in trade is estimated to continue with fish and seafood reaching 19.5 million tons in 2015, or an increase of 30%.²³

²³ Source: Drewry Report 2010/2011 on the reefer shipping market as available for purchase on www.drewry.co.uk.

The figure also shows the expected development of the seaborne perishable reefer cargo modal split, i.e. the development of the shipping of fish and seafood products split into non-containerized and containerized shipping. As can be seen, the ratio of containerized shipping is expected to grow from 50% in 2009 to 64% in 2015.

Figure 5 - Projected seaborne fish and seafood trade in millions of tons²⁴



Aluminum

The global demand for aluminum is seeing strong growth, driven by the increase in transport, tourism and the increase of the world population along with the development and urbanization of the developing countries, mainly China and India. The global consumption of aluminum is estimated to rise by 6.5% per year between 2011 and 2015, reaching approximately 58 million tons in 2015.²⁵

²⁴ Source: Drewry Report 2010/2011 on the reefer shipping market as available for purchase on www.drewry.co.uk.

²⁵ Source: www.samal.is and www.rusal.ru.

Figure 6 - Aluminum consumption in millions of tons²⁶

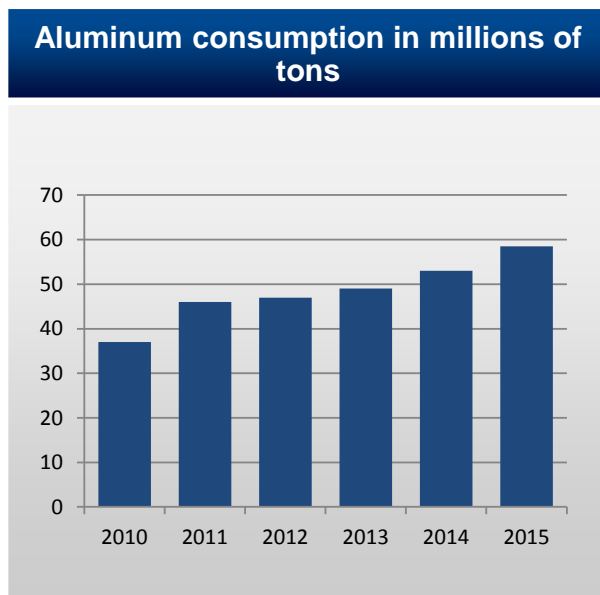
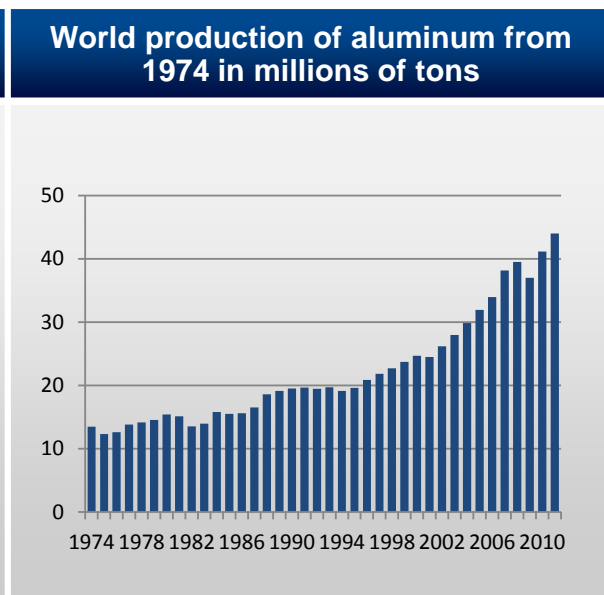


Figure 7 - World production of aluminum from 1974 in millions of tons²⁷



Total aluminum production in Iceland in 2011 was just over 800 thousand tons or around 2.0% of the total world production of aluminum. Both Norðurál and Alcan are looking to expand their aluminum production in Iceland with new projects. The combined increase in these projects is estimated to be around 600 to 700 thousand tons.²⁸ Additionally, Alcoa is expected to increase its aluminum production in the future.

According to Eimskip's management, the Company is well positioned to exploit the strong trade volumes in the North-Atlantic whether it is in the seafood, aluminum or other sectors. Today, Eimskip transports close to three million tons worldwide, of which approximately 1.5 million tons are within the liner system. Eimskip is also actively participating in worldwide reefer logistics with annual volume of around 1.0 million tons. In addition, around 0.5 million tons are transported in the reefer spot market, general logistics and in bulk. The Company has been increasing its operations in Asia, including the intra-Asia trade, which according to Eimskip's management is currently the fastest growing segment within the reefer logistics market.

10.6.1 Main Competitors

The Company operates in many different markets which are all highly competitive. The Company's main competitors are listed below. It should however be noted that most of these competitors have operations that are materially different from Eimskip's operations.

²⁶ Source: www.rusal.ru.

²⁷ Source: www.world-aluminium.org.

²⁸ Source: www.samal.is.

Samskip Holding BV (“Samskip”) is a Netherland based container transportation company with operations in 20 countries, including Iceland. Samskip operates a total of 14 vessels, with three vessels sailing to and from Iceland.²⁹

ThorShip, an agent for Ned Nor, is an Iceland based freight forwarder providing forwarding, agency, consultancy and documentation services by using available space on the Alcan Aluminum vessel.³⁰

Nesskip hf. (“Nesskip”) is an Icelandic shipping company specializing in bulk transport, agency services, ship broking and consultancy, owned by the Norwegian based shipping company Wilson ASA.³¹

Nes hf. is an Icelandic shipping company, with three vessels and specializes in bulk transport.³²

Smyril Blue Water is part of Blue Water Shipping A/S and offers transport solutions in competition with Eimskip between the East Coast of Iceland and the Faroe Islands with limited capacity.³³

Oceanex Inc. (“Oceanex”) provides transportation from Newfoundland to mainland Canada and operates three vessels and two marine terminals.³⁴

Nor Lines AS (“Nor Lines”) operates transport services along Norway’s coastlines. The company has 16 cargo vessels and 11 coastal vessels.

Sea Cargo SA (“Sea Cargo”) operates a fleet of multipurpose vessels. The company has nine vessels and focuses on transports between Norway, Europe and the UK.

SilverGreen AS (“SilverGreen”) is a Norwegian company, owned jointly by Silver Sea and Green Reefers. SilverGreen operates a core fleet of 14 small reefer vessels (below 200,000 cubic feet). Its operations are primarily to service the North-Atlantic market, offering spot solutions, transportation of perishable products, mainly seafood in bulk direct from port to port.

North-Sea Container Line operates seven vessels and focuses on connecting West- and North-Norway with Europe.

Eimskip is also in competition with other transportation companies such as various trucking companies and cargo airlines.

²⁹ Source: www.samskip.is.

³⁰ Source: www.thorship.is.

³¹ Source: www.nesskip.is.

³² Source: www.nes.is.

³³ Source: www.bws.dk.

³⁴ Source: www.coceanex.com.

10.6.2 Principal Markets in Liner Services

Shipping

Following the international financial crisis in the year 2008 the transport volume decreased significantly in Iceland and the Faroe Islands but growth remained in the Norwegian market. The decrease in Iceland and the Faroe Islands was mainly in general and construction cargo but the volume of exports of fish and aluminum was relatively stable. According to the management of Eimskip, seafood cargo volumes tend to have certain stability compared to other cargo volumes, mostly independent of other economic conditions. In Norway, the total allowable groundfish catch has been increasing year on year for the last three to four years and volumes are still increasing in that market.

Eimskip's operations are influenced by economical parameters such as total allowed catch of fish, oil prices and time charter rates, aluminum productions, level of investments, consumer price index and GDP in the countries in the North-Atlantic, mainly Iceland, Norway, the Faroe Islands and Newfoundland.

Eimskip is the largest containerized liner company in its home market (Iceland, the Faroe Islands, Norway and Newfoundland). Eimskip is the only containerized liner company that offers direct shipping between Newfoundland and Europe and the USA as well as between Northern-Norway and East Coast North-America, connecting all these areas with one comprehensive sailing schedule. The Company focuses on serving the North-Atlantic with Iceland, the Faroe Islands, Newfoundland and Norway as the Company's principal market areas.

Iceland

Eimskip has a good market position in the containerized liner import and export to and from Iceland according to the Company's management. Export in Iceland is mainly seafood products and aluminum while imports consist of a wide range of commodities. The main competitors in import and export to and from Iceland are Samskip, ThorShip (Ned Nor), Blue Water Shipping in containerized/trailer cargo and Nesskip hf., Wilson ASA and Nes hf. in bulk cargo.

Faroe Islands

The business environment in the Faroe Islands is very similar to the business environment in Iceland, i.e. the export is mainly seafood products and import is a wide range of commodities. P/F Faroe Ship is the largest containerized liner operating in the Faroe Islands but its main competitors in the Faroe Islands are Smyril Blue Water P/F in trailers, Fresh Link in bulk and Samskip in container freight.

Newfoundland

According to Eimskip's management, Newfoundland is an important area for seafood transportation and has been showing steady growth with an upturn in both the fishing and heavy industries, such as oil, mining and building of power plants. The Company's main competitors are Oceanex, various deep sea lines using Oceanex feeder service to Halifax and Montreal and various forwarders.

Norway

According to Eimskip's management, the Company has a strong presence in North-Norway where the Company has specialized reefer vessels in service for the seafood industry that are specially built to serve this market, e.g. in relation to size and maneuvering capabilities to enter narrow ports as well as being side-loaded. Eimskip is also the only containerized liner offering direct shipping between Northern-Norway and Northern-America. The Company is competing with various other carriers in Norway, such as Nor Lines, Sea Cargo, SilverGreen, North-Sea Container Line and various forwarders.

Barriers to entry in the shipping sector are relatively high as the operations are heavily asset based, need extensive infrastructure and business relationships that are built over a long period of time.

Warehouses and chilled and cold storages

Eimskip operates ten chilled and cold storages in Iceland, the Faroe Islands, Norway, Sweden, Newfoundland and China. The cold storages are fully or partly owned by Eimskip or are under its operational management. Of the cold storages operated by Eimskip 90% are port based cold storages, with the main function to handle seafood products from fishing vessels. In addition to its own operated facilities Eimskip has commercial partnerships with major cold storage providers worldwide.

Within the dry warehousing operations, Eimskip operates various warehouses from smaller port based container freight stations to large more complex facilities offering full range of services, e.g. bonded, pick pack and inventory management. Within the dry warehouse segment, Eimskip has operations in ten countries.

Many players compete in Icelandic transportation and the warehousing market, nonetheless Eimskip and Samskip are the two major players. In dry storage and storages for temperature controlled goods the market is very different with only two large commercial providers, i.e. Eimskip and Samskip. However, many customers have their own warehouses which make this a challenging market according to Eimskip's management.

In both of these areas, storage and domestic transportation, the entry barriers are low and hence the Company's market share is primarily preserved by offering clients the most cost-efficient and best services available. The Company's domestic transportation in Iceland carries approximately 700 thousand tons annually and warehousing handles about 550 thousand pallets.

10.6.3 Principal Markets in Forwarding Services

The cargo volume in international freight forwarding is dependent on seaborne perishable reefer cargo volume where fish products play the most important role. During the last four to five years the global volume in seaborne reefer trade has been showing growth.³⁵ The volume in reefer forwarding is more stable than in dry forwarding due to the fact that the reefer cargo is less dependent on

³⁵ Source: Drewry Report 2010/2011 on the reefer shipping market as available for purchase on www.drewry.co.uk.

economical fluctuations since the consumption of food products is usually more stable than other products.

The international freight forwarding market is diverse and very competitive with many companies offering forwarding services. Eimskip has built valuable relationships and acquired extensive knowhow in the reefer forwarding trade through its other operations over the years. The Company focuses on selling forwarding services utilizing its global network, mainly in the reefer sector where seafood products play an important role. The Company is also involved in general forwarding, offering various logistic solutions worldwide.

11. OPERATING AND FINANCIAL REVIEW

Comparison for the financial years ended 31 December 2011, 2010 and 2009 and for the six month period ended 30 June 2012 and 2011, respectively

Following is a discussion of the Company's financial condition and results of its operations. The discussion is based on the audited financial statements for the years ended 31 December 2011, 2010 and 2009, the audited interim financial statements for the six months ended 30 June 2012 and the unaudited interim management accounts for the six months ended 2011.

KPMG ehf. has audited the Company's annual financial statements for the years ended 31 December 2011, 2010 and 2009 as well as the six months ended 30 June 2012 in accordance with International Standards on Auditing. The financial statements can be found in chapter *16 Financial Statements*. No other information in this Registration Document has been audited.

KPMG ehf. has been the Company's auditor since its incorporation.

Investors should read the following discussion together with Eimskip's financial statements and the related notes, as well as the other sections of the Prospectus, and should not rely solely on the information provided in this section.

The forward-looking statements in this section are subject to risks, uncertainties and other factors that could cause the Company's future results to differ materially from those contemplated by the forward-looking statements. Factors that may cause such differences include, but are not limited to, those discussed in chapters *1 Risk Factors* and *3 Notice to Investors*.

11.1 CONSOLIDATED INCOME STATEMENT FOR THE YEARS 2009 TO 2011 AND THE SIX MONTHS PERIOD ENDED 30 JUNE 2011 AND 2012

Following is a discussion on Eimskip's consolidated statements on comprehensive income for the years 2011, 2010 and 2009 and the first six months of 2012 and 2011 respectively. The figures are derived from the Company's audited financial statements for 2009 to 2011 and 1H 2012 and the unaudited interim management accounts for 1H 2011. It should be noted that the Company started operations on 1 October 2009 and the 2009 annual account therefore covers the period from 1 October to 31 December 2009.

Eimskip's operations are divided into liner services and forwarding services. Eimskip's main revenue sources are the transportation of fish and fish products, aluminum and other general cargo in the North-Atlantic. Eimskip's expenses consist of operating expenses, salaries and related expenses and other expenses.

11.1.1 Comparison for the Six Month Period Ended 30 June 2012 and 2011

Table 12 - Consolidated statement of comprehensive income for the period ended 30 June 2012 and 2011

EUR '000	1H 2012 Audited	1H 2011 Unaudited
Operating revenue		
Sales	198,078	186,537
Expenses		
Operating expenses	144,674	132,378
Salaries and related expenses	34,362	30,576
Operating profit before depreciation and impairment	19,042	23,583
Depreciation and impairment	(11,292)	(11,853)
Results from operating activities	7,750	11,730
Finance income	305	546
Finance expense	(2,343)	(3,988)
Net finance expense	(2,038)	(3,442)
Net earnings before income tax	5,712	8,288
Income tax	2,264	(829)
Net earnings for the period	7,976	7,459

Sales amounted to EUR 198.1 million in 1H 2012 compared to EUR 186.5 million in 1H 2011 which represents a growth of 6.2% between years. Included in sales for 1H 2011 is a one-off item in the amount of EUR 6.4 million which is due to the settlement of a claim that had previously been written off. Adjusting for one-off sales in 2011, the growth between years is 10.0% which is mostly due to increased volume in the North-Atlantic liner sailing trades of 7.3% and increased activity in trucking and warehousing operation in Iceland and dry forwarding.

Operating expenses in 1H 2012 amounted to EUR 144.7 million which is an increase of 9.3% from the previous year when operating expenses were EUR 132.4 million. The increase is due to volume increase of 7.3% in the North-Atlantic liner sailing trades from same time last year and increase in dry forwarding.

Salaries and related expenses were EUR 34.4 million in 1H 2012 compared to EUR 30.6 million in 1H 2011, which represents an increase of 12.4% year on year. The increase is mostly due to general salary increases in Iceland due to the Collective wage agreements and increases in crew salaries. Due to increased activity and the opening of a new office in Thailand, the number of employees has increased by 5% year on year.

The operating profit before depreciation and impairment amounted to EUR 19.0 million in 1H 2012 compared to EUR 23.6 million in 1H 2011. In 1H 2011 two one-off items affected the results. Firstly, a EUR 6.4 million claim settlement and secondly a EUR 0.7 million expenses regarding the Goðafoss

grounding³⁶ in February 2011. Adjusting for these one-off items gives normalized results EUR 17.9 million in 1H 2011. The adjusted operational results show a positive change of 6.4% year on year.

Depreciation and impairment was EUR 11.3 million in 1H 2011 compared to EUR 11.9 million in 1H 2011. In the first half of 2011 large investments in the SAP IT systems from prior years were fully depreciated thus decreasing depreciation going forward.

Finance income in 1H 2012 was EUR 0.3 million compared to EUR 0.5 million in 1H 2011. The decrease is mostly explained by lower interest income from customer bonds and lower dividend payments from associated and other companies.

Finance expenses were EUR 2.3 million 1H 2012 compared to EUR 4.0 million in 1H 2011, which represents a decrease of 42.5% year on year. The decrease is mostly explained by currency losses of EUR 2.2 million in 1H 2011 compared to EUR 0.4 million in 1H 2012.

Net earnings before income tax were EUR 5.7 million in 1H 2012 compared to EUR 8.3 million in 1H 2011, which is a decrease of 31.3%. Adjusting the 1H 2011 earnings for the EUR 6.4 million claim payment and the EUR 0.7 million cost of Goðafoss grounding, results in EUR 2.6 million net earnings before income tax.

Income tax was positive of EUR 2.3 million in 1H 2012 compared to negative of EUR 0.8 million in 1H 2011. In relation to investments in vessels and improving operational result the company has at the 1H 2012 recognized a EUR 3.7 million in deferred tax asset in the operation of a Dutch subsidiary. Adjusted for the deferred tax asset recognition the effective tax rate in 1H 2012 is 15%.

The net earnings for 1H 2012 amounted to EUR 8.0 million compared to EUR 7.5 million in 1H 2011, an increase of 6.7%.

³⁶ Goðafoss, one of Eimskips vessels, grounded outside of Fredrikstad in Norway in February 2011.

11.1.2 Comparison for the Financial Years Ended 31 December 2011 and 2010

Table 13 - Consolidated statement of comprehensive income for the years ended 31 December 2011 and 2010

EUR '000	2011 Audited	2010 Audited
Operating revenue		
Sales	384,727	365,222
Expenses		
Operating expenses	277,688	263,827
Salaries and related expenses	62,323	58,705
Other expenses	1,561	4,069
Operating profit before depreciation and impairment	43,155	38,621
Depreciation and impairment	(23,223)	(23,169)
Results from operating activities	19,932	15,452
Finance income	1,279	1,603
Finance expense	(4,988)	(4,204)
Net finance expense	(3,709)	(2,601)
Net earnings before income tax	16,223	12,851
Income tax	(3,078)	(610)
Net earnings for the year	13,145	12,241

Sales amounted to EUR 384.7 million in 2011 compared to EUR 365.2 million in 2010 which represents a growth of 5.3% between years. Included in sales for 2011 is a one-off item in the amount of EUR 6.4 million which is due to the settlement of a claim that had previously been written off. Adjusting for one-off sales, the growth between years is 3.6% which is mostly due to increased volume in the North-Atlantic liner sailing trades of 4.4% and a 4.3% increase in reefer forwarding.

Operating expenses amounted to EUR 277.7 million which is an increase of 5.3% from the previous year when operating expenses were EUR 263.8 million. The increase is due to increased cargo volume, increase in costs related to an additional vessel³⁷ on the American route, increased bunker cost³⁸ and also a one-off cost of EUR 0.7 million related to the Goðafoss grounding.³⁹

Salaries and related expenses were EUR 62.3 million in 2011 compared to EUR 58.7 million in 2010, which represents an increase of 6.2% between the years. The increase is mostly due to general increases in salary cost, a one-off salary payment in Iceland in relation to the 2011 Collective wage agreements and increases in crew salaries.

³⁷ The vessel Skógafoss.

³⁸ Bunker cost: fuel cost.

³⁹ Goðafoss, one of Eimskip's vessels, grounded outside of Fredrikstad in Norway in February 2011.

Other expenses amounted to EUR 1.6 million in 2011 compared to EUR 4.0 million in 2010, a decrease of 61.6% between years. The difference relates to reclassification where a major part of other expenses in the year 2010 is accounted for under operating expenses in the year 2011. Combined the total increase in operating expenses and other expenses is 4.2% compared to the previous year.

The operating profit before depreciation and impairment amounted to EUR 43.2 million in 2011. Two large one-off items affected the operating profit before depreciation and impairment in 2011. Firstly, Eimskip received a payment on a claim in the amount of EUR 6.4 million which had previously been fully written off. Secondly, one of Eimskip's liner vessels, Goðafoss, grounded outside of Fredrikstad in Norway which had a negative effect on the operational results in the amount of approximately EUR 0.7 million.⁴⁰ Adjusting for these two one-off items, the operating profit before depreciation and impairment amounted to EUR 37.5 million in 2011 compared to an operating profit of EUR 38.6 million in 2010.

The Company also added a vessel on its American route connecting Northern Norway to its liner services. When adding a new vessel to a route it usually takes time to build up volume to cover fixed costs related to the new vessel. The Company's financial result for the America route was therefore EUR 1.1 million lower in 2011 compared to 2010 due to the additional vessel. Additionally the Company paid a one-off salary payment in the amount of EUR 0.5 million in relation to the 2011 Collective wage agreements. Adjusting for all one-off items, the operating profit before depreciation and impairment amounted to EUR 39.1 million in 2011 compared to an operating profit of EUR 38.6 million in 2010.

Depreciation and impairment was EUR 23.2 million in 2011 which is the same as in 2010. In the first half of 2011 large investments in the SAP IT systems from prior years were fully depreciated, thus decreasing depreciation going forward. This was however offset by increased depreciation due to large investments in containers, vehicles and equipment.

Finance income in 2011 was EUR 1.3 million compared to EUR 1.6 million in 2010. The decrease is mostly explained by currency gains in the year 2010 amounting EUR 0.2 million.

Finance expense was EUR 5.0 million in 2011 compared to 4.2 million in 2010, an increase of 18.6%. The main reason for higher finance expenses in 2011 is a currency loss of EUR 1.0 million in the year 2011 and an impairment loss of an investment in an associated company, Air Atlanta Aero Engineering Ltd., amounting to EUR 0.5 million. On the other hand, interest expenses were EUR 3.4 million in 2011 compared to EUR 4.2 million in 2010, due to a lower balance on non-current loans and financial leases.

Net earnings before income tax were EUR 16.2 million in 2011 compared to EUR 12.9 million in 2010, which represents an increase of 26.2%.

Income tax was EUR 3.1 million in 2011 compared to EUR 0.6 million in 2010 and the effective tax rate was 19.0% in 2011 compared to 4.7% in 2010. The effective tax rate in 2011 was high due to the

⁴⁰ For more information regarding the Goðafoss grounding see chapter 1.4.3 *Disputes*.

taxation of a claim in the amount of EUR 6.4 million which was collected but had previously been written off. During the year 2010 the deferred tax asset resulting from the domestic operation was recognized in full as the operating result had improved from the previous year and the forecast for the coming years suggested that the carry forward tax losses would be fully utilized. The recognition of the deferred tax asset from previous year reduces the effective income tax rate by 13.9% in the year 2010 and mainly explains the variation from the current tax rate.

The net earnings for the year 2011 amounted to EUR 13.1 million compared to EUR 12.2 million in 2010, an increase of 7.4%.

Comparison of Q4 2010 and 2009

Table 14 - Consolidated statement of comprehensive income for Q4 2010 and Q4 2009

EUR '000	Q4 2010 Unaudited	Q4 2009 Audited
Operating revenue		
Sales	87,397	87,708
Expenses		
Operating expenses	59,878	57,451
Salaries and related expenses	15,685	14,982
Other expenses	3,280	6,736
Operating profit before depreciation and impairment	8,554	8,539
Depreciation and impairment	(6,211)	(5,857)
Results from operating activities	2,343	2,682
Finance income	621	615
Finance expense	(1,624)	(1,672)
Net finance expense	(1,003)	(1,057)
Net earnings before income tax	1,340	1,625
Income tax	1,489	678
Net earnings for the period	2,829	2,303

Following the composition agreement of A1988 hf., dated 1 July 2009, the consolidated operation of Eimskipafélag Íslands hf. started as of 1 October 2009. Due to this there are no full year comparable operational figures available for 2009 and thus the management discussion will compare the fourth quarter of 2010 and 2009.

Sales amounted to EUR 87.4 million in Q4 2010 compared to EUR 87.7 million in Q4 2009, a decrease of 0.4%. In 2009 Eimskip owned two subsidiaries in China, Eimskip Container Depot Ltd. and Eimskip Coldstorage Qingdao Ltd., which were sold at year-end 2009. Operating revenues relating to the two subsidiaries were EUR 3.1 million in 2009. Growth in the Company's ongoing business was therefore 3.2% between Q4 2010 and Q4 2009. During the period, volume in the North-Atlantic liner sailing trades decreased by 2.7%. At the same time the forwarding services increased by 13.6%, which

explains the growth in sales in the Company's ongoing business, i.e. adjusted for the sale of Eimskip Container Depot Ltd. and Eimskip Coldstorage Qingdao Ltd., between Q4 2010 and Q4 2009.

Operating expenses amounted to EUR 59.9 million in Q4 2010, an increase of 4.2% from the previous year when operating expenses were EUR 57.5 million. The increase is mainly due to reclassification of expenses, where a major part of other expenses in the year 2009 was accounted for under operating expenses in the year 2010.

Salaries and related expenses amounted to EUR 15.7 million in Q4 2010 compared to EUR 15.0 million in Q4 2009. This represents an increase of EUR 0.7 million or 4.7%. The salaries and related expenses in Q4 2009 of the subsidiaries that were sold amounted to EUR 0.4 million. Adjusting for that cost there was a 7.2% increase in salaries and related expenses between quarters. Icelandic salaries, which were about 60% of total salaries, were affected by a 15% stronger ISK between the two periods, which accounts for most of the increase in expenses between Q4 2010 and Q4 2009 respectively.

Other expenses amounted to EUR 3.3 million in Q4 2010 compared to EUR 6.7 million in 2009, showing a decrease of 51.3% between years. The decrease relates to reclassification where major part of other expenses in the year 2009 is accounted for under operating expenses in the year 2010. The decrease in operating and other expenses combined from 2009 to 2010 is 1.6%. When taking into account the EUR 2.6 million expenses relating to the sold subsidiaries, there was an increase of 2.6% in operating and other expenses between quarters, mainly in line with increased volumes in forwarding services.

The operating profit before depreciation and impairment amounted to EUR 8.6 million in Q4 2010 compared to EUR 8.5 million in Q4 2009. In 2009, the subsidiaries sold in China made EUR 0.3 million in operating profit before depreciation and impairment but a loss of EUR 0.1 million.

Depreciation and impairment in Q4 2010 was EUR 6.2 million compared to EUR 5.9 million in Q4 2009. In Q4 2009, depreciation due to the aforementioned sold subsidiaries was EUR 0.3 million. The deviation in the ongoing business is therefore EUR 0.6 million between the two periods. The main explanation is a EUR 0.2 million impairment of customer relations following the purchase price allocation in 2010 and a EUR 0.4 million increase in investments in 2010. The purchase price allocation was performed in the year 2010, following the transfer of assets from A1988 hf. to Eimskip according to the composition agreement. Further information regarding the purchase price allocation can be found in note 7 in the 2010 annual report.

Finance income was EUR 0.6 million in both of the periods being compared. Finance expense was EUR 1.6 million in Q4 2010 compared to 1.7 million in Q4 2009. The difference is due to lower currency loss.

Net earnings before income tax were EUR 1.3 million in Q4 2010 compared to EUR 1.6 million in Q4 2009, a decrease of 17.5% between quarters.

In Q4 2010, income tax was positive of EUR 1.5 million compared to positive income tax of EUR 0.7 million in Q4 2009. The operation of Eimskipafélag Íslands hf. started on 1 October 2009 and as a

result the operating period for 2009 only included three months of operation. The financial figures for 2009 only cover the three months from 1 October to 31 December, therefore the short period of operation and changes in the financial year-end of the subsidiaries from 31 October to 31 December affected the income tax calculations in such a way that the income tax percentage for the period was distorted.

Net earnings for Q4 2010 amounted to EUR 2.8 million compared to EUR 2.3 million in Q4 2009, an increase of 21.7%.

11.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009, 2010 AND 2011 AND AS AT 30 JUNE 2011 AND 2012

Following is a discussion on Eimskip's consolidated statement of financial position as at 31 December 2011, 2010 and 2009 and as at 30 June 2012 and 2011 respectively. The figures are derived from the Company's audited financial statements for 2009 to 2011 and 1H 2012 and the unaudited condensed consolidated interim management accounts for 1H 2011.

Eimskip's assets mainly consist of property, vessels and equipment as well as trade receivables and cash. The Company has no goodwill and limited intangible assets. Liabilities mainly consist of non-current liabilities and trade and other payables.

11.2.1 Comparison of Consolidated Statement of Financial Position as at 30 June 2012 and 31 December 2011

Table 15 - Consolidated statement of financial position as at 30 June 2012 and 31 December 2011

EUR '000	1H 2012 Audited	2011 Audited
Assets		
Property , vessels and equipment	173,976	152,679
Intangible assets	19,316	18,382
Finance assets	974	1,716
Deferred tax assets	8,243	4,169
Total non-current assets	202,509	176,946
Inventories	3,804	3,682
Trade and other receivables	66,252	58,141
Cash and cash equivalents	27,201	43,517
Assets classified as held for sale	0	938
Total current assets	97,257	106,278
Total assets	299,766	283,224

Equity		
Share capital	1,174	104
Share premium	147,109	148,179
Share option reserve	599	425
Translation reserve	207	88
Retained earnings	32,952	25,077
Total equity attributable to equity holders of the parent	182,041	173,873
Non-controlling interest	2,657	2,636
Total equity	184,698	176,509
Liabilities		
Loans and borrowings	52,173	50,791
Total non-current liabilities	52,173	50,791
Loans and borrowings	9,698	11,415
Trade and other payables	53,197	44,509
Total current liabilities	62,895	55,924
Total liabilities	115,068	106,715
Total equity and liabilities	299,766	283,224

TOTAL ASSETS

The Company's total assets amounted to EUR 299.8 million at 30 June 2012 compared to EUR 283.2 million at 31 December 2011.

Non-current assets

The Company's non-current assets, which are mainly land and buildings, vessels, containers and equipment, amounted to EUR 202.5 million at 30 June 2012 compared to EUR 176.9 million at 31 December 2011.

Property, vessels and equipment amounted to EUR 174.0 million at 30 June 2012 compared to EUR 152.7 million at 31 December 2011 which is an increase of 13.9%. The largest investment for the six months period was the continued investment in two new container vessels being built in China and purchase of three reefer vessels, Ice Star, Ice Bird and Ice Crystal, at the total amount of EUR 20.8 million. The three reefer vessels are operated by the Company's subsidiary in Norway and were previously chartered.

As part of the Company's activities, customary leasing agreements are entered into, especially with regard to the chartering of vessels and leasing of containers and other equipment. In some cases, the leasing agreements comprise purchase options for the Company and options for extension of the lease term. In the financial statements, assets held under financial leases are recognized in the same way as owned assets. The carrying amount of assets under finance leases at 30 June 2012 amounted to EUR 8.6 million while at the same time the commitment according to the lease agreements amounted to EUR 9.1 million. At 31 December 2011 these amounts were EUR 8.1 million and EUR 10.1 million respectively. The difference is explained by new investments in the amount of EUR 1.1

million financed by finance leases, depreciation of assets under finance leases and repayments of lease agreements.

