



**EIMSKIP**

ANNUAL REPORT 2013





## EIMSKIP'S VISION

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

SECURE A GOOD RETURN FOR...  
**SHAREHOLDERS**

... with sustainable and profitable operations leading to healthy growth

SHOW CONCERN FOR THE...  
**ENVIRONMENT**

... with special emphasis on activities related to the environment, security and social responsibility



CREATE OPPORTUNITIES FOR...  
**EMPLOYEES**

... to develop their skills in a good and healthy working environment with Eimskip's values as their guiding light

CREATE VALUE FOR...  
**CUSTOMERS**

... by delivering optimal logistics solutions focused on outstanding levels of service, quality and reliability

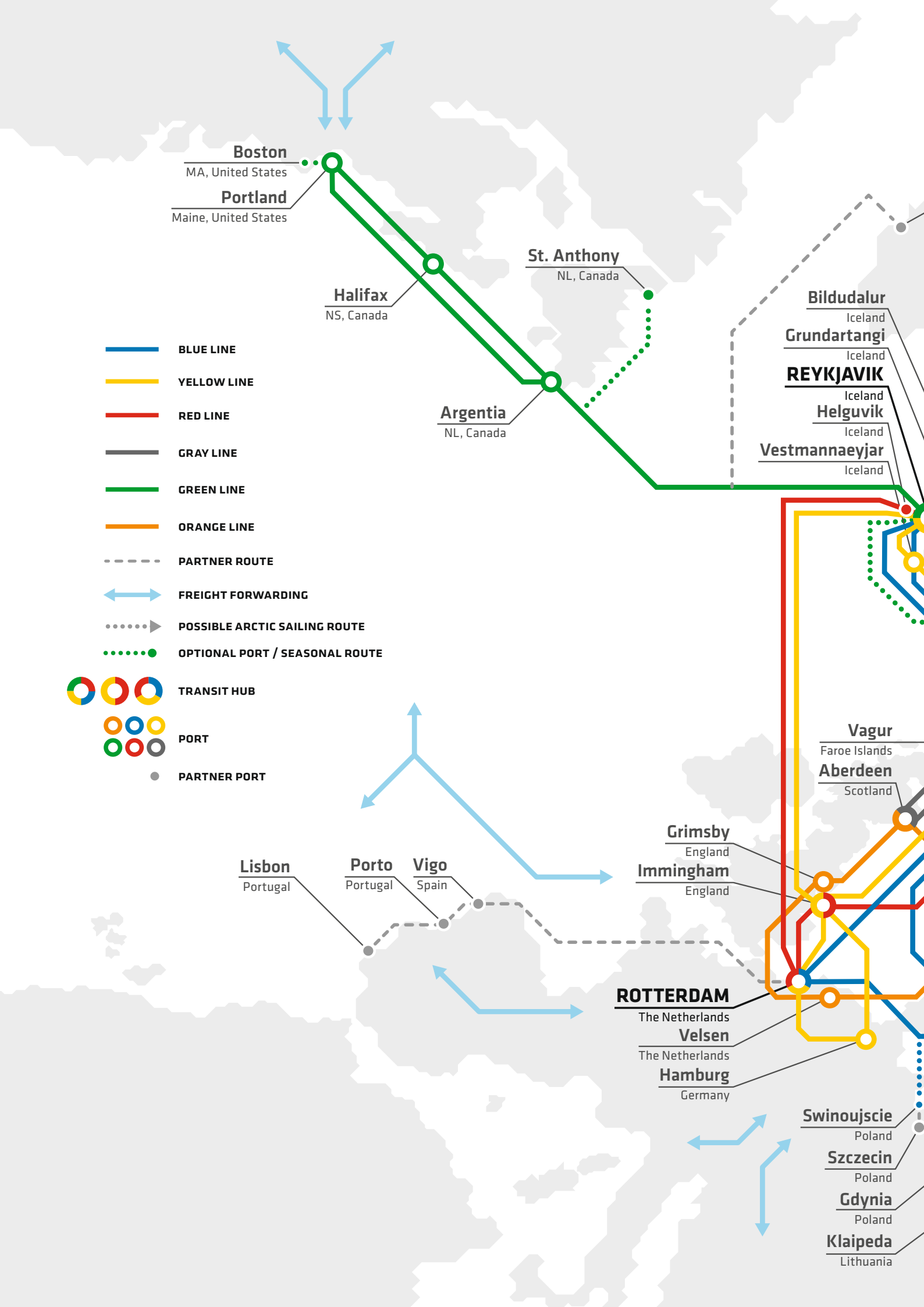




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**Boston**  
MA, United States

**Portland**  
Maine, United States

**Halifax**  
NS, Canada

**St. Anthony**  
NL, Canada

**Argentia**  
NL, Canada

**Bildudalur**  
Iceland

**Grundartangi**  
Iceland

**REYKJAVIK**  
Iceland

**Helgukvik**  
Iceland

**Vestmannaeyjar**  
Iceland

**Vagur**  
Faroe Islands

**Aberdeen**  
Scotland

**Grimsby**  
England

**Immingham**  
England

**ROTTERDAM**  
The Netherlands

**Velsen**  
The Netherlands

**Hamburg**  
Germany

**Swinoujscie**  
Poland

**Szczecin**  
Poland

**Gdynia**  
Poland

**Klaipeda**  
Lithuania

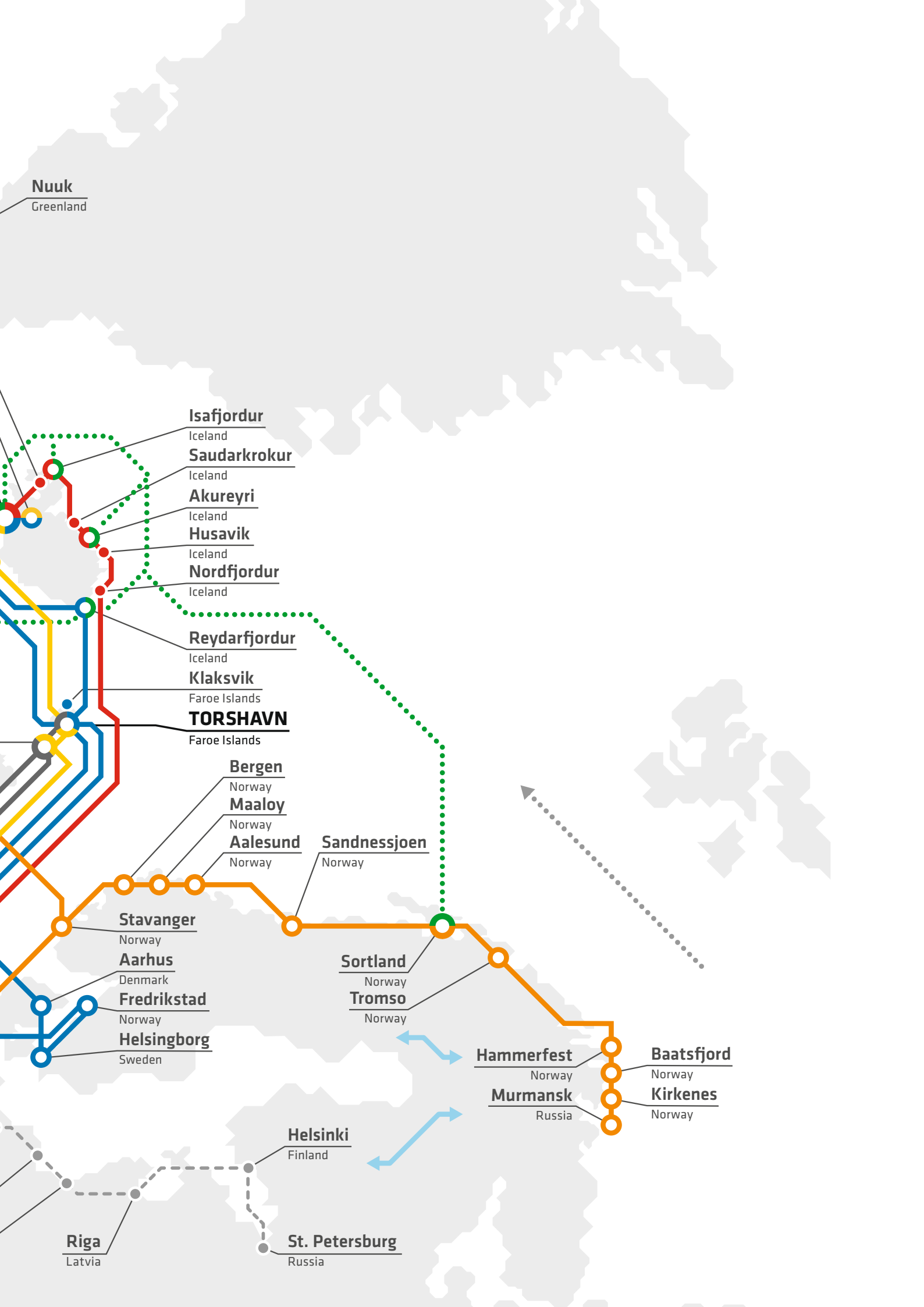
**Lisbon**  
Portugal

**Porto**  
Portugal

**Vigo**  
Spain

- BLUE LINE
- YELLOW LINE
- RED LINE
- GRAY LINE
- GREEN LINE
- ORANGE LINE
- - - PARTNER ROUTE
- ↔ FREIGHT FORWARDING
- ⋯ POSSIBLE ARCTIC SAILING ROUTE
- ⋯ OPTIONAL PORT / SEASONAL ROUTE

- TRANSIT HUB
- PORT
- PARTNER PORT



**Nuuk**  
Greenland

**Isafjordur**  
Iceland  
**Saudarkrokur**  
Iceland  
**Akureyri**  
Iceland  
**Husavik**  
Iceland  
**Nordfjordur**  
Iceland

**Reydarfjordur**  
Iceland  
**Klaksvik**  
Faroe Islands  
**TORSHAVN**  
Faroe Islands

**Bergen**  
Norway  
**Maaloy**  
Norway  
**Aalesund**  
Norway  
**Sandnessjoen**  
Norway

**Stavanger**  
Norway  
**Aarhus**  
Denmark  
**Fredrikstad**  
Norway  
**Helsingborg**  
Sweden

**Sortland**  
Norway  
**Tromso**  
Norway

**Hammerfest**  
Norway  
**Murmansk**  
Russia  
**Baatsfjord**  
Norway  
**Kirkenes**  
Norway

**Helsinki**  
Finland

**Riga**  
Latvia

**St. Petersburg**  
Russia







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## CHAIRMAN'S ADDRESS

**RICHARD WINSTON MARK D'ABO**

To begin with, I would like to review the progress that Eimskip has made over the last four years since the composition before discussing the results of 2013 and our future growth strategy.

Eimskip's restructuring was sponsored by The Yucaipa Companies ("TYC") and was completed in September 2009 when Eimskip exited from its composition. TYC was the first substantial foreign investor into Iceland following the crash. The goal of this restructuring was to leave Eimskip with a strong balance sheet and return it to its core business. The management team, led by Gylfi Sigfusson, CEO, and all the team members of Eimskip have contributed to a remarkable turn-around of the business.

The goal of the Company remains to be a leading transportation company providing outstanding services through a dependable transportation system in the North Atlantic and an extensive worldwide network of reefer logistic services. The post-composition plan was to stabilize and rationalize the core business and address deferred capital expenditures within the business. The Company has achieved these goals.

Following the composition, Eimskip made significant investments in the business. We have spent over EUR 15 million in renewing our reefer container fleet. The average age of our reefer container fleet is now under four years as opposed to nine years in 2009. We also spent EUR 10 million on a) remodeling or relocating six of our main offices, and b) purchasing, refurbishing and/or building nine new facilities. We have streamlined our operations to be able to give superior service to our customers and improve the working environment of our employees. We have upgraded our systems and introduced new services, such as ePort and eBOX. Eimskip believes in continuous improvement. Our core is stronger than ever, and we are better able to serve our customers.

Since 2011 we have been growing organically. In 2011 we added a vessel to our US route, linking Northern Norway to North America for the first time. In 2013 we added another vessel, starting coastal sailings in Iceland and connecting the Faroe Islands with Scotland. We have also been opening offices: in Thailand in 2012 and in

Gdynia in Poland, Portland, Maine in the USA and Murmansk in Russia in 2013. We also have two new vessels being built in China; the first is due to arrive this summer.

In 2012 Eimskip successfully listed on NASDAQ OMX Iceland, which was one of our original restructuring goals. We diversified our shareholder base both with institutional investors (pension funds) and private investors. By going public we also increased our transparency in dealing with international lenders and investors and laid the foundation for a dual listing outside Iceland.

We also made two small add-on acquisitions in 2013; namely Gára ehf. in Iceland and European Transport Services in the Netherlands, both at attractive multiples and both are accretive to earnings.

We had a tough but positive year in 2013, even though our EBITDA, at EUR 37.1 million, was 9.1% lower than the previous year, taking into account one-off charges related to the IPO in 2012. The main reasons for lower earnings were the soft Icelandic economy in the first half of the year, the cost of the increase in capacity in our sailing system and very inclement weather in November and December. We are confident that Eimskip will benefit from the investments in its sailing system as the Icelandic economy strengthens.

The good news is that Eimskip is growing. North Atlantic volume was up 3.4% and our operations in Norway and the Faroe Islands had close to record years, up substantially from 2012 and offsetting the weakness in Iceland. Also, transported volume in the reefer forwarding business was up 7.9%, mainly due to the Intra-Asia business.

As recently announced, executive management and TYC worked hard to resolve the contingent claims outstanding at the time of the composition of A1988 hf., which culminated in the return to treasury of 7,441,950 Eimskip shares (3.72% of issued shares), an excellent result for all shareholders.

Today we recognize that Eimskip is underleveraged and that the market rewards growth in revenue and profit. In order to maximize shareholder value, we need to diversify Eimskip's sources of



revenues and earnings geographically. Our future growth strategy includes the continued pursuit of our existing internal growth opportunities and also the search for larger acquisitions.

We will continue to enhance Eimskip's position as the leading transportation company in the North Atlantic by refining and developing our sailing system. We will expand our freight forwarding business by opening offices and making add-on acquisitions of freight forwarding companies, agencies and customs house brokerages. We will continue to make small accretive add-on acquisitions in our existing or adjacent markets.

## EXTERNAL GROWTH

With our strong core, we are now ready to focus on growth through strategic larger acquisitions in countries where we currently operate and/or adjacent areas that are rational strategic extensions to our existing business. Our acquisition focus will be on businesses in fields in which Eimskip already operates, has industry knowledge/know-how, and which constitute strategic fits.

Another focal point will be consolidation, cooperation and rationalization opportunities outside of Iceland and the Faroe Islands; the main geographical areas will include the Canadian Atlantic provinces, North-Eastern USA, Scandinavia, the UK, the Netherlands and Northern Europe. Our focus will be restricted to businesses that have a clear niche, or those in which the target company has an ability to demonstrate a strategic competitive advantage. Cost savings will then be obtained through synergies and elimination of duplication. We are also investigating and pursuing vessel ownership and management of container vessels.

As we have previously disclosed, Eimskip is pursuing a dual listing of its shares overseas and is seeking approval from the Central Bank to do so. The Central Bank must realize that Eimskip is a global company that participates in a competitive global economy and therefore requires policies that will allow it and its shareholders to participate actively without restraint in the global capital markets in order to remain competitive. A dual listing will provide a source

of foreign currency enabling Eimskip to make material acquisitions overseas. It will also provide a currency in order to facilitate the use of stock in acquisitions.

In September 2013, the Icelandic Competition Authority (ICA) raided the offices of Eimskip and Samskip as part of a new potential undisclosed investigation. Eimskip requested the ICA provide the reasons for its investigation, which the ICA has refused to provide. Eimskip appealed the action to the Icelandic Appeals Committee (IAC), who remanded the action to the ICA. The investigation continues, and Eimskip will continue to take all necessary legal action.

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

The Board of Directors of Eimskip has made a slight change in its dividend policy, increasing potential payout to 10-35% of the net profit for 2014. The Board is recommending at the Annual General Meeting a payout of 30% of net profits for 2013.

Last but not least, Eimskip celebrated its 100th anniversary on 17 January 2014, an important milestone. I am honored to have presided as Chairman over Eimskip's centennial anniversary and to have shared the occasion with our shareholders, customers and our team. We hope that 2014 will bring a strengthening Icelandic and global economy and a final resolution to the Icelandic banking situation, which is a prerequisite for the start of lifting exchange controls





## CEO'S ADDRESS

**GYLFI SIGFÚSSON**

Operating revenue amounted to EUR 433.8 million and grew by 2.4% from the previous year. Eimskip's operating profit, or EBITDA, for 2013 amounted to EUR 37.1 million, which is a decrease of 9.1% from 2012, taking into account one-off items in 2012. The 2013 results reflect the tough economic environment in Iceland.

The Company's balance sheet at the end of 2013 continues to be strong and solid, with total assets of EUR 314.4 million, low leverage and an equity ratio of 65.5%. Total investments in non-current assets amounted to EUR 29.3 million, including investments of EUR 8.5 million in new container vessels under construction. Eimskip has been working on strengthening its infrastructure in Iceland, amongst other things by opening a new and advanced workshop facility for the Company's equipment in Sundahöfn in Reykjavík and a new distribution center in Reydarfjörður on Iceland's east coast.

Transported volume in the Company's liner services in the North Atlantic increased by 3.4% from 2012. Transported volume to and from Iceland remained stable but there was growth in volume related to the Faroe Islands and Norway and between Europe and North America. Transported volume in the Company's reefer forwarding services grew by 7.9% from 2012, mainly due to increased Intra-Asian transport and transport between Europe and Asia.

The Company is well prepared for the future and for growth prospects in the North Atlantic and around the globe. The transportation market in the North Atlantic faces various growth opportunities in the coming years. Catch quotas are increasing

in Eimskip's home market and volume in fish farming is growing. Future projects related to various industries, such as heavy industry, oil production and mining, and related services, are also of great interest to the Company, as is the new potential Arctic sailing route, connecting Europe and Asia in an efficient new way.