Intangible assets are specified as the brand name of EUR 14.0 million, software EUR 3.3 million and intangible assets relating to markets and customers EUR 2.0 million. Total intangible assets amounted to EUR 19.3 million at 30 June 2012 compared to EUR 18.4 million at 31 December 2011 which represents an increase of 4.9%. The difference is mainly due to investments in various software systems.

Financial assets consist of interest bearing bonds and other financial assets and amounted to EUR 1.0 million at 30 June 2012 compared to EUR 1.7 million at 30 June 2011 which is a 41.2% decrease. The difference is due to a reverse of a loan to minority shareholders of Eimskip Qingdao Logistics Ltd. The loan was provided at the end of the year 2011 in relation to changes in the intra-group capital structure of the Chinese company.

Deferred tax assets amounted to EUR 8.2 million at 30 June 2012 compared to EUR 4.2 million at 31 December 2011 which is an increase of 95%. The increase is due to recognition of taxable losses for one of Eimskipafélag Íslands hf.'s subsidiary, Eimskip Holding B.V.

Current assets

The Company's current assets amounted to EUR 97.3 million at 30 June 2012 compared to EUR 106.3 million at 31 December 2011 which is a decrease of 8.5%.

Inventories, which mainly consist of oil, spare parts and other supplies, amounted to EUR 3.8 million at 30 June 2012 compared to EUR 3.7 million at 31 December 2011, showing an increase of 2.7%.

Trade and other receivables amounted to EUR 66.3 million at 30 June 2012 compared to EUR 58.1 million at 31 December 2011 which represents an increase of 14.1%. The increase is due to seasonal effect, 10% increased sale from same period last year and also an exchange rate difference due to strengthening of ISK and USD against EUR. As at 30 June 2012, sales outstanding amounted to 56.2 days compared to 51.2 days at year end 2011. This is in line with number of days of sales outstanding for previous accounting periods.

Cash and cash equivalents decreased from EUR 43.5 million to EUR 27.2 million between 31 December 2011 and 30 June 2012. This represents a 38.9% decrease and is mainly explained by vessel investments being primarily funded with cash. There were no assets classified as held for sale at 30 June 2012 compared to EUR 0.9 million at 31 December 2011. At year end 2011, assets classified as held for sale included a 49.9% shareholding in Air Atlanta Aero Engineering Ltd. The shares were sold in March 2012.

Liabilities

Non-current loans and borrowings consist of mortgage loans from financial institutions, secured by vessels and real estate and finance leases secured by vehicles and equipment. Non-current loans and borrowings increased from EUR 50.8 million at 31 December 2011 to EUR 52.2 million at 30 June

2012. The increase is mainly due to draw down on a revolving facility related to the investment in two new container vessels being built in China and equipment purchases funded with financial leases.

Current loans and borrowings amounted to EUR 9.7 million at 30 June 2012 compared to EUR 11.4 million at 30 June 2011. This item consists only of current maturities of long term loans and financial lease obligations.

Trade and other payables amounted to EUR 53.2 million at 30 June 2012 compared to EUR 44.5 million at 31 December 2011 or an increase of 19.6%. The increase is mainly due to seasonal effect and 7.3% increase in volume in the North-Atlantic lines trading gain and currency differences due to strengthening of ISK and USD against EUR.

11.2.2 Comparison of Consolidated Statement of Financial Position as at 31 December 2011, 2010 and 2009⁴¹

Table 16 - Consolidated statement of financial position as at 31 December 2011, 2010 and 2009

EUR '000	2011 Audited	2010 Audited	2009 Audited
Assets			
Property , vessels and equipment	152,679	147,991	152,114
Intangible assets	18,382	20,832	24,211
Finance assets	1,716	1,455	928
Deferred tax assets	4,169	5,250	4,175
Total non-current assets	176,946	175,528	181,428
Inventories	3,682	2,229	2,039
Trade and other receivables	58,141	48,703	54,023
Cash and cash equivalents	43,517	50,333	36,631
Assets classified as held for sale	938	8,424	4,470
Total current assets	106,278	109,689	97,163
Total assets	283,224	285,217	278,591
Equity			
Share capital	104	104	104
Share premium	148,179	148,179	157,696
Share option reserve	425	106	0
Translation reserve	88	242	128
Retained earnings	25,077	12,237	(9,517)
Total equity attributable to equity holders of the parent	173,873	160,868	148,411
Non-controlling interest	2,636	1,600	1,596
Total equity	176,509	162,468	150,007
Liabilities			
Loans and borrowings	50,791	60,593	66,633
Total non-current liabilities	50,791	60,593	66,633
Loans and borrowings	11,415	11,635	14,359
Trade and other payables	44,509	43,520	43,122
Liabilities classified as held for sale	0	7,001	4,470
Total current liabilities	55,924	62,156	61,951
Total liabilities	106,715	122,749	128,584
Total equity and liabilities	283,224	285,217	278,591

⁴¹ In 2010 the purchase price allocation of calculated goodwill was finalized following the acquisition of subsidiaries on 30 September 2009. As part of the 2010 annual report, the 2009 numbers in the consolidated statement of financial position were restated to reflect the purchase price allocation.

11.2.2.1 Comparison of the Consolidated Statement of Financial Position as at 31 December 2011 and 2010 (as per Table 16)

TOTAL ASSETS

The Company's total assets amounted to EUR 283.2 million at 31 December 2011 compared to EUR 285.2 million at 31 December 2010.

Non-current assets

The Company's non-current assets, which are mainly land and buildings, vessels, containers and equipment, amounted to EUR 176.9 million at 31 December 2011 compared to EUR 175.5 million at 31 December 2010.

Property, vessels and equipment amounted to EUR 152.7 million at year-end 2011 compared to EUR 148.0 million at year-end 2010 which is an increase of 3.4% between years. The largest investment in 2011, in the amount of EUR 7.1 million, was an installment on two new container vessels under construction, which will be delivered in the first half of 2013. There was also an increase in container investments from EUR 2.7 million in 2010 to EUR 4.8 million in 2011. There were two main objectives for the investment. To increase the number of reefer containers in relation to the new sailing route to Northern Norway by 300 containers. Also to replace older containers taking the average age of the reefer container stock down from approximately eight years to approximately four years, which is the target level set by Eimskip's management. This will lead to lower cost of maintenance and repairs going forward.

As part of the Company's activities, customary leasing agreements are entered into, especially with regard to the chartering of vessels and leasing of containers and other equipment. In some cases, the leasing agreements comprise purchase options for the Company and options for extension of the lease term. In the financial statements, assets held under financial leases are recognized in the same way as owned assets. The carrying amount of assets under financial leases at year-end 2011 amounted to EUR 8.1 million while at the same time the commitment according to the lease agreements amounted to EUR 10.1 million. In 2010 these amounts were EUR 9.5 million and EUR 13.3 million respectively. The reduction is related to the Company mainly using its equity to fund the capital expenditure for the years 2010 and 2011 and at the same time making down payments of the finance leases.

Intangible assets are specified as the brand name in the amount of EUR 14.0 million, software in the amount of EUR 2.2 million and intangible assets relating to markets and customers in the amount of EUR 2.2 million. Total intangible assets amounted to EUR 18.4 million at year-end 2011 compared to EUR 20.8 million at year-end 2010 which represents a decrease of 11.5%. The difference is mainly due to large investments in the SAP IT systems being fully depreciated in the first half of 2011.

Finance assets consist of interest bearing bonds and other finance assets and amounted to EUR 1.7 million at year-end 2011 compared to EUR 1.5 million at year-end 2010 which is a 13.3% increase between years. The difference is mainly due to a loan to minority shareholders of Eimskip Qingdao Logistics Ltd. The loan was provided at the end of the year 2011 in relation to changes in the intra-

group capital structure of the Chinese company. The loan was repaid in the first half of the year 2012.

Deferred tax assets amounted to EUR 4.2 million at year-end 2011 compared to EUR 5.3 million at year-end 2010 which is a decrease of 20.8%. The decrease is due to utilization of taxable loss in one of the Company's subsidiaries, P/F Faroe Ship.

Current assets

The Company's current assets amounted to EUR 106.3 million at 31 December 2011 compared to EUR 109.7 million in 2010 which is a decrease of 3.1%.

Inventories, which mainly consist of oil, spare parts and other supplies, amounted to EUR 3.7 million year-end 2011 compared to EUR 2.2 million in 2010 which is an increase of 65%. The increase is due to the addition of two extra vessels, Skógafoss and Indian Reefer, and higher fuel prices which increased by 32% during 2011.⁴²

Trade and other receivables amounted to EUR 58.1 million compared to EUR 48.7 million at year-end 2010 which represents an increase of 19.3%. The increase is due to increased sales in 2011 and outstanding claims related to the 2011 Goðafoss grounding near Fredrikstad in Norway. At year-end 2011, the claim amounted to EUR 2.8 million and was fully paid to the Company on 22 May 2012. As at 31 December 2011, sales outstanding amounted to 51.2 days compared to 46.2 days at year end 2010.

Cash and cash equivalents decreased from EUR 50.3 million to EUR 43.5 million between the years 2010 and 2011. This represents a 13.5% decrease between years resulting from payments on the New Vessels being built in China among other capital expenditure, payments made related to the 2011 Goðafoss grounding and repayment of long term borrowings. This was however partly offset by the receipt of a one-off payment related to repayment on claims that have previously been written off amounting to EUR 6.4 million.

Assets classified as held for sale amounted to EUR 0.9 million at year-end 2011 compared to EUR 8.4 million at year-end 2010. In 2010, the subsidiary Air Atlanta Aero Engineering Ltd. was in the process of being sold. Part of the shareholding in the company was sold in 2011, bringing Eimskip's shareholding from 78% down to 49.9%. Since the shareholding was less than 50% at year-end 2011, the amount classified as held for sale was the estimated market value of the shares. The sale of the remaining 49.9% shares was completed in March 2012.

Liabilities

Non-current loans and borrowings consist of non-current mortgage loans from financial institutions, secured by vessels and real estate, and also of finance leases secured by vehicles and equipment. Non-current loans and borrowings decreased from EUR 60.6 million at year-end 2010 to EUR 50.8 million at year-end 2011. The decrease is in line with the maturity profile of the loans and finance

⁴² Source: www.mabux.com.

leases. For further discussion, see table 24 *Contractual Terms of Interest Bearing Loans and Borrowings*

Current loans and borrowings amounted to EUR 11.4 million at year-end 2011 compared to EUR 11.6 million at year-end 2010. This item consists only of current maturities of long term loans and finance lease obligations.

Trade and other payables increased by 2% between the years 2011 and 2010 and amounted to EUR 44.5 million at year-end 2011 compared to 43.5 million in 2010.

There are no liabilities classified as held for sale at year-end 2011 compared to EUR 7.0 million at year-end 2010. The liabilities classified as held for sale at year-end 2010 are the liabilities of Air Atlanta Aero Engineering Ltd. that was in the process of being sold. Part of the shareholding in the company was sold in 2011, bringing Eimskip's shareholding from 78% down to 49.9%. Since the shareholding was less than 50% at year-end 2011, the amount classified as held for sale was the estimated market value of the shares. The sale of the remaining 49.9% shares was completed in March 2012.

11.2.2.2 Comparison of the Consolidated Statement of Financial Position as at 31 December 2010 and 2009 (as per Table 16)

TOTAL ASSETS

The Company's total assets amounted to EUR 285.2 million at 31 December 2010 compared to EUR 278.6 million in 2009.

Non-current assets

The Company's non-current assets amounted to EUR 175.5 million at 31 December 2010 compared to EUR 181.4 million in 2009.

The Company's fixed assets, which are mainly land and buildings, vessels, containers and equipment, amounted to EUR 148.0 million at year-end 2010 compared to EUR 152.1 million at year-end 2009 which represents a decrease of 2.7% between years. Net investments in fixed assets were EUR 12.4 million, whereof EUR 6.5 million were related to vessel dockings and EUR 5.9 million were invested in containers and other operational equipment.

Intangible assets are specified as brand name in the amount of EUR 14.0 million, software in the amount of EUR 4.4 million and intangible assets relating to markets and customers amounting to EUR 2.4 million. Intangible assets totaled EUR 20.8 million at year-end 2010 compared to EUR 24.2 million at year-end 2009, a decrease of 14.0% between years. Net investments in intangible assets were EUR 1.1 million, mainly in software systems. Impairment of intangible assets was EUR 4.6 million in 2010.

Finance assets consisted of interest bearing bonds and other finance assets and amounted to EUR 1.5 million at year-end 2010 compared to EUR 0.9 million at year-end 2009 which is a 66.7% increase

between years. The difference is mainly due to investment in Icelandic government bonds in 2010, as a part of the Company's short-term liquidity management.

The increase in deferred tax assets by 26.1% between years, from EUR 4.2 million at year-end 2009 to EUR 5.3 million at year-end 2010, is due to recognition of taxable losses of Eimskip Ísland ehf. from 2009.

Current assets

The Company's current assets amounted to EUR 109.7 million at 31 December 2010 compared to EUR 97.2 million at 31 December 2009 which is an increase of 12.9%.

Inventories, which mainly consist of oil, spare parts and other supplies, amounted to EUR 2.2 million at year-end 2010 compared to EUR 2.0 million in 2009, an increase of 10% between years. The increase is mainly due to 8% higher fuel prices in 2010 than in 2009.⁴³

Trade and other receivables amounted to EUR 48.7 million at year-end 2010 compared to EUR 54.0 million at year-end 2009, a decrease of 9.8% between years. The decrease is due to improved collections in Iceland in the year 2010. As at 31 December 2010, sales outstanding amounted to 46.2 days compared to 51.0 days at year end 2009.

Cash and cash equivalents amounted to EUR 50.3 million at 31 December 2010 compared to EUR 36.6 million at 31 December 2009. This represents a 37.4% increase between years which is due to positive cash flow from operations and positive cash flow from working capital due to improved collections from customers. This is partly offset by investments in government bonds in 2010 in the amount of EUR 0.6 million.

Assets classified as held for sale were EUR 8.4 million at year-end 2010 compared to EUR 4.5 million at year-end 2009. In 2010 assets classified as held for sale consisted of a 78% shareholding in Air Atlanta Aero Engineering Ltd. Eimskip owned a claim in default towards the owners of Air Atlanta Aero Engineering Ltd. that was converted into equity in 2010 and the shares were immediately put up for sale. In 2009 assets classified as held for sale consisted of the value of Air Atlanta Properties Ltd. which owned a property in Manston in England. Air Atlanta Properties was sold in December 2010.

Liabilities

Non-current loans and borrowings were EUR 60.6 million at year-end 2010 compared to EUR 66.6 million at year-end 2009, a decrease of 9.0%. The decrease is in line with the maturity profile of the loans and borrowings.

Current loans and borrowings consist only of current maturities of long term loans and amounted to EUR 11.6 million at year-end 2010 compared to EUR 14.4 million at year-end 2009. The decrease is in line with the maturity profile of non-current loans and borrowings.

⁴³ Source: www.mabux.com.

Trade and other payables increased by 0.9% between the years 2010 and 2009 and amount to EUR 43.5 million year-end 2010 compared to 43.1 million in 2009.

In 2010, liabilities classified as held for sale amounted to EUR 7.0 million and were related to Air Atlanta Aero Engineering Ltd. Liabilities classified as held for sale in the year 2009, amounting to EUR 4.5 million, were related to Air Atlanta Properties Ltd. that owned a property in Manston in England and was sold in December 2010.

11.3 STATEMENT OF CHANGES IN EQUITY

The Company's total equity at year-end 2011 was EUR 176.5 million compared to EUR 162.5 million at year-end 2010. According to the Articles of Associations the Company's share capital amounted to ISK 20 million or EUR 0.1 million⁴⁴ when it was established. At that time the Company owned a total of 1,191,882 treasury shares. The share capital of the Company was increased on 29 June 2012 to ISK 200,000,000 and therefore the Company owns a total of 11,918,820 in treasury shares.

According to the composition agreement for A1988 hf., a 4.2% share or 8.4 million shares in Eimskipafélag Íslands hf. was not distributed to creditors but rather assigned to A1988 hf. These shares could be used to meet potential contingent liabilities that may arise after the composition was confirmed and are a result from events prior to the composition.

If the value of the shares exceeds the contingent claims accepted by A1988 hf. in accordance with the composition agreement, all of the remaining shares will be transferred to Eimskipafélag Íslands hf. as treasury shares 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. The uncertainty regarding shares owned by A1988 hf. could in the future have a positive impact on Eimskip's financial position. For further discussion, see chapter 1.5.8 *Risk Related to the Financial Reorganization of A1988 hf.*

Tables 17, 18 and 19 show changes in equity from 31 December 2009 to 2010, 31 December 2010 to 2011 and from 31 December 2011 to 30 June 2012.

⁴⁴ Exchange rate EUR/ISK 180.93 which was the official rate at 1 October 2009 when the Company started its operations.

Table 17 - Audited consolidated statement of changes in equity as at 30 June 2012 and management accounts on 30 June 2011

EUR '000	Share capital	Share premium	Share option reserve	Trans-lation reserve	Retained earnings	Total	Non controlling interest	Total equity
Changes in equity 1H 2012								
Equity at 1 January 2012	104	148,179	425	88	25,077	173,873	2,636	176,509
Effects of share based payments agreements			174			174		174
Stock split	1,070	(1,070)				0		0
Minority dividends					0	0	(156)	(156)
Foreign currency translation difference of foreign operations				119		119	76	195
Earnings of the year					7,875	7,875	101	7,976
Equity at 30 June 2012	1,174	147,109	599	207	32,952	182,041	2,657	184,698
Changes in equity 1H 2011								
Equity at 1 January 2011	104	148,179	106	242	12,237	160,868	1,600	162,468
Foreign currency translation difference of foreign operations				(1,078)		(1,078)		(1,078)
Earnings of the year					7,717	7,717	(258)	7,459
Equity at 30 June 2011	104	148,179	106	(836)	19,954	167,507	1,342	168,849

Table 18 - Audited consolidated statement of changes in equity as at 31 December 2011 and 2010

EUR '000	Share capital	Share premium	Share option reserve	Trans-lation reserve	Retained earnings	Total	Non controlling interest	Total equity
Changes in equity 2011								
Equity at 1 January 2011	104	148,179	106	242	12,237	160,868	1,600	162,468
Effects of share based payments agreements			319			319		319
Foreign currency translation difference of foreign operations				(154)		(154)	152	(2)
Change in minority interest						0	579	579
Earnings of the year					12,840	12,840	305	13,145
Equity at 31 December 2011	104	148,179	425	88	25,077	173,873	2,636	176,509
Changes in equity 2010								
Equity at 1 January 2010	104	157,696		128	(9,517)	148,411	1,596	150,007
Loss off-set by share premium		(9,517)			9,517	0		0
Effects of share based payments agreements			106			106		106
Foreign currency translation difference of foreign operations				114		114		114
Earnings of the year					12,237	12,237	4	12,241
Equity at 31 December 2010	104	148,179	106	242	12,237	160,868	1,600	162,468

Table 19 - Audited consolidated statement of changes in equity as at 31 December 2010 and 2009

EUR '000	Share capital	Share premium	Share option reserve	Trans-lation reserve	Retained earnings	Total	Non controlling interest	Total equity
Changes in equity 2010								
Equity at 1 January 2010	104	157,696		128	(9,517)	148,411	1,596	150,007
Loss off-set by share premium		(9,517)			9,517	0		0
Effects of share based payments agreements			106			106		106
Foreign currency translation difference of foreign operations				114		114		114
Earnings of the year					12,237	12,237	4	12,241
Total recognised income and expense				114	21,754	12,457	4	12,461
Equity at 31 December 2010	104	148,179	106	242	12,237	160,868	1,600	162,468
Changes in equity 2009								
New shares issued	10	14,990				15,000		15,000
Acquisition of subsidiaries satisfied with new shares	101	152,699				152,800		152,800
Purchase of treasury shares	(7)	(9,993)				(10,000)		(10,000)
Transactions with owners, recorded directly in equity	104	157,696				157,800		157,800
Foreign currency translation difference of foreign operations				128		128		128
Impact of subsidiaries subsequent to acquisition price determination					(11,822)	(11,822)		(11,822)
Earnings for the year					2,305	2,305	(2)	2,303
Total recognised income and expense				128	(9,517)	(9,389)	(2)	(9,391)
Recognised on acquisition of subsidiaries							2,762	2,762
Non controlling interest, changes							(1,164)	(1,164)
Equity at 31 December 2009	104	157,696	0	128	(9,517)	148,411	1,596	150,007

11.4 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS 2010 TO 2011 AND 1H 2011 AND 2012

Following is a discussion on the cash flow statements of the Company. Eimskip's primary source of liquidity comes in the form of cash from operating activities. The cash flows from the Company's investing and financing activities are mostly related to investments in non-current assets and the repayment of long-term borrowings.

11.4.1 Eimskip's Consolidated Cash Flow Statements for the six months ended 30 June 2012 and 2011

Table 20 - Consolidated statement of cash flows for the period ended 30 June 2012 and 2011

EUR '000	1H 2012 Audited	1H 2011 Unaudited
Cash flows from operating activities		
Earnings for the period	7,976	7,459
Adjustments for		
Depreciation and impairment of fixed assets	11,292	11,853
Net finance expenses	2,038	3,442
Change in deferred taxes	(2,404)	607
Other changes	(260)	(475)
	18,642	22,886
Changes in current assets and liabilities		
Inventories, increase	(97)	(1,188)
Receivables, increase	(4,088)	(7,741)
Payables, increase (decrease)	4,105	(3,966)
Changes in current assets and liabilities	(80)	(12,895)
Interest paid	(1,991)	(1,847)
Interest received	406	554
Taxes paid	(187)	0
Net cash from operating activities	16,790	8,698
Cash flows from investing activities		
Investments in fixed assets	(33,649)	(8,799)
Proceeds from sale of non-current assets	1,173	793
Net cash used in investing activities	(32,476)	(8,006)
Cash flows from financing activities		
Changes in minority interest	(156)	0
Proceeds from long-term borrowings	5,170	102
Repayment of long-term borrowings	(5,978)	(5,708)
Net cash used in financing activities	(964)	(5,606)
Decrease in cash and cash equivalents	(16,650)	(4,914)
Cash and cash equivalents at the beginning of the period	43,517	50,333
Effects of exchange rate fluctuations on cash held	334	(449)
Cash and cash equivalents at the end of the period	27,201	44,970

Net cash from operating activities amounted to EUR 16.8 million on 30 June 2012 compared to EUR 8.7 million on 30 June 2011. The main difference between the years is explained by changes in current assets and liabilities for the year 2011 was negative of EUR 12.9 million and changes in deferred tax assets for the year 2012 was negative of EUR 2.4 million.

Investment in non-current assets amounted to EUR 33.6 million in 1H 2012 compared to EUR 8.8 million in 1H 2011. The difference is mostly explained by EUR 20.8 million vessel investments in the New Vessels, being built in China, and the purchase of three reefer vessels, Ice Star, Ice Bird and Ice Crystal. Proceeds from sale of fixed assets was EUR 1.2 million in 1H 2012 compared to EUR 0.8 million in 1H 2011. Proceeds from sale of fixed assets are mostly related to sale of used containers.

Net cash used in financing activities was EUR 0.9 million in 1H 2012 compared to EUR 5.6 million in 1H 2011. The difference between years is explained by draw down on a revolving facility related to the investment in two new container vessels being built in China and equipment purchases funded with finance leases.

Cash and cash equivalents on 30 June 2012 were EUR 27.2 million which is a decrease of EUR 17.8 million from 30 June 2011.

11.4.2 Eimskip's Consolidated Statement of Cash Flows for the Years ended 31 December 2011 and 2010

Table 21 - Consolidated statement of cash flows for the year ended 31 December 2011 and 2010

€ '000	2011 Audited	2010 Audited
Cash flows from operating activities		
Earnings for the year	13,145	12,241
Adjustments for		
Depreciation of non-current assets	23,223	23,169
Net finance expenses	3,709	2,601
Change in deferred taxes	1,434	(1,404)
Other changes	(840)	(477)
	40,671	36,130
Changes in current assets and liabilities		
Inventories, increase	(1,448)	(162)
Receivables, (increase) decrease	(10,135)	1,910
Payables, increase	420	3,744
Changes in current assets and liabilities	(11,163)	5,492
Interest paid	(3,480)	(4,945)
Interest received	1,140	1,069
Taxes paid	58	567
Net cash from operating activities	27,226	38,313
Cash flows from investing activities		
Investment in non-current assets	(24,389)	(16,071)
Proceeds from sale of non-current assets	1,812	1,805
Net cash used in investing activities	(22,577)	(14,266)
Cash flows from financing activities		
Changes in minority interest	(4)	4
Proceeds from long-term borrowings	0	87
Repayment of long-term borrowings	(11,491)	(11,592)
Net cash used in financing activities	(11,495)	(11,501)
(Decrease) increase in cash and cash equivalents	(6,846)	12,546
Cash and cash equivalents at the beginning of the year	50,333	36,631
Effects of exchange rate fluctuations on cash held	30	1,156
Cash and cash equivalents at the end of the year	43,517	50,333

Net cash from operating activities amounted to EUR 27.2 million in 2011 compared to EUR 38.3 million in 2010. The difference between the years is explained by changes in working capital, mainly, the increase in accounts receivable from increased sales.

Investment in non-current assets amounted to EUR 24.4 million in 2011 compared to EUR 16.1 million in 2010. The difference between years is explained by a EUR 7.1 million installment on the building of two New Vessels in China in 2011 and increased investments in containers and other

equipment in 2011. At the same time, proceeds from the sale of non-current assets were EUR 1.8 million both in 2011 and in 2010 mainly due to sale of used containers.

Net cash used in financing activities was EUR 11.5 million, in both 2011 and 2010, due to installments on long term borrowings.

Cash and cash equivalents at 31 December 2011 were EUR 43.5 million, compared to EUR 50.3 million at 31 December 2010 and EUR 36.6 million at 31 December 2009. Cash and cash equivalents decreased by EUR 6.8 million in the year 2011 and increased by EUR 12.5 million in the year 2010.

11.5 PRINCIPAL INVESTMENTS

The following information on principal investments includes the period from 1 October 2009 to 30 June 2012 and is based on the financial statements of the Company. The Company finances investments with its retained earnings and bank financing.

During the period from 1 October 2009 to 30 June 2012 the Company has invested for the total amount of EUR 74.0 million, whereof EUR 1.6 million were invested in Q4 2009, EUR 16.1 million in 2010, EUR 25.3 million in 2011 and EUR 33.6 million in 1H 2012.

11.5.1 Summary of Investments

Table 22 shows information regarding Eimskip's material⁴⁵ investments and asset sales in the period from 1 October 2009 to 30 June 2012.

Table 22 - Investments and asset sales

Investments and asset sales											
EUR million	2012		2011				2010			2009	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Acquisition and new building of vessels	4.1	16.7		7.1							
Investment in containers	0.1	1.0		1.5	2.0	1.4	2.7				
Real estate	0.2	1.5	0.1	0.2	0.6		0.2				
Other investments	5.9	4.1	5.1	2.6	2.3	2.5	3.8	5.2	2.1	2.1	1.6
Total investments	10.3	23.3	5.1	11.4	4.9	3.9	6.7	5.2	2.1	2.1	1.6
Thereof maintenance investment	6.0	5.4	5.1	4.1	4.3	3.9	6.7	5.2	2.1	2.1	1.6
Sale of real estate											0.7
Sale of containers	0.4	0.1	0.4	0.2	0.3	0.1	0.2	0.1	0.1	0.1	0.1
Sale of equipment	0.1	0.6	0.1	0.3	0.1	0.3	0.8	0.1	0.2	0.2	0.1
Total asset sales	0.5	0.7	0.5	0.5	0.3	0.5	1.0	0.3	0.3	0.3	0.9

⁴⁵ Material refers to investments or asset sale with proceeds of EUR 1 million or more.

In 2H 2011 the Company signed an agreement with a Chinese Shipyard to build two new container vessels. The New Vessels will come into operations in 2013. The Company's down payment of the New Vessels was EUR 7.1 million at Q3 2011 and was financed with equity.

In the 1H 2012 the Company invested EUR 20.8 million in the New Vessels being built and purchased three reefer vessels, the Ice Star, the Ice Crystal and the Ice Bird, which the Company operates in Norway. The Company previously leased those three reefer vessels.

The investments were financed with equity in the amount of EUR 17 million and a short term credit facility in the amount of EUR 3.8 million which will be refinanced when the New Vessels are delivered.

Since 1H 2010, the Company has invested EUR 8.7 million in new dry containers and new reefer containers to replace older ones. Consequently, the Company has reduced the average age of its reefer containers from approximately eight to approximately four years. These investments were fully financed with equity.

In the year 2011 the Company invested in three buildings, two warehouses in Selfoss and Djúpivogur in Iceland and a cold storage facility within the Sundahöfn warehouse in Iceland, a total investment of EUR 0.9 million. In Q1 2012 the Company invested in real estate in Reyðarfjörður in Iceland for EUR 1.1 million. The real estate was financed with equity. In addition, the Company invested EUR 0.4 million in a cold storage facility within the Sundahöfn warehouse in Iceland. In Q2 2012, the Company invested EUR 0.2 million in a cold storage facility within the Sundahöfn warehouse in Iceland.

Other investments, which are not material, include renewal of trucks and other vehicles, property maintenance and upgrades of IT systems and other equipment.

11.5.2 Future Investments

In 2H 2012 and 1H 2013 the Company intends to invest USD 33.7 million (EUR 26.8 million⁴⁶) in completing the building of the New Vessels being built in China. The investment will be financed with equity and long term loans, on which the Company has already agreed terms with a European bank. The loans are in the amount of USD 26.0 million (EUR 20.7 million) and have a ten year tenor.

In 2014, the Company plans to invest around EUR 3.0 million in a new container crane for loading and unloading container vessels in the Sundahöfn terminal in Iceland. The new crane replaces an older one which has been in operation for 28 years. The Company expects to finance the investment with debt and equity.

⁴⁶ Exchange rate EUR/USD is 1.26 which was the rate at 30.06.2012. Currency rates are based on currency table published daily by the European Central Bank (ECB).

11.6 CAPITAL RESOURCES

As of 30 June 2012, the Company had cash and cash equivalents of EUR 27.2 million, the equity was EUR 184.7 million and total interest bearing debt amounted to EUR 61.9 million, thereof EUR 9.7 million maturing within 12 months. As at the same date, the Company had an equity ratio of 61.1%. The Company's main source of capital is cash flows from operating activities generated by its subsidiaries.

11.6.1 Funding Structure

The interest bearing liabilities at the end of June 2012 amounted to EUR 61.9 million compared to EUR 62.2 million at year-end 2011. The interest bearing liabilities at 30 June 2012 were denominated 70% in EUR, 16% in USD and 14% in other currencies. Weighted average repayment terms as at 30 June 2012 was 11.6 years. Required funding of all principal future investments has been completed with the signing of long term loan agreements that will be drawn upon when required.