Eimskip is constantly reviewing and optimizing its business setup and seeking solutions to reduce costs and increase utilization of its transportation system. The Company has been adapting its sailing schedule to reflect the market changes, introducing changes in March 2013 and further adjustments in February 2014 with the aim of broadening its sailing schedule in the North Atlantic by increasing the number of port calls and adding a vessel to its liner services fleet. Eimskip's new sailing schedule offers increased flexibility, which should create future opportunities for the Company and its customers. Eimskip now offers a sailing schedule with six different routes, served by twelve of its sixteen vessels. The main innovations are bi-weekly services from Portland, Maine in the USA, connecting Newfoundland, Iceland and Northern Norway, coastal services in Iceland and a new line named the Gray Line, connecting the Faroe Islands with Scotland. The Company also runs occasional services to Poland, calling at Swinoujscie and is adding port calls at Klaksvík and Vágur in the Faroe Islands. Finally the last material change was to add a reefer vessel to the liner services in Northern Norway to be able to call at Murmansk in Russia on a bi-weekly basis and to add capacity to meet increased demand in frozen fish transport from Norway to mainland Europe. In addition to the twelve liner vessels serving the six different lines of the sailing schedule, Eimskip operates two vessels offering spot



services in Norway, one vessel in bulk services to and from Iceland and finally the ferry Herjólfur, which runs on regular services between the Westman Islands, off the south coast of Iceland and the mainland.

The reefer forwarding services, outside the Company's sailing schedule, consist mainly of transportation of frozen or chilled seafood, fruit and vegetables. Over the last 10 years the Company has built the forwarding services from the ground up and today the total turnover is more than EUR 100 million on an annual basis. The forwarding services have been built by organic growth and the Company has opened new offices to strengthen the setup. In 2013 it opened three new offices, in Gdynia in Poland, in Murmansk in Russia and in Portland, Maine, in the USA. The new offices play an important role in further strengthening the Company's forwarding services and supporting its liner services.

The Company's vision has been very clear: to be a leading transportation company, providing outstanding services through a dependable transport system in the North Atlantic and an extensive worldwide network of reefer logistics services. During the last four years, Eimskip has been focusing on its vision by investing in organic growth. This has been done by adjusting the sailing schedule, through investments in vessels, equipment, IT solutions and by building up infrastructure to create value for our customers. The Company will continue to follow its vision, the next step being to work on external growth opportunities and diversification of business. As a part of this strategy, Eimskip is looking into potential mergers and acquisitions that will fit the Company's vision and strategy and it is in correspondence with

the Central Bank of Iceland to prepare possible dual listing of the Company's shares on a foreign stock exchange.

Eimskip is celebrating its 100th anniversary in 2014. It has played an important role in Iceland's history; it is aware of its responsibility and aims to live up to that responsibility in its daily operations. Eimskip's values are Achievement, Cooperation and Trust. They are the guiding principles in our endeavor to reduce our environmental impact, to be a responsible and respectful employer, to work for a better society wherever we operate, to constantly improve the services we offer our customers and to be a role-model when it comes to responsibility and trust; this has always been a key factor in our operations and culture. We are now moving towards adopting a formal corporate social responsibility strategy which includes taking steps towards sustainability reporting, and in which our sustainability activity and goals will be outlined, before the end of the year. We see this as a logical step in our corporate development, living up to our values, underlining our competitive advantage and bringing us even closer to our numerous stakeholders.

On behalf of the employees of Eimskip, I must say that we look forward to the coming years and are proud of our achievements following the restructuring of the Company, in which we have increased shareholder value substantially. The Company is ready for future challenges and we can use our solid base and Eimskip's long history to further increase the value for all of the Company's stakeholders.

## BOARD OF DIRECTORS



**RICHARD WINSTON MARK D'ABO**, Chairman of the Board

Richard was born in 1956 and lives in the United States. He is a Partner in The Yucaipa Companies, LLC. Richard has ten years of banking experience and 23 years of experience in private equity. From 1995 to 2003 he was involved in various activities in investment banking and private equity investing, co-founding and serving as the Director of Apogee Electronics, Inc. Richard was a Partner in The Yucaipa Companies, LLC, from 1988 to 1994. During this time he was a key contributor to the acquisitions of Cala Foods, ABC markets, Boys Markets, Almacs, Bell Markets, Alpha Beta and Food4Less. From 1992 to 1994 he served as a director of Food4Less Supermarkets. From 1978 to 1987 he worked at Union Bank and was involved in financing multiple leveraged and management buyouts. Richard is currently a board member of A Tango ehf., VersaCold International Corporation, Apogee Electronics, LLC and NPE Holdings, LLC. He has previously been a board member of Americold Realty Trust (board of Trustees). He pursued a degree in Finance from the University of South California from 1975 to 1977. He has been on the Board of Directors since 23 September 2009. Richard does not own shares in the Company but is not independent of Yucaipa Funds which own in total 50.6 million shares in the Company.



**GUNNAR KARL GUDMUNDSSON**, Vice-Chairman of the Board

Gunnar was born in 1959 and lives in Iceland. He has been CEO of Míla ehf. as from January 2014. Gunnar was an independent consultant from 2011 to 2013, CEO of MP Bank hf. from 2009 to 2011 and CEO of Skeljungur hf. from 2003 to 2009. He is currently a board member of KNI A/S in Greenland. He has previously been a board member of Míla ehf., AFL – sparisjóður, Tryggingamidstöðin hf., P/F Föroya Shell, Eskja hf., Teris and subsidiaries and companies related to Skeljungur hf. Gunnar holds Master's and Bachelor's degrees in Economics from Ohio University in USA. He has been on the Board of Directors since 3 April 2013, is an independent Board member and does not own shares in the Company.



**HELGA MELKORKA ÓTTARSDÓTTIR**

Helga was born in 1966 and lives in Iceland. She is a Managing Partner at LOGOS Legal Services slf. Besides her job at LOGOS, Helga was an adjunct in European Law at the University of Reykjavík from 2005 to 2007 and a lecturer and an adjunct in European Law at the University of Iceland from 2000 to 2006. She served as an attorney in an independent law practice from 1999 to 2000 and was a lawyer at the EFTA Surveillance Authority in Brussels from 1994 to 1999. Helga is currently a board member of the Iceland Chamber of Commerce, was nominated as a Leading Lawyer in financial and corporate law in IFLR1000 in 2011, 2012 and 2013 and a leading individual in Chambers Global, most recently in 2013. She has been a Partner Ad Hoc College member of the EFTA Surveillance Authority since 2004 and was a board member of the Icelandic Bar Association from 2003 to 2006. Helga has been a Supreme Court Attorney since 2011 and a District Court Attorney since 1999. She took her LL.M. degree in European Law and International Law from Heidelberg in Germany in 1994 and graduated with a Cand.jur. degree from the University of Iceland in 1991. Helga has been on the Board of Directors since 3 April 2013, is an independent Board member and does not own shares in the Company.



**HRUND RUDOLFSDÓTTIR**

Hrund was born in 1969 and lives in Iceland. She has been CEO of Veritas Capital since October 2013. Previously she was Corporate Director of Human Resources at Marel hf. from 2009 and Director of Operation and Investments at Moderna Finance ehf./Milestone ehf. from 2007 to 2009. Hrund was CEO of L&H Holding, CEO and Chief of Operations of Lyf & heilsa hf. from 2003 to 2006. She is currently a board member of Stefmir hf. Hrund took her Master's degree in International Marketing and Management from Copenhagen Business School in 2000. She also earned a Cand.Oecon. degree from the University of Iceland in 1994. Hrund has been on the Board of Directors since 3 April 2013, is an independent Board member and does not own shares in the Company.





#### **VÍGLUNDUR THORSTEINSSON**

Víglundur was born in 1943 and lives in Iceland. He has been active in Icelandic industry for more than 50 years and has been a board member of various companies and organizations, such as SI (the Federation of Icelandic Industries), SA (the Confederation of Iceland Employers) and the Pension Fund of Commerce. Víglundur is currently the Chairman of Lindarflöt ehf., a private holding company. He has a Cand.jur. degree from the University of Iceland. Víglundur has been on the Board of Directors since 3 April 2013, is an independent Board member and does not own shares in the Company.



#### **JÓHANNA Á BERGI, ALTERNATE MEMBER OF THE BOARD**

Jóhanna was born in 1970 and lives in the Faroe Islands. She has been CEO of P/f Faroe Ship, Eimskip's subsidiary in the Faroe Islands, from 2006. Jóhanna was Sales Director of JFD and Kósín Seafood from 1998 to 2006 and Sales Manager of Faroe Seafood France from 1994 to 1998. She is currently a board member of P/f Ánunum and P/f Bergfrost and is a board member of two of Eimskip's subsidiaries in the Faroe Islands. She is a member of the House of Industry in the Faroe Islands, Nordoyatunnilin, Föroyagrúnnurin and the Faroese-Icelandic Chamber of Commerce. Jóhanna has a Master's degree in Management from Robert Gordon University in the UK. She further holds an EE degree from the Danish School of International Marketing and Export. Jóhanna has been an alternate member of the Board of Directors since 3 April 2013 and does not own shares in the Company.



#### **MARC JASON SMERNOFF, ALTERNATE MEMBER OF THE BOARD**

Marc was born in 1973 and lives in the United States. He has been a Director of Private Equity of The Yucaipa Companies, LLC 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 currently a board member of Digital On-Demand Inc. and La Canada Flintridge Educational Foundation. He has previously been a board member of Eimskipafélag Íslands hf. and Americold Realty Trust (board of Trustees). Marc took his Master's degree in Business Administration from UCLA Anderson School of Management in 2005 and is a Certified Public Accountant. He furthermore holds a Bachelor's degree in Business Economics from the University of California, Santa Barbara, which he took in 1995. He has been on the Board of Directors since 23 September 2009. Marc does not own shares in the Company but is not independent of Yucaipa Funds which own in total 50.6 million shares in the Company.