At year-end 2011 total non-current loans amounted to EUR 50.8 million. The total current liabilities were EUR 55.9 million whereof EUR 11.4 million were current maturities of non-current loans and the remaining amount of EUR 44.5 million was in trade payables. Equity amounted to EUR 176.5 million.

At 30 June 2012 total non-current loans amounted to EUR 52.2 million. The total current liabilities were EUR 62.9 million whereof EUR 9.7 million were current maturities of non-current loans and the remaining amount of EUR 53.2 million was in trade payables. Equity was EUR 184.7 million.

11.6.2 Total Liabilities

Table 23 shows total liabilities as at 30 June 2012 and 31 December 2011.

Table 23 - Total liabilities

Total liabilities		
EUR '000	1H 2012 Audited	2011 Audited
Interest bearing non-current liabilities	52,173	50,791
Defferred tax liabilities	0	0
Interest bearing current liabilities	9,698	11,415
Other current liabilities	53,197	44,509
Total liabilities	115,068	106,715

11.6.3 Contractual Terms of Interest Bearing Loans and Borrowings

In table 24 information about the contractual terms of the Company's interest bearing loans and borrowings, is provided. The Company monitors market terms on a regular basis and seeks to minimize interest expenses by seeking offers from financial institutions.

Table 24 - Contractual terms of interest bearing loans and borrowings

Contractual terms of interest bearing loans and borrowings				
EUR '000		1H 2012	2011	
		Audited	Audited	
Finance lease obligations		9,120	10,074	
Loans and borrowings		52,751	52,132	
Total		61,871	62,206	
		1H 2012	2011	
		Audited	Audited	
Loans in EUR	4,7%	42.038	5.0-5.8%	39.705
Loans in USD	0.7-2.0%	6.836	0.7-2.0%	8.086
Loans in CHF	0.1%	554	0.1%	1.097
Loans in DKK	4.5%	993	5-9.2%	1.055
Loans in other currencies	-	2.330	-	2.189
Total		52.751		52.132
Current maturities		(6.555)		(7.324)
Total		46.196		44.808
		1H 2012	2011	
		Audited	Audited	
Aggregated annual maturities are as follows:				
On demand or within 12 months		6,489	7,324	
Within 24 months		9,354	545	
Within 36 months		5,576	5,469	
Within 48 months		3,282	4,447	
Within 60 months		3,118	3,138	
After 60 months		24,931	26,304	
Total		52,751	52,132	
Collateral of loans and borrowings are specified as follows :				
Loans with collateral in fixed assets		52,751	52,132	
Unsecured bonds, no collateral		0	0	
Finance leases		9,120	10,074	
Total		61,871	62,206	

11.6.4 Obligations Pursuant to Loan Agreements

The Company is subject to various financial and operational covenants in its loan agreements. The main operational covenants relate to restrictions on change of business, limiting major disposals and

corporate restructuring. Further there are covenants in relevant loan agreements that put restrictions on dividend payments unless the Company is in compliance with its covenants.

One covenant relates to the shareholding of the Company and states that unless previously approved not more than 33.0% of shares can become owned or controlled, directly or indirectly, by one shareholder (or by parties acting in consort by agreement or implication).

The financial covenants relate to;

- a) Equity ratio: Total equity less intangible assets divided by total assets less intangible assets shall remain higher than 30.0%.
- b) Leverage ratio: Financial indebtedness less cash shall remain below 4.5 times EBITDA of four latest consecutive quarters.
- c) Fixed charge coverage ratio: EBITDA less maintenance CAPEX, less paid out repurchases of the stock and less cash taxes paid divided by interest expenses of four latest consecutive quarters and current portion of long term financial indebtedness shall remain higher than 1.15.
- d) Minimum value: Market value of vessels pledged as a security must remain higher than 125.0% of outstanding indebtedness holding the security.
- e) Free cash: The Company shall maintain on a consolidated basis at all times free, unpledged cash and cash equivalents of at least USD 15 million.
- f) Cross default: Default of any payment cannot exceed USD 1.0 million.
- g) Dividends: Annual dividends or other distributions to shareholders cannot exceed 75% of net profits after tax for a given year.

Financial covenants are measured quarterly and a compliance certificate thereof delivered quarterly or by creditors' request. The Company is currently in compliance with all covenants. The management of the Company does not consider any of the covenants to be unconventional or restrictive for the Company's current business nor does it consider the Company to be at risk of breaching any of the covenants.

11.6.5 Uncertainty Regarding Validity of Term Debt

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

11.6.6 Significant Changes to the Company's Financial or Trading Position Since 30 June 2012

There has been no significant change in the Company's financial or trading position from 30 June 2012 until the date of this Registration Document dated 22 October 2012.

12. CORPORATE GOVERNANCE, BOARD OF DIRECTORS, MANAGEMENT AND AUDITORS

12.1 CORPORATE GOVERNANCE

Eimskipafélag Íslands hf.'s corporate governance is marked by act no. 2/1995 on public limited liability companies, the Articles of Association and the Board of Director's Rules of Procedure. According to its Articles of Association, Eimskipafélag Íslands hf. shall be governed by the shareholders' meeting, the Board of Directors and the CEO.

The corporate governance statement of Eimskipafélag Íslands hf. was approved by the Board of Directors on 10 August 2012. The corporate governance statement of the Company has been published in a special chapter in the Company's Interim Financial Statements for the six months ended 30 June 2012, dated 28 August 2012 which is accessible on the Company's website www.eimskip.is. Eimskipafélag Íslands hf. is in all major aspects in compliance with the accepted practices set forth in the corporate governance guidelines, published by the Iceland Chamber of Commerce⁴⁷ in co-operation with NASDAQ OMX Iceland hf. and the Confederation of Icelandic Employers (the "Guidelines") except as regards the following aspects which the Company is in the process of implementing:

- Clause 6.1 of the Guidelines: The corporate governance statement of the Company does not state whether the Company deviates from some provisions of the Guidelines and does not state information regarding dependence or independence of board members.
- Clause 2.8 of the Guidelines: In the Rules of Procedures there are no provisions regarding performance assessment of the Board of Directors or regarding working procedures relating to provision of information and guidance in corporate governance and Company's matters to new board members.

Eimskipafélag Íslands hf. is under no legal obligation to follow the Guidelines but has in its work nonetheless taken into account the aforementioned guidelines and Directors' Toolkit published by KPMG ehf. The purpose is to strengthen the infrastructure of Eimskip and increase transparency.

Eimskipafélag Íslands hf. complies with the Guidelines with regards to a majority of the Board of Directors shall be independent of the Company and at least two board members shall be independent of major shareholders. For further information in that respect reference is made to chapter 12.1.3 *Appointment of the current Board of Directors*.

12.1.1 Rules of Procedure, Code of Conduct and Social Responsibility

The Rules of Procedure, approved by the Company's Board of Directors on 9 July 2012, were adopted in accordance with paragraph 5, article 70 of the Public Companies Act, and are supplementary to the Articles of Association. According to the Rules of Procedure, the Board of Directors elects

⁴⁷ Guidelines on corporate governance are available on the website of the Iceland Chamber of Commerce www.vi.is.

committees that operate on behalf of the Board. The Rules of Procedures are available on the Company's website, www.eimskip.is.

The Code of Conduct and Social Responsibility was approved by the Company's Board of Directors on 10 August 2012. The Code of Conduct and Social Responsibility applies to all board members and employees of Eimskip and its subsidiaries. The Code of Conduct and Social Responsibility is available on the Company's website, www.eimskip.is.

12.1.2 Extract from the Articles of Association

According to the Articles of Association provisions regarding shareholders' meeting are included in chapter 4, regarding the Board of Directors in chapters 5 to 8, regarding the CEO in chapter 9, and regarding accounting and auditing in chapter 10 of the Articles of Association. The supreme power of the Company's affairs, within the boundaries set by the Articles of Association and Icelandic legislation, is in the hands of a lawful shareholders' meeting. The Articles of Association can be found in chapter 15 *Articles of Association*.

12.1.2.1 Object and Purpose

Eimskipafélag Íslands hf.'s object is the operation, ownership and investment in transportation companies and other related activities according to article 1.4 in the Articles of Association.

12.1.2.2 Annual General Meeting

An annual general meeting shall be held within five months from the end of the financial year. Annual general meetings shall be called with the same method as other shareholders' meetings in accordance with the provisions of clause 4.16 to 4.21 of the Articles of Association.

12.1.2.3 Right to Participation in Shareholders' Meetings

Shareholders, shareholders' agents, Eimskipafélag Íslands hf.'s accountants and the CEO, even if they are not shareholders, have the right to participate in shareholders' meetings. Furthermore, the Board may invite specialists to attend the shareholders' meeting if their advice or assistance is required.

12.1.2.4 Invitation to Shareholders' Meetings

The Board of Directors shall call for shareholders' meetings when it deems it necessary, or when the elected auditor or shareholders controlling at least 5% of the share capital insist in writing and suggest an agenda for the meeting. Shareholders' meeting shall be called with a minimum of three weeks' notice and maximum four weeks' notice. According to the Articles of Association shareholders' meetings shall be called for by electronically means and by advertisement in media. Shareholders' meetings shall be called for by electronically means which ensure swift access to the call on equal grounds. Trustworthy media shall be used which ensures the circulation of the invitation to the public in the European Economic Area. The meeting shall also be called for with an advertisement in Icelandic media.

A call to a meeting shall include information regarding the place of the meeting, time and draft agenda. If a proposal on amendments to the Company's articles of association is to be addressed at the meeting, the substance of the proposal shall be described in the invitation. It shall further include clear and precise rules on participation in and voting at shareholders' meetings, where and how shareholders can receive documents that will be presented at the shareholders' meeting, proposals and/or comments of the Board of Directors or its committees on each item on the draft agenda and shareholder proposals as received by the Company. Finally a call to a shareholders' meeting shall include a website where information is provided on the issues that shareholders shall, according to law, have access to in connection to a shareholders' meeting.

12.1.2.5 Lawfulness of Shareholders' Meetings

A shareholders' meeting is lawful without regard to attendance if it is lawfully called for.

12.1.2.6 Power of Attorney

All shareholders are authorized to attend a shareholders' meeting and to speak there. A shareholder may send an agent to the shareholders' meeting on his behalf. The agent shall submit a written power of attorney or an electronic power of attorney which shall be dated. A power of attorney will not be validly revoked after it has been submitted at the delivery of meeting documents or after the shareholders' meeting has been declared open, whichever happens first.

12.1.2.7 Goals and Obligations of the Board of Directors

The Board of Directors has supreme powers in matters concerning the Company between shareholders' meetings and sets the Company's goals regarding its business and represents the Company's and the shareholder's interests in accordance with the object of the Company. The Board of Directors governs the social affairs of the Company between shareholders' meetings and binds the Company with its resolutions and agreements. The Board of Directors hires a CEO, one or more, decides his terms of employment and executes a written contract of employment.

The Board of Directors grants power of procuration. Signatures of the majority of the members of the Board are binding for the Company. An important decision may not be taken without all members of the Board of Directors having had a chance to discuss the matter, and the signatures of four out of five members of the Board is required for all such decisions, as is stipulated in the Rules of Procedures. The Board of Directors works in accordance with rules set by the Board of Directors in accordance with the Public Companies Act.

12.1.2.8 Board of Directors

The annual general meeting of the Company elects five members for the Board of Directors and two alternate members for the Board of Directors. Their ability is determined by law. Alternate board members attend meetings of the Board of Directors when board members are unable to participate in meetings in accordance with the Rules of Procedure.

The proportion between genders in the Board of Directors shall be as even as possible and the proportion of each gender shall never go below 40%.⁴⁸

12.1.2.9 Candidacy and Election of the Board of Directors

Those who intend to run for the Board of Directors shall notify the Board of Directors of their candidacy at least five days before a shareholders' meeting. The notification shall list the name, identification number and address of the candidate along with information about his or her main employment, other board memberships, education, experience and shareholdings. Candidates shall furthermore list any interest connected to shareholders, directors, officers, clients or competitors of the Company and shareholders controlling more than 10% of the Company.

The Board of Directors shall review notifications of candidacy and give the candidate, in a verifiable manner, the opportunity to correct any flaws the notification has within a specific time limit. If the flaws are not corrected within the given time limit the Board of Directors shall decide on the validity of candidacy, which such decision shall control.

The Board of Director's decision can be put to the decision of the shareholders' meeting which shall have supreme power in deciding the validity of the candidacy. Information about candidates for the Board of Directors shall be available for shareholders' review at the Company's offices no later than two days before the shareholders' meeting.

The election of board members shall be based on proportional voting, cf. paragraph 6 of item b of article 63 of the Public Companies Act. The election shall usually be written if the number of candidates is greater than the number of board members to be elected.

12.1.2.10 Division of Tasks and Participation in Meetings

The Board of Directors elects a chairman of the board from the members of the board. Otherwise the Board of Directors divides tasks as necessary. The chairman of the Board of Directors calls board meetings and chairs the meetings. Board meetings shall be held whenever the chairman deems necessary. A meeting shall be held if any board member or the CEO requests. The board members may participate in board meetings through communication systems (e.g. telephone). The Board of Directors hires a CEO, one or more, decides his terms of employment and executes a written contract of employment. The Board of Directors grants power of procuration.

12.1.2.11 Chief Executive Officer

The CEO handles the day to day operations of the Company in accordance with the rules the Board of Directors has or will set forth. The day to day operations do not include matters which are unusual or of great significance. The CEO shall make sure the Company's accounts are kept in accordance with law and practice and that the Company's assets are kept in a secure manner. The CEO is obligated to abide to all instructions of the Board of Directors. The CEO shall give the auditor any information requested.

⁴⁸ This provision shall take effect from 1 September 2013.

12.1.2.12 Board Committees

If committees working on behalf of the Board of Directors are elected in accordance with provisions of the Rules of Procedure their conclusions shall only be directive for the Board of Directors and it is not bound by their conclusions when resolving matters unless otherwise stipulated by law.

12.1.3 Appointment of the current Board of Directors

Four members of the Board of Directors, Richard Winston Mark d'Abo, Ronald Wayne Burkle, Bragi Ragnarsson and Ólafur Helgi Ólafsson were appointed pursuant to a shareholders agreement, dated 22 September 2009, between three major shareholders of the Company, i.e. Landsbanki Íslands hf., Yucaipa American Alliance Fund II, LP and Yucaipa American Alliance (Parallel) Fund II, LP as well as L1003 (now Eimskipafélag Íslands hf.), which will terminate on the date that the Financial Supervisory Authority, Iceland, provides its approval of the Prospectus. Marc Jason Smernoff, an alternate of the Board of Directors was appointed by YAAF II and YAAF II (Parallel) jointly and Elín Þórunn Eiríksdóttir was appointed by Landsbanki Íslands hf.

Three Board members, including one alternate member, are not independent. Richard Winston Mark d'Abo and Ronald Wayne Burkle are partners of The Yucaipa Companies LLC, the parent company of the Yucaipa American Alliance Fund II, LP and Yucaipa American Alliance (Parallel) Fund II, LP. Marc Smernoff is an employee of The Yucaipa Companies LLC, the parent company of the Yucaipa American Alliance Fund II, LP and Yucaipa American Alliance (Parallel) Fund II, LP. Other members of the Board of Directors and alternate members are independent.

The Company is not aware of any family relationships between any of the Board members or members of the Executive Management.

Four members of the current Board of Directors of the Company were first elected at an annual meeting of the Company on 23 September 2009. One member of the current Board of Directors was first elected at an annual meeting of the Company on 31 March 2011. The two alternates of the Board of Directors, Elín Þórunn Eiríksdóttir and Marc Smernoff, were elected on an annual general meeting of the Company on 29 March 2012, but Marc Smernoff was however a member of the Board of Directors from 23 September 2009 until 31 March 2011.

12.1.4 Compliance

The Board of Directors has appointed Davíð Ingi Jónsson as the Company's compliance officer. He also holds the position of General Counsel of the Company. The Board of Directors has further appointed Erna Eiríksdóttir an alternative compliance officer. She also holds the position of Senior Manager of Investor Relations. The role of the compliance officer is among others to oversee that the rules on treatment of insider information and insider trading is complied with within the Company.

12.1.5 Audit Committee

At a board meeting of the Company on 21 June 2012, the Board of Directors appointed Ólafur Helgi Ólafsson, Marc Smernoff and Ólafur Viggó Sigurbergsson as audit committee members. Ólafur Viggó

Sigurbergsson, ID No. 040843-3299, is a Certified Public Accountant who is retired. The majority of the audit committee members are considered independent by the Company. The Rules of Procedure for the Company's audit committee are formulated according to chapter IX A of act no. 3/2006 on annual accounts and with reference to article 2.4 of the Company's Board of Directors' Rules of Procedure. The audit committee is assigned to be consultant to the Board of Directors in supervising the preparation of annual accounts and work processes within the Company and thus endeavor to secure the quality of the Company's financial information and the independence of its auditors. The audit committee shall initiate a common meeting with the Board of Directors, the audit committee and the external auditors. The main tasks of the audit committee are as follows:

1. Supervision of the work process in the preparation of annual accounts.
2. Supervision of the arrangements and efficiency of the internal control of the company internal auditing, risk management and other supervision actions.
3. To supervise and review the audit of annual accounts, consolidated annual accounts and the Company's other financial information.
4. Assessment of the independence of the external auditors and supervision of external auditor's work.
5. Submission of a recommendation to the Board of Directors on the choice of external auditors.
6. Assess accounting and reports from the management about the Company's finance.
7. Follow up on improvement of deficiencies stated in the internal control.
8. Evaluate the internal and external auditor's work.

12.1.6 Remuneration Committee

The remuneration policy of the Company was approved at the meeting of the Board of Directors on 14 March 2012 and by the annual general meeting on 29 March 2012. It covers all the principal factors of the employment and remuneration conditions of the Company's Board of Directors and the management. The Board of Directors has appointed, Bragi Ragnarsson, Ólafur Helgi Ólafsson, Ronald Wayne Burkle, Richard d'Abo and Tómas Kristjánsson, who form the Board of Directors, to the Remuneration Committee. The majority of the remuneration committee is considered independent by the Company.

The rules of procedure for the remuneration committee of the Company, which were approved on 10 August 2012, are formulated in accordance and with reference to article 2.4 of the Rules of Procedure for the Board of Directors. The remuneration committee has the role to prepare and execute propositions for remuneration for members of the Board of Directors and negotiate with the CEO on terms of employment.

The tasks of the remuneration committee are:

1. To prepare a remuneration policy for the Company and monitor compliance with it.
2. To ensure that remuneration and other terms of employment are consistent with law, rules and best practice at each time. In this regards, the remuneration committee shall take into consideration the performance-evaluation of each individual.
3. To submit a framework for the remuneration of the CEO of the Company.

4. To take independent stance on the impact of remuneration on risk-taking and risk management of the Company in co-operation with the audit committee.

12.2 EMPLOYMENT AGREEMENTS WITH THE KEY MANAGEMENT

Employment agreements with key management are believed to be by and large standard agreements for companies such as the Company, providing for termination periods of three to 12 months. The Company's CEO, Gylfi Sigfússon, has a 12 month termination period stipulated in his employment agreement. All of the employment agreements with key employees stipulate non-compete and confidentiality clauses as well as a financial penalty for a breach of these provisions. These agreements also provide for a termination without warning in case of a breach of the confidential and non-compete clauses.

None of the service contracts of the Executive Management contain dates of expiration of their current terms of office nor do they provide for benefits upon termination of employment.

12.3 REMUNERATION AND BENEFITS

In the year 2011, total salaries and salary related expenses for the Board of Directors and Executive Management amounted to EUR 1.6 million as shown in table 25.

Neither the Company nor its subsidiaries have set aside or accrued amounts to provide pension, retirement or similar benefits beyond what is required by law.

On the annual general meeting of Eimskipafélag Íslands hf. held on 27 May 2010 it was resolved to authorize the Board of Directors to grant Share Options to the Executive Management for up to 10,000,000 Shares. The Executive Management, Gylfi Sigfússon, Hilmar Pétur Valgarðsson, Bragi Þór Marinósson, Guðmundur Nikulásson, Ásbjörn Skúlason and Matthías Matthíasson, have received an Option Agreement for a total of 8.75 million Shares in the Company. The Options was granted in three portions, firstly in 2010 with 3.75 million Shares at a price of EUR 0.839 per Share, secondly in 2011 with 3.25 million Shares at a price of EUR 0.839 per Share, and thirdly in 2012 with 1.75 million shares where the price will be the same as offered in the public offering in relation to the IPO. The price of EUR 0.839 per Share equals ISK 132.75 per Share based on the exchange rate of the EUR/ISK 158.23 at 30 June 2012. No decision has been made with respect to the remaining 1.25 million Shares, i.e. if and to what extent it will be granted as options to the Company's employees.

According to the Option Agreement an option shall vest as to one third of the total number of Shares subject to such option annually over the three year period following the grant date, subject to each employee's maintenance of mandate over that period. No Options shall be eligible for exercise earlier than three years after grant date and they are exercisable for seven years from exercise date.

One third of the 2010 Options will for the first time vest on 27 May 2011, then on 27 May 2012, and finally on 27 May 2013. The 2010 Options are exercisable after 27 May 2013 and until 27 May 2020. One third of the 2011 Options will for the first time vest on 27 May 2012, then on 27 May 2013, and finally on 27 May 2014. The 2011 Options are exercisable after 27 May 2014 and until 27 May 2021.

One third of the 2012 Options will for the first time vest on 27 May 2013, then on 27 May 2014 and finally on 27 May 2015. The 2012 Options are exercisable after 27 May 2015 and until 27 May 2022.

The granted Options represent 4.375% of the total registered share capital of the Company. As of the date of this Registration Document, vested Options amount to 3,583,333 Shares and the number of exercisable Options on 27 May 2013 will be 3,750,000 Shares. As of the date of this Registration Document, none of the members of the Executive Management have exercised their Options.

The Options are identical as relates to general terms and they provide for a minimum holding period of at least 3.0% of acquired Shares while the relevant employee maintains his mandate at Eimskip.

Options received in accordance with the Option Agreement may not be assigned to a third party unless the Board of Directors specifically approves such an assignment. Employees are further not allowed to pledge their rights under the Option Agreement.

The employees can pay the exercise purchase price in cash or by applying for a cashless exercise if the Company's shares have been admitted to trading on a regulated market at the time the employee wishes to exercise its Option. If cashless exercise is applied, the market price of the Shares shall be calculated by multiplying the number of shares which the employee wishes to acquire by the average published closing price for the last five preceding business days. The purchase price and the amount of taxes payable shall be deducted from the market price and that amount divided by the average closing price for the last five business days, in order to determine the number of Shares that is to be delivered to the employee.

On 29 June 2012 the Company's share capital was increased from ISK 20,000,000 to ISK 200,000,000 by means of the issue of compensation shares. After the increase, appendices were made to the Option Agreements stating that the Options would not be diluted by the increase. Therefore, after the increase of the Company's share capital by the issue of compensation shares, the Options account for the same proportion of Eimskip's total share capital as before the increase.

The Company has an incentive scheme in effect with its key employees. The threshold of the scheme is to be adjusted in certain circumstances, such as due to acquisitions, divestitures, special spending beyond budgets, etc. The incentive scheme is in accordance with the terms of the Company's remuneration policy. Further discussion on the Company's remuneration policy can be found in chapter 12.1.6 *Remuneration Committee*.

Table 25 shows the total salaries and related expenses paid by the Company to each member of the Board of Directors and the Executive Management. It shall be noted that the Company owns 11,918,820 Treasury Shares.

Table 25 - Salaries

Salaries and Options					
Payments from Eimskipafélag Íslands hf. for the financial year ended 31 Dec. 2011		Options on shares in Eimskipafélag Íslands hf. 22 Oct. 2012			
	Salaries, benefits, bonuses, pension payments (EUR)	Value of privately owned shares	Number of shares held as options	Share value of financially related parties	Option value of financially related parties
Board of Directors					
Bragi Ragnarsson*	35,916				
Ólafur Helgi Ólafsson*	17,958				
Tómas Kristjánsson*	14,177				
Richard d'Abo***	17,958			50,600,000	
Ronald Wayne Burkle***	17,958			50,600,000	
Elín Þórunn Eiríksdóttir*	0				
Marc Smernoff***	3,781				
Executive Management					
Gylfi Sigfússon* ** ****	434,236		4,660,000	8,441,950	
Hilmar Pétur Valgarðsson* **	315,222		1,730,000		
Bragi Þór Marinósson* **	253,416		590,000		
Guðmundur Nikulásson* **	176,001		590,000		
Ásbjörn Skúlason* **	185,822		590,000		
Matthías Matthíasson* **	180,128		590,000		

*Salaries are paid in ISK and converted to EUR at the rate of ISK/EUR = 161.47, the official 12 month average rate of the Icelandic Central Bank as at 30 December 2011.

**Call options on the above Shares are at the call price of EUR 0.839 per Share. The price of EUR 0.839 per Share equals ISK 132.75 per Share based on the EUR/ISK rate of 158.23 at 30 June 2012.

*** Ronald Wayne Burkle, Richard d'Abo and Marc Smernoff have not received any salaries for their board membership in the Company. The Company thus owes them an amount of EUR 119 thousand as at 30 June 2012.

**** Gylfi Sigfússon is the CEO of A1988 hf.

At the Annual General Meeting held on 29 March 2012 it was decided that remuneration for board members of the Company should be ISK 500,000 per month for the Chairman and ISK 250,000 for other board members. Alternate board members are entitled to ISK 100,000 for attending each board meeting but no more than ISK 250,000 per month.

At the shareholders' meeting held on 29 June 2012 it was decided that remuneration for members of the audit committee is ISK 100,000 per month.

12.4 RELATED PARTIES

Related party definition and related parties transactions

Parties related to the Company are those who have material influence on the Company's business as large shareholders of the Company, subsidiaries of the Company, affiliates of the Company, and members of the Board of Directors, CEO, CFO and other Executive Management within the Company. This definition is based on international accounting standard no. 24 (IAS24).

Transactions between individual units within the Company take place and are part of daily operations. Transactions between the Company and its subsidiaries and individual units within the Company have been eliminated in the preparation of consolidated accounts and are therefore not specified here.

Parties related to the Company are the following shareholders; Landsbanki Íslands hf. holding 30.3%, Yucaipa American Alliance Fund II, LP, holding 15.3%, and Yucaipa American Alliance (Parallel) Fund II, LP, holding 10.0%. The two Yucaipa American Alliance Funds hold in total 25.3% of the Company's shares. The holdings indicated above do not reflect the impact of this offering.

There are no significant transactions between the Company and its related parties for the period covered by the historical financial information. Certain non-significant transactions have been made between the Company and a company owned by the chairman of the Board of Directors. These transactions were made on market terms, at arm's length basis.

12.5 AUDITORS

The Company's Articles of Association state that the financial year of the Company is the calendar year. Further it is stated that the Company's annual accounts shall be audited by an auditing company, and that an auditor or auditor company shall be elected at an annual general meeting for a term of one year. The Company's auditing company and auditors shall be provided with any information requested from the Company in relation to its auditing services for the Company. The Company's annual accounts, report of the Board of Directors, and report of the auditor shall be available for review by the shareholders at the Company's offices seven days before the annual general meeting. Qualifications and eligibility of auditors is subject to statutory law.

The elected audit company of Eimskipafélag Íslands is KPMG ehf., ID No. 590975-0449 Borgartún 27, 105 Reykjavík.

KPMG ehf. has been the Company's auditor since its incorporation. KPMG ehf. has not resigned, been removed from office or not been re-elected during the time that the financial information in the Prospectus covers. On behalf of KPMG ehf., Alexander G. Eðvardsson, Certified Public Accountant (ID No. 300957-4399) and Ólafur Már Ólafsson, Certified Public Accountant (ID No. 090368-3469), audited and endorsed the annual accounts of Eimskipafélag Íslands hf. for the years 2009, 2010 and 2011, as well as the for the first half 2012. Alexander and Ólafur are members of the Institute of State Authorized Public Accountants in Iceland.

12.6 THE BOARD OF DIRECTORS

Following is information on the current members of the Company's Board of Directors. Information on remuneration and benefits, that the members of the Board of Directors were entitled to during the last financial year, are set out in table 25. Their shareholding in the Company and other benefits relating to their shareholding on the date of this Registration Document is also set out in that table.

Chairman of the Board of Directors

<i>Name:</i>	<i>Bragi Ragnarsson.</i>
<i>Date of birth:</i>	<i>5 March 1942.</i>
<i>Business address:</i>	<i>Sóltún 8, 105 Reykjavík, Iceland.</i>
<i>First elected:</i>	<i>23 September 2009.</i>
<i>Education:</i>	<i>Bragi graduated from Samvinnuskólinn in 1962. In addition, he has attended various courses and seminars. Bragi further holds a commercial pilot certificate.</i>
<i>Experience:</i>	<i>Bragi has been the MD of the travel agency BR Tours ehf. since 2006. Bragi served in various managerial positions for Eimskip and related companies from 1985 to 2005. He was a business consultant from 1981 to 1985. Bragi was the MD for several trading companies from 1965 to 1980. Bragi has lectured on Logistics and related topics at the Continuing Education of the University of Iceland and other educational institutions.</i>
<i>Board membership:</i>	<i>Current board membership in the following companies (senior management and/or supervisory board if specified): Travel Agency BR Tours ehf. (MD).</i> <i>Previous board membership in the following companies (senior management and/or supervisory board if specified) during the last five years: Kaupgarður hf., Fiskmarkaður Hafnarfjarðar hf. and Íslandsmarkaður hf. (Chairman).</i>

Vice-Chairman of the Board of Directors

<i>Name:</i>	<i>Ólafur Helgi Ólafsson.</i>
<i>Date of birth:</i>	<i>20 June 1945.</i>
<i>Business address:</i>	<i>Neðstaleiti 13, 103 Reykjavík, Iceland.</i>
<i>First elected:</i>	<i>23 September 2009.</i>

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

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

Board membership: Current board membership in the following companies (senior management and/or supervisory board if specified): Urriðaholt ehf., Urriðaland ehf., Náttúrufræðihús ehf., Landsbankinn hf. and Marcus-ráðgjöf ehf. (also CEO).

Previous board membership in the following companies (senior management and/or supervisory board if specified) during the last five years: VSB Verkfræðistofa ehf., alternate of the board of Arion banki hf., Vátryggingafélag Íslands hf., Lýsing hf. (CEO), alternate of the board of Pera ehf. (also CEO) and Loftorka í Borgarnesi ehf.

Board Member

Name: Tómas Kristjánsson.

Date of birth: 15 November 1965.

Business address: Bíldshöfði 9, 110 Reykjavík, Iceland.

First elected: 23 September 2009.

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

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

Board membership: Current board membership in the following companies (and senior management and/or supervisory board if specified): Klasi hf. and the following subsidiaries of Klasi hf.: Garðabær miðbær ehf., alternate of the board of Háskólavellir, Háskólagarðar ehf. and HV2 ehf., Klasi fasteignastýring ehf., Nesvellir ehf., Nesvellir íbúðir ehf., NV lóðir ehf. and NVL ehf. Tómas is also a board member of Sigla ehf., Sjóvá Almennar tryggingar hf., SF slhf., SF 1GP ehf. and Sena ehf.