## CORPORATE GOVERNANCE

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

The Board of Directors approved an update of the Corporate Governance statement for the Company on 27 February 2014. The purpose of Corporate Governance is to strengthen the Company's infrastructure and increase transparency. The statement declares that Eimskip complies with the accepted practices in the Corporate Governance guidelines issued by the Chamber of Commerce in cooperation with the Confederation of Icelandic Employers and NASDAQ OMX Iceland. Eimskip's Corporate Governance statement is accessible on the Company's website and in the Company's Financial Statements for 2013.

### BOARD OF DIRECTORS

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

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

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

### BOARD COMMITTEES

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

The Audit Committee operates in accordance with its Rules of Procedure. Its principal duty is to ensure the quality of the Company's Consolidated Financial Statements and other financial information and the independence of the Company's Auditors. The Audit Committee consists of Gunnar Karl Gudmundsson, Marc Jason Smernoff and Ólafur Viggó Sigurbergsson.





The task of the Remuneration Committee involves negotiating wages and other benefits for the CEO and framing the Company's wage policy, including wage incentives and stock incentive rights for company shares. Eimskip's Remuneration Policy is accessible on the Company's website. The Remuneration Committee consists of Richard Winston Mark d'Abo, Hrunn Rudolfsdóttir and Marc Jason Smernoff.

#### CHIEF EXECUTIVE OFFICER

The CEO is responsible to the Board and the shareholders for the day-to-day operations of the Company in accordance with law, regulations and the Company's Articles of Association. Day-to-day operations do not include matters which are unusual or of great significance. The CEO shall make sure that the Company's accounts are kept in accordance with law and practice and that the Company's assets are kept in a secure manner. The CEO is obliged to abide by all instructions of the Board of Directors and to give the auditor any information requested. The CEO does not have the authority to make decisions concerning any matters that are assigned to others by law or are reserved to the Board in its Rules of Procedure, which are accessible on the Company's website.

#### THE EXECUTIVE MANAGEMENT

Eimskip's executive management consists of the Chief Executive Officer, the Chief Financial Officer and the Directors of International, Iceland Domestic, Liner and Vessel Operations and Sales and

Services. All the executives have extensive experience within the Company. Further information on the executive management is to be found on pages 40 and 41.

#### INTERNAL CONTROL AND RISK MANAGEMENT

Active risk management plays an important role in Eimskip to ensure stable operations and earnings, and the Company monitors its risk factors on continuous basis. Further information on risk management and risk factors is to be found on pages 64 to 66.

#### VALUES

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

#### CODE OF CONDUCT AND SOCIAL RESPONSIBILITY

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

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



## SHAREHOLDER INFORMATION

### SHARE CAPITAL

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

The total number of Eimskip's shares is 200 million. Each share has a nominal value of ISK 1 and entitles its holder to one vote. The Company owned 5,918,820 treasury shares at the end of 2013, making the number of outstanding shares 194,081,180. There were 1,224 shareholders at the end of 2013.

### SHARES OWNED BY A1988 HF.

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

Under the composition agreement for A1988, a 4.2% shareholding in Eimskip was not distributed to creditors following the composition but was retained by A1988. These shares are to be used to satisfy contingent liabilities that may arise in coming periods resulting from events prior to the composition agreement. If the value of the shares exceeds the contingent claims accepted by A1988 in accordance with the composition agreement, the remaining shares shall be transferred to Eimskipafélag Íslands hf. without any compensation. To date, no material unrecorded contingent claims have been accepted. These shares are not recognized in Eimskip's statement of financial position at year-end. The shares held by A1988 do not have voting rights attached to them.

When A1988 entered into its composition agreement, a number of contingent claims existed which were mostly related to A1988's former cold storage companies in Canada and the United States. The cold storage operations were taken over by The Yucaipa Companies as part of A1988's composition

agreement. These claims have now been renegotiated and A1988 has been released from its obligations under the claims. On 12 March 2014, Eimskip announced that 7,441,950 shares were being transferred back from A1988 to the Company. A1988 continues to hold 1,000,000 shares and it is uncertain when these shares will be transferred back to Eimskip. Since the date of A1988's composition agreement, no shares have been delivered to contingent or unknown creditors.

Following the transfer of the shares from A1988 hf. in March 2014, Eimskip holds a total of 13,360,770 shares in treasury, corresponding to 6.68% of the total share capital of the Company and the number of outstanding shares is 186,639,230.

### LARGEST SHAREHOLDERS

Three of Eimskip's shareholders each owned over 10% in the Company at the end of 2013. The two Yucaipa American Alliance funds owned 15.25% and 10.05%, or a total of 25.3%. Lífeyrissjóður verzlunarmanna was the second largest shareholder with a share of 14.57%. Divisions A and B of LSR, the Pension Fund for State Employees, owned a total of 10.76% at year-end, division A owning 7.31% and division B 3.45%.

The 20 largest shareholders held 80.57% of the total shares at year-end 2013.





## 20 LARGEST SHAREHOLDERS

List of 20 largest shareholders as at 31 December 2013

Shareholders	Shares	%
1. Yucaipa American Alliance Fund II, LP	30,504,030	15.25%
2. Lífeyrissjóður verzlunarmanna	29,135,070	14.57%
3. Yucaipa American Alliance (Parallel)	20,095,970	10.05%
4. Lífeyrissj.starfsm.rík. A-deild	14,624,665	7.31%
5. A1988 hf.	8,441,950	4.22%
6. J.P. Morgan Clearing Corporation	7,672,360	3.84%
7. Lífeyrissj.starfsm.rík. B-deild	6,900,000	3.45%
8. Stefnir - ÍS 15	5,937,749	2.97%
9. Eimskipafélag Íslands hf.	5,918,820	2.96%
10. Sameinadi lífeyrissjóðurinn	5,442,718	2.72%
11. Stapi lífeyrissjóður	4,717,732	2.36%
12. Íslandssjódir - IS Hlutabréfasjóðurinn	3,145,792	1.57%
13. Landsbankinn hf.	2,786,913	1.39%
14. Straumur fjárfestingabanki hf.	2,698,354	1.35%
15. Söfnunarsjóður lífeyrisréttinda	2,602,823	1.30%
16. Þarabakk ehf.	2,400,000	1.20%
17. Stafir lífeyrissjóður	2,288,534	1.14%
18. Landsbréf - Úrvalsbréf	2,159,431	1.08%
19. Arkur ehf.	2,000,000	1.00%
20. MP banki hf.	1,671,137	0.84%
20 largest shareholders total	161,144,048	80.57%
1,204 other shareholders total	38,855,952	19.43%
1,224 shareholders total	200,000,000	100.00%

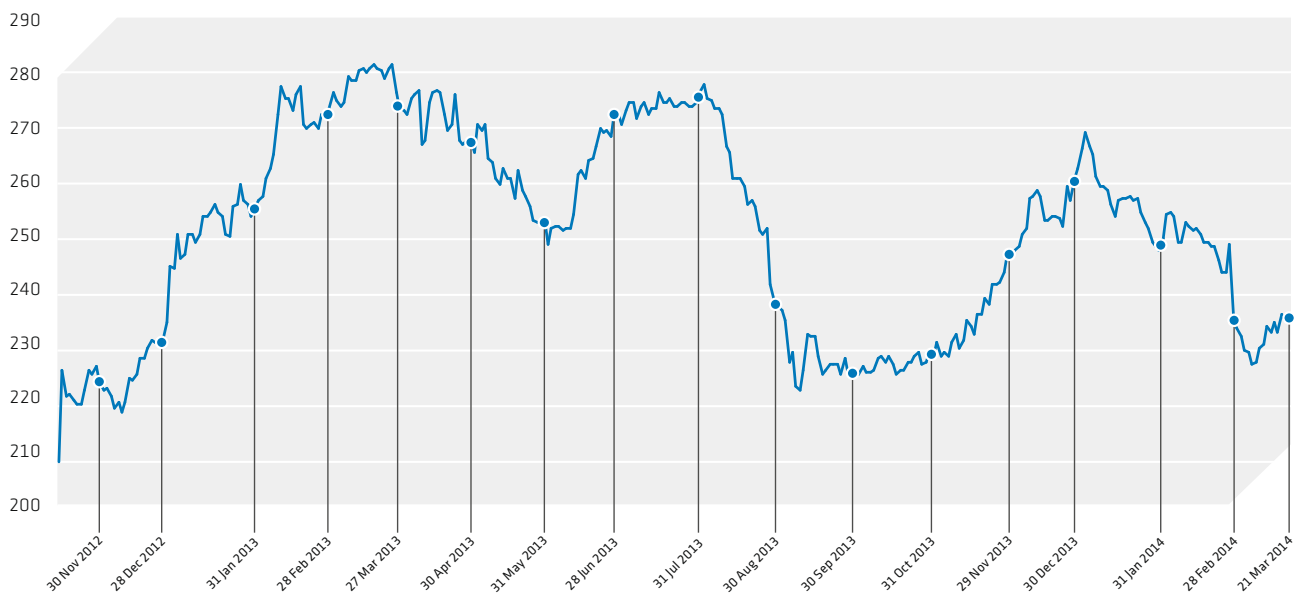
## DISTRIBUTION OF SHARES

Distribution of shares as at 31 December 2013

Shareholding	Number of share-holders	%	Number of shares	%
1-5,000	832	67.97%	2,304,271	1.15%
5,001-10,000	106	8.66%	872,014	0.44%
10,001-100,000	210	17.16%	6,196,156	3.10%
100,001-200,000	18	1.47%	2,414,068	1.21%
200,001-1,000,000	26	2.12%	12,001,957	6.00%
1,000,001-10,000,000	28	2.29%	81,851,799	40.93%
10,000,001+	4	0.33%	94,359,735	47.18%
	1,224	100.00%	200,000,000	100.00%



## SHARE PRICES



### SHARE PRICES AND MARKET CAPITALIZATION

the price of Eimskip's shares in the IPO in 2012 was ISK 208.00 and the closing price on the first day of trading was ISK 225.00. The closing price of the year 2012 was ISK 230.00 and ISK 262.00 at the end of 2013. The Company's market capitalization at the end of 2013 amounted to ISK 50.8 billion, which is equal to EUR 320.8 million. The market capitalization of the Company in relation to the restructuring in 2009 was EUR 167.8 million.

The price of the shares has been fluctuating in 2014 and the closing price on 21 March 2014 was ISK 234.50 per share with market capitalization of ISK 43.8 billion, equal to EUR 278.8 million.

### DIVIDEND POLICY

At its meeting on 27 February, Eimskip's Board of Directors approved a new dividend policy as from the financial year 2014. The dividend policy is accessible on the Company's website.

The policy of Eimskipafélag Íslands hf. is to pay annual dividend that equals an amount in the range of 10% to 35% of net profit after taxes. Decisions on dividend payment, and the exact amount, are subject to the Company's future investment plans, market outlook and satisfactory capital structure at any given time.

In April 2013, Eimskip paid dividend in the amount of EUR 2.7 million, which equals 20% of net earnings for 2012.

The Board of Directors proposed to the Annual General Meeting a dividend payment in 2014 in the amount of ISK 504.6 million, or EUR 3.2 million, which represents 30% of net earnings for 2013.

### INVESTOR RELATIONS POLICY

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

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

### OTHER SHAREHOLDER INFORMATION

Eimskip's Investor Relations website, [www.eimskip.is/investors](http://www.eimskip.is/investors), provides information for investors, market participants and others. The website contains information about the Company, such as corporate governance documents, financial reports and presentations, general presentations, share information, news releases and investor contacts.





KEY HIGHLIGHTS 2013







## KEY FIGURES

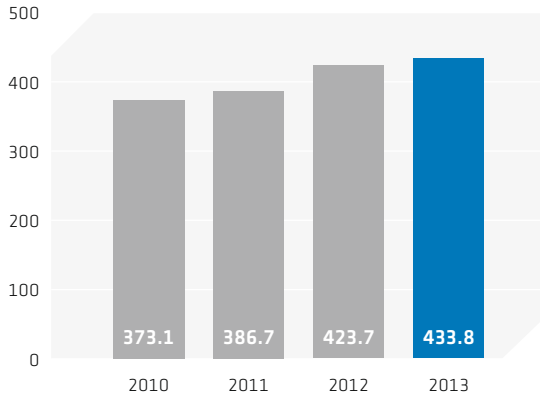
Consolidated figures in thousands of EUR

CONSOLIDATED INCOME STATEMENT	2013	2012	CHANGE	2011	2010
Operating revenue	433,824	423,653	2.4%	393,118	373,085
Operating expenses	396,770	387,485	2.4%	349,963	334,464
<b>Operating profit (EBITDA)</b>	<b>37,054</b>	<b>36,168</b>	<b>2.4%</b>	<b>43,155</b>	<b>38,621</b>
Depreciation and amortization	( 21,143)	( 22,436)	5.8%	( 23,223)	( 23,169)
<b>Results from operating activities (EBIT)</b>	<b>15,911</b>	<b>13,732</b>	<b>15.9%</b>	<b>19,932</b>	<b>15,452</b>
Net finance expense	( 3,234)	( 2,983)	( 8.4%)	3,709	( 2,601)
Share of earnings of associated company	2	0	-	0	0
<b>Net earnings before income tax</b>	<b>12,679</b>	<b>10,749</b>	<b>18.0%</b>	<b>16,223</b>	<b>12,851</b>
Income tax	( 1,862)	1,982	-	( 3,078)	( 610)
<b>Net earnings for the year</b>	<b>10,817</b>	<b>12,731</b>	<b>( 15.0%)</b>	<b>13,145</b>	<b>12,241</b>
<b>Adjusted for one-off items:</b>					
Sales growth	2.4%	12.0%		3.7%	-
EBITDA / Sales	8.5%	9.6%		9.7%	10.4%
EBIT / Sales	3.7%	4.3%		3.7%	4.1%
Net debt / EBITDA	0.89	0.54		0.50	0.57
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>					
	31.12.2013	31.12.2012	CHANGE	31.12.2011	31.12.2010
<b>Assets</b>	<b>314,365</b>	<b>313,281</b>	<b>0.3%</b>	<b>283,224</b>	<b>285,217</b>
Non-current assets	216,096	209,723	3.0%	176,946	175,528
Current assets	98,269	103,558	( 5.1%)	106,278	109,689
<b>Equity</b>	<b>205,771</b>	<b>199,599</b>	<b>3.1%</b>	<b>176,509</b>	<b>162,468</b>
<b>Liabilities</b>	<b>108,594</b>	<b>113,682</b>	<b>( 4.5%)</b>	<b>106,715</b>	<b>122,749</b>
Interest-bearing debt	59,398	59,254	0.2%	62,206	72,228
Net debt	33,028	21,950	50.5%	18,689	21,895
Tangible assets / Total assets	93.5%	93.7%		93.5%	92.7%
Equity ratio	65.5%	63.7%		62.3%	57.0%
<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>					
	2013	2012	CHANGE	2011	2010
Net cash from operating activities	20,537	36,872	( 44.3%)	27,226	38,313
Net cash used in investing activities	( 26,601)	( 39,188)	32.1%	( 22,577)	( 14,266)
Net cash from used in financing activities	( 3,558)	( 4,369)	18.6%	( 11,495)	( 11,501)
<b>Increase in cash and cash equivalents</b>	<b>( 9,622)</b>	<b>( 6,685)</b>	<b>( 43.9%)</b>	<b>( 6,846)</b>	<b>12,546</b>
Effects of exchange rate fluctuations on cash held	( 1,312)	472	-	30	1,156
<b>Cash and cash equivalents at the end of year</b>	<b>26,370</b>	<b>37,304</b>	<b>( 29.3%)</b>	<b>43,517</b>	<b>50,333</b>