Previous board membership in the following companies (senior management and/or supervisory board if specified) during the last five years: GAM Management hf. and alternate of the board of Icelandair Group hf.

Board Member

Name: Richard Winston Mark d'Abo.

Date of birth: 3 July 1956.

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

First elected: 23 September 2009.

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

Experience: Richard is a Partner at The Yucaipa Companies LLC. Richard has ten years of banking experience and 23 years of experience in private equity. From 1995 to 2003, Richard was involved in various activities in investment banking and private equity investing, co-founding and serving as the Director of Apogee Electronics, Inc. Richard was a Partner of The Yucaipa Companies LLC, from 1988 to 1994. During this time he was a key contributor to the acquisitions of Cala Foods, ABC Markets, Boys Markets, Almacs, Bell Markets, Alpha Beta and Food4Less. From 1992 to 1994 Richard served as a director of Food4Less Supermarkets. From 1978 to 1987, Richard worked at Union Bank and was involved in financing multiple leveraged and management buyouts.

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

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

Board Member

Name: Ronald Wayne Burkle.

Date of birth: 12 November 1952.

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

First elected: 31 March 2011.

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

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

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

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

Alternate of the Board

Name: Elín Þórunn Eiríksdóttir.

Date of birth: 15 December 1967.

Business address: Kringlan 5, 103 Reykjavík, Iceland.

First elected: 29 March 2012.

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

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

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

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

Alternate of the Board

Name: Marc Jason Smernoff.

Date of birth: 11 October 1973.

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

First elected: 23 September 2009.

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

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

Board membership: *Current board membership in the following companies (senior management and/or supervisory board if specified): Digital On-Demand Inc. and La Canada Flintridge Educational Foundation.*

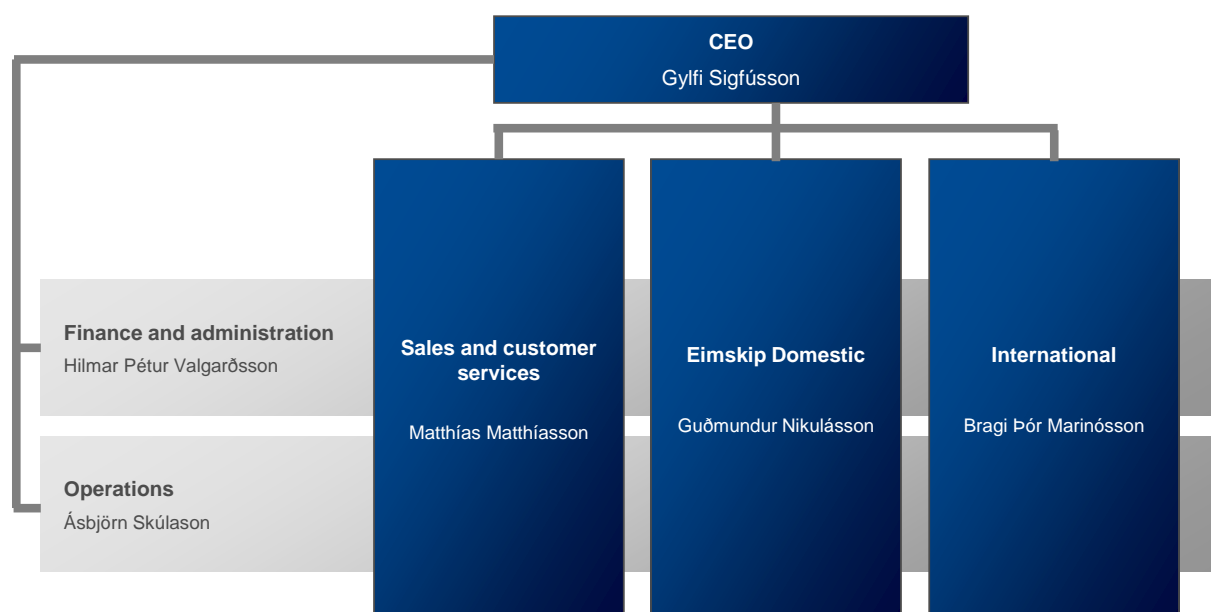
Previous board membership in the following companies (senior management and/or supervisory board if specified) during the last five years: Eimskipafélag Íslands hf. and Americold Realty Trust (board of Trustees).

12.7 EXECUTIVE MANAGEMENT

Following is information on the Executive Management of the Company. Information on remuneration and benefits, that the members of the Executive Management were entitled to during the last financial year, are set out in table 25. Their shareholding in the Company and other benefits relating to their shareholding on the date of this Registration Document is also set out in that table.

Below is an overview of the organizational structure of the Company.

Figure 8 - Organizational chart



Chief Executive Officer

Name: Gylfi Sigfússon.

Date of birth: 23 February 1961.

Business address: Korngarðar 2, 104 Reykjavík, Iceland.

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

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

Board membership: Current board membership in the following companies (and senior management and/or supervisory board if specified): A1988 hf. (CEO), A Tango ehf., A Orange ehf., Harbour Grace CS Inc. and various subsidiaries of Eimskipafélag Íslands hf. (board member, CEO or both). In addition Gylfi is a board member of the Icelandic Chamber of Commerce, the American-Icelandic Chamber of Commerce and the Icelandic-Canadian Chamber of Commerce.

Gylfi has not been on the board of directors, senior management and/or supervisory board of any company that he is not serving anymore, during the last five years.

Chief Financial Officer

Name: Hilmar Pétur Valgarðsson.

Date of birth: 10 January 1973.

Business address: Korngarðar 2, 104 Reykjavík, Iceland.

Education: Hilmar received a Cand.Oecon.-degree in business and administration from the University of Iceland in 1999.

Experience: Hilmar has worked for Eimskip since 1999. He has been the Chief Financial Officer of Eimskipafélag Íslands hf. since 2009. Before that Hilmar worked as

the Chief Financial Officer of HF. Eimskipafélag Íslands (now A1988 hf.) from 2008 to 2009. He served as the Chief Financial Officer of Containerships Ltd. OY in Finland from 2006 to 2008. From 2004 to 2006 Hilmar served as the Senior Manager in the Financial Control department of Eimskip.

Board membership: Current board membership in the following companies (senior management and/or supervisory board if specified): A Tango ehf. (also CEO), A Orange ehf. (also CEO) and various subsidiaries of Eimskipafélag Íslands hf.

Previous board membership in the following companies (senior management and/or supervisory board if specified) during the last five years: Containerships Ltd. OY (CFO), Containerships UAB, Containership UAB, Containerships Polska, HF. Eimskipafélag Íslands (now A1988 hf.) (CFO), Air Atlanta Properties Ltd., Air Atlanta Aero Engineering Ltd, Vátryggingafélag Íslands hf., Líftryggingafélag Íslands hf.

Executive Vice President International

Name: Bragi Þór Marinósson.

Date of birth: 15 March 1965.

Business address: Korngarðar 2, 104 Reykjavík, Iceland.

Education: Bragi received a Master's degree in industrial engineering from the Technical University of Denmark in 1993 and a B.Sc. degree in mechanical engineering from the University of Iceland in 1991.

Experience: Bragi has worked for Eimskip since 1993. He has been the Executive Vice President of Eimskip International since 2008. Before that, Bragi was the Executive Vice President of Eimskip North-Atlantic from 2007 to 2008, Executive Vice President International from 2004 to 2007, MD of Eimskip Nederland BV from 1999 to 2004, Senior Manager International from 1997 to 1999, Eimskip's Quality Manager from 1995 to 1997 and a Representative International from 1993 to 1995.

Board membership: Current board membership in the following companies (and senior management and/or supervisory board if specified): Harbour Grace CS Inc., Eimskip SRL Italy, Eimskip Logistics (Qingdao) Co. Ltd., Eimskip Japan Ltd., one domestic subsidiary of Eimskip and various international subsidiaries of Eimskip (CEO of two of them).

Bragi Þór Marinósson has not been on the board of directors, senior management and/or supervisory board of any company that he is not serving anymore, during the last five years.

Vice President of Eimskip Domestic

Name: Guðmundur Nikulásson.

Date of birth: 20 September 1961.

Business address: Klettagarðar 15, 104 Reykjavík, Iceland.

Education: Guðmundur received a B.Sc. degree in constructional engineering from the University of Iceland in 1985. Guðmundur further received a Civ.ing., (M.Sc.) in Engineering from the Technical University of Denmark in Copenhagen in 1987.

Experience: Guðmundur has been the Vice President of Eimskip Domestic from 2005. Before that Guðmundur served as the Senior Manager of Eimskip (terminal operation) from 1997 to 2005. Guðmundur held a position of Chief Engineer for the City of Reykjavík from 1991 to 1997. From 1987 to 1991 Guðmundur served as a Consulting Engineer at Hnit hf.

Board membership: Current board membership in the following companies (and senior management and/or supervisory board if specified): Reit ehf. and TVG-Zimsen ehf. which are direct subsidiaries of Eimskip.

Guðmundur Nikulásson has not been on the board of directors, senior management and/or supervisory board of any company that he is not serving anymore, during the last five years.

Vice President of Liner & Vessels Operation

Name: Ásbjörn Skúlason.

Date of birth: 14 October 1955.

Business address: Sundabakki 2, 104 Reykjavík, Iceland.

Education: Ásbjörn holds a 3rd degree (Master's degree on all cargo vessels) from the Navigational School of Reykjavík from 1979 and received a Commercial Diploma from the Commercial College of Iceland in 1973.

Experience: Ásbjörn has worked for Eimskip since 1969. He has been the Vice President of Liner & Vessels Operations since 2008. Before that he served as the Senior Manager of the Liner & Vessels Production Department from 2004 to 2008, Senior Manager of Bulk Department from 1998 to 2004, Operational Manager of Longship, a former subsidiary of Eimskip in the UK, from 1996 to 1998, Senior Manager of Vessels' Technical Department from 1990 to 1996,

Crew Manager from 1980 to 1992. Other experience within Eimskip includes being a terminal worker, an AB seaman and a deck officer on Eimskip's vessels from 1969 to 1980.

Board membership: Ásbjörn Skúlason has not been on the board of directors of any company during the last five years.

Vice President of Sales and Customer Services

Name: Matthías Matthíasson.

Date of birth: 26 September 1965.

Business address: Sundabakki 2, 104 Reykjavík, Iceland.

Education: Matthías studied teaching education in Hedmark University in Norway, from 1993 to 1996.

Experience: Matthías has worked for Eimskip since 2009 and also from 1983 to 2004. Matthías has been the Vice president of Sales and Customer services since 2009. Before that he was the Vice President of Special Projects and MD of Eimskip Germany in 2009, MD of Komatsu Denmark from 2004 to 2009, MD of Eimskip UK from 2003 to 2004, Senior Manager of Eimskip Export department (sales & services) from 2001 to 2003, Senior Manager of Eimskip Vehicles, Equipment and Special Projects from 2000 to 2001, Key Account Manager of Eimskip International Sales and Services from 1997 to 2000 and Sales Representative of Eimskip Import Department from 1993 to 1997.

Board membership: Matthías Matthíasson has not been on the board of directors of any company during the last five years.

12.8 STATEMENTS AND CONFLICTS OF INTEREST

During the last five years preceding the date of this Registration Document, no member of the Board of Directors or the Executive Management has been:

- Convicted in relation to a fraudulent offence.
- Subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.
- Associated with companies, in his capacity as a founder, director or senior manager, that has gone into bankruptcy, receivership or liquidation.

There are no family relations between any of the board members or members of the Executive Management of the Company. The Company is not aware of any potential conflicts of interests between any duties to the Company of the members of the Board of Directors and the Executive Management, and their private interests and/or other duties.

Two members of the Board of Directors, Richard Winston Mark d'Abo and Ronald Wayne Burkle, have indirect ownership of shares in Eimskip through YAAF II and YAAF II (Parallel) and are partners of The Yucaipa Companies LLC, the parent company of YAAF II and YAAF II (Parallel).

- Yucaipa American Alliance Fund II, LP currently owns 15.3% or 30,504,030 Shares in Eimskip.
- Yucaipa American Alliance (Parallel) Fund II, LP currently owns 10.0% or 20,095,970 Shares in Eimskip.
- Marc Smernoff, an alternate board member, is an employee of The Yucaipa Companies LLC, the parent company of the Yucaipa American Alliance Fund II, LP and Yucaipa American Alliance (Parallel) Fund II, LP.

12.9 INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

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

The Company is monitoring its financial risk and has appointed a risk management committee. The risk management committee has issued a treasury management policies and procedures handbook which defines the responsibilities of tasks and how risk limits for financial risk exposures are defined.

13. SHAREHOLDERS AND SHARE CAPITAL

13.1 SHARE CAPITAL

As of the date of this Registration Document, the share capital of Eimskip is ISK 200,000,000 in nominal value, divided into an equal number of Shares, each with nominal value of one ISK. All of the Company's issued Shares are fully paid. The Shares are equal in all respects and there are no different voting rights or classes of Shares. Each Share carries one vote at the General Meeting and all Shares are freely transferable, subject to the restrictions described in chapters *13.2 Rights, Preferences and Restrictions of Shares* and *13.2.1 Lock-up Agreement*.

Eimskip holds 11,918,820 of its share capital which equals 6.0% of the issued share capital. The Company is authorized to own up to 10.0% of the Company's share capital. The Company can only acquire shares in accordance with an authorization of a shareholders' meeting to the Board of Directors. Pursuant to the Articles of Association, rules concerning purchasing and selling Shares should be stipulated in the Board of Director's Rules of Procedures.

In accordance with the Public Companies Act, votes are not attached to treasury shares. The outstanding Shares are 188,081,180 and which equals 94.0% of the issued share capital of the Company. Only a shareholders' meeting may decide to increase the Company's share capital, either by subscription of new Shares or issuance of compensation Shares. According to the Articles of Association, there is no valid authorization of the Company's Board of Directors to increase or decrease share capital.

13.2 RIGHTS, PREFERENCES AND RESTRICTIONS OF SHARES

All the shares of the Company carry equal rights and no privileges are attached to shares in the Company with the exemption that no voting rights are attached to the Company's own shares in accordance with the Companies Act. No restrictions are placed by the Company on the shareholder's right to sell his shares. In this respect it should be noted that A1988 hf. holds 8,441,950 Shares or 4.2% of the issued Share capital that are non-voting shares while owned by A1988 hf. as further described in chapter *14.1 Voting Rights*. In addition A1988 hf.'s Shares may not be transferred disposed of or otherwise encumbered, while owned by A1988 hf., other than in accordance with an agreement relating to the financial reorganization. For further discussion on these restrictions a reference is made to chapter *1.5.8 Risk Related to the Financial Reorganization of A1988 hf.* The provisions of act no. 131/1997 on electronic registration of title to securities and rules based on said act shall govern the change of ownership.

The rights of the shareholders of the Company are subject to Icelandic laws and the Articles of Association at each time. Only general legislative rules apply to the transfer of shares in the Company. Nevertheless, it should be noted that individual shareholders have agreed that their shares are subject to certain restrictions, see chapter *13.2.1 Lock-up Agreement*.

Owners of the Company's share capital have the right to vote at shareholders' meetings, the right to receive dividends when declared, enjoy pre-emptive rights to new Shares, unless waived, and have

the right to a share in any surplus in case of liquidation, all according to share ownership, statutes and the Articles of Association in effect as provided by law. The shares in the Company may be pledged or sold without restriction, except as otherwise provided by law.

In the case of an increase in share capital, shareholders enjoy pre-emptive rights to new Shares, in proportion to their holdings in the Company and within the time limits specified in decision to increase the share capital. Exemptions from this are authorized, cf. paragraph 3 of article 34 of the Public Companies Act, i.e. a shareholders' meeting may, by a 2/3 majority vote, decide to waive pre-emptive rights on increases in share capital, provided that there is no discrimination. If a shareholder does not exercise his or her pre-emptive rights in full, other shareholders shall be entitled to increase their subscription rights.

Shareholders will not, neither according to the Articles of Association nor subsequent amendments, become obligated to increase their holdings in the Company and shall not be subject to redemption of their Shares.

The interests of minority shareholders are protected pursuant to the provisions of the Articles of Association of the Company, the Public Companies Act, as well as provisions of the act no. 108/2007 on securities transactions from the time the Company's shares are admitted to trading on the Main Market NASDAQ OMX Iceland.

Provisions

- There are no provisions in the Company's incorporation agreement or its Articles of Association that could delay, postpone or prevent a change in the control of the Company.
- There are no provisions in the Company's incorporation agreement or its Articles of Association that include limits on the disclosure of shareholder ownership other than Icelandic law.

13.2.1 Lock-up Agreement

In an agreement between the Company and Landsbanki Íslands hf., ALMC hf. and Samson eignarhaldsfélag ehf. it is stated that each of Landsbanki Íslands hf., ALMC hf. and Samson eignarhaldsfélag ehf. have agreed not to offer to sell, contract to sell, or otherwise sell, dispose of, loan, pledge or grant any rights with respect to the Remaining Shares for a period of six months from the first day of trading of the Company's shares on the Main Market at NASDAQ OMX Iceland hf., unless the Remaining Shares in whole or in part are sold in a single transaction where more than 5.0% of the outstanding shares of the Company are sold in each transaction ("block sale"). In this regard any such block sale during the lock-up period of six months shall be carried out outside of open markets and without the Sellers publicly announcing their plans of selling their Shares before the transaction is completed.

Employees of Straumur fjárfestingabanki hf. and Íslandsbanki hf. are required to own the Shares acquired in the Public offering for a minimum of 30 days from the time the Shares are admitted to trading.

13.3 ACTIONS NECESSARY TO CHANGE SHAREHOLDERS' RIGHTS

According to Article 93 of the Public Companies Act, the Articles of Association may only be amended at a lawful Annual General Meeting or extraordinary shareholders' meeting, provided that the notice of the meeting clearly indicates that such an amendment is proposed and outlines the main substance of the amendment. A decision is valid only if it has the support of at least 2/3 of the votes cast and the support of shareholders controlling at least 2/3 of the share capital represented at the meeting, provided always that no other force of votes is required by the Articles of Association or statutory law. Certain exemptions apply, when changes result from actions previously decided by a lawful shareholders meeting.

Certain changes in the Articles of Association may only be amended with the consensus of all the shareholders. Article 94 of the Public Companies Act stipulates three conditions for which such consensus is required. These conditions are: reducing dividends or other payments to shareholders, increasing shareholders' obligations to the Company, and limiting shareholders' freedom to exercise their right according to their shares in conjunction with Articles 22 and 23 of the Public Companies Act, or if shareholders are forced to sell their Shares without the dissolution of the Company.

13.4 DIVIDENDS

The dividend policy of the Company was approved at a shareholders' meeting on 29 June 2012. The policy is to pay an annual dividend that equals an amount in the range of 10% to 30% of the Company's net profit after taxes. The decision on dividend payment and the exact amount is subject to the Company's future investment plans, market outlook and satisfactory capital structure at each time.

The Company did not pay dividend for the financial years ended 31 December 2009, 2010 and 2011.

The Company must take into account that authorization to pay dividends is subject to relevant covenants in the Company's loan agreements, which state that no dividend payments are allowed unless the Company is in compliance with its covenants and that annual dividends or other distributions to shareholders cannot exceed 75% of net profits after tax for a given year. For further information on covenants in loan agreements of the Company a reference is made to chapter 11.6.4 *Obligations Pursuant to Loan Agreements*.

The Company is subject to the provision of the Public Companies Act as regards the amount that the Company is authorized to allocate as dividend. According to paragraph 1, article 99 of the aforesaid act, the Company is only authorized to allocate as dividend profit in accordance with approved annual accounts for the immediate past fiscal year. Profit brought forward from previous years and free funds after deducting loss which has not been met and the moneys which according to laws or Company Articles of Association shall be contributed to a reserve fund or for other use. According to paragraph 1, article 101 of the Public Companies Act the shareholders' meeting decides upon the allocation of dividend after a Company's Board of Directors has submitted proposals in that respect. It is not permissible to decide to allocate more dividend than proposed by the Board of Directors of the Company or as provided for in the Company's Articles of Association.

At the AGM a decision shall be made on how the Company's profit or loss during the fiscal year is allocated. The Company will be considered to have completed payment of dividend if the Company pays to a person who is, on the date of payment, the registered owner of share certificates in the register of shares or has, on that date, given notice of and proved his ownership of the Shares.

Public limited liability companies are authorized to determine that the right to dividend is based on another time-limit than the actual payment of dividend, provided that this time-limit is specified in a shareholders' meetings decision on the payment of dividend. In case of Public Limited Companies listed on a regulated securities market, such a notice shall be sent to the market concerned prior to an Annual General Meeting. If a shareholder has not received dividend he is entitled to, he can collect it at the Company's office within four years from the due date of payment. Four years after the due date, the right to collect the dividend payments lapses in accordance with act no. 150/2007, on the limitation periods for claims.

If a shareholder does not collect its dividend within the aforesaid period, these funds will accrue to the Company.

13.5 INCREASE OF SHARE CAPITAL

As set out in the Articles of Association, only a shareholders' meeting may decide to increase the Company's share capital, either by subscription of new shares or issuance of compensation shares. On the date of this Registration Document there is no valid authorization for the Board of Directors to increase the Company's share capital or to borrow with special conditions. A decision to increase share capital shall be made with the same majority vote as needed to amend the Articles of Association.

Upon an increase of share capital, shareholders are entitled to subscribe to new shares in direct proportion to their holdings. In public limited liability companies, which do not impose restrictions upon transactions in shares between parties, the shareholders may convey to other parties their right to subscription in part or in full, but entire shares only. If one of the older shareholders does not use or convey his right to subscription in full, other older shareholders possess an increased right to subscription which they cannot convey to others.

Those shareholders or others who have priority right to subscription shall, immediately following a decision to raise the share capital, be given notice thereof in accordance with the same rules as those applying to the calling of a shareholders' meeting along with information about the nominal value and rate of the shares to the purchase of which the shareholder is entitled, respite for subscription and terms of payment.

A shareholders' meeting may, with the approval of 2/3 of the vote cast and also the approval of shareholders controlling at least 2/3 of the votes represented at the shareholders' meeting, decide to deviate from right of pre-emption, provided that shareholders be in no way treated with discrimination.

13.6 DEVELOPMENT OF SHARE CAPITAL

Table 26 shows all share increases and decreases that have taken place in the period covered by the historical financial information. On 1 October 2009 the Company's share capital was ISK 20,000,000 and was increased by means of the issue of compensation shares on 29 June 2012.

Table 26 - Share increases and decreases since 1 October 2009

Development of share capital			
Date	Change	No. of shares after change	Reasons for change
29.06.2012	180,000,000	200,000,000	Proposed listing of the Company

14. MAJOR SHAREHOLDERS

At the time of publication of the Prospectus, Eimskip has 82 shareholders, where the largest shareholders are Landsbanki Íslands hf. with 30.3% shareholding, YAAF II and YAAF II (Parallel) jointly with a total of 25.3% and Lífeyrissjóður verzlunarmanna with 14.6% shareholding. Eimskip holds 6.0% of own shares. The ten largest shareholders hold 91.3% of the Company's shares. Parties related to the Company are the following shareholders; Landsbanki Íslands hf. holding 30.3%, Yucaipa American Alliance Fund II, LP, holding 15.3%, and Yucaipa American Alliance (Parallel) Fund II, LP, holding 10.0%. The two Yucaipa American Alliance Funds hold in total 25.3% of the Company's shares.

Table 27 - Largest shareholders

Largest shareholders		
Shareholder	No. of shares	Share
Landsbanki Íslands hf.	60,613,310	30.3%
Yucaipa American Alliance Fund II, LP	30,504,030	15.3%
Lífeyrissjóður verzlunarmanna	29,135,070	14.6%
Yucaipa American Alliance (Parallel)	20,095,970	10.0%
Eimskipafélag Íslands hf.	11,918,820	6.0%
A1988 hf.	8,441,950	4.2%
ALMC hf.	8,324,030	4.2%
J.P. Morgan Clearing Corporation	7,672,360	3.8%
Samson eignarhaldsfélag ehf.	2,962,160	1.5%
Horn Fjárfestingarfélag hf.	2,898,250	1.4%
Other shareholders	17,434,050	8.7%
	200,000,000	100%

Source: Icelandic Securities Depository 16 October 2012.

14.1 VOTING RIGHTS

Each issued share carries one vote with the exception that no voting rights are attached to the Company's own shares in accordance with paragraph 3 of article 82 of act no. 2/1995 on public limited companies. In this respect it should be noted that pursuant to an agreement relating to the financial reorganization of A1988 hf., A1988 hf. may not to exercise any voting rights it might have relating to its 8,441,950 Shares or 4.2% of the issued share capital in Eimskip and has to abstain from any and all votes of the shareholders of Eimskip. Other than declared herein, major shareholders do not have voting rights that are different from those of other shareholders. A simple majority of votes will decide matters at shareholders' meetings unless otherwise stipulated in the Articles of Association or Icelandic law. A proposal is rejected if votes are equal. If two or more persons receive the equal amount of votes in elections a coin tossup shall determine the election.

14.2 SHAREHOLDER AGREEMENTS

The Company is not aware of any shareholder arrangements that may result in, prevent, or restrict a change in control of the Company. A shareholders' agreement, dated 22 September 2009, between three major shareholders of the Company, i.e. Landsbanki Íslands hf., Yucaipa American Alliance Fund II, LP and Yucaipa American Alliance (Parallel) Fund II, LP, as well as L1003 (now Eimskipafélag Íslands hf.), terminated on the date that the Financial Supervisory Authority, Iceland, provided its approval of the Prospectus.

14.3 DIRECT OR INDIRECT OWNERSHIP OR CONTROL BY INDIVIDUAL SHAREHOLDERS

To the extent known to the Company, Eimskip is not directly or indirectly owned by parties other than the listed shareholders.

ARTICLES OF ASSOCIATION
FOR
EIMSKIPAFÉLAG ÍSLANDS HF.

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Issued 29th of June 2012

ARTICLES OF ASSOCIATION
FOR
EIMSKIPAFÉLAG ÍSLANDS HF.

1 The name of the Company, domicile and object

- 1.1 The name of the Company is Eimskipafélag Íslands hf.
- 1.2 The Company is a public limited liability company.
- 1.3 The Company is domiciled in Reykjavík.
- 1.4 The Company's object is the operation, ownership and investment in transportation companies and other related activities.

2 Share capital of the Company

Share capital – shares - votes

- 2.1 The Company's share capital is ISK 200,000,000.
- 2.2 Each share is divided into one ISK.
- 2.3 One vote is attached to each share at shareholders' meetings.

(Special provisions on increase of share capital and other special provisions are contained in Clause 15, if relevant).

Increase of share capital

- 2.4 Only a shareholders' meeting may decide to increase the Company's share capital, either by subscription of new shares or issuance of compensation shares.

Preemptive rights

- 2.5 Shareholders shall have a preemptive right to purchase new shares in proportion to their registered holdings. Exemptions from this are authorized; cf. Paragraph 3 of Article 34 of Act no. 2/1995 respecting Limited Liability Companies the ("**Company Act**").

Shares – share register

- 2.6 The Company's shares shall be issued electronically in accordance with the provisions of Act No. 131/1997 on Electronic Registration of Title to Securities.
- 2.7 A share register in accordance with the provisions of the Act on Electronic Registration of Title to Securities shall be regarded as sufficient proof of ownership over shares in the Company and dividends and all notifications shall be sent to the party which is at any time registered as an owner of the relevant shares in the Company's share register.

Sale of shares and changes of ownership

- 2.8 No restrictions are placed by the Company on the shareholder's right to sell his shares. The provisions of the Act on Electronic Registration of Title to Securities and rules based on such Act shall govern the change of ownership.

Rights and obligations of shareholders

- 2.9 Shareholders are obligated, without any statement on their behalf, to abide by the Articles of Association as they are issued or later lawfully amended. Shareholders will not, neither according to the Articles of Association or subsequent amendments, become obligated to increase their holdings in the Company and shall not be subjected to redemption of their shares. Shareholders are not responsible for the Company's obligations exceeding their holding in the Company unless they take on such liability in a legally binding document. This provision will not be changed or discontinued by any resolution of a shareholders' meeting.
- 2.10 No special rights accompany any shares.

Communication with shareholders

- 2.11 Electronic file communication and e-mailing is permitted between the Company and shareholders instead of sending and submitting written documents. The authorization extends to any kind of communication between the Company and shareholders, e.g. invitations to shareholders' meetings, distribution of dividends and other notifications which the Board of Directors sends the shareholders. Such electronic communication is equal to correspondence written on paper. The Board of Directors shall set rules stipulating the conduct of electronic communication and the standards of the software used for this purpose. The rules shall be accessible to shareholders. Shareholders who wish to communicate electronically with the Company shall send the Company a confirmation thereof in accordance with the rules set by the Board of Directors.

3 Corporate governance

- 3.1 The Company shall be governed by:
1. The Shareholders' Meetings.
 2. The Board of Directors.
 3. The CEO.

4 Shareholders' Meetings

- 4.1 The supreme power of the Company's affairs, within the boundaries set by these Articles of Association and Icelandic legislation is in the hands of lawful shareholders' meetings.

Right to participation

- 4.2 Shareholders, shareholders' agents, the Company's accountants and the CEO, even if he is not a shareholder, have the right to participate in shareholders' meetings. Furthermore, the Board of Directors may invite specialists to attend the shareholders' meeting if their advice or assistance is required.

- 4.3 The Board of Directors is authorized to decide that shareholders may participate in shareholders' meetings by electronic means without being physically present. If the Board of Directors feels that the Company has equipment which is sufficiently safe to allow shareholders to participate in shareholders' meetings electronically without being physically present and the Board of Directors decides to use this authorization it shall be announced in the invitation to the meeting.

Electronic Shareholders' Meetings

- 4.4 The Board of Directors may decide that a shareholders' meeting only be held electronically.
- 4.5 If the Board of Directors feels that the meeting can be held only electronically with suitable equipment and thereby allowing shareholders to participate electronically, the invitation to the meeting shall clearly give information regarding the technical equipment and information on how shareholders notify the Company of their electronic participation and where they can receive information, instructions and a password for participation. An inserted password into a computer system is deemed to be equal to the shareholder's signature and is viewed as valid participation in the shareholders' meeting.
- 4.6 Shareholders who intend to participate electronically in shareholders' meetings shall notify the Company's office with 5 days' notice thereof and submit written questions regarding the agenda or documents to be presented at the meeting which they require answers to.
- 4.7 The shareholders shall have access to instructions regarding electronic participation in shareholders' meetings along with a password and necessary equipment for participation. An inserted password into a computer system is deemed to be equal to the shareholder's signature and is viewed as valid participation in the shareholders' meeting.

Voting outside a meeting

- 4.8 If the Board of Directors feels that it is not possible to allow shareholders to participate in shareholders' meetings electronically they shall be allowed to vote on proposals or participate in voting in writing. The Board of Directors shall set rules regarding the execution of such voting.