## KEY RATIOS

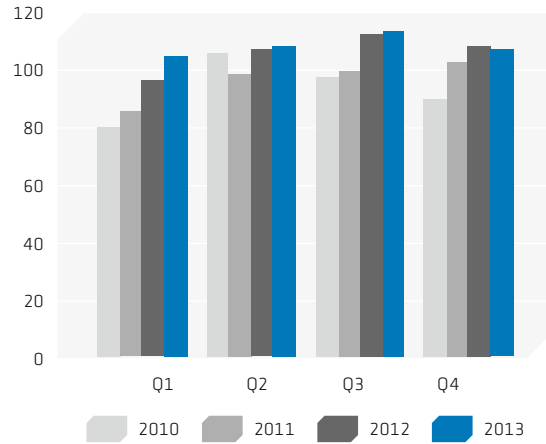
### OPERATING REVENUE

Adjusted for one-off items\*  
EUR million



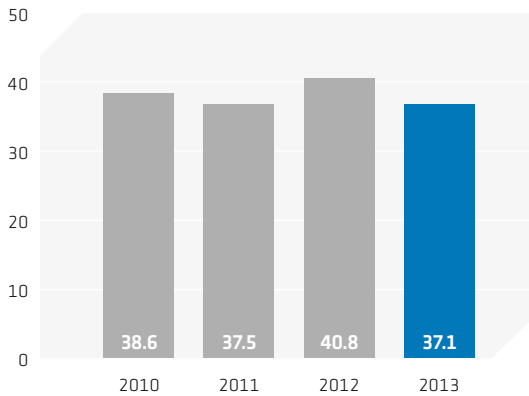
### OPERATING REVENUE BY QUARTERS

Adjusted for one-off items\*  
EUR million



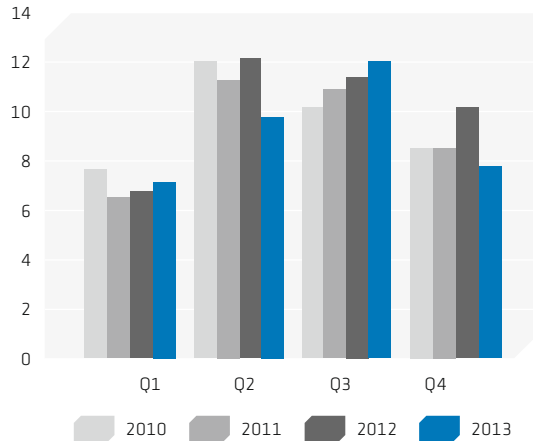
### EBITDA

Adjusted for one-off items\*  
EUR million



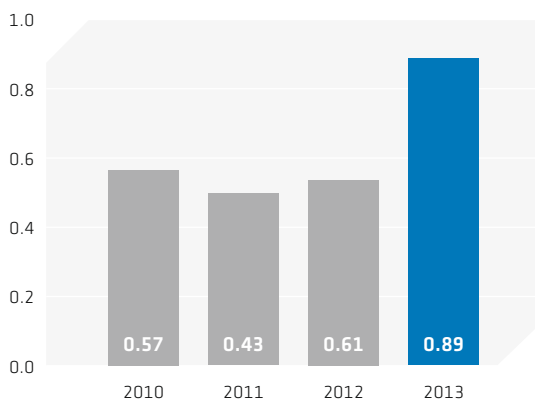
### EBITDA BY QUARTERS

Adjusted for one-off items\*  
EUR million



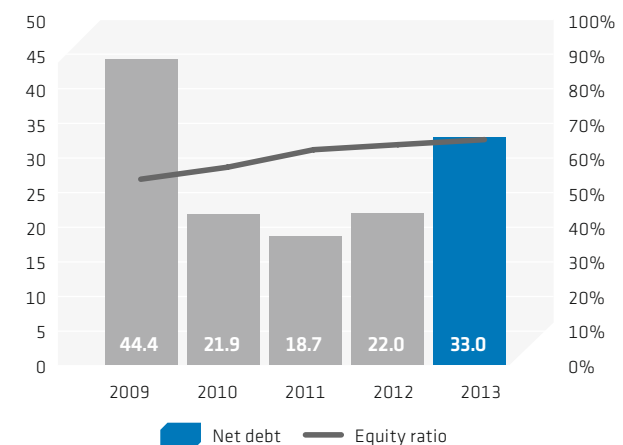
\*In the graphs above, operating revenue and EBITDA have been adjusted for one-off items. Operating revenue and EBITDA were reduced by EUR 6.4 million in first quarter 2011 due to a claim that had previously been written off. EBITDA was increased by EUR 0.7 million in second quarter 2011 due to the grounding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

### NET DEBT / EBITDA (ADJUSTED)



### NET DEBT AND EQUITY RATIO

EUR million







## TRANSPORTED VOLUME

There was a volume increase of 3.4% from 2012 to 2013 in liner services in the Company's home market in the North Atlantic. Transported volume to and from Iceland remained stable, but there was growth in volume related to the Faroe Islands and Norway and in transatlantic cargo. In the Company's reefer forwarding services transported volume grew by 7.9% compared to the previous year, mainly due to increased Intra-Asian transport and transport from Europe to Asia.

## OPERATIONAL RESULTS

Eimskip's operational results in 2013 reflect the tough economic environment in Iceland.

Operating revenue in 2013 amounted to EUR 433.8 million compared to EUR 423.7 million in 2012, a 2.4% increase between years. Around 74% of operating revenue came from the liner services segment, while 26% were related to forwarding services. In 2013 approximately 48% of operating revenue was related to Iceland.

In 2012, two one-off items affected operational results and comparison between years. The cost of the Company's listing on NASDAQ OMX Iceland in the third and fourth quarters of 2012

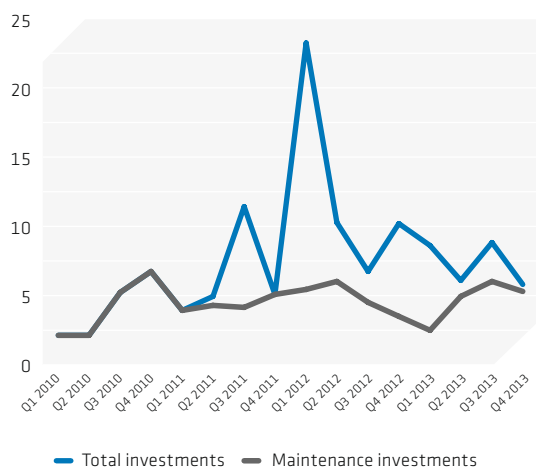
amounted to EUR 1.7 million and in connection with the IPO there was a EUR 2.9 million non-cash expense related to the forfeiture of stock options by the Company's executive management in order to secure the progress of the listing of the Company.

EBITDA, or operating profit, in 2013 amounted to EUR 37.1 million, compared to EUR 36.2 million in 2012. Adjusted EBITDA in 2012 came to EUR 40.8 million, showing a decrease of 9.1% from 2012 to 2013. The EBITDA ratio was 8.5% in 2013 compared to a 9.6% adjusted EBITDA ratio in 2012. EBIT, or results from operating activities, for 2013 amounted to EUR 15.9 million, compared to EUR 13.7 million and EUR 18.3 million adjusted EBIT in the previous year. The EBIT ratio was 3.7% in 2013 compared to a 4.3% adjusted EBIT ratio in 2012. Unadjusted net earnings for the year amounted to EUR 10.8 million, compared to EUR 12.7 million in 2012.

Eimskip's international operations showed good results in 2013 but at the same time the Company experienced more challenging conditions in Iceland, mainly due to less volume in import during the first half of the year. The changes made in Eimskip's sailing schedule in March were well received by the market. System capacity increased by 7.7% and fixed costs

## KEY HIGHLIGHTS

EUR million	2013	2012	Change
Operating revenue	433.8	423.7	2.4%
EBITDA	37.1	36.2	2.4%
EBIT	15.9	13.7	15.9%
CAPEX	29.3	50.5	(42.0%)
Net cash from operating activities	20.5	36.9	(44.3%)
Total assets	314.4	313.3	0.3%
Equity ratio	65.5%	63.7%	2.7%



increased immediately, while it takes time for revenues to grow in a new and more powerful system. In the fourth quarter of the year the Company achieved a good increase in transported volume in its North Atlantic liner system, but at the same time adverse weather conditions and mechanical issues with a few of the Company's vessels negatively impacted operational results.

### FINANCIAL POSITION AND INVESTMENTS

Eimskip's balance sheet at the end of 2013 was solid, with low leverage and a high equity ratio. The Company's assets amounted

to EUR 314.4 million, compared to EUR 313.3 million at the end of 2012. Total investments in non-current assets in 2013 amounted to EUR 29.3 million, of which EUR 8.5 million was invested in two new container vessels, under construction, EUR 3.8 million in real estate and EUR 17.0 million in containers and other equipment. Net cash used in investing activities came to EUR 26.6 million, compared to EUR 39.2 million in 2012.

Cash and cash equivalents amounted to EUR 26.4 million at year-end, compared to EUR 37.3 million at the end of 2012. The decrease in 2013 is mainly explained by investments in non-current assets.

Equity amounted to EUR 205.8 million at the end of the year, compared to EUR 199.6 million at the end of 2012, and the equity ratio increased from 63.7% to 65.5% between years.

Interest-bearing debt at year-end 2013 amounted to EUR 59.4 million, compared to EUR 59.3 million at the end of 2012 and net debt stood at EUR 33.0 million at year-end, compared to EUR 22.0 million at year-end 2012.

Net cash from operating activities amounted to EUR 20.5 million, compared to EUR 36.9 million in 2012. The decrease is mainly due to changes in current assets and liabilities.

## NEW CONTAINER VESSELS

The two new container vessels that are currently being built in China will strengthen the Company's sailing schedule and its services in the coming years. Delivery of the vessels has been delayed, and in 2013 Eimskip and the Chinese shipyard negotiated a total reduction of the vessels' purchase price in the amount of USD 10.8 million.

Delivery of the first vessel is expected to take place in the second quarter of this year. A new amendment agreement for the second vessel has not been made, but estimated delivery time is in the fourth quarter 2014. The delay in delivery of the vessels will neither affect Eimskip's sailing schedule nor services to the Company's customers. However it will extend chartering of vessels since the new vessels are expected to replace two vessels which are currently chartered by the Company.

Eimskip has already paid USD 28.6 million for the new vessels, which equals about 78% of their altered purchase price.

## NEW SAILING SCHEDULE AND SERVICES

In March 2013, Eimskip introduced substantial changes in its sailing schedule which increased capacity. The main changes consisted of the introduction of new coastal services in Iceland with a direct connection with the Faroe Islands, the UK and mainland Europe, and bi-weekly services and shorter transit time to and from the USA, with Portland in Maine replacing Boston and Norfolk as a port of call on the US east coast. The expansion of services to the USA is also intended to further support increased cargo volumes between Northern Norway and North America

and improve connections between the USA and Newfoundland with shorter transit time. The changes also improve services for fresh fish from the Faroe Islands and the growing oil industry in the North Atlantic, with calls at Aberdeen in Scotland. Now there is also a connection to the Baltic and an office has been opened in Gdynia in Poland. In February 2014 adjustments were made to the sailing schedule, which had been affected by difficulties due to adverse weather conditions in recent months. The Red Line stopped calling at the Faroe Islands and Aberdeen in Scotland, instead offering direct services to Immingham in the UK, which increases the level of services to exporters of fresh and frozen seafood. A new sailing route, the Gray Line, has been added between the Faroe Islands and Scotland and will increase service reliability and flexibility with the possibility of adding new ports of call in the Faroe Islands.

Three new offices were opened during the year: in Murmansk in Russia, in Gdynia in Poland and in Portland, Maine in the USA.

In January 2013, Eimskip launched a new online service called eBOX, a special product for smaller shipments from Europe and USA to Iceland with simplified pricing.


In 2013, the Company continued focusing on strengthening and expanding its operations in the North Atlantic, especially related to possible sailings in the Arctic and projects and services related to heavy industry, oil production and mining.





## Small shipments

Eimskip offers simple handling and pricing for small shipments from Europe and United States to Iceland

 Calculate offer



If you have a shipment under 700 kg and 2.5 cbm eBOX is the solution for you. Contact us for more information and prices for the shipment.

-  **Simple handling**
-  **Secure handling**
-  **Fast delivery**





## ONE HUNDRED YEARS OF SHIPPING

Eimskip is among the oldest companies in Iceland and in many respects it played an integral role in the history of Iceland in the 20th century. The Company's foundation was instrumental in bringing economic progress to a relatively poor country, opening up opportunities in commerce, industry and culture that had seemed almost unimaginable before.

The importance of Eimskip for the prosperity of the nation and its future struggle for independence was realized by everyone and the Company's early achievements affirmed their belief that Iceland could, and would, take its place side by side with other nations.

A great many things have changed since the foundation of Eimskip. Iceland, and indeed the whole Western World, has gone through unprecedented political, cultural and technological changes, and it may well be said that the Company's longevity and success have been wholly due to its great ability to adapt.

Subsequent to Eimskip's foundation, the volume of shipping between Iceland, Europe and North America increased dramatically, making it possible for wholesalers to import a much wider variety of goods and merchandise. In turn, exporting became more viable, as wool, fish and other produce could now be shipped out faster and more frequently than ever before.

Competition among the shipping companies, most of which were still foreign, benefitted the Icelandic consumer, as the purchase prices, and consequently retail prices, decreased. Increased transportation meant that more jobs were created: 25 years after its foundation, Eimskip had 214 permanent employees, and roughly 100 more worked in cargo handling and as stevedores. All of this, of course, meant a higher quality of life for many Icelanders.

Also, for the average citizen, traveling abroad – for business or for pleasure – became a real possibility. A commercial trip to one of the Nordic countries, or further south to continental Europe, took only a few days, and this exposed more and more Icelanders to new philosophies, cultural developments and political ideas that reinforced their sense of identity and thus, their demand for independence.

Eimskip's operations proved vital to Iceland during the world wars, when foreign shipping companies stopped sending vessels to the country. During the First World War, Eimskip's sailings to North America avoided total shortages of supplies and goods that were either unavailable in Europe or involved unacceptable risks in collecting. No surprise, then, that Eimskip was often called "the Nation's Savior". When the Second World War broke out, Eimskip's role in guaranteeing supplies of necessities was even greater and if it hadn't been for Eimskip the situation would have been much graver.

The founding of Eimskip proved that Icelanders could take the matters of transportation and shipping into their own hands. In many ways, this was a prerequisite for the economic and political independence of the nation. The enormous participation of the Icelandic nation in the Company's share offerings in 1914 and 1917 proves that the people of Iceland were well aware of this. It is no coincidence that Eimskip was commonly referred to as "the Nation's Favored Child". Icelanders were proud of Eimskip's vessels, which were functional, well-constructed and elegant, although small compared to larger nations' cargo and passenger ships.





Eimskip was founded mainly as a matter of national interest, and not for the financial profit of the shareholders. This was both a weakness and a strength. For example, the nation as a whole contributed financially, did business with the Company and supported it in many ways. This helped the Company to pull through difficult times, such as the Great Depression, and without this support, it would never have been founded and it might not have survived various financial hardships. At the same time, shareholders made various demands regarding services that were hard to fulfill and harmonize with normal business operations, such as coastal transport and shipping. This was not improved by the fact that for many years, Eimskip was expected to set its shipping rates according not only to the cost of transportation, but also to the effect they had on price levels in Iceland.

Being a company working in the interest of the nation, it was not always possible to run Eimskip mainly for profit. Different interests and needs of individuals, businesses, industries and local regions had to be met.

In its first decades, Eimskip often received support from the state treasury and through tax benefits when it was unable to make ends meet. This support was more often than not obtained following long debates in the Althingi, and extensive discussion in newspapers about the Company's activities and operations.



After World War II, circumstances changed: domestic competition became tougher and new shipping companies took a dim view of Eimskip's privileges. In 1956, Eimskip decided to renounce its tax benefits, and two years later, dividends paid to shareholders were raised from 4% to 10%. In 1963, the share capital was increased tenfold and bonus shares were issued. This meant that it was more lucrative, and correspondingly, more appealing, to own shares in Eimskip. The time had come to adapt the operation and management of the Company to the demand for return on investment in its shares. This in turn meant that the organization and all modes of practice had to be changed dramatically.

A new Company strategy was developed in the late 70s and early 80s, focusing on more universal transport services, not only by sea, but also by land and air. These extensive logistic services have continued to this day, providing customers with reliable and efficient transportation, while never forgetting the Company's original purpose.

During the boom years of the Icelandic financial sector in the first decade of this century, Eimskip had serious financial difficulties and for a while its fate lay in the balance. With valuable assistance from creditors, financial institutions and a foreign investor, Eimskip's management was able to steer through the difficult times. Following the restructuring, the Company focused on its core business with a new vision of being a leading transportation company in the North Atlantic and providing worldwide reefer logistics services.

Since then, Eimskip has focused on activating the resources that can be found in happy and well-educated employees. Furthermore, the management has firmly embraced its corporate social responsibility, for example by establishing an independent environmental policy.

Earlier this year, on 17 January, Eimskip celebrated its 100th anniversary by inviting its employees, customers and other clients to a concert in Harpa Concert Hall in Reykjavik. Three books; The History of Eimskip, Eimskip's Vessels and an Overview of Eimskip's Art Collection were also published on the day and a 90 minute documentary in two parts was broadcasted on state television. As Eimskip continues to celebrate its 100th anniversary over the course of this year, the Company looks back over its remarkable history with pride and to its future achievements with great enthusiasm.



45,000  
bicycle  
helmets



for all  
6 year olds  
since 2004







A CENTURY OF RESPONSIBILITY

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

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

To attain this, Eimskip strives to provide the most efficient and sustainable transportation options combined with exceptional

service, while being profitable for shareholders and responsible towards the environment, the workforce and society.

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

In 2014, Eimskip is moving towards adopting a formal corporate social responsibility strategy that includes steps towards sustainability reporting in which the Company's sustainability activity and goals will be outlined.

## **EIMSKIP'S AIMS ARE ...**

### *... to be a responsible company*

- The most important goals are to ensure that the Company's operations are efficient, sustainable and profitable. By doing this, Eimskip upholds the trust of its shareholders and employees, while showing respect and care towards the environment and society.
- Eimskip engages in dialogue with its stakeholders and does its utmost to respond to their needs.
- Eimskip strives to be a role-model regarding good governance and compliance.

### *... to be a responsible workplace where safety is paramount*

- Eimskip creates opportunities for employees to develop and thrive professionally in a good and healthy work environment where safety is of paramount importance.
- Eimskip supports its employees; it listens and encourages while offering opportunities for professional development through training and education.
- Eimskip values highly its employees' job satisfaction and pride in their work.

### *... to constantly improve the services offered to customers*

- The Company's role is to offer customers the highest standard of service with an efficient, worldwide transportation system.
- Eimskip is committed to building a strong relationship with customers and partners, engaging in dialogue and responding to their needs wherever possible.

### *... to be respectful towards the environment*

- Eimskip is respectful towards the environment and aims to minimize the impact that its operations have on the ecosystem and environment.
- Environmental protection and awareness are reflected in all of the Company's operations, management and the daily work of its employees.

### *... to be a responsible player in the community*

- Eimskip wants to contribute to a better society wherever it operates and be a role model regarding trust and responsibility.
- A safe future is important to the Company; consequently, it prioritizes projects involving youth, safety and prevention.







Eimskip wants to contribute to a better and safer society wherever it operates and sees it as an integral part of its corporate responsibility, values and goals to be a responsible player in the community. In this spirit, Eimskip supported a variety of community projects and non-governmental organizations in 2013. When choosing the projects, Eimskip gave priority to enhancing safety at sea, supporting environmental projects, charities, sporting activities, culture and innovations, and also projects centered on youth and children.

Eimskip is especially proud of its bicycle helmet project, which commenced in 2004. In cooperation with Kiwanis, the Company has, given all six-year-old children in Iceland a bicycle helmet and safety reflectors to contribute to youth safety. During this period, Eimskip has given approximately 45,000 helmets to children aged between 6 and 17. The project is symbolic for Eimskip's values and commitment to a better and safer society.

#### AMONG PROJECTS SUPPORTED IN 2013



Bicycle helmets and reflectors



**Rauði krossinn**

The Red Cross



Racing the Planet



Vesturport



Family Aid Organizations



Iceland Ocean Cluster



Golf



**ICE-SAR**

Maritime Safety and Survival Training Centre



Cancer Research Projects



The Icelandic Forestry Service



The Boy and Girl Scout Association



AK Extreme



SJÓMINJASAFNIB Í REYKJAVÍK

Víkin - The Maritime Museum in Reykjavík



AK EXTREME



EIMSKIP



EIMSKIP



EIMSKIP



EIMSKIP



EIMSKIP







## THE COMPANY

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

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

Eimskip's obligations towards its stakeholders are to:

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

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

### ACHIEVEMENT – COOPERATION – TRUST

Eimskip's transportation services include shipping, port operations, ocean and land transport, air freight, warehousing, freight forwarding and expert advice on shipping and logistics. Eimskip

currently operates a network of 51 offices in 19 countries, has 67 associates in 38 countries and employs around 1,400 people. The Company operates 16 vessels sailing on six different routes in the North Atlantic area.