Power of Attorney

- 4.9 A shareholder may send an agent to the shareholders' meeting on his behalf. The agent shall submit a written power of attorney or an electronic power of attorney which shall be dated. The power of attorney shall never be valid for more than one year from its date.
- 4.10 A power of attorney will not be validly revoked after it has been submitted at the delivery of meeting documents or after the shareholders' meeting has been declared open, which ever happens first.

Lawfulness of Shareholders' Meetings

- 4.11 A shareholders' meeting is lawful without regard to attendance if it is lawfully called for.

Annual General Meeting

4.12 An annual general meeting shall be held within five months from the end of the financial year each year. Annual general meetings shall be called with the same method as other shareholders' meetings in accordance with the provisions of Clause 4.16 to 4.21.

Agenda of the Annual General Meeting

4.13 The following matters shall be addressed at annual general meetings:

1. The Board of Director's report on the Company's operations in the past year shall be presented. At the same time the Board of Directors shall present a short summary of the shareholding of each shareholder and their right to vote; and other changes that have occurred in the past year.
2. Confirmation of annual accounts and decision on the handling of profit or loss of the financial year.
3. Decision on payments to board members.
4. Proposals of the Board of Directors regarding the remuneration policy.
5. Election of the Board of Directors in accordance with the provisions of Clause 5.1.
6. Election of auditor in accordance with the provisions of Clause 10.1.
7. Proposals from shareholders which shall be on the agenda according to the provisions of Clause 4.22, cf. paragraph 4 of Article 88 of the Company Act.
8. Other matters.

4.14 If shareholders who control at least 1/3 of the Company's share capital insist, a decision on item 2 on the agenda shall be postponed to the extended annual general meeting which shall be held no earlier than one month and no later than two months later. No further continuance can be requested.

4.15 The Company's annual accounts, report of the Board of Directors, and report of the auditor shall be available for review by the shareholders at the Company's offices 7 days before the annual general meeting.

Invitation to Shareholders' Meetings

4.16 The Board of Directors shall call for shareholders' meetings when it deems it necessary, or when the elected auditor or shareholders controlling at least 5% of the share capital insist in writing and suggest an agenda for the meeting.

4.17 When a lawful claim for a shareholders' meeting is presented, the Board of Directors is obligated to call for a meeting within 14 days from receiving such a claim. If the Board of Directors has not called for a meeting within that time limit a meeting can be called for in accordance with the provisions of paragraph 2 of Article 87 of the Company Act.

4.18 Shareholders' meetings shall be called for by electronically means and by advertisement in media.

Notice

- 4.19 Shareholders' meetings shall be called for with a minimum of three weeks' notice and maximum four weeks' notice.
- 4.20 Shareholders' meetings shall be called for by electronically means which ensure swift access to the call on equal grounds. Trustworthy media shall be used which ensures the circulation of the invitation to the public in the European Economic Area. The meeting shall also be called for with an advertisement in Icelandic media.
- 4.21 The invitation shall at least include information regarding:
- 1) The place of the meeting, time and draft agenda. If a proposal on amendments to the Company's Articles of Association is to be addressed at the meeting the substance of the proposal shall be described in the invitation.
 - 2) Clear and precise rules on participation in and voting at shareholders' meetings.
 - 3) Where and how shareholders can get:
 - a) Documents that will be presented at the shareholders' meeting.
 - b) Proposals and/or comments of the Board of Directors or its committees on each item on the draft agenda.
 - c) Shareholder proposals as received by the Company.
 - 4) Website where information can be located on the issues that shareholders shall, according to law, have access to in connection to a shareholders' meeting.

Proposals from shareholders

- 4.22 Each shareholder has the right to have certain matters addressed at the shareholder's meeting if he so requests in writing to the Board of Directors of the Company with time enough in advance so that the matter can be placed on the agenda and presented to shareholders before the meeting.

Agenda

- 4.23 The agenda shall be available for shareholders' review at the Company's office, along with final proposals to be addressed at the meeting, no later than seven days before the meeting.

Proposals for changes

- 4.24 Lawfully proposed additions- or amendments may be presented on the shareholders' meeting itself, even though they were not available for the shareholders' review prior to the meeting.

Matters not on the agenda

- 4.25 Matters which have not been listed on the agenda may not be finally resolved at the shareholders' meeting without the consent of all shareholders in the

Company. Those matters may however be resolved as directions to the Board of Directors.

- 4.26 If proposals under the heading "Other matters" are presented they may not be finally resolved at the meeting, cf. 4.23.

Chairman

- 4.27 Shareholders' meetings are chaired by a chairman elected by the meeting and he will nominate a secretary with the approval of the meeting. The chairman shall solve all matters which arise concerning the lawfulness of the meeting and its conduct in accordance with these Articles of Association and Icelandic legislation. The chairman shall furthermore decide the form of discussions, procedures for addressing matters at the meeting and voting.

Minutes of Shareholders' Meetings

- 4.28 Minutes of the meeting shall be kept in detail and all resolutions and results of voting recorded. The minutes shall be read out loud at the end of the meeting and comments on the minutes noted in the minutes. The minutes shall be signed by the chairman of the meeting and secretary. The minutes shall constitute full proof of the events of shareholders' meetings.

Weight of votes

- 4.29 A simple majority of votes will decide matters at shareholders' meetings unless otherwise stipulated in these Articles of Association or Icelandic law. A proposal is rejected if votes are equal. If two or more persons receive the equal amount of votes in elections a coin tossup shall determine the election.

5 Board of Directors

- 5.1 The annual general meeting of the Company annually elects 5 members and two alternate members for the Board of Directors. Their ability is determined by law. Alternate board members attend meetings of the Board of Directors when board members are unable to participate in meetings in accordance with the Rules of Procedures of the Board of Directors.
- 5.2 The proportion between genders in the Board of Directors shall be as even as possible and the proportion of each gender shall never go below 40%. (This provision shall take effect from 1 September 2013).

Candidacy

- 5.3 Those who intend to run for the Board of Directors shall notify the Board of Directors of their candidacy at least 5 days before a shareholders' meeting. The notification shall list the name, identification number and address of the candidate along with information about his or her main employment, other board memberships, education, experience and shareholdings. Candidates shall furthermore list any interest connected to shareholders, directors, officers, clients or competitors of the Company and shareholders controlling more than 10% of the Company.
- 5.4 The Board of Directors shall review notifications of candidacy and give the candidate, in a verifiable manner, the opportunity to correct any flaws the notification has within a specific time limit. If the flaws are not corrected

within the given time limit the Board of Directors shall decide on the validity of candidacy, which such decision shall control. The Board's decision can be put to the decision of the shareholders' meeting which shall have supreme power in deciding the validity of the candidacy.

- 5.5 Information about candidates for the Board of Directors shall be available for shareholders' review at the Company's offices no later than 2 days before the shareholders' meeting.

6 Election of the Board of Directors

- 6.1 The election of board members shall be based on proportional voting, cf., Paragraph 6 of item b of Article 63 of the Company Act.
- 6.2 The election shall usually be written if the number of candidates is greater than the number of board members to be elected.

7 Division of tasks – participation in meetings

- 7.1 The Board of Directors elects a chairman of the board from the members of the board. Otherwise the Board of Directors divides tasks as necessary.
- 7.2 The chairman of the Board of Directors calls board meetings and chairs the meetings. Board meetings shall be held whenever the chairman deems necessary. A meeting shall be held if any board member or the CEO requests.
- 7.3 The board members may participate in board meetings through communication systems (e.g. telephone).

8 Meetings of the Board of Directors

Lawfulness of board meetings

- 8.1 A board meeting is able to make decisions when at least four of board members participate in meetings. If possible, an important decision may not be taken without all members of the Board of Directors having had a chance to discuss the matter.

Voting

- 8.2 A simple majority of votes of all directors (i.e., the affirmative vote of at least three directors) decides matters in board meetings, provided, however, that the affirmative votes of at least four out of five directors shall be required to approve significant corporate actions, as is further provided for in the Rules of Procedure for the Board of Directors ("Rules of Procedure"). A proposal is rejected if votes are equal.

Minutes of meetings

- 8.3 Board members shall keep minutes of meetings and confirm the minutes with their signature.

Goals and obligations

- 8.4 The Board of Directors has supreme powers in matters concerning the Company between shareholders' meetings and sets the Company's goals regarding its business and represents the Company's and the shareholder's interests in accordance with the object of the Company. The Board of Directors governs the social affairs of the Company between shareholders' meetings and binds the Company with its resolutions and agreements. The Board of Directors hires a CEO, one or more, decides his terms of employment and executes a written contract of employment.
- 8.5 The Board of Director grants power of procuration. Signatures of the majority of the Members of the Board are binding for the Company. For important decisions the signatures of four out of five Members of the Board is required, as is stipulated in the Rules of Procedures.
- 8.6 The Board of Directors works in accordance with rules set by the Board of Directors in accordance with the Company Act.

Board committees

- 8.7 If committees working on behalf of the Board of Directors are elected in accordance with provisions of the Rules of Procedure their conclusions shall only be directive for the Board of Directors and it is not bound by their conclusions when resolving matters unless otherwise stipulated by law.

9 CEO

- 9.1 The CEO handles the day to day operations of the Company in accordance with the rules the Board of Directors has or will set forth. The day to day operations do not include matters which are unusual or of great significance.
- 9.2 The CEO shall make sure the Company's accounts are kept in accordance with law and practice and that the Company's assets are kept in a secure manner.
- 9.3 The CEO is obligated to abide by all instructions of the Board of Directors. He shall give the auditor any information he requests.

10 Accounting and auditing

- 10.1 The financial year of the Company is the calendar year. The annual accounts shall be audited by an auditing company. An auditor or auditor company shall be elected at an annual general meeting for a term of one year.

11 The Company's shares

- 11.1 The Company is authorized to own up to 10% of the Company's share capital. Votes are not attached to shares owned by the Company. The Company can only acquire shares in accordance with the authorization of a shareholders' meeting to the Board of Directors. An authorization to the Board of Directors to purchase shares in the Company may not be valid for more than 18 months at a time. Rules concerning purchasing and selling shares shall be stipulated in the rules of the Board of Directors.

12 Amendments to the Articles of Association

12.1 The Articles of Association may only be amended by a lawful shareholders' meeting as long as the proposal for the amendment is described in the invitation to the meeting. The decision is only valid if approved by 2/3 of the votes and approved by shareholders controlling at least 2/3 of the votes represented at the shareholders' meeting.

13 Dissolution

13.1 Should it be advisable or necessary to dissolve the Company, proposals thereof shall be governed by Chapter XIII of the Company Act.

14 Merger

14.1 The provisions of Chapter XIV of the Company Act shall apply to a merger of the Company with other companies.

15 Special provisions on increase of share capital

15.1 (Provisions on the Board's authorization to increase the Company's share capital, authorization to borrow with special conditions and other authorizations to increase the share capital shall be inserted here).

16 Other provisions

16.1 Where the provisions of these Articles of Association do not stipulate the form of proceedings the provisions of the Company Act no. 2/1995 shall be abided by.



Information in reduced form within parentheses shall not be considered part of the Articles of Association, rather provided for the sake of convenience.

This is an English translation of the Icelandic original Articles of Association. The original Icelandic text is the authoritative text. Should there be discrepancy between this translation and the authoritative text, the Icelandic original prevails.

Reykjavík, 29th of June 2012

On behalf of the Board of Directors
of Eimskipafélag Íslands hf.

Eimskipafelag Islands hf.
Consolidated Financial Statements
For the year ended 31 December 2009
EURO

Eimskipafelag Islands hf.
Korngarðar 2
104 Reykjavík
Iceland

Reg. no. 690409-0460

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Endorsement and Statement by the Board of Directors and the CEO

The Consolidated Financial Statements of Eimskipafelag Islands hf. and its subsidiaries (the "Group") are prepared and presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements are presented in thousands of EUR.

The Company was established in April 2009 and acquired as of 30 September 2009 the majority of subsidiaries of A 1988 hf. (previously named Hf. Eimskipafelag Islands) as a part of that Group's restructuring process. The restructuring included composition with its main lenders who became the majority shareholders of new Eimskipafelag Islands hf. through the restructuring process. Further information on the financial effect of the acquisition are provided in note 7.

The Group's net earnings for the operating period in 2009 amounted to EUR 2.3 million according to the consolidated income statement. Stockholders' equity at 31 December 2009 amounted to EUR 150.0 million according to the statement of financial position. At year-end 2009 the total number of shares in Eimskipafelag Islands hf. was 20 million which were divided between 73 shareholders. The Company holds 6% of issued shares. Two shareholders owned more than 10% share in the Company, Landsbanki Islands hf. with 37.3% and the Yucaipa Companies LLC with 32.3% shareholding.

The Board of Directors does not propose a payment of dividend to shareholders in 2010.

Statement by the Board of Directors and the CEO

According to the best of our knowledge, it is our opinion that the annual consolidated financial statements give a true and fair view of the consolidated financial performance of the Group for the year 2009, its assets, liabilities and consolidated financial position as at 31 December 2009 and its consolidated cash flows for the year 2009.

Further, in our opinion the consolidated financial statements and the Endorsement by the Board of Directors and the CEO give a fair view of the development and performance of the Group's operations and its position and describes the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO have today discussed the annual consolidated financial statements of Eimskipafelag Islands hf. for the year 2009 and confirm them by means of their signatures. The Board of Directors and the CEO recommend that the consolidated financial statements be approved at the annual general meeting of Eimskipafelag Islands hf.

Reykjavík, 30 March 2010.

Board of Directors:

CEO:

Independent Auditors' Report

To the Board of Directors and Shareholders of Eimskipafelag Islands hf.

We have audited the accompanying consolidated financial statements of Eimskipafelag Islands hf. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement and consolidated statement of comprehensive Income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free of material misstatement.

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

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

Opinion

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of Eimskipafelag Islands hf. as at 31 December 2009, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Reykjavík, 30 March 2010.

KPMG hf.

Consolidated income statement for the year ended 31 December 2009

	Notes	2009 1.10.-31.12.
Operating revenue:		
Sales		87.708
Expenses:		
Operating expenses		57.451
Salaries and related expenses	8	14.982
Other expenses		6.736
		<u>79.169</u>
Operating profit before depreciation and impairment		8.539
Depreciation and impairment	11,12	(5.857)
Results from operating activities		2.682
Finance income		615
Finance expense		(1.672)
Net finance expense	9	(1.057)
Net earnings before income tax		1.625
Income tax	10	678
Net earnings for the year		<u>2.303</u>
Income for the year attributable to:		
Equity holders of the Company		2.305
Non-controlling interest		(2)
Income for the year		<u>2.303</u>
Earnings per share:		
Basic and diluted earnings per share (EUR)	19	0,490

The notes on pages 10 to 28 are an integral part of these Consolidated Financial Statements.

Consolidated statement of comprehensive income for the year ended 31 December 2009

		2009
	Notes	1.10.-31.12.
Profit for the year		2.303
Other comprehensive income:		
Foreign currency translation difference of foreign operations		128
Impact of subsidiaries subsequent to acquisition price determination	7	(11.822)
Other comprehensive income for the year, net of tax		<u>(11.694)</u>
Total comprehensive income for the year		<u>(9.391)</u>
 Total comprehensive income for the year attributable to:		
Equity holders of the Company		(9.389)
Non-controlling interest		<u>(2)</u>
Total comprehensive income for the year		<u>(9.391)</u>

The notes on pages 10 to 28 are an integral part of these Consolidated Financial Statements.

Consolidated statement of financial position

as at 31 December 2009

	Notes	2009
Assets:		
Property, vessels and equipment	11	153.340
Intangible assets	12	7.507
Goodwill	13	16.310
Finance assets	14	928
Deferred tax assets	15	4.175
Total non-current assets		182.260
Inventories		2.039
Trade and other receivables	16	54.023
Cash and cash equivalents	17	36.631
Assets classified as held for sale		4.470
Total current assets		97.163
Total assets		279.423
Equity:		
Share capital	18	104
Share premium		157.696
Translation reserve		128
Retained earnings		(9.517)
Total equity attributable to equity holders of the parent		148.411
Non-controlling interest		1.596
Total equity		150.007
Liabilities:		
Loans and borrowings	20	66.633
Total non-current liabilities		66.633
Loans and borrowings	20	14.359
Trade and other payables	21	43.954
Liabilities classified as held for sale		4.470
Total current liabilities		62.783
Total liabilities		129.416
Total equity and liabilities		279.423

The notes on pages 10 to 28 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity as at 31 December 2009

	Share Capital	Share premium	Trans- lation reserve	Retained earnings	Total	Non controlling interest	Total equity
Changes in Equity 2009:							
New shares issued	10	14.990	0	0	15.000	0	15.000
Acquisition of subsidiaries satisfied with new shares	101	152.699			152.800		152.800
Purchase of treasury shares	(7)	(9.993)			(10.000)		(10.000)
Transactions with owners, recorded directly in equity	104	157.696	0	0	157.800	0	157.800
Foreign currency translation difference of foreign operations			128		128		128
Impact of subsidiaries subsequent to acquisition price determination				(11.822)	(11.822)		(11.822)
Earnings for the year				2.305	2.305	(2)	2.303
Total recognised income and expense			128	(9.517)	(9.389)	(2)	(9.391)
Recognised on acquisition of subsidiaries						2.762	2.762
Non controlling interest, changes						(1.164)	(1.164)
Equity at 31 December 2009	104	157.696	128	(9.517)	148.411	1.596	150.007

The notes on pages 10 to 28 are an integral part of these Consolidated Financial Statements.

Consolidated statement of cash flows for the year ended 31 December 2009

	Notes	2009 1.10.-31.12.
Cash flows from operating activities:		
Earnings for the year		2.303
Adjustments for:		
Depreciation and impairment of non-current assets	11-12	5.857
Net finance expense		1.057
Change in deferred taxes	10	(678)
Other changes		(44)
		<u>8.495</u>
Changes in current assets and liabilities:		
Inventories, increase		(409)
Receivables, decrease		1.659
Payables, decrease		(1.865)
Change in current assets and liabilities		<u>(615)</u>
Interest paid		(577)
Interest received		498
Net cash from operating activities		<u>7.801</u>
Cash flows to investing activities:		
Investments in non-current assets	11-12	(1.638)
Proceeds from the sale of non-current assets		908
Investments in subsidiaries net of cash acquired	7	28.525
Proceeds from sale of associated companies		358
Net cash provided by investing activities		<u>28.153</u>
Cash flows from financing activities		
Issued new capital		15.000
Purchase of treasury shares		(10.000)
Changes in minority interest		2
Repayment of long-term borrowings		(4.183)
Short-term borrowing, change		(341)
Net cash provided by financing activities		<u>478</u>
Increase in cash and cash equivalents		36.432
Cash and cash equivalents at the beginning of the year		0
Effects of exchange rate fluctuations on cash held		199
Cash and cash equivalents at the end of the year		<u>36.631</u>

The notes on pages 10 to 28 are an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1. Reporting entity

Eimskipafelag Islands hf. (the "Company") is a limited liability company domiciled in Iceland. The address of the Company's registered office is Korngardar 2, 104 Reykjavík. The consolidated financial statements of the Company as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associated companies. The Company is an investment company focused on investments in shipping and logistic services.

The Company was established in April 2009 and started operation on 1 October 2009 when the majority of the subsidiaries of Hf. Eimskipafelag Islands were acquired. Since the Company was established in 2009 no comparative amounts are presented in the financial statements.

At 30 September 2009 the Company acquired majority of subsidiaries of A 1988 hf. (previously named Hf. Eimskipafelag Islands) as a part of that Group's restructuring process. The restructuring included composition with its main lenders who became the majority shareholders of the new Eimskipafelag Islands hf. through the restructuring process. Further information on the financial effect of the acquisition are provided in note 7.

2. Basis of preparation

a. Statement of compliance

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

The financial statements were approved and authorised for issue by the Company's Board of Directors on 30 March 2010.

b. Basis of measurement

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

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

c. Functional and presentation currency

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

d. Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 13 – measurement of the recoverable amounts of cash-generating units containing goodwill

Note 15 – measure of the recoverable amounts of deferred tax assets

Note 20 – accounting for an arrangement containing a lease

Notes, contd.:

3. Significant accounting policies

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

a. Basis of consolidation

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

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

b. Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) Foreign operations

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

c. Financial instruments

(i) Non-derivative financial assets

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

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

Receivables comprise trade and other receivables.

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

Notes, contd.:

3. Significant accounting policies, contd.:

(ii) Non-derivative financial liabilities

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

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

(iii) Share capital

Ordinary shares

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

Repurchase of share capital (treasury shares)

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

d. Property, vessels and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, vessels and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Notes, contd.:

3. Significant accounting policies, contd.:

d. Property, vessels and equipment, contd.:

The estimated useful lives of property, vessels and equipment are as follows:

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

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

e. Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

(ii) Other intangible assets

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

(iii) Subsequent expenditure

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

(iv) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows:

Software	3 - 5 years
Other intangibles	5 years

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

f. Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position.

Notes, contd.:

3. Significant accounting policies, contd.:

g. Inventories

Inventories mainly consist of supplies and are measured at cost.

h. Impairment

(i) Financial assets (including receivables)

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

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

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

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

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

(ii) Non - financial assets

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

Notes, contd.:

3. Significant accounting policies, contd.:

h. Impairment, contd.:

(ii) Non - financial assets, contd.:

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to groups cash-generating units that are expected to benefit from synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

i. Non-current assets held for sale

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

j. Employee benefits

(i) Defined contribution plans

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

k. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

l. Revenue

(i) Services

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

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

Notes, contd.:

3. Significant accounting policies, contd.:

m. Lease payment

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

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

n. Finance income and finance costs

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of an qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on net basis.

o. Income tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but the intent to settle current tax liabilities and asset basis or their tax assets and liabilities will be realized simultaneously.

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

3. Significant accounting policies, contd.:

p. Earnings per share

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

q. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance.

r. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these consolidated financial statements. None of these will have a material effect on the consolidated financial statements of the Group.

4. Determination of fair values

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

(i) Property, vessels and equipment

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

(ii) Trade and other receivables

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

5. Financial risk management

Overview

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

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

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosure are included throughout these consolidated financial statements.

5. Financial risk management, contd.:

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

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

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. No single customer accounts for more than 10% of the Group's revenue from sales transactions. Geographically, there is some concentration of credit risk.

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

Goods that are shipped or transported may be with-held until payment for service rendered has been received. The Group usually does not require collateral in respect to trade and other receivable.

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

Liquidity risk

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

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of the Group entities, primarily the U.S. dollar (USD), but also the Icelandic krona (ISK) and the Norwegian Krona (NOK).

5. Financial risk management, contd.:

Operational risk

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

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

Capital management

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

6. Segment reporting

Business segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services on different markets, and are managed separately. The segment reporting is based on internal reporting function of the Group. The following summary describes the operations in each of the Group's reportable segments:

Shipping: The main emphasis in the Group's operations is the sale of transportation of goods to and from Iceland through its service routes on the North-Atlantic. This service includes sea transportation, trucking and warehousing and logistic service.

Forwarding: The secondary segment represents shipping, freight forwarding, trucking and warehousing and logistic services provided in foreign subsidiaries.

Geographical segments

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

Notes, contd.:

6. Segment reporting, contd.:

Business segments

	Shipping	Forwarding	Consolidated
For the year 2009			
Revenue, external	56.959	30.749	87.708
Inter-segment revenue	11.195	4.679	15.874
Total	68.154	35.428	106.351
Expenses, external	(50.520)	(28.649)	(79.169)
Inter-segment expenses	(10.231)	(5.644)	(15.875)
EBITDA	7.403	1.135	8.538
Depreciation and impairment	(4.897)	(960)	(5.857)
EBIT	2.506	175	2.681
Net financing expense	(1.516)	459	(1.057)
Income tax	613	65	678
Minority interest	2	0	2
Earnings for the year	1.605	699	2.303
Segment assets	237.785	41.638	279.423
Segment liabilities	104.963	24.453	129.416
Capital expenditure	1.638	0	1.638

Geographical segments

	North Atlantic	Other territories	Consolidated
Revenue, external	72.494	15.214	87.708
Segment assets	267.353	12.070	279.423
Capital expenditure	1.638	0	1.638

Notes, contd.:

7. Acquisitions of subsidiaries and minority interests

Business combination

On 30 September 2009, the Group acquired majority of former subsidiaries of A1988 hf. (previously Hf. Eimskipafélag Íslands). This acquisition has been accounted for by applying the purchase method. The acquisition had the following effect on the Group's assets and liabilities on the date of acquisition:

Property, vessels and equipment	181.964
Intangible assets	13.727
Goodwill	2.338
Other assets	3.702
Inventories	1.740
Trade and other receivables	60.371
Cash and cash equivalents	28.525
Interest-bearing borrowings	(92.833)
Trade and other payables	(72.528)
Net identifiable assets and liabilities	127.006
Calculated goodwill on acquisition	25.794
Consideration paid by issuing new shares in the Company	152.800
Calculated goodwill on acquisition	25.794
Impact of subsidiaries subsequent to acquisition price determination	(11.822)
Adjusted goodwill on acquisition	13.972

The acquisition of the subsidiaries was a significant factor of the financial restructuring of A1988 hf Group. The purchase price was calculated in relation to the financial restructuring of A1988 hf and based on financial information as of April 30th 2009. The formal transfer of the assets was however not completed until 30th September 2009. During this period some material changes took place related to the subsidiaries acquired which could not be adjusted for in the purchase price which was represented in the composition process of A1988 hf.

These changes are reflected in the financial statements as an adjustment to the Company's equity through the statement of comprehensive income.

The IFRS standards allows a period of up to one year from the date of acquisition for the assessments to be completed by the Company. The Company's management considers that the values included in the 2009 consolidated statement of financial position are free of material misstatement.

8. Salaries and related expenses

2009

Salaries and related expenses are specified as follows:

Salaries	12.260
Other salaries - related expenses	2.722
Salaries and related expenses	14.982
Average number of positions	1.562
Number of employees at year-end	1.548

Salaries to the CEO and members of the Board of Directors amounted to EUR 78 thousand during the period.

9. Finance income and expense

Finance income is specified as follows:

Interest income	601
Dividends received	14
	615

Finance expense is specified as follows:

Interest on long-term loans	(982)
Other interest	(61)
Net foreign exchange loss	(629)
	(1.672)
Net finance expense	(1.057)

Notes, contd.:

10. Income tax

(i) The effective income tax rate of the Group for the year was positive by's 38,4%.

In December 2009, the Icelandic Parliament increase the income tax ratio from 15% to 18% as of 1 January 2010 and the change is effective for 2011 tax assessment. Therefore, the deferred tax assets has been increased by EUR 116 million as at 31 December 2009. The effect is recognized as an income in profit or loss.

The parent company and the subsidiary Eimskip Ísland ehf. were had taxable losses for the operating period 2009 which is recognized as an income in profit or loss and as a deferred tax assets at year-end. Some subsidiaries within the Group have net income where income tax is not recognized due to tonnage tax regulations.

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

(ii) Income tax recognised in the income statement:

Current tax expense:

Current period	0
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Deferred tax:

Origination and reversal of temporary differences	(562)
Change in tax rate	(116)
	<u>(678)</u>

(iii) Reconciliation of effective tax rate:

Net earnings before income tax		1.625
Income tax using the Company's domestic tax rate	16%	265
Effect of tax rates in foreign jurisdictions and other changes	(50,9%)	(827)
Change in tax rate	(7,1%)	(116)
Effective tax	(41,7%)	<u>(678)</u>

11. Property, vessels and equipment

Property, vessels and equipment are specified as follows:

	Land and buildings	Vessels	Containers and equipment	Total
Cost				
Acquisitions through business combinations (see note 8)	81.091	67.115	33.758	181.964
Other additions	0	1.392	130	1.522
Disposals	(18.327)	0	(2.719)	(21.046)
Assets classified as held for sale	(4.470)	0	0	(4.470)
Currency adjustments during the year	561	0	47	608
Balance at 31 December 2009	<u>58.855</u>	<u>68.507</u>	<u>31.216</u>	<u>158.578</u>
Depreciation and impairment losses				
Depreciation and impairment for the year	981	2.119	2.035	5.135
Currency adjustments during the year	45	0	59	104
Balance at 31 December 2009	<u>1.026</u>	<u>2.119</u>	<u>2.094</u>	<u>5.239</u>
Carrying amounts				
At 31 December 2009	<u>57.830</u>	<u>66.388</u>	<u>29.122</u>	<u>153.340</u>

Notes, contd.:

12. Intangible assets

Intangible assets, amortisation and impairment losses are specified as follows:

	Software	Market and customer related	Total
Cost			
Acquisitions through business combinations (see note 8)	8.185	5.542	13.727
Additions during the year	7	109	116
Disposals	0 (	5.557) (	5.557)
Currency adjustments during the year	0 (	94) (	94)
Balance at 31 December 2009	8.192	0	8.192
Amortisation and impairment losses			
Amortisation and impairment for the year	681	41	722
Sales and disposals during the year	4 (	37) (	33)
Currency adjustments during the year	0 (	4) (	4)
Balance at 31 December 2009	685	0	685
Carrying amounts			
At 31 December 2009	7.507	0	7.507

Amortisation and impairment charge

The amortisation is allocated to the cost of sales in the statement of comprehensive income.

13. Goodwill

2009

Goodwill, amortisation and impairment losses are specified as follows:

Recognised on acquisition of subsidiaries	28.132
Impact of subsidiaries subsequent to acquisition price determination	(11.822)
Balance at 31 December	16.310

Amortisation and impairment charge

The amortisation is allocated to the cost of sales in the statement of comprehensive income.

14. Finance assets

Non-current financial assets

Interest-bearing bonds	109
Other financial assets	819
	928

15. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

	Assets	Liabilities	Net
Intangible assets	314 (	86)	228
Operating fixed assets	2.337	0	2.337
Current assets	57	0	57
Long-term liabilities	0 (	51) (	51)
Current liabilities	60	0	60
Other	284	0	284
Tax loss carry-forwards	1.260	0	1.260
Total tax assets (liabilities)	4.312 (	137)	4.175
Set off tax	(137)	137	0
Net tax assets (liabilities)	4.175	0	4.175

Notes, contd.:

16. Trade and other receivables

2009

Trade and other receivables are specified as follows:

Trade receivable, par value	49.735
Prepaid expenses	487
Current maturities of long-term notes	39
Other receivables	3.762
Trade and other receivables total	<u>54.023</u>

17. Cash and cash equivalents

Cash and cash equivalents are specified as follows:

Bank balances	34.073
Marketable securities	2.558
Cash and cash equivalents	<u>36.631</u>

18. Capital and reserves

The Company's capital stock is nominated in Icelandic kronur. The nominal value of each share is one ISK and one vote is attached to each share. The EUR amount of capital stock was 0,1 million at year-end 2009.

	Number of shares .000	EUR
Issued shares during the year	20.000	111
Treasury share at year-end	(1.192)	(7)
Outstanding shares at 31 December 2009	<u>18.808</u>	<u>104</u>

Shares issued to A1988 hf.

According to the composition agreement for A1988 hf. a 4.2% shareholding in Eimskipafélag Íslands hf. was not distributed to lenders but assigned to A1988 hf. The shares will be used to satisfy contingent liabilities that may arise in coming periods. The value of these shares is estimated to be approximately EUR 6.6 million.

If the value of the shares exceeds the contingent claims accepted by A1988 hf in accordance with the composition agreement, the remaining shares will be transferred to Eimskipafélag Íslands hf. without any compensation. These shares are not recognised in the statement of financial position at year-end.

Share premium

Share premium represents excess of payment above nominal value that shareholders have paid for shares sold by the Company.

Translation reserve

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

Dividend

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

Notes, contd.:

19. Earnings per share

Basic earnings per share

The calculation of basic and diluted earnings per share at 31 December 2009 was based on the earning attributable to ordinary shareholders of the parent company of 2.6 million and a weighted average number of ordinary shares outstanding of 4.7 million, calculates as follows:

Net earnings attributable to ordinary shareholders	2.303
Effect of shares issued	5.000
Effect of treasury shares held	(298)
Weighted average number of ordinary shares at 31 December 2009	4.702

At year-end the Group had neither issued share options to employees nor issued convertible loans.

20. Loans and borrowings

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings. For more information about the Group's exposure to foreign currency risk, see note 22:

Non-current loans and borrowings at the end of the year consist of the following:	2009
Finance lease liabilities	15.776
Loans and borrowings	65.216
	<u>80.992</u>

	Nominal interest	Carrying amount
Loans in EUR	0,0-12,0%	41.858
Loans in USD	0,0-8,0%	14.001
Loans in DKK	8,0-9,3%	3.466
Loans in other currencies	-	5.891
		<u>65.216</u>
Current maturities		(8.831)
		<u>56.385</u>

Aggregated annual maturities are as follows:

On demand or within 12 months	8.831
Within 24 months	6.753
Within 36 months	6.690
Within 48 months	5.591
Within 60 months	5.604
After 60 months	31.747
	<u>65.216</u>

Notes, contd.:

20. Loans and borrowings, contd.:

Collateral of loans and borrowings is specified as follows:

Loans with collateral in fixed assets	57.456
Unsecured bond issued, no collateral	7.760
Finance lease	15.776
Total	<u>80.992</u>

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments	Interest	Principal
Less than one year	5.531	3	5.528
Between one and five years	8.673	3	8.670
More than five years	1.578	1	1.578
	<u>15.782</u>	<u>7</u>	<u>15.776</u>

21. Trade and other payables

Trade and other payables are attributable to the following:

Account payable	25.588
Other payables	16.866
Provisions and claims	1.500
Total	<u>43.954</u>

22. Financial instruments

Credit risk

Exposure to credit risk

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

	Note	Carrying amount
Interest bearing bonds	14	109
Other financial assets	14	819
Trade and other receivables	16	54.023
Cash and cash equivalents	17	36.631
		<u>91.582</u>

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

	Carrying amount
North Atlantic	42.372
Other regions	7.363
	<u>49.735</u>

Notes, contd.:

22. Financial instruments, cont.:

Impairment risk

The aging of trade receivables at the reporting date was:

	Gross 2009	Impairment 2009
Not past due	36.974	(600)
Past due 0 - 90 days	11.235	(1.021)
Past due 91 - 180 days	3.817	(1.842)
More than 180 days	11.045	(9.873)
	<u>63.071</u>	<u>(13.336)</u>

Liquidity risk

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

31.12.2009

	Carrying amount	Contractual cash flow	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
Non-derivative financial liabilities:						
Secured bank loans	65.216	(82.528)	(10.050)	(9.385)	(15.746)	(47.347)
Finance lease liabilities	15.776	(15.642)	(5.467)	(4.169)	(4.444)	(1.562)
Trade and other payables ...	43.954	(43.954)	(43.954)	0	0	0
	<u>124.946</u>	<u>(142.124)</u>	<u>(59.471)</u>	<u>(13.554)</u>	<u>(20.190)</u>	<u>(48.909)</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk is as follows based on notional amounts:

31.12.2009

	ISK	USD	CAD	NOK	CHF	Other
Trade receivable	18.173	12.493	262	2.556	0	4.075
Borrowings	(701)	(6.512)	0	0	(8.000)	(653)
Trade payable	(3.649)	(6.596)	0	(1.003)	0	(5.257)
Gross balance sheet exposure	<u>13.823</u>	<u>(615)</u>	<u>262</u>	<u>1.553</u>	<u>(8.000)</u>	<u>(1.835)</u>

The following significant exchange rates were applied during the year:

	Average rate	Reporting date spot rate
ISK	0,0054	0,0056
USD	0,6767	0,6942
GBP	1,1054	1,1260
NOK	0,1191	0,1205
DKK	0,1344	0,1344
JPY	0,0075	0,0075
CAD	0,6410	0,6610

Notes, contd.:

22. Financial instruments, cont.:

Fair values

Fair values versus carrying amounts

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

	Carrying amount	Fair value
Loans and receivables	54.023	54.023
Cash and cash equivalents	36.631	36.631
Loans and borrowings	80.992	80.992
Finance lease liabilities	15.776	15.776
Trade and other payables	43.954	43.954
	<u>231.376</u>	<u>231.376</u>

No assets and liabilities are carried at fair value at year-end 2009.

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

Interest rates used for determining fair values

The interest rate used to discount estimated cash flows, where applicable, are based on three-month interest rates on interbank market at the reporting date plus an 4 0% credit spread.

23. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

Less than one year	801
Between one and five years	2.741
More than five years	7.164
	<u>10.706</u>

The Group leases a number of trucks and equipment under operating leases. The leases typically run for a period of 3 -5 years.

The Group leases a number of warehouses and office buildings under operating lease. The lease period is 10 to 20 years.

24. Related parties

The Company's related parties are subsidiaries (see note 25). Intercompany transactions are eliminated on consolidation.

25. Group entities

At year-end the Company owned directly 8 subsidiaries that are all included in the consolidation. The direct subsidiaries further owned 50 subsidiaries at year-end. The Group's subsidiaries are as follows:

	Country of incorporation	Ownership Interest 2009
TVG - Zimsen ehf.	Iceland	100%
Eimskip Island ehf.	Iceland	100%
Eimskip USA Inc.	USA	100%
Eimskip UK Ltd.	England	100%
Eimskip Nederland BV	Holland	100%
P/F Faroe Ship	Faroe Islands	100%
Avia Technical Services Ltd.	England	100%
Harbour Grace CS Inc.,	Canada	51%

26. Subsequent events

There are no material subsequent events that have not been disclosed in the financial statements.

Eimskipafelag Islands hf.
Consolidated Financial Statements
For the year ended 31 December 2010
EURO

Eimskipafelag Islands hf.
Korngarðar 2
104 Reykjavík
Iceland

Reg. no. 690409-0460

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Endorsement and Statement by the Board of Directors and the CEO

The Consolidated Financial Statements of Eimskipafélag Íslands hf. and its subsidiaries (the "Group") are prepared and presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements are presented in thousands of EUR.

The Group's net earnings for the year 2010 amounted to EUR 12.2 million according to the consolidated income statement. Stockholders' equity at 31 December 2010 amounted to EUR 162.5 million according to the statement of financial position. At year-end 2010 the total number of shares in Eimskipafélag Íslands hf. was 20 million which were divided between 73 shareholders, unchanged from previous year. The Company holds 6% of issued shares. Two shareholders owned more than 10% share in the Company, Landsbanki Íslands hf. with 37.3% and the Yucaipa Companies LLC and affiliates with 32.3% shareholding.

The Board of Directors does not propose a payment of dividend to shareholders in 2011.

Statement by the Board of Directors and the CEO

According to the best of our knowledge, it is our opinion that the annual consolidated financial statements give a true and fair view of the consolidated financial performance of the Group for the year 2010, its assets, liabilities and consolidated financial position as at 31 December 2010 and its consolidated cash flows for the year 2010.

Further, in our opinion the consolidated financial statements and the Endorsement by the Board of Directors and the CEO give a fair view of the development and performance of the Group's operations and its position and describes the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO have today discussed the annual consolidated financial statements of Eimskipafélag Íslands hf. for the year 2010 and confirm them by means of their signatures. The Board of Directors and the CEO recommend that the consolidated financial statements be approved at the annual general meeting of Eimskipafélag Íslands hf.

Reykjavík, 23 March 2011.

Board of Directors:

Bragi Ragnarsson
Chairman

Ólafur Helgi Ólafsson

Tómas Kristjánsson

Richard Winston Mark d'Abo

Marc Jason Smernoff

CEO:

Gylfi Sigfússon

Independent Auditors' Report

To the Board of Directors and Shareholders of Eimskipafelag Islands hf.

We have audited the accompanying consolidated financial statements of Eimskipafelag Island hf., which comprise the consolidated statement of financial position as at December 31, 2010, the consolidated income statement and statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the Financial Statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Eimskipafelag Island hf. as at December 31, 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on the Board of Directors report

Pursuant to the legal requirement under Article 106, Paragraph 1, Item 5 of the Icelandic Financial Statement Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors accompanying the financial statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the Financial Statements.

Reykjavík, 23 March 2011.

KPMG ehf.

Alexander G. Edvardsson

Ólafur Már Ólafsson

Consolidated income statement for the year ended 31 December 2010

	Notes	2010 1.1.-31.12.	2009 1.10.-31.12.
Operating revenue:			
Sales		365.222	87.708
Expenses:			
Operating expenses		263.827	57.451
Salaries and related expenses	8	58.705	14.982
Other expenses		4.069	6.736
		326.601	79.169
Operating profit before deprecation and impairment		38.621	8.539
Depreciation and impairment	11,12	(23.169)	(5.857)
Results from operating activities		15.452	2.682
Finance income		1.603	615
Finance expense		(4.204)	(1.672)
Net finance expense	9	(2.601)	(1.057)
Net earnings before income tax		12.851	1.625
Income tax	10	(610)	678
Net earnings for the year		12.241	2.303
Income for the year attributable to:			
Equity holders of the Company		12.237	2.305
Non-controlling interest		4	(2)
Income for the year		12.241	2.303
Earnings per share:			
Basic and diluted earnings per share (EUR)	19	0,651	0,123

The notes on pages 10 to 31 are an integral part of these Consolidated Financial Statements.

Consolidated statement of comprehensive income for the year ended 31 December 2010

	Notes	2010 1.1.-31.12.	2009 1.10.-31.12.
Profit for the year		12.241	2.303
Other comprehensive income:			
Foreign currency translation difference of foreign operations		114	128
Impact of subsidiaries subsequent to acquisition price determination	7	0 (	11.822)
Other comprehensive income for the year, net of tax		114 (	11.694)
Total comprehensive income for the year		12.355 (	9.391)
Total comprehensive income for the year attributable to:			
Equity holders of the Company		12.351 (	9.389)
Non-controlling interest		4 (	2)
Total comprehensive income for the year		12.355	(9.391)

The notes on pages 10 to 31 are an integral part of these Consolidated Financial Statements.

Consolidated statement of financial position

as at 31 December 2010

	Notes	2010	2009
Assets:			
Property, vessels and equipment	11	147.991	152.114
Intangible assets	12	20.832	24.211
Finance assets	14	1.455	928
Deferred tax assets	15	5.250	4.175
Total non-current assets		<u>175.528</u>	<u>181.428</u>
Inventories		2.229	2.039
Trade and other receivables	16	48.703	54.023
Cash and cash equivalents	17	50.333	36.631
Assets classified as held for sale	3 i	8.424	4.470
Total current assets		<u>109.689</u>	<u>97.163</u>
Total assets		<u><u>285.217</u></u>	<u><u>278.591</u></u>
Equity:			
Share capital	18	104	104
Share premium		148.179	157.696
Share option reserve		106	0
Translation reserve		242	128
Retained earnings		12.237	(9.517)
Total equity attributable to equity holders of the parent		<u>160.868</u>	<u>148.411</u>
Non-controlling interest		1.600	1.596
Total equity		<u>162.468</u>	<u>150.007</u>
Liabilities:			
Loans and borrowings	20	60.593	66.633
Total non-current liabilities		<u>60.593</u>	<u>66.633</u>
Loans and borrowings	20	11.635	14.359
Trade and other payables	21	43.520	43.122
Liabilities classified as held for sale	3 i	7.001	4.470
Total current liabilities		<u>62.156</u>	<u>61.951</u>
Total liabilities		<u>122.749</u>	<u>128.584</u>
Total equity and liabilities		<u><u>285.217</u></u>	<u><u>278.591</u></u>

The notes on pages 10 to 31 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity as at 31 December 2010

	Share Capital	Share premium	Share option reserve	Trans- lation reserve	Retained earnings	Total	Non controlling interest	Total equity
Changes in Equity 2010:								
Equity at 1 January 2010	104	157.696		128	(9.517)	148.411	1.596	150.007
Loss off-set by share premium		(9.517)			9.517	0		0
Effects of share based payments agreements			106			106		106
Foreign currency translation difference of foreign operations				114		114		114
Earnings for the year					12.237	12.237	4	12.241
Total recognised income and expense				114	21.754	12.457	4	12.461
Equity at 31 December 2010	104	148.179	106	242	12.237	160.868	1.600	162.468
Changes in Equity 2009:								
New shares issued	10	14.990				15.000		15.000
Acquisition of subsidiaries satisfied with new shares	101	152.699				152.800		152.800
Purchase of treasury shares	(7)	(9.993)				(10.000)		(10.000)
Transactions with owners, recorded directly in equity	104	157.696				157.800		157.800
Foreign currency translation difference of foreign operations				128		128		128
Impact of subsidiaries subsequent to acquisition price determination					(11.822)	(11.822)		(11.822)
Earnings for the year					2.305	2.305	(2)	2.303
Total recognised income and expense				128	(9.517)	(9.389)	(2)	(9.391)
Recognised on acquisition of subsidiaries							2.762	2.762
Non controlling interest, changes							(1.164)	(1.164)
Equity at 31 December 2009	104	157.696	0	128	(9.517)	148.411	1.596	150.007

The notes on pages 10 to 31 are an integral part of these Consolidated Financial Statements.

Consolidated statement of cash flows for the year ended 31 December 2010

	Notes	2010 1.1.-31.12.	2009 1.10.-31.12.
Cash flows from operating activities:			
Earnings for the year		12.241	2.303
Adjustments for:			
Depreciation and impairment of non-current assets	11-12	23.169	5.857
Net finance expense		2.601	1.057
Change in deferred taxes	10	(1.404)	(678)
Other changes		(477)	(44)
		<u>36.130</u>	<u>8.495</u>
Changes in current assets and liabilities:			
Inventories, increase		(162)	(409)
Receivables, decrease		1.910	1.659
Payables, increase (decrease)		3.744	(1.865)
Change in current assets and liabilities		<u>5.492</u>	<u>(615)</u>
Interest paid		(4.945)	(577)
Interest received		1.069	498
Taxes paid		567	0
Net cash from operating activities		<u>38.313</u>	<u>7.801</u>
Cash flows from investing activities:			
Investments in non-current assets	11-12	(16.071)	(1.638)
Proceeds from the sale of non-current assets		1.805	908
Investments in subsidiaries net of cash acquired	7	0	28.525
Proceeds from sale of associated companies		0	358
Net cash (used in) provided by investing activities		<u>(14.266)</u>	<u>28.153</u>
Cash flows from financing activities:			
Proceeds from sale of share capital		0	15.000
Purchase of treasury shares		0	(10.000)
Changes in minority interest		4	2
Proceeds from long-term borrowings		87	0
Repayment of long-term borrowings		(11.592)	(4.183)
Short-term borrowing, change		0	(341)
Net cash (used in) provided by financing activities		<u>(11.501)</u>	<u>478</u>
Increase in cash and cash equivalents		12.546	36.432
Cash and cash equivalents at the beginning of the year		36.631	0
Effects of exchange rate fluctuations on cash held		1.156	199
Cash and cash equivalents at the end of the year		<u>50.333</u>	<u>36.631</u>
Investing not affecting cash flows:			
Assets classified as held for sale	3 i	(7.001)	0
Liabilities classified as held for sale	3 i	7.001	0

The notes on pages 10 to 31 are an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1. Reporting entity

Eimskipafelag Islands hf. (the "Company") is a limited liability company domiciled in Iceland. The address of the Company's registered office is Korngardar 2, 104 Reykjavík. The consolidated financial statements of the Company for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group"). The Company is an investment company focused on investments in shipping and logistic services.

The Company was established in April 2009 and started operation on 1 October 2009 when the majority of the subsidiaries of Hf. Eimskipafelag Islands were acquired. Comparative amounts in the income statement and the statement of cash flow therefore only include 3 months of operation. Comparative amounts in the consolidated statement of financial position have been adjusted to reflect the final outcome of purchase price allocation of acquired subsidiaries in 2009. Further information on the effects of the purchase price allocation are provided in note 7.

2. Basis of preparation

a. Statement of compliance

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

The financial statements were approved and authorised for issue by the Company's Board of Directors on 23 March 2011.

b. Basis of measurement

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

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

c. Functional and presentation currency

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

d. Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 13 – measurement of the recoverable amounts of cash-generating units containing goodwill

Note 15 – measure of the recoverable amounts of deferred tax assets

Note 20 – accounting for an arrangement containing a lease

Notes, contd.:

3. Significant accounting policies

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

a. Basis of consolidation

(i) Subsidiaries

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

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

(ii) Transactions eliminated on consolidation

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

b. Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) Foreign operations

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

c. Financial instruments

(i) Non-derivative financial assets

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

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

Receivables comprise trade and other receivables.

(ii) Cash and cash equivalents

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

Notes, contd.:

3. Significant accounting policies, contd.:

(iii) Non-derivative financial liabilities

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

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

(iv) Share capital

Ordinary shares

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

Repurchase of share capital (treasury shares)

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

d. Property, vessels and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, vessels and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Notes, contd.:

3. Significant accounting policies, contd.:

d. Property, vessels and equipment, contd.:

The estimated useful lives of property, vessels and equipment are as follows:

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

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

e. Intangible assets

(i) Goodwill

Goodwill was recognized at first before the Purchase Price Allocation was performed. After the PPA the result was a brand name and Customer relations list, both of these are included in intangible assets.

(ii) Intangible assets

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

(iii) Subsequent expenditure

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

(iv) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and brand name, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows:

Software	3 - 5 years
Other intangibles	10 years

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

f. Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position.

Notes, contd.:

3. Significant accounting policies, contd.:

g. Inventories

Inventories mainly consist of oil and other supplies and are measured at cost.

h. Impairment

(i) Financial assets (including receivables)

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

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

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

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

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

(ii) Non - financial assets

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

3. Significant accounting policies, contd.:

h. Impairment, contd.:

(ii) Non - financial assets, contd.:

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss in respect of brand name is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

i. Non-current assets held for sale

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

Assets classified as held for sale

On 28 May 2010, a former subsidiary of A1988 hf. (previously Hf. Eimskipafélag Íslands) was returned to the Group. This subsidiary, Air Atlanta Aero Engineering Ltd. (AAAE), was sold by A1988 in the year 2008, but the buyer was unable to fulfill his obligations according to the purchase agreement. The company AAAE is presented as a assets classified as held for sale in the financial statements following the commitment of the Group's management to resell the company. Efforts to sell have commenced and sale is expected to be completed in 2011. At 31 December 2010 the carrying amount of the assets is lower than fair value less cost to sell.

j. Employee benefits

Defined contribution plans

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

k. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Notes, contd.:

3. Significant accounting policies, contd.:

l. Revenue

Services

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

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

m. Lease payment

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

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

n. Finance income and finance costs

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

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

Borrowing costs that are not directly attributable to the acquisition, construction or production of an qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on net basis.

o. Income tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but the intent to settle current tax liabilities and asset basis or their tax assets and liabilities will be realized simultaneously.

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

3. Significant accounting policies, contd.:

p. Earnings per share

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

q. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance.

r. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these consolidated financial statements. None of these will have a material effect on the consolidated financial statements of the Group.

4. Determination of fair values

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

(i) Property, vessels and equipment

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

(ii) Trade and other receivables

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

5. Financial risk management

Overview

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

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

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosure are included throughout these consolidated financial statements.

5. Financial risk management, contd.:

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

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

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. No single customer accounts for more than 10% of the Group's revenue from sales transactions. Geographically, there is some concentration of credit risk.

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

Goods that are shipped or transported may be with-held until payment for service rendered has been received. The Group usually does not require collateral in respect to trade and other receivable.

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

Liquidity risk

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

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of the Group entities, primarily the U.S. dollar (USD), but also the Icelandic krona (ISK) and the Norwegian Krona (NOK).

5. Financial risk management, contd.:

Operational risk

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

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

Capital management

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

6. Segment reporting

Business segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services on different markets, and are managed separately. The segment reporting is based on internal reporting function of the Group. The following summary describes the operations in each of the Group's reportable segments:

Shipping: The main emphasis in the Group's operations is the sale of transportation of goods to and from Iceland through its service routes on the North-Atlantic. This service includes sea transportation, trucking and warehousing and logistic service.

Forwarding: The secondary segment represents shipping, freight forwarding, trucking and warehousing and logistic services provided in foreign subsidiaries.

Geographical segments

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

Notes, contd.:

6. Segment reporting, contd.:

Business segments

	Shipping	Forwarding	Consolidated
For the year 2010			
Revenue, external	247.560	117.662	365.222
Inter-segment revenue	18.288	20.738	39.026
Total	265.848	138.400	404.248
Expenses, external	(211.842)	(114.759)	(326.601)
Inter-segment expenses	(20.738)	(18.288)	(39.026)
EBITDA	33.268	5.353	38.621
Depreciation and impairment	(21.809)	(1.360)	(23.169)
EBIT	11.459	3.993	15.452
Net financing expense	(2.704)	103	(2.601)
Income tax	249	(859)	(610)
Minority interest	(4)	0	(4)
Earnings for the year	9.000	3.237	12.237
Segment assets	234.621	50.596	285.217
Segment liabilities	98.034	24.715	122.749
Capital expenditure	14.252	1.819	16.071
For the year 2009			
Revenue, external	56.959	30.749	87.708
Inter-segment revenue	11.195	4.679	15.874
Total	68.154	35.428	106.351
Expenses, external	(50.520)	(28.649)	(79.169)
Inter-segment expenses	(10.231)	(5.644)	(15.875)
EBITDA	7.403	1.135	8.538
Depreciation and impairment	(4.897)	(960)	(5.857)
EBIT	2.506	175	2.681
Net financing expense	(1.516)	459	(1.057)
Income tax	613	65	678
Minority interest	2	0	2
Earnings for the year	1.605	699	2.303
Segment assets	236.953	41.638	278.591
Segment liabilities	104.131	24.453	128.584
Capital expenditure	1.638	0	1.638

Geographical segments

	North Atlantic	Other territories	Consolidated
For the year 2010			
Revenue, external	305.009	60.213	365.222
Segment assets	268.223	16.994	285.217
Capital expenditure	16.071	0	16.071
For the year 2009			
Revenue, external	72.494	15.214	87.708
Segment assets	266.521	12.070	278.591
Capital expenditure	1.638	0	1.638

Notes, contd.:

7. Acquisitions of subsidiaries and minority interests

On 30 September 2009, the Group acquired majority of former subsidiaries of A1988 hf. (previously Hf. Eimskipafélag Íslands). This acquisition was accounted for by applying the purchase method. Pre-acquisition carrying amounts were determined based on applicable IFRSs immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values.

	Pre-acq. carrying amounts	Fair value adjustments	Recognised values on acquisition
Property, vessels and equipment	181.964	(1.225)	180.739
Intangible assets	13.727	16.704	30.431
Goodwill	2.338	(2.338)	0
Other assets	3.702		3.702
Inventories	1.740		1.740
Trade and other receivables	60.371		60.371
Cash and cash equivalents	28.525		28.525
Interest-bearing borrowings	(92.833)		(92.833)
Trade and other payables	(72.528)	831	(71.697)
Net identifiable assets and liabilities	127.006		140.978
Calculated goodwill on acquisition	13.972	(13.972)	0
Total purchase price on acquisition	140.978	0	140.978

Purchase price allocation of calculated goodwill on acquisition has been finalized. The fair value adjustment on the acquisition is attributable mainly to the brand name of Eimskip and customer relationships of the acquired business. Comparative amounts in the consolidated statement of financial position have been restated to reflect the purchase price allocation.

8. Salaries and related expenses

	2010	2009
Salaries and related expenses are specified as follows:		
Salaries	48.703	12.260
Other salaries - related expenses	9.896	2.722
Salaries and related expenses	58.599	14.982
Average number of positions	1.261	1.562
Number of employees at year-end	1.247	1.548

Salaries to the members of the Board of Directors, CEO and other directors amounted to EUR 1.041 thousand during the year.

9. Finance income and expense

Finance income is specified as follows:

Interest income	1.269	601
Dividends received	114	14
Net foreign exchange gain	220	0
	1.603	615

Finance expense is specified as follows:

Interest on long-term loans	(3.287)	(982)
Other interest	(917)	(61)
Net foreign exchange loss	0	(629)
	(4.204)	(1.672)
Net finance expense	(2.601)	(1.057)

Notes, contd.:

10. Income tax

(i) The effective income tax rate of the Group for the year 2010 is 5%.

In December 2010, the Icelandic Parliament increase the income tax ratio from 18% to 20% as of 1 January 2011 and the change is effective for 2012 tax assessment. Therefore, the deferred tax assets has been increased by EUR 428 thousand as at 31 December 2010. The effect is recognized as an income in profit or loss.

The parent company and the subsidiary Eimskip Ísland ehf. had taxable losses for the operating period 2010 which is recognized as an income in profit or loss and as a deferred tax assets at year-end. Some subsidiaries within the Group have net income where income tax is not recognized due to tonnage tax regulations.

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

(ii) Income tax recognised in the income statement:

	2010	2009
Current tax expense:		
Current period	(1.685)	0
Deferred tax:		
Origination and reversal of temporary differences	1.383 (	562)
Change in tax rate	428 (	116)
Other changes	(736)	0
	1.075 (	678)
Total income tax	(610)	(678)

(iii) Reconciliation of effective tax rate:

Net earnings before income tax	12.851	1.625
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	2010		2009	
Income tax using the Company's domestic tax rate	18%	2.281	15%	244
Effect of tax rates in foreign jurisdictions and other changes	0,9%	117 (49,6%) (806)
Effects of tax losses recognised	(13,9% ) (	1.788)	(7,1% ) (	116)
Effective tax	4,7%	610 (	41,7% ) (	678)

11. Property, vessels and equipment

Property, vessels and equipment are specified as follows:

	Land and buildings	Vessels	Containers and equipment	Total
Cost				
Acquisitions through business combinations	81.091	67.115	33.758	181.964
Purchase price allocation	2.795 (	2.194)	(1.826)	(1.225)
Revalued balance	83.886	64.921	31.932	180.739
Other additions	0	1.392	130	1.522
Disposals	(18.327)	0	(2.719)	(21.046)
Assets classified as held for sale	(4.470)	0	0	(4.470)
Currency adjustments during the year	561	0	47	608
Balance at 31 December 2009	61.650	66.313	29.390	157.353
Balance at 1 January 2010	61.650	66.313	29.390	157.353
Reclassified assets	0	0	(727)	(727)
Other additions	158	6.526	8.318	15.002
Disposals	(43)	0	(2.575)	(2.618)
Currency adjustments during the year	1.187	0	354	1.541
Balance at 31 December 2010	62.952	72.839	34.760	170.551

Notes, contd.:

11. Property, vessels and equipment, contd.:

	Land and buildings	Vessels	Containers and equipment	Total
Depreciation and impairment losses				
Depreciation and impairment for the year	981	2.119	2.035	5.135
Currency adjustments during the year	45	0	59	104
Balance at 31 December 2009	1.026	2.119	2.094	5.239
Balance at 1 January 2010	1.026	2.119	2.094	5.239
Reclassified assets			(601)	(601)
Disposals	(13)		(1.391)	(1.404)
Depreciation and impairment for the year	2.870	8.673	7.056	18.599
Currency adjustments during the year	404		323	727
Balance at 31 December 2010	4.287	10.792	7.481	22.560
Carrying amounts				
At 31 December 2009	60.624	64.194	27.296	152.114
At 31 December 2010	58.665	62.047	27.279	147.991

12. Intangible assets

Intangible assets, amortisation and impairment losses are specified as follows:

	Brand name	Software	Market and customer related	Total
Cost				
Acquisitions through business combinations	0	8.185	5.542	13.727
Purchase price allocation	14.003		2.701	16.704
Revalued balance	14.003	8.185	8.243	30.431
Additions during the year		7	109	116
Disposals		0	(5.557)	(5.557)
Currency adjustments during the year		0	(94)	(94)
Balance at 31 December 2009	14.003	8.192	2.701	24.896
Balance at 1 January 2010	14.003	8.192	2.701	24.896
Reclassified assets		727		727
Additions during the year		1.069	0	1.069
Disposals		(4)	0	(4)
Currency adjustments during the year		22	0	22
Balance at 31 December 2010	14.003	10.006	2.701	26.710
Amortisation and impairment losses				
Amortisation and impairment for the year	0	681	41	722
Sales and disposals during the year		4	(37)	(33)
Currency adjustments during the year		0	(4)	(4)
Balance at 31 December 2009	0	685	0	685
Balance at 1 January 2010		685	0	685
Reclassified assets		601		601
Amortisation and impairment for the year		4.300	270	4.570
Currency adjustments during the year		22		22
Balance at 31 December 2010	0	5.608	270	5.878
Carrying amounts				
At 31 December 2009	14.003	7.507	2.701	24.211
At 31 December 2010	14.003	4.398	2.431	20.832

Notes, contd.:

12. Intangible assets, contd.:

Amortisation and impairment charge

Intangible assets other than brand name, such as software and customer related developments that have been acquired by the Company are stated at cost less accumulated amortization and impairment losses. The amortization is allocated to the cost of sales in the statement of comprehensive income.

Brand name has been identified and recognized as a separate component in a purchase price allocation following the acquisition of the majority of subsidiaries of former Eimskip in 2009. The brand name is stated at the allocated amount and is tested annually for impairment.

13. Goodwill

Goodwill, amortisation and impairment losses are specified as follows:

	2010	2009
Balance at 1 January / recognised on acquisition of subsidiaries	0	28.132
Impact of subsidiaries subsequent to acquisition price determination	0 (	11.822)
Balance at 31 December	0	16.310
Purchase price allocation	0 (	16.310)
Revalued balance	0	0

Amortisation and impairment charge

The amortisation is allocated to the cost of sales in the statement of comprehensive income.

14. Finance assets

Non-current finance assets

Interest-bearing bonds	773	109
Other financial assets	682	819
	1.455	928

15. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

	Assets	Liabilities	Net
2010			
Intangible assets	270	0	270
Operating fixed assets	2.114 (	98)	2.016
Current assets	1.744	0	1.744
Other	103 (	58)	45
Tax loss carry-forwards	1.460 (	285)	1.175
Total tax assets (liabilities)	5.691 (	441)	5.250
Set off tax	(441)	441	0
Net tax assets (liabilities)	5.250	0	5.250
2009			
Intangible assets	314 (	86)	228
Operating fixed assets	2.337	0	2.337
Current assets	57	0	57
Long-term liabilities	0 (	51) (	51)
Current liabilities	60	0	60
Other	284	0	284
Tax loss carry-forwards	1.260	0	1.260
Total tax assets (liabilities)	4.312 (	137)	4.175
Set off tax	(137)	137	0
Net tax assets (liabilities)	4.175	0	4.175

Notes, contd.:

16. Trade and other receivables

	2010	2009
Trade and other receivables are specified as follows:		
Trade receivable, par value	46.262	49.735
Prepaid expenses	444	487
Current maturities of long-term notes	253	39
Other receivables	1.744	3.762
Trade and other receivables total	48.703	54.023
Allowance for impairment losses are specified as follows:		
Balance at beginning	(13.336)	0
Impairment loss derecognised	3.989	0
Impairment loss recognised	(1.821)	(13.336)
Balance at year-end	(11.168)	(13.336)

17. Cash and cash equivalents

Cash and cash equivalents are specified as follows:		
Bank balances	37.553	34.073
Marketable securities	12.780	2.558
Cash and cash equivalents	50.333	36.631

18. Capital and reserves

The Company's capital stock is nominated in Icelandic kronur. The nominal value of each share is one ISK and one vote is attached to each share. The EUR amount of capital stock was 0,1 million at year-end 2010.

	Number of shares .000	EUR
Issued shares during the year 2009	20.000	111
Treasury shares at year-end 2009	(1.192)	(7)
Outstanding shares at 31 December 2009	18.808	104
Outstanding shares at 31 December 2010	18.808	104

Shares issued to A1988 hf.

According to the composition agreement for A1988 hf. a 4.2% shareholding in Eimskipafélag Íslands hf. was not distributed to lenders but assigned to A1988 hf. The shares will be used to satisfy contingent liabilities that may arise in coming periods. The value of these shares is estimated to be approximately EUR 6 million.

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

Share premium

Share premium represents excess of payment above nominal value that shareholders have paid for shares sold by the Company. The balance of the share premium account can be used to offset losses not covered by other reserves. Net accumulated deficit at year-end 2009 in the amount of EUR 9.5 million was cancelled by a reduction in the share premium account in the same amount.

Translation reserve

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

Dividend

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

Notes, contd.:

19. Earnings per share

Basic earnings per share

The calculation of basic and diluted earnings per share at 31 December 2010 was based on the earning attributable to ordinary shareholders of the parent company and a weighted average number of ordinary shares outstanding during the year. Comparative amounts in the income statement only include 3 months of operation. Calculations are as follows:

	2010 1.1.-31.12.	2009 1.10.-31.12.
Net earnings attributable to ordinary shareholders	12.241	2.303
Effect of shares issued	20.000	20.000
Effect of treasury shares held	(1.192)	(1.192)
Weighted average number of ordinary shares at 31 December	18.808	18.808

Diluted earnings per share

Since the exercise price of the Company's share option programme equals fair value at year-end the effects on earnings per share are nil.

At year-end the Group had not issued convertible loans.

20. Loans and borrowings

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings. For more information about the Group's exposure to foreign currency risk, see note 22:

Non-current loans and borrowings at the end of the year consist of the following:

	2010	2009
Finance lease liabilities	13.318	15.776
Loans and borrowings	58.910	65.216
	72.228	80.992

	2010		2009	
	Nominal interest	Carrying amount	Nominal interest	Carrying amount
Loans in EUR	4,5-5,1%	42.640	0,0-12,0%	41.858
Loans in USD	1,8%	10.608	0,0-8,0%	14.001
Loans in CHF	0,5%	2.132	0,4%	2.696
Loans in DKK	8,0-9,3%	1.171	8,0-9,3%	3.466
Loans in other currencies	-	2.359	-	3.195
		58.910		65.216
Current maturities		(7.223)		(8.831)
		51.687		56.385

Aggregated annual maturities are as follows:

	2010	2009
On demand or within 12 months	7.223	8.831
Within 24 months	7.238	6.753
Within 36 months	5.430	6.690
Within 48 months	5.448	5.591
Within 60 months	4.456	5.604
After 60 months	29.115	31.747
	58.910	65.216

Notes, contd.:

20. Loans and borrowings, contd.:

Collateral of loans and borrowings is specified as follows:	2010	2009
Loans with collateral in fixed assets	55.380	57.456
Unsecured bond issued, no collateral	3.530	7.760
Finance leases	13.318	15.776
Total	<u>72.228</u>	<u>80.992</u>

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2010			2009		
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Less than one year	4.551	4	4.547	5.531	3	5.528
Between one and five years	6.768	1	6.767	8.673	3	8.670
More than five years	2.004	0	2.004	1.578	1	1.578
	<u>13.323</u>	<u>5</u>	<u>13.318</u>	<u>15.782</u>	<u>7</u>	<u>15.776</u>

21. Trade and other payables

Trade and other payables are attributable to the following:	2010	2009
Account payable	28.311	25.588
Other payables	13.709	16.866
Provisions and claims	1.500	1.500
Total	<u>43.520</u>	<u>43.954</u>

22. Share-based payment

Description of the share-based payments arrangements

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

Share option programme (equity settled)

In 2010 the Company established a share option programme that entitles key management personnel to purchase shares in the Company. The total number of shares allocated to the plan numbers 375.000 shares. The options will vest as to one third (1/3) of the total number of shares subject to the option plan annually over a three year period following the grant date. The grant is subject to the participant's continued employment by the Company and no option, or a portion of an option, is eligible for exercise earlier than three years after the grant date. The term of the option awards is ten years.

Terms and conditions of share option programme

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

Fair value at grant date	ISK 1.501
Share price at grant date	ISK 1.501
Exercise price	ISK 1.501
Expected volatility	28,0%
Option life	10 years
Risk-free interest rate	4,96%

Notes, contd.:

23. Financial instruments

Credit risk

Exposure to credit risk

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

	Note	2010 Carrying amount	2009 Carrying amount
Interest-bearing bonds	14	773	109
Other financial assets	14	682	819
Trade and other receivables	16	48.703	54.023
Cash and cash equivalents	17	50.333	36.631
		<u>100.491</u>	<u>91.582</u>

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

	2010 Carrying amount	2009 Carrying amount
North Atlantic	36.651	42.372
Other regions	9.611	7.363
	<u>46.262</u>	<u>49.735</u>

Impairment risk

The aging of trade receivables at the reporting date was:

	Gross 2010	Impairment 2010	Gross 2009	Impairment 2009
Not past due	37.575	(375)	36.974	(600)
Past due 0 - 90 days	11.779	(3.966)	11.235	(1.021)
Past due 91 - 180 days	1.925	(1.436)	3.817	(1.842)
More than 180 days	5.391	(5.391)	11.045	(9.873)
	<u>56.670</u>	<u>(11.168)</u>	<u>63.071</u>	<u>(13.336)</u>

Liquidity risk

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

Non-derivative financial liabilities:	Carrying amount	Contractual cash flow	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
31.12.2010						
Secured bank loans	58.910	(87.389)	(9.940)	(9.747)	(22.721)	(44.981)
Finance lease liabilities	13.323	(14.819)	(4.892)	(3.975)	(3.799)	(2.153)
Trade and other payables ...	43.520	(43.520)	(43.520)	0	0	0
	<u>115.753</u>	<u>(145.728)</u>	<u>(58.352)</u>	<u>(13.722)</u>	<u>(26.520)</u>	<u>(47.134)</u>
31.12.2009						
Secured bank loans	65.216	(82.528)	(10.050)	(9.385)	(15.746)	(47.347)
Finance lease liabilities	15.776	(15.642)	(5.467)	(4.169)	(4.444)	(1.562)
Trade and other payables ...	43.954	(43.954)	(43.954)	0	0	0
	<u>124.946</u>	<u>(142.124)</u>	<u>(59.471)</u>	<u>(13.554)</u>	<u>(20.190)</u>	<u>(48.909)</u>

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

Notes, contd.:

23. Financial instruments, contd.:

Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk is as follows based on notional amounts:

31.12.2010	ISK	USD	NOK	CHF	Other
Trade and other receivables	16.938	5.063	564	0	2.731
Cash and cash equivalents	8.043	142	550	0	675
Loans and borrowings	(809)	(10.608)	0	(8.201)	(1.095)
Trade and other payables	(5.383)	(3.931)	(240)	0	(3.207)
Gross balance sheet exposure	18.789	(9.334)	874	(8.201)	(896)
31.12.2009					
Trade and other receivables	18.173	7.345	2.556	0	4.337
Loans and borrowings	(701)	(14.001)	0	(8.000)	(653)
Trade and other payables	(3.649)	(6.596)	(1.003)	0	(5.257)
Gross balance sheet exposure	13.823	(13.252)	1.553	(8.000)	(1.573)

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2010	2009	2010	2009
ISK	161,8899	172,6674	153,8000	179,8000
USD	1,3265	1,3971	1,3362	1,4406
GBP	0,8586	0,8905	0,8608	0,8881
NOK	8,0115	8,7186	7,8000	8,3000
DKK	7,4472	7,4461	7,4535	7,4418
JPY	116,2445	130,3563	108,6504	133,1595
CHF	1,3809	1,5103	1,2504	1,5128
CAD	1,3666	1,5836	1,3322	1,4836

Sensitivity analysis

A 10% strengthening of the EUR against the following currencies at 31 December would have increased result before income tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for the year 2009.

	2010	2009
ISK	(1.879)	(1.382)
USD	933	1.325
NOK	(87)	(155)
CHF	820	(800)

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

Notes, contd.:

23. Financial instruments, contd.:

Interest rate risk

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

	Carrying amount	
	2010	2009
Variable rate instruments		
Financial liabilities	72.233	80.992

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) result before income tax by EUR 722 thousands (2009: EUR 810 thousands). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the year 2009. The Group does not account for any fixed rate financial assets and liabilities.

Fair values

Fair values versus carrying amounts

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

	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Interest-bearing bonds	773	773	109	109
Other financial assets	682	682	819	819
Trade and other receivables	48.703	48.703	54.023	54.023
Cash and cash equivalents	50.333	50.333	36.631	36.631
	100.491	100.491	91.582	91.582
Loans and borrowings	58.910	59.139	65.216	64.963
Finance lease liabilities	13.318	13.201	15.776	15.916
Trade and other payables	43.520	43.520	43.954	43.954
	115.748	115.860	124.946	124.833

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

Interest rates used for determining fair values

The interest rate used to discount estimated cash flows, where applicable, are based on three-month interest rates on interbank market at the reporting date plus an 4.0% credit spread.

24. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2010	2009
Less than one year	1.472	586
Between one and five years	552	553
More than five years	0	12
	2.024	1.151

The Group leases a number of trucks and equipment under operating leases. The leases typically run for a period of 3 -5 years.

Notes, contd.:

25. Related parties

The Company's largest shareholders Landsbanki Islands hf., which 37.3% shareholding and Yucaipa Companies LLC with 32.3% shareholding are considered related parties as well as subsidiaries (see note 25). Intercompany transactions with subsidiaries are eliminated on consolidation.

Key management personnel are entitled to salary bonuses which are based on the Company's performance. The Company's performances for the year 2010 provide a base for bonus payments which have been calculated and included in the financial statements.

During the year there were no transactions or outstanding balances with Yucaipa Companies LLC. The Companies outstanding balances with Landsbanki Islands hf. is specified as follows:

	2010	2009
Cash and cash equivalents, interest rate, up to 8,75%	4.336	7.217
Loans and borrowings, interest rate 4,5%	13.140	14.600

26. Group entities

At year-end the Company owned directly 9 subsidiaries that are all included in the consolidation. The direct subsidiaries further owned 50 subsidiaries at year-end. The Group's subsidiaries are as follows:

	Country of incorporation	Ownership Interest 2010	Ownership Interest 2009
TVG - Zimsen ehf.	Iceland	100%	100%
Eimskip Island ehf.	Iceland	100%	100%
Eimskip USA Inc.	USA	100%	100%
Eimskip UK Ltd.	England	100%	100%
Eimskip Nederland BV	Holland	100%	100%
P/F Faroe Ship	Faroe Islands	100%	100%
Avia Technical Services Ltd.	England	100%	100%
Harbour Grace CS Inc.,	Canada	51%	51%
ELAH ehf., dormant	Iceland	100%	100%

27. Subsequent events

On February 17th 2011 the vessel Godafoss was grounded out off Fredrikstad in Norway. The vessel is insured but the Company does not have business interruptions insurance and therefore additional cost will be incurred as another vessel has been chartered to replace Godafoss while the vessel is out of service. The vessel has been salvaged and the estimated cost due to this accident is not supposed to have material effect on the Company's operational result for the year 2011.

The Company has received and accepted an offer to sell all claims against former subsidiaries that made up the aviation sector of the Avion Group (now A1988 hf.). The sale is to be completed in April 2011 and, if finalized, the Company will recognize net income in the amount of EUR 6.5 m.

Unaudited information

Quarterly statement	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009
Sales	87.397	95.893	103.252	78.680	87.708
Expenses	78.843	85.726	91.094	70.938	79.169
Operating profit before depreciation and impairment	8.554	10.167	12.158	7.742	8.539
Depreciation and impairment	(6.211)	(5.815)	(5.586)	(5.557)	(5.857)
Results from operating activities	2.343	4.352	6.572	2.185	2.682
Finance income	41	(968)	2.378	152	615
Finance expense	(1.044)	(1.047)	(1.644)	(469)	(1.672)
Net finance expense	(1.003)	(2.015)	734	(317)	(1.057)
Net earnings before income tax	1.340	2.337	7.306	1.868	1.625
Income tax	1.489	(499)	(1.001)	(599)	678
Net earnings	2.829	1.838	6.305	1.269	2.303

Eimskipafelag Islands hf.
Consolidated Financial Statements
For the year ended 31 December 2011
EURO

Eimskipafelag Islands hf.
Korngarðar 2
104 Reykjavík
Iceland

Reg. no. 690409-0460

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Endorsement and Statement by the Board of Directors and the CEO

The Group's main line of business is within the shipping and logistics sector with main emphasis on servicing scheduled routes on the North-Atlantic Ocean. The Consolidated Financial Statements of Eimskipafelag Islands hf. and its subsidiaries (the "Group") are prepared and presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements are presented in thousands of EUR.

In 2011 the Group entered into an agreement with a Chinese shipbuilding company for the building of two new 875 teus container vessels to be delivered in the first half of 2013. The total value of the agreement is USD 50.4 million or EUR 38.7 million.

The Group's net earnings for the year 2011 amounted to EUR 13.1 million according to the consolidated income statement. Stockholders' equity at 31 December 2010 amounted to EUR 176.5 million according to the statement of financial position. At year-end 2011 the total number of shares in Eimskipafelag Islands hf. was 20 million which were divided between 77 shareholders, unchanged from previous year. The Company holds 6% of issued shares. Two shareholders owned more than 10% share in the Company, Landsbanki Islands hf. with 37.3% and the Yucaipa Companies LLC and affiliates with 32.3% shareholding.

The Board of Directors does not propose a payment of dividend to shareholders in 2012.

In December 2011 the board of directors decided to commence necessary preparation for the Company's shares to be registered and traded on the Nasdaq OMX Iceland stock exchange in late 2012.

Statement by the Board of Directors and the CEO

According to the best of our knowledge, it is our opinion that the annual consolidated financial statements give a true and fair view of the consolidated financial performance of the Group for the year 2011, its assets, liabilities and consolidated financial position as at 31 December 2011 and its consolidated cash flows for the year 2011.

Further, in our opinion the consolidated financial statements and the Endorsement by the Board of Directors and the CEO give a fair view of the development and performance of the Group's operations and its position and describes the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO have today discussed the annual consolidated financial statements of Eimskipafelag Islands hf. for the year 2011 and confirm them by means of their signatures. The Board of Directors and the CEO recommend that the consolidated financial statements be approved at the annual general meeting of Eimskipafelag Islands hf.

Reykjavík, March 14, 2012.

Board of Directors:

Bragi Ragnarsson
Chairman

Ólafur Helgi Ólafsson

Tómas Kristjánsson

Richard Winston Mark d'Abo

Ronald Wayne Burkle

CEO:

Gylfi Sigfússon

Independent Auditors' Report

To the Board of Directors and Shareholders of Eimskipafelag Islands hf.

We have audited the accompanying consolidated financial statements of Eimskipafelag Island hf., which comprise the consolidated statement of financial position as at December 31, 2011, the consolidated income statement and statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the Financial Statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Eimskipafelag Island hf. as at December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on the Board of Directors report

Pursuant to the legal requirement under Article 106, Paragraph 1, Item 5 of the Icelandic Financial Statement Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors accompanying the financial statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the Financial Statements.

Reykjavík, March 14, 2012.

KPMG ehf.

Alexander G. Edvardsson

Ólafur Már Ólafsson

Consolidated income statement for the year ended 31 December 2011

	Notes	2011	2010
Operating revenue:			
Sales		384.727	365.222
Expenses:			
Operating expenses		277.688	263.827
Salaries and related expenses	6	62.323	58.705
Other expenses		1.561	4.069
		<u>341.572</u>	<u>326.601</u>
Operating profit before depreciation		43.155	38.621
Depreciation and impairment	9,10	(23.223)	(23.169)
Results from operating activities		19.932	15.452
Finance income		1.279	1.603
Finance expense		(4.988)	(4.204)
Net finance expense	7	(3.709)	(2.601)
Net earnings before income tax		16.223	12.851
Income tax	8	(3.078)	(610)
Net earnings for the year		13.145	12.241
Income for the year attributable to:			
Equity holders of the Company		12.840	12.237
Non-controlling interest		305	4
Income for the year		<u>13.145</u>	<u>12.241</u>
Earnings per share:			
Basic and diluted earnings per share (EUR)	16	0,683	0,651
Diluted earnings per share (EUR)	16	0,663	0,651

The notes on pages 10 to 32 are an integral part of these Consolidated Financial Statements.

Consolidated statement of comprehensive income for the year ended 31 December 2011

	Notes	2011	2010
Profit for the year		13.145	12.241
Other comprehensive income:			
Foreign currency translation difference of foreign operations	(154)		114
Other comprehensive income for the year, net of tax	(154)		114
Total comprehensive income for the year		12.991	12.355
Total comprehensive income for the year attributable to:			
Equity holders of the Company		12.686	12.351
Non-controlling interest		305	4
Total comprehensive income for the year		12.991	12.355

The notes on pages 10 to 32 are an integral part of these Consolidated Financial Statements.

Consolidated statement of financial position

as at 31 December 2011

	Notes	2011	2010
Assets:			
Property, vessels and equipment	9	152.679	147.991
Intangible assets	10	18.382	20.832
Finance assets	11	1.716	1.455
Deferred tax assets	12	4.169	5.250
Total non-current assets		176.946	175.528
Inventories		3.682	2.229
Trade and other receivables	13	58.141	48.703
Cash and cash equivalents	14	43.517	50.333
Assets classified as held for sale	3 i	938	8.424
Total current assets		106.278	109.689
Total assets		283.224	285.217
Equity:			
Share capital	15	104	104
Share premium		148.179	148.179
Share option reserve		425	106
Translation reserve		88	242
Retained earnings		25.077	12.237
Total equity attributable to equity holders of the parent		173.873	160.868
Non-controlling interest		2.636	1.600
Total equity		176.509	162.468
Liabilities:			
Loans and borrowings	17	50.791	60.593
Total non-current liabilities		50.791	60.593
Loans and borrowings	17	11.415	11.635
Trade and other payables	18	44.509	43.520
Liabilities classified as held for sale	3 i	0	7.001
Total current liabilities		55.924	62.156
Total liabilities		106.715	122.749
Total equity and liabilities		283.224	285.217

The notes on pages 10 to 32 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity as at 31 December 2011

	Share Capital	Share premium	Share option reserve	Trans- lation reserve	Retained earnings	Total	Non controlling interest	Total equity
Changes in Equity 2011:								
Equity at 1 January 2011	104	148.179	106	242	12.237	160.868	1.600	162.468
Effects of share based payments agreements			319			319		319
Foreign currency translation difference of foreign operations				(154)		(154)	152	(2)
Change in minority interest						0	579	579
Earnings for the year					12.840	12.840	305	13.145
Total recognised income and expense				(154)	12.840	13.005	1.036	14.041
Equity at 31 December 2011	104	148.179	425	88	25.077	173.873	2.636	176.509
Changes in Equity 2010:								
Equity at 1 January 2010	104	157.696		128	(9.517)	148.411	1.596	150.007
Loss off-set by share premium		(9.517)			9.517	0		0
Effects of share based payments agreements			106			106		106
Foreign currency translation difference of foreign operations				114		114		114
Earnings for the year					12.237	12.237	4	12.241
Total recognised income and expense				114	21.754	12.457	4	12.461
Equity at 31 December 2010	104	148.179	106	242	12.237	160.868	1.600	162.468

The notes on pages 10 to 32 are an integral part of these Consolidated Financial Statements.

Consolidated statement of cash flows for the year ended 31 December 2011

	Notes	2011	2010
Cash flows from operating activities:			
Earnings for the year		13.145	12.241
Adjustments for:			
Depreciation of non-current assets	9,10	23.223	23.169
Net finance expense		3.709	2.601
Change in deferred taxes	8	1.434	(1.404)
Other changes		(840)	(477)
		<u>40.671</u>	<u>36.130</u>
Changes in current assets and liabilities:			
Inventories, increase		(1.448)	(162)
Receivables, (increase) decrease		(10.135)	1.910
Payables, increase		420	3.744
Change in current assets and liabilities		<u>(11.163)</u>	<u>5.492</u>
Interest paid		(3.480)	(4.945)
Interest received		1.140	1.069
Taxes paid		58	567
Net cash from operating activities		<u>27.226</u>	<u>38.313</u>
Cash flows from investing activities:			
Investments in non-current assets	9,10	(24.389)	(16.071)
Proceeds from the sale of non-current assets		1.812	1.805
Net cash used in investing activities		<u>(22.577)</u>	<u>(14.266)</u>
Cash flows from financing activities:			
Changes in minority interest		(4)	4
Proceeds from long-term borrowings		0	87
Repayment of long-term borrowings		(11.491)	(11.592)
Net cash used in financing activities		<u>(11.495)</u>	<u>(11.501)</u>
(Decrease) increase in cash and cash equivalents		<u>(6.846)</u>	<u>12.546</u>
Cash and cash equivalents at the beginning of the year		50.333	36.631
Effects of exchange rate fluctuations on cash held		<u>30</u>	<u>1.156</u>
Cash and cash equivalents at the end of the year		<u>43.517</u>	<u>50.333</u>
Investing not affecting cash flows:			
Assets classified as held for sale	3 i	0	(7.001)
Liabilities classified as held for sale	3 i	0	7.001
Investment in non-current assets		(918)	0
Proceeds from long term borrowing		918	0

The notes on pages 10 to 32 are an integral part of these Consolidated Financial Statements.

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Notes to the Consolidated Financial Statements

1. Reporting entity

Eimskipafélag Íslands hf. (the "Company") is a public limited liability company domiciled in Iceland. The address of the Company's registered office is Korngardar 2, 104 Reykjavík. The consolidated financial statements of the Company for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associated companies. The Company is an investment company focused on investments in shipping and logistic services.

2. Basis of preparation

a. Statement of compliance

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

The financial statements were approved and authorised for issue by the Company's Board of Directors on 14. March 2012.

b. Basis of measurement

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

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

c. Functional and presentation currency

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

d. Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 13 – measure of the recoverable amounts of deferred tax assets

Note 18 – accounting for an arrangement containing a lease

3. Significant accounting policies

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

a. Basis of consolidation

(i) Subsidiaries

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

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

(ii) Transactions eliminated on consolidation

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

b. Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) Foreign operations

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

c. Financial instruments

(i) Non-derivative financial assets

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

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

Receivables comprise trade and other receivables.

(ii) Cash and cash equivalents

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

Notes, contd.:

3. Significant accounting policies, contd.:

(iii) Non-derivative financial liabilities

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

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

(iv) Share capital

Ordinary shares

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

Repurchase of share capital (treasury shares)

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

d. Property, vessels and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, vessels and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Notes, contd.:

3. Significant accounting policies, contd.:

d. Property, vessels and equipment, contd.:

The estimated useful lives of property, vessels and equipment are as follows:

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

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

e. Intangible assets

(i) Brand name and customer relations

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

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

(ii) Subsequent expenditure

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

(iii) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and brand name, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows:

Software	3 - 5 years
Other intangibles	10 years

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

f. Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position.

g. Inventories

Inventories mainly consist of oil, spare parts and other supplies and are measured at cost.

3. Significant accounting policies, contd.:

h. Impairment

(i) Financial assets (including receivables)

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

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

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

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

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

(ii) Non - financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Notes, contd.:

3. Significant accounting policies, contd.:

h. Impairment, contd.:

(ii) Non - financial assets, contd.:

An impairment loss in respect of brand name is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

i. Non-current assets held for sale

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

The former subsidiary, Air Atlanta Aero Engineering Ltd. (AAAE), was sold in 2008, but the buyer was unable to fulfil his obligations according to the sales agreement. AAAE has been presented as held for sale in the financial statements following the commitment of the Group's management to resell the company. During the year 2011 a 28% share in AAAE was sold and the Group's remaining 49.9% shareholding is expected to be sold in coming months. At year end 2011 the expected fair value less cost to sell of the investment exceeds its carrying amount.

j. Employee benefits

(i) Defined contribution plans

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

(ii) Share-based payment transactions

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

k. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

l. Revenue

Services

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

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

Notes, contd.:

3. Significant accounting policies, contd.:

m. Lease payment

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

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

n. Finance income and finance costs

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

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

Borrowing costs that are not directly attributable to the acquisition, construction or production of an qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on net basis as finance income or finance expense.

o. Income tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but the intent to settle current tax liabilities and asset basis or their tax assets and liabilities will be realized simultaneously.

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

3. Significant accounting policies, contd.:

p. Earnings per share

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

q. Financial instruments

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

(i) Economic hedges

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

r. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance.

s. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2011, and have not been applied in preparing these consolidated financial statements. None of these will have a material effect on the consolidated financial statements of the Group.

4. Determination of fair values

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

(i) Property, vessels and equipment

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

(ii) Trade and other receivables

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

Notes, contd.:

5. Segment reporting

Business segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services on different markets, and are managed separately. The segment reporting is based on internal reporting function of the Group. The following summary describes the operations in each of the Group's reportable segments:

Shipping: The main emphasis in the Group's operations is the sale of transportation of goods to and from Iceland, Norway and the Faroe Islands through its service routes on the North-Atlantic. This service includes sea transportation, trucking and warehousing and logistic service.

Forwarding: The secondary segment represents shipping, freight forwarding, trucking and warehousing and logistic services provided in foreign subsidiaries.

Geographical segments

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

Business segments

	Shipping	Forwarding	Consolidated
For the year 2011			
Revenue, external	268.458	109.879	378.337
Other revenue	6.390	0	6.390
Inter-segment revenue	18.476	20.578	39.054
Total	293.324	130.457	423.781
Expenses, external	(235.675)	(105.897)	(341.572)
Inter-segment expense	(20.578)	(18.476)	(39.054)
EBITDA	37.071	6.084	43.155
Depreciation	(21.987)	(1.236)	(23.223)
EBIT	15.084	4.848	19.932
Finance income	1.016	263	1.279
Finance expense	(4.511)	(477)	(4.988)
Income tax	(1.655)	(1.423)	(3.078)
Minority interest	(305)	0	(305)
Earnings for the year	9.629	3.211	12.840
Segment assets	235.711	47.513	283.224
Segment liabilities	87.203	19.512	106.715
Capital expenditure	23.768	621	24.389

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

Notes, contd.:

5. Segment reporting, contd.:

	Shipping	Forwarding	Consolidated
For the year 2010			
Revenue, external	247.560	117.662	365.222
Inter-segment revenue	18.288	20.738	39.026
Total	265.848	138.400	404.248
Expenses, external	(211.842)	(114.759)	(326.601)
Inter-segment expense	(20.738)	(18.288)	(39.026)
EBITDA	33.268	5.353	38.621
Depreciation	(21.809)	(1.360)	(23.169)
EBIT	11.459	3.993	15.452
Finance income	853	750	1.603
Finance expense	(3.557)	(647)	(4.204)
Income tax	249	(859)	(610)
Minority interest	(4)	0	(4)
Earnings for the year	9.000	3.237	12.237
Segment assets	234.621	50.596	285.217
Segment liabilities	98.034	24.715	122.749
Capital expenditure	14.252	1.819	16.071
Geographical segments			
	North Atlantic	Other territories	Consolidated
For the year 2011			
Revenue, external	321.870	56.467	378.337
Segment assets	264.350	18.874	283.224
Capital expenditure	24.376	13	24.389
For the year 2010			
Revenue, external	305.009	60.213	365.222
Segment assets	268.223	16.994	285.217
Capital expenditure	16.071	0	16.071

Notes, contd.:

6. Salaries and related expenses

	2011	2010
Salaries and related expenses are specified as follows:		
Salaries	51.900	48.809
Defined contribution plan	4.158	3.291
Share based payments expense	319	106
Other salaries - related expenses	5.946	6.499
Salaries and related expenses	<u>62.323</u>	<u>58.705</u>
Average number of positions	1.248	1.261
Number of employees at year-end	1.272	1.247

Salaries to the members of the Board of Directors, CEO and other directors amounted to EUR 1.617 thousand during the year.

7. Finance income and expense

Finance income is specified as follows:

Interest income	998	1.269
Dividends received	106	114
Fair value changes of financial instruments	175	0
Net foreign exchange gain	0	220
	<u>1.279</u>	<u>1.603</u>

Finance expense is specified as follows:

Interest on long-term loans	(3.029)	(3.287)
Other interest	(406)	(917)
Writedown of other financial assets	(523)	0
Net foreign exchange loss	(1.030)	0
	<u>(4.988)</u>	<u>(4.204)</u>
Net finance expense	<u>(3.709)</u>	<u>(2.601)</u>

8. Income tax

(i) The effective income tax rate of the Group for the year 2011 is 20.9%.

The parent company and the subsidiary Eimskip Ísland ehf. had taxable losses for the operating period 2010 which is recognized as an income in profit or loss and as a deferred tax assets at year-end. Some subsidiaries within the Group have net income where income tax is not recognized due to tonnage tax regulations.

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

(i) Income tax recognised in the income statement:

	2011	2010
Current tax expense:		
Current period	(2.845)	(1.685)
Deferred tax:		
Origination and reversal of temporary differences	(237)	1.383
Change in tax rate	0	428
Other changes	4	(736)
	<u>(233)</u>	<u>1.075</u>
Total income tax	<u>(3.078)</u>	<u>(610)</u>

(ii) Reconciliation of effective tax rate:

Net earnings before income tax		16.223		12.851
	2011		2010	
Income tax using the Company's domestic tax rate	20,0%	3.245	18,0%	2.281
Effect of tax rates in foreign jurisdictions and other changes	(1,0%)	(167)	0,9%	117
Effects of tax losses recognised	0,0%	0	(13,9%)	(1.788)
Effective tax	19,0%	<u>3.078</u>	4,7%	<u>610</u>

Notes, contd.:

9. Property, vessels and equipment

Property, vessels and equipment are specified as follows:

	Land and buildings	Vessels	Containers and equipment	Total
Cost				
Balance at 1 January 2010	61.650	66.313	29.390	157.353
Reclassified assets	0	0	(727)	(727)
Other additions	158	6.526	8.318	15.002
Disposals	(43)	0	(2.575)	(2.618)
Currency adjustments during the year	1.187	0	354	1.541
Balance at 31 December 2010	62.952	72.839	34.760	170.551
Balance at 1 January 2011	62.952	72.839	34.760	170.551
Reclassified assets	160	0	151	311
Vessels under construction	0	7.126	0	7.126
Other additions	934	2.088	13.735	16.757
Disposals	0	0	(2.515)	(2.515)
Currency adjustments during the year	271	0	(334)	(63)
Balance at 31 December 2011	64.317	82.053	45.797	192.167
Depreciation				
Balance at 1 January 2010	1.026	2.119	2.094	5.239
Reclassified assets	0	0	(601)	(601)
Disposals	(13)	0	(1.391)	(1.404)
Depreciation	2.870	8.673	7.056	18.599
Currency adjustments during the year	404	0	323	727
Balance at 31 December 2010	4.287	10.792	7.481	22.560
Balance at 1 January 2011	4.287	10.792	7.481	22.560
Reclassified assets	0	0	111	111
Disposals	0	0	(1.847)	(1.847)
Depreciation	2.844	8.201	8.172	19.217
Currency adjustments during the year	77	0	(630)	(553)
Balance at 31 December 2011	7.208	18.993	13.287	39.488
Carrying amounts				
At 31 December 2009	60.624	64.194	27.296	152.114
At 31 December 2010	58.665	62.047	27.279	147.991
At 31 December 2011	57.109	63.060	32.510	152.679

Finance leases

As part of the Group's activities, customary leasing agreements are entered into, especially with regard to the chartering of vessels and leasing and containers and other equipment. In some cases, the leasing agreements comprise purchase options for the Group and options for extension of the lease term. In the financial statements, assets held under finance leases are recognised in the same way as owned assets. The carrying amount of assets under finance leases at year end 2011 amounted to EUR 8.1 million. The commitment according to the lease agreements at the same time amounted to EUR 10.1 million.

Pledges

Ships, buildings, etc, with a carrying amount of EUR 59 million have been pledged as security for loans amounting to EUR 52,1 million at year-end.

Notes, contd.:

10. Intangible assets

Intangible assets and amortisation are specified as follows:

Cost	Brand name	Software	Market and customer related	Total
Balance at 1 January 2010	14.003	8.192	2.701	24.896
Reclassified assets	0	727	0	727
Additions during the year	0	1.069	0	1.069
Disposals	0 (	4)	0 (	4)
Currency adjustments during the year	0	22	0	22
Balance at 31 December 2010	14.003	10.006	2.701	26.710
Balance at 1 January 2011	14.003	10.006	2.701	26.710
Reclassified assets	0 (	311)	0 (	311)
Additions during the year	0	1.755	0	1.755
Disposals	0 (	5)	0 (	5)
Currency adjustments during the year	0	7	0	7
Balance at 31 December 2011	14.003	11.452	2.701	28.156
Amortisation				
Balance at 1 January 2010	0	685	0	685
Reclassified assets	0	601	0	601
Amortisation	0	4.300	270	4.570
Currency adjustments during the year	0	22	0	22
Balance at 31 December 2010	0	5.608	270	5.878
Balance at 1 January 2011	0	5.608	270	5.878
Reclassified assets	0 (	111)	0 (	111)
Amortisation	0	3.736	270	4.006
Currency adjustments during the year	0	1	0	1
Balance at 31 December 2011	0	9.234	540	9.774
Carrying amounts				
At 31 December 2009	14.003	7.507	2.701	24.211
At 31 December 2010	14.003	4.398	2.431	20.832
At 31 December 2011	14.003	2.218	2.161	18.382

Amortisation

Intangible assets other than brand name, such as software and customer related developments that have been acquired by the Company are stated at cost less accumulated amortization. The amortization is allocated to the cost of sales in the statement of comprehensive income.

Brand name has been identified. The brand name is stated at the allocated amount and is tested annually for impairment. No impairment was recognized.

11. Finance assets

Non-current finance assets	2011	2010
Interest-bearing bonds	653	773
Other financial assets	1.063	682
	1.716	1.455

Notes, contd.:

12. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

	Assets	Liabilities	Net
2011			
Intangible assets	203	0	203
Operating fixed assets	2.052	(91)	1.961
Current assets	116	0	116
Current liabilities	1.399	0	1.399
Other	97	0	97
Tax loss carry-forwards	393	0	393
Total tax assets (liabilities)	4.260	(91)	4.169
Set off tax	(91)	91	0
Net tax assets (liabilities)	4.169	0	4.169
2010			
Intangible assets	270	0	270
Operating fixed assets	2.114	(98)	2.016
Current assets	1.744	0	1.744
Other	103	(58)	45
Tax loss carry-forwards	1.460	(285)	1.175
Total tax assets (liabilities)	5.691	(441)	5.250
Set off tax	(441)	441	0
Net tax assets (liabilities)	5.250	0	5.250

13. Trade and other receivables

Trade and other receivables are specified as follows:

	2011	2010
Trade receivable, par value	53.102	46.262
Prepaid expenses	347	444
Current maturities of long-term notes	97	253
Other receivables	4.595	1.744
Trade and other receivables total	58.141	48.703

Allowance for impairment losses are specified as follows:

Balance at beginning	(11.168)	(13.336)
Impairment loss derecognised	6.645	3.989
Impairment loss recognised	(3.249)	(1.821)
Balance at year-end	(7.772)	(11.168)

14. Cash and cash equivalents

Cash and cash equivalents are specified as follows:

Bank balances	36.171	37.553
Marketable securities	7.346	12.780
Cash and cash equivalents	43.517	50.333

Notes, contd.:

15. Capital and reserves

The Company's capital stock is nominated in Icelandic kronur. The nominal value of each share is one ISK and one vote is attached to each share. The EUR amount of capital stock was 0.1 million at year-end 2011.

	Number of shares .<000	EUR
Outstanding shares at 31 December 2010	18.808	104
Outstanding shares at 31 December 2011	18.808	104

Shares issued to A1988 hf.

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

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

Share premium

Share premium represents excess of payment above nominal value that shareholders have paid for shares sold by the Company. The balance of the share premium account can be used to offset losses not covered by other reserves. Net accumulated deficit at year-end 2009 in the amount of EUR 9.5 million was cancelled by a reduction in the share premium account in the same amount.

Share option reserve

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

Translation reserve

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

Dividend

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

16. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2011 was based on the earning attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year. Calculations are as follows:

	2011	2010
Net earnings attributable to ordinary shareholders	12.840	12.241
Effect of shares issued	20.000	20.000
Effect of treasury shares held	(1.192)	(1.192)
Weighted average number of ordinary shares at 31 December	18.808	18.808
Basic earnings per share (EUR)	0,683	0,651

Notes, contd.:

16. Earnings per share, contd.:

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2011 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential shares. Calculations are as follows:

	2011	2010
Net earnings attributable to ordinary shareholders	12.840	12.241
Effect of shares issued	20.000	20.000
Effect of share options on issue	565	190
Effect of treasury shares held	(1.192)	(1.192)
Weighted average number of ordinary shares at 31 December	19.373	18.808
Diluted earnings per share (EUR)	0,663	0,651

17. Loans and borrowings

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings. For more information about the Group's exposure to foreign currency risk, see note 22:

Non-current loans and borrowings at the end of the year consist of the following:

	2011	2010
Finance lease liabilities	10.074	13.318
Loans and borrowings	52.132	58.910
	62.206	72.228

	2011		2010	
	Nominal interest	Carrying amount	Nominal interest	Carrying amount
Loans in EUR	5.0-5.8%	39.705	4.5-5.1%	42.640
Loans in USD	0.7-2.0%	8.086	1.8%	10.608
Loans in CHF	0.1%	1.097	0.5%	2.132
Loans in DKK	5-9.2%	1.055	8.0-9.3%	1.171
Loans in other currencies	-	2.189	-	2.359
		52.132		58.910
Current maturities		(7.324)		(7.223)
		44.808		51.687

Aggregated annual maturities are as follows:

	2011	2010
On demand or within 12 months	7.324	7.223
Within 24 months	5.450	7.238
Within 36 months	5.469	5.430
Within 48 months	4.447	5.448
Within 60 months	3.138	4.456
After 60 months	26.303	29.115
	52.131	58.910

Collateral of loans and borrowings is specified as follows:

Loans with collateral in fixed assets	52.132	55.380
Unsecured bond issued, no collateral	0	3.530
Finance leases	10.074	13.318
Total	62.206	72.228

Notes, contd.:

17. Loans and borrowings, contd.:

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2011		2010	
	Minimum lease payments	Principal	Minimum lease payments	Principal
Less than one year	4.091	4.087	4.551	4.547
Between one and five years	4.826	4.824	6.768	6.767
More than five years	1.164	1.163	2.004	2.004
	<u>10.081</u>	<u>10.074</u>	<u>13.323</u>	<u>13.318</u>

18. Trade and other payables

Trade and other payables are attributable to the following:

	2011	2010
Account payable	28.059	28.311
Other payables	16.143	13.709
Provisions and claims	307	1.500
Total	<u>44.509</u>	<u>43.520</u>

19. Share-based payment

Description of the share-based payments arrangements

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

Share option programme (equity settled)

In 2010 and 2011 the Company established a share option programmes that entitles key management personnel to purchase shares in the Company. The total number of shares allocated to the plan numbers 700.000 shares. The options will vest as to one third (1/3) of the total number of shares subject to the option plan annually over a three year period following the grant date. The grant is subject to the participant's continued employment by the Company and no option, or a portion of an option, is eligible for exercise earlier than three years after the grant date. The term of the option awards is ten years.

Terms and conditions of share option programme

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

	2011	2010
Fair value at grant date	EUR 4,74	EUR 3,19
Exercise price	EUR 8,39	EUR 8,39
Expected volatility	28,0%	28,0%
Option life	10 years	10 years
Risk-free interest rate	6,28%	6,40%

20. Financial risk management

Overview

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

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

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosure are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

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

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. No single customer accounts for more than 10% of the Group's revenue from sales transactions. Geographically, there is some concentration of credit risk.

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

Goods that are shipped or transported may be with-held until payment for service rendered has been received. The Group usually does not require collateral in respect to trade and other receivable.

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

Notes, contd.:

20. Financial risk management, contd.:

Exposure to credit risk

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

		2011 Carrying amount	2010 Carrying amount
Interest-bearing bonds	11	653	773
Other financial assets	11	1.063	682
Trade and other receivables	13	58.141	48.703
Cash and cash equivalents	14	43.517	50.333
		<u>103.374</u>	<u>100.491</u>

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

	2011 Carrying amount	2010 Carrying amount
North Atlantic	46.062	38.585
Other regions	12.079	10.118
	<u>58.141</u>	<u>48.703</u>

Impairment risk

The aging of trade receivables at the reporting date was:

	Gross 2011	Impairment 2011	Gross 2010	Impairment 2010
Not past due	44.799	(906)	40.776	(375)
Past due 0 - 90 days	14.881	(2.178)	11.779	(3.966)
Past due 91 - 180 days	3.936	(2.390)	1.925	(1.436)
More than 180 days	2.298	(2.298)	5.391	(5.391)
	<u>65.913</u>	<u>(7.772)</u>	<u>59.871</u>	<u>(11.168)</u>

Liquidity risk

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

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

Non-derivative financial liabilities:	Carrying amount	Contractual cash flow	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
31.12.2011						
Secured bank loans	52.131	(76.416)	(10.462)	(8.206)	(19.175)	(38.573)
Finance lease liabilities	10.081	(11.066)	(4.519)	(1.954)	(3.442)	(1.151)
Trade and other payables ...	44.509	(44.509)	(44.509)	0	0	0
	<u>106.721</u>	<u>(131.991)</u>	<u>(59.490)</u>	<u>(10.160)</u>	<u>(22.617)</u>	<u>(39.724)</u>
31.12.2010						
Secured bank loans	58.910	(87.389)	(9.940)	(9.747)	(22.721)	(44.981)
Finance lease liabilities	13.323	(14.819)	(4.892)	(3.975)	(3.799)	(2.153)
Trade and other payables ...	43.520	(43.520)	(43.520)	0	0	0
	<u>115.753</u>	<u>(145.728)</u>	<u>(58.352)</u>	<u>(13.722)</u>	<u>(26.520)</u>	<u>(47.134)</u>

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

Notes, contd.:

20. Financial risk management, contd.:

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of the Group entities, primarily the U.S. dollar (USD), but also the Icelandic krona (ISK) and the Norwegian Krona (NOK).

Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk is as follows based on notional amounts:

31.12.2011	ISK	USD	NOK	CHF	Other
Trade and other receivables	14.802	14.923	270	0	5.989
Cash and cash equivalents	3.348	5.468	1.896	0	6.838
Loans and borrowings	(1.246)	(11.485)	0	(3.716)	(1.186)
Trade and other payables	(8.954)	(5.928)	(482)	0	(10.016)
Gross balance sheet exposure	7.950	2.978	1.684	(3.716)	1.625

31.12.2010

Trade and other receivables	16.938	5.063	564	0	2.731
Cash and cash equivalents	8.043	142	550	0	675
Loans and borrowings	(809)	(10.608)	0	(8.201)	(1.095)
Trade and other payables	(5.383)	(3.931)	(240)	0	(3.207)
Gross balance sheet exposure	18.789	(9.334)	874	(8.201)	(896)

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2011	2010	2011	2010
ISK	161,4194	161,8899	158,7050	153,8000
USD	1,3907	1,3265	1,2939	1,3362
GBP	0,8678	0,8586	0,8353	0,8608
NOK	7,7968	8,0115	7,7540	7,8000
DKK	7,4506	7,4472	7,4342	7,4535
JPY	110,6926	116,2445	100,2001	108,6504
CHF	1,2304	1,3809	1,2156	1,2504
CAD	1,3760	1,3666	1,3215	1,3322

Sensitivity analysis

A 10% strengthening of the EUR against the following currencies at 31 December would have increased result before income tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for the year 2010.

	2011	2010
ISK	(574)	(1.879)
USD	(231)	933
NOK	(131)	(87)
CHF	289	820

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

Notes, contd.:

20. Financial risk management, contd.:

Interest rate risk

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

	Carrying amount	
	2011	2010
Variable rate instruments		
Financial assets	43.517	49.113
Financial liabilities	(61.151)	(72.228)
Net exposure	(17.634)	(23.115)

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) result before income tax by EUR 147 thousands (2010: EUR 166 thousands). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the year 2010. The Group does not account for any fixed rate financial assets and liabilities.

Fair values versus carrying amounts

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

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Interest-bearing bonds	653	653	773	773
Other financial assets	1.063	1.063	682	682
Trade and other receivables	58.141	58.141	48.703	48.703
Cash and cash equivalents	43.517	43.517	50.333	50.333
	103.374	103.374	100.491	100.491
Loans and borrowings	52.132	55.567	58.910	59.139
Finance lease liabilities	10.075	10.559	13.318	13.201
Trade and other payables	44.509	44.509	43.520	43.520
	106.716	110.635	115.748	115.860

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

Interest rates used for determining fair values

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

Operational risk

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

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

Notes, contd.:

20. Financial risk management, contd.:

Capital management

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

21. Commitments

Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	2011	2010
Less than one year	843	1.472
Between one and five years	759	552
	<u>1.602</u>	<u>2.024</u>

The Group leases a number of trucks and equipment under operating leases. The leases typically run for a period of 3 -5 years.

Capital commitments

In 2011 the Group entered into an agreement with a Chinese shipbuilding company for the building of two new 880 teus container vessels. The vessels are to be delivered in first half of 2013. The total value of the agreement is USD 50.4 million or EUR 38.7 million. During the year 2011 payments of EUR 7.1 million were made and the remaining balance of 31.6 million is to be paid in 2012 (EUR 9.2 million) and 2013 (EUR 22.4 million).

22. Related parties

The Company's largest shareholders Landsbanki Islands hf., with 37.3% shareholding and Yucaipa Companies LLC with 32.3% shareholding are considered related parties as well as subsidiaries (see note 25). Intercompany transactions with subsidiaries are eliminated on consolidation.

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

During the year there were no transactions our outstanding balances at year-end with the management. Salaries to key management is addressed in note 6.

23. Group entities

At year-end the Company owned directly 9 subsidiaries that are all included in the consolidation. The direct subsidiaries further owned 41 subsidiaries at year-end. The Group's subsidiaries are as follows:

	Country of incorporation	Ownership Interest 2011	Ownership Interest 2010
TVG - Zimsen ehf.	Iceland	100%	100%
Eimskip Island ehf.	Iceland	100%	100%
Eimskip USA Inc.	USA	100%	100%
Eimskip UK Ltd.	England	100%	100%
Eimskip Holding BV	Holland	100%	100%
P/F Faroe Ship	Faroe Islands	100%	100%
Avia Technical Services Ltd.	England	100%	100%
Harbour Grace CS Inc.,	Canada	51%	51%
ELAH ehf., dormant	Iceland	100%	100%

24. Subsequent events

In February 2012 the Group purchased three vessels that had previously been leased by the Group. The management is of the opinion that the purchase of the ships will improve the Group's cash flow in coming years.

Unaudited information

Quarterly statement	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Sales	100.137	98.053	96.330	90.207	87.397
Expenses	91.544	87.074	85.700	77.254	78.737
Operating profit before depreciation and impairment	8.593	10.979	10.630	12.953	8.660
Depreciation and impairment	(5.227)	(6.143)	(6.011)	(5.842)	(5.941)
Results from operating activities	3.366	4.836	4.619	7.111	2.719
Finance income	682	51	324	222	41
Finance expense	(1.839)	839	(2.215)	(1.773)	(1.044)
Net finance expense	(1.157)	890	(1.891)	(1.551)	(1.003)
Net earnings before income tax	2.209	5.726	2.728	5.560	1.716
Income tax	(1.594)	(655)	(1.105)	276	1.489
Net earnings	615	5.071	1.623	5.836	3.205

Eimskipafélag Íslands hf.

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

Eimskipafélag Íslands hf.
Korngardar 2
104 Reykjavík
Iceland

Reg. no. 690409-0460

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Endorsement and Statement by the Board of Directors and the CEO

The Condensed Consolidated Financial Statements of Eimskipafélag Íslands hf. and its subsidiaries ("Eimskip") are prepared and presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements are presented in thousands of EUR. Eimskip specializes in shipping, logistics and supply chain management and offers its customers solutions on both land and sea with special emphasis on the handling and storing of any type of temperature-controlled cargo, frozen or chilled.

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

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

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

Corporate Governance

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

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

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

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

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

Statement by the Board of Directors and the CEO

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

Further, in our opinion the condensed consolidated financial statements and the Endorsement by the Board of Directors and the CEO give a fair view of the development and performance of Eimskip's operations and its position and describes the principal risks and uncertainties faced by Eimskip.

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

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

Reykjavík, 28 August 2012.

Board of Directors:

Bragi Ragnarsson
Chairman

Ólafur Helgi Ólafsson

Tómas Kristjánsson

Richard Winston Mark d'Abo

Marc Jason Smernoff

CEO:

Gylfi Sigtússon

Independent Auditor's Report

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

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

Management's responsibility for the Financial Statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

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

Reykjavík, 28 August 2012.

KPMG ehf.

Alexander G. Edvardsson

Ólafur Már Ólafsson

Consolidated Statement of Comprehensive Income

1 January to 30 June 2012

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

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

Consolidated Statement of Comprehensive Income

1 January to 30 June 2012

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

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

Consolidated Statement of Financial Position

as at 30 June 2012

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

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

Consolidated Statement of Changes in Equity

1 January to 30 June 2012

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

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

Consolidated Statement of Cash Flows

1 January to 30 June 2012

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

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

Notes to the Consolidated interim Financial Statements

1. Reporting entity

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

2. Statement of compliance

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

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

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

3. Significant accounting policies

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

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

4. Estimates

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

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

Notes, continued

5. Segment reporting

	Liner services	Forwarding services	Consoli- dated
1 January to 30 June 2012			
Revenue, external	144,530	53,548	198,078
Inter-segment revenue	11,965	13,597	25,562
Total	156,495	67,145	223,640
Expenses, external	(126,747)	(52,289)	(179,036)
Inter-segment expense	(13,597)	(11,965)	(25,562)
EBITDA	16,151	2,891	19,042
Depreciation and amortization	(10,662)	(630)	(11,292)
EBIT	5,489	2,261	7,750
Finance income	87	218	305
Finance expense	(2,049)	(294)	(2,343)
Income tax	2,753	(489)	2,264
Minority interest	0	(101)	(101)
Net earnings for the period	6,280	1,595	7,875

1 January to 30 June 2011 (unaudited)

Revenue, external	128,656	51,491	180,147
Other revenue	6,390	0	6,390
Inter-segment revenue	7,804	9,422	17,226
Total	142,850	60,913	203,763
Expenses, external	(112,566)	(50,388)	(162,954)
Inter-segment expense	(9,422)	(7,804)	(17,226)
EBITDA	20,862	2,721	23,583
Depreciation and amortization	(11,236)	(617)	(11,853)
EBIT	9,626	2,104	11,730
Finance income	341	205	546
Finance expense	(3,145)	(843)	(3,988)
Income tax	(589)	(240)	(829)
Minority interest	0	258	258
Net earnings for the period	6,233	1,484	7,717

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

Information on assets and liabilities

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

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

Notes, continued

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

7. Finance income and expense

Finance income is specified as follows:

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

Finance expense is specified as follows:

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

8. Income tax

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

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

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

(ii) Income tax recognized in the income statement:

Current tax expense:

Current period	510	601
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Deferred tax:

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

(iii) Reconciliation of effective tax rate:

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

Notes, continued

9. Property, vessels and equipment

Property, vessels and equipment are specified as follows:

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

Finance leases

As part of Eimskip's activities, customary leasing agreements are entered into, especially with regard to the chartering of vessels and leasing of containers and other equipment. In some cases, the leasing agreements comprise purchase options and options for extension of the lease term. In the condensed consolidated financial statements, assets held under finance leases are recognized in the same way as owned assets. The carrying amount of assets under finance leases at 30 June 2012 amounted to EUR 8.6 million. The commitment according to the lease agreements at the same time amounted to EUR 9.1 million.

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

Notes, continued

10. Intangible assets

Intangible assets and amortization are specified as follows:

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

Amortization

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

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

11. Finance assets

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

Notes, continued

12. Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

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

13. Trade and other receivables

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

14. Cash and cash equivalents

Cash and cash equivalents are specified as follows:

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

Notes, continued

15. Capital and reserves

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

	Number of shares	EUR
	.000	
Outstanding shares at 31 December 2011	18,808	104
Stock split	169,272	1,070
Outstanding shares at 30 June 2012	188,080	1,174

Shares issued to A1988 hf.

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

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

Share premium

Share premium represents excess of payment above nominal value that shareholders have paid for shares sold by the Company. The balance of the share premium account can be used to offset losses not covered by other reserves or to offset stock splits.

Share option reserve

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

Translation reserve

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

Dividend

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

16. Earnings per share

Basic earnings per share

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

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

Notes, continued

16. Earnings per share, continued

Diluted earnings per share

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

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

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

17. Loans and borrowings

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

Non-current loans and borrowings consist of the following:

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

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

Aggregated annual maturities are as follows:

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

Collateral of loans and borrowings is specified as follows:

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

Notes, continued

17. Loans and borrowings, continued

Finance lease liabilities

Finance lease liabilities are payable as follows:

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

18. Trade and other payables

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

19. Share-based payment

Description of the share-based payment arrangements

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

Share option program (equity settled)

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

Terms and conditions of share option program

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

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

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

Notes, continued

20. Commitments

Operating lease commitments

Operating lease rentals are payable as follows:

	30.6.2012	31.12.2011
Less than one year	5,296	5,870
Between one and five years	6,137	6,497
	<u>11,433</u>	<u>12,367</u>

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

Capital commitments

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

21. Related parties

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

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

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

Salaries and benefits paid to directors and key management

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

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

* Board fee has been accrued but not paid.

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

*** Salary, pension contribution and car benefits.

Notes, continued

22. Group entities

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

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

23. Subsequent events

There are no subsequent events to report.

Quarterly statements (unaudited)

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

Corporate Governance Statement

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

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

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

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

The Company follows the Guidelines.

Laws and regulations

Eimskip is a limited liability company that is governed by Act no. 2/1995 on Limited Liability Companies (Company Act). Acts can be found on the Parliament's website, www.althingi.is.

Communication of shareholders and the Board of Directors

The supreme authority of the Company is in the hands of the shareholders who attend shareholders' meetings at least once a year. Share register is held at the Company's headquarters where it is available to shareholders.

The Board of Directors of Eimskip

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

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

Main tasks of the Board of Directors

- To have supreme power in the Company's matters between shareholders' meetings and to bind the Company with resolutions and agreements.
- To hire the CEO, decide his terms of employment and execute a written employment contract.
- To set the Company's goals regarding its business, represent the Company and govern the social affairs of the Company between shareholders' meetings.
- To grant power of procuration.
- To work in accordance with the Rules of Procedures for the Board of Directors, the Company's Articles of Association and the Company Act.
- To monitor the Company's operations and financial position and that accounting and information processing are carried out with appropriate diligence. To obtain information on regular basis, including monthly operating results, to be presented to the Board in time for the Board Meetings, which are to be held monthly or more frequently if necessary.
- To elect a Chairman and Vice-Chairman and to delegate other tasks as applicable.
- To ensure that the Company is being operated in accordance with the law pertaining to its operations, such as taxation and notifications to public authorities.
- To make decisions on material contracts of the Company and to formulate the policy by which the Company is to operate.
- To ensure that a share register is kept.
- To present recommendations to shareholders' meetings concerning the allocation of profits.

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

Corporate Governance Statement continued

The Rules of Procedure for the Board of Directors

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

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

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

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

The task of the Remuneration Committee involves negotiating wages and other benefits for the CEO, and framing the company's wage policy, including wage incentives and stock option rights for company shares.

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

The Directors of the Board of Eimskip

Chairman of the Board of Directors

Name: Bragi Ragnarsson.
Date of birth: 5 March 1942.
Business address: Sóltún 8, 105 Reykjavík, Iceland.
First elected: 23 September 2009.

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

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

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

Vice-Chairman of the board

Name: Ólafur Helgi Ólafsson.
Date of birth: 20 June 1945
Business address: Nedstaleiti 13, 103 Reykjavík, Iceland.
First elected: 23 September 2009.

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

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

Corporate Governance Statement continued

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

Board Member

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

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

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

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

Board Member

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

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

Experience: Richard is a Partner at The Yucaipa Companies. Richard has ten years of banking experience and 23 years of experience in private equity. From 1995 to 2003, Richard was involved in various activities in investment banking and private equity investing, co-founding and serving as the Director of Apogee Electronics, Inc. Richard was a Partner of The Yucaipa Companies, from 1988 to 1994. During this time he was a key contributor to the acquisitions of Cala Foods, ABC Markets, Boys Markets, Almacs, Bell Markets, Alpha Beta and Food4Less. From 1992 to 1994 Richard served as a director of Food4Less Supermarkets. From 1978 to 1987, Richard worked at Union Bank and was involved in financing multiple leveraged and management buyouts.

Corporate Governance Statement continued

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

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

Board Member

Name: Ronald Wayne Burkle.

Date of birth: 12 November 1952.

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

First elected: 31 March 2011.

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

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

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

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

Alternate of the Board

Name: Elín Þórunn Eiríksdóttir.

Date of birth: 15 December 1967.

Business address: Kringlan 5, 103 Reykjavík, Iceland.

First elected: 29 March 2012.

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

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

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

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

Corporate Governance Statement continued

Alternate of the Board

<i>Name:</i>	<i>Marc Jason Smernoff.</i>
<i>Date of birth:</i>	<i>11 October 1973.</i>
<i>Business address:</i>	<i>9130 West Sunset Boulevard, Los Angeles, California, 90069, USA.</i>
<i>First elected:</i>	<i>23 September 2009.</i>
<i>Education:</i>	<i>Marc has a Master's degree in Business Administration from UCLA Anderson School of Management from 2005. Marc further holds a bachelor's degree in Business Economics from University of California, Santa Barbara from 1995.</i>
<i>Experience:</i>	<i>Marc has been a director of Private Equity of The Yucaipa Companies from 2004. Marc was a Manager of Transaction Services at KPMG from 2003 to 2004 and an Associate of Investment Banking at Wells Fargo Securities, LLC from 2000 to 2002. He was a Manager of Corporate Finance at Ernst & Young, LLP from 1997 to 2000 and a Staff Accountant of Assurance & Advisory Business Services at Ernst & Young, LLP from 1995 to 1997. Marc is a Certified Public Accountant.</i>
<i>Board membership:</i>	<i>Current board membership in the following companies (and senior management and/or supervisory board if specified): Digital On-Demand Inc. and La Canada Flintridge Educational Foundation.</i> <i>Previous board membership, including senior management and/or supervisory board, in the following companies during the last five years: Eimskipafélag Íslands hf. and Americold Realty Trust (board of Trustees).</i>

The Chief Executive Officer of Eimskip

The Company's CEO is responsible for the daily operations in accordance with law, regulations and the Company's Articles of Association, towards the Board and the shareholders. The CEO does not have the authority to make decisions concerning any matters that are assigned to others by law or are reserved to the Board in the Rules of Procedure. The CEO is to acquaint the Board with all major issues involving the operations of the Company or its subsidiaries and is to attend the Board meetings. He participates in the Boards of the subsidiaries.

Chief Executive Officer

<i>Name:</i>	<i>Gylfi Sigfússon.</i>
<i>Date of birth:</i>	<i>23 February 1961.</i>
<i>Business address:</i>	<i>Korngardar 2, 104 Reykjavík, Iceland.</i>
<i>Education:</i>	<i>Gylfi holds a Cand.Oecon.-degree from the University of Iceland graduating in 1990.</i>
<i>Experience:</i>	<i>Gylfi has worked for Eimskip and/or related companies since 1990. Gylfi held the position of CEO of Eimskip USA, Eimskip Logistics and Eimskip Canada from 2006 to 2008, overseeing all of Eimskip's transport operations in the United States and Canada. Gylfi was the CEO of Eimskip Logistics in the USA from 2000 to 2006. He was an EVP of Ambrosio Shipping in the USA from 1996 to 2000 and an EVP of marketing and operations at Tollvörugeymslan hf. (now TVG-Zimsen) from 1990-1996.</i>
<i>Board membership:</i>	<i>Current board membership in the following companies (and senior management and/or supervisory board if specified): A1988 hf. (CEO), A Tango ehf., A Orange ehf., Harbour Grace CS Inc. and various subsidiaries of Eimskipafélag Íslands hf. (board member, CEO or both). In addition Gylfi is a board member of the Icelandic Chamber of Commerce, the American- Icelandic Chamber of Commerce and the Icelandic-Canadian Chamber of Commerce.</i> <i>Gylfi has not been on the board of directors, senior management and/or supervisory board of any company that he is not serving anymore, during the last five years.</i>

Corporate Governance Statement continued

Eimskip's Financial Statements

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

Internal Control and Risk Management

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

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

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

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

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

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

Company Values and Policy on Social Responsibility

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

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

Information on violation of rules determined by the applicable authority

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