The Company concentrates mainly on serving the North Atlantic with the focus on its home market. Eimskip has a strong position in its home market, which is defined as Iceland, the Faroe Islands, Norway and Newfoundland. Eimskip is the only containerized liner company offering regular services between Newfoundland and Europe, between Newfoundland and the USA and between North America and Northern Norway, connecting these areas with one comprehensive sailing schedule.

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

Eimskipafélag Íslands hf. owns nine direct subsidiaries, all of which are fully owned by Eimskip with one exception. These direct subsidiaries further own 42 subsidiaries which are mostly 100% owned entities.



## ORGANIZATION

The executive management of Eimskip consists of the CEO, the CFO and the Directors of International, Iceland Domestic, Liner and Vessel Operations and Sales and Services.



**Gylfi Sigfússon**, Chief Executive Officer, was born in 1961. He has worked for Eimskip and related companies since 1990 and as CEO from 2009. Before that he was CEO of HF. Eimskipafélag Íslands hf., now A1988 hf., from 2008 to 2009. Gylfi held the position of CEO of Eimskip USA, Eimskip Logistics and

Eimskip Canada from 2006 to 2008, overseeing all of Eimskip's transport operations in USA and Canada. Gylfi was the CEO of Eimskip Logistics in USA from 2000 to 2006. He was Executive Vice President of Ambrosio Shipping in the USA from 1996 to 2000 and Executive Vice President of Marketing and Operations at Tollvörugæymslan hf., now TVG-Zimsen ehf., from 1990 to 1996. Gylfi is currently a board member of A Orange ehf. He is a board member or CEO, or both, of various subsidiaries of Eimskipafélag Íslands hf. Gylfi is a board member of the Iceland Chamber of Commerce, the American-Icelandic Chamber of Commerce, the Icelandic-Canadian Chamber of Commerce and the Greenland-Icelandic Chamber of Commerce. Gylfi earned a Cand.Oecon. degree from the University of Iceland in 1990.



**Hilmar Pétur Valgardsson**, Chief Financial Officer, was born in 1973. He has worked for Eimskip since 1999 and as CFO from 2009. Before that he worked as CFO of HF. Eimskipafélag Íslands hf., now A1988 hf., from 2008 to 2009. He was CFO of Containerships Ltd. OY in Finland from 2006 to 2008

and Senior Manager of Eimskip's Financial Control department from 2004 to 2006. Hilmar is currently an alternate board member and Managing Director of A Orange ehf. and a board member of various subsidiaries of Eimskipafélag Íslands hf. Before this, Hilmar was a board member of Containerships UAB, Containership UAB, Containerships Polska, Air Atlanta Properties Ltd., Air Atlanta Aero Engineering Ltd., Vátryggingafélag Íslands hf. and Líftryggingafélag Íslands hf. Hilmar received a Cand.Oecon. degree from the University of Iceland in 1999.



**Bragi Thór Marinósson**, Executive Vice President of International operations, was born in 1965. He has worked for Eimskip since 1993. Bragi has been Executive Vice President of International operations since 2008, before which he was Executive Vice

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



**Gudmundur Nikulásson**, Vice President of Iceland Domestic operations, was born in 1961. He has worked for Eimskip since 1997. Gudmundur has been Vice President of Domestic Operations since 2005. Before that he served as Senior Manager of Terminal Operations from 1997 to 2005. Gudmundur held

the position of Chief Engineer for the City of Reykjavík from 1991 to 1997. From 1987 to 1991 he was a Consulting Engineer at Hnit hf. He is currently a board member of three subsidiaries of Eimskipafélag Íslands hf. In 1987 Gudmundur received a Civ. Ing. degree (M.Sc.) in Engineering from the Technical University of Denmark in Copenhagen. He received a B.Sc. degree in Civil Engineering from the University of Iceland in 1985.



**Ásbjörn Skúlason**, Vice President of Liner and Vessel Operations, was born in 1955. He has worked for Eimskip since 1969. Ásbjörn has been Vice President of Liner and Vessel Operations since 2008. Before that he served as Senior Manager of the Liner and Vessel Department from 2004 to 2008,

Senior Manager of the Bulk Department from 1998 to 2004, Operational Manager of Longship, a former UK-based subsidiary of Eimskip, from 1996 to 1998, Senior Manager of the Vessels' Technical Department from 1990 to 1996 and Crew Manager from 1980 to 1992. His other experience within Eimskip includes being a terminal worker, an AB seaman and a deck officer on Eimskip's vessels from 1969 to 1980. Ásbjörn earned a Master's certificate on all cargo vessels from the Reykjavík College of Navigation in 1979 and received a commercial Diploma from the Commercial College of Iceland in 1973.



**Matthías Matthíasson**, Vice President of Sales and Services, was born in 1966. He worked for Eimskip from 1983 to 2004 and again from 2009. Matthías has been Vice President of Sales and Services since 2009. Before that he was Vice President of Special Projects and Managing Director of Eimskip Germany

in 2009, Managing Director of Komatsu Denmark from 2004 to 2009, Managing Director of Eimskip UK from 2003 to 2004 and Senior Manager of Eimskip's Export department from 2001 to 2003. He was Senior Manager of Eimskip's Vehicles, Equipment and Special Projects from 2000 to 2001, Key Accounts Manager of Eimskip International Sales and Services from 1997 to 2000 and a sales representative of Eimskip's Import department from 1993 to 1997. Matthías studied Education at Hedmark University in Norway from 1993 to 1996.





## SERVICES

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

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

An e-commerce web, ePort, was successfully implemented four years ago and is still being developed. In 2013 Eimskip launched a new user-friendly and simple online service called eBOX for smaller shipments to Iceland from Europe and North America with simplified pricing.

## OPERATIONS

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

In 2013, about 74% of Eimskip's revenues came from liner services and 26% from forwarding services. The split of EBITDA between segments in 2013 was about 84% from the liner services and 16% from the forwarding services.

### LINER SERVICES

Eimskip's liner services include twelve liner vessels: six container vessels and six reefer vessels. The sailing schedule offers container and reefer vessel services, mainly between Newfoundland, Iceland, the Faroe Islands and Norway. The liner system also offers short-sea services in Europe and North America, transatlantic services and bulk transport. Liner services also include terminal operations, chilled and cold storage facilities, warehousing, trucking and distribution, air freight services and agency services.

The Company's reefer vessels services provide transportation of frozen or chilled seafood and other perishable products, either in full or partial loads of frozen or chilled consignments in bulk services with specialized vessels, direct from port to port. The services connect Europe and Scandinavia to the North Atlantic, Russia, Poland and the Baltic. Liner services accounted for 74% of the Company's operating revenue in 2013.

### Sailing Schedule and Vessels

Eimskip operates 16 vessels in the North Atlantic. Twelve vessels serve on six different sailing routes, three vessels are used in spot services and one ferry is operated in Iceland.

Eleven of the vessels operated by Eimskip are owned and five are chartered. The vessels are specially built in terms of size, cranes, reefer plugs, low draft and maneuvering capabilities to enter narrow ports.

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

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

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

The **Red Line** offers bi-weekly services from Reykjavík to Ísafjörður and Akureyri in Iceland, then sailing to England and the Netherlands on its way back to Iceland. The Reykjafoss serves on the Red Line.

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

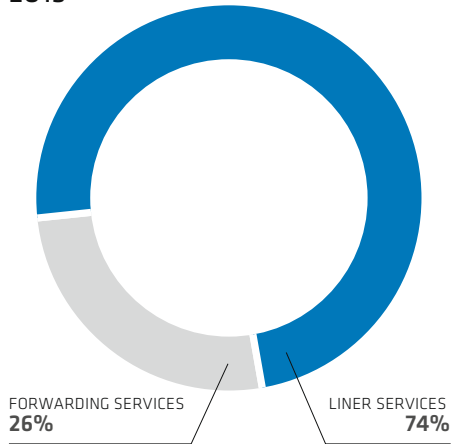
The **Green Line** offers bi-weekly services from the United States to Nova Scotia, Newfoundland and Iceland and calls at ports in Norway on a monthly basis. The Skógafoss and the Westerkade serve on the Green Line.

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

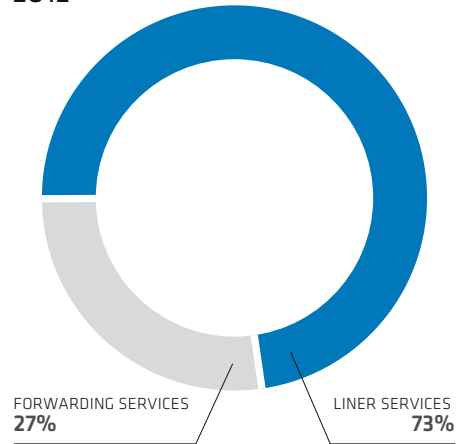
Eimskip offers specialized transport for bulk cargo in whole loads or according to the needs of its customers. When shipping bulk cargo there are no set schedules or sailing routes, since the best way to ship such cargo is based on the nature and quantity of the cargo. The Laxfoss is used in bulk transport. Other vessels serving in the North Atlantic are the reefer vessels Langfoss and Stigfoss, which are operated in Norway and the ferry Herjólfur, which offers regular services between the Westman Islands, off the south coast of Iceland, and Iceland's mainland.

OPERATING REVENUE BY SEGMENT

2013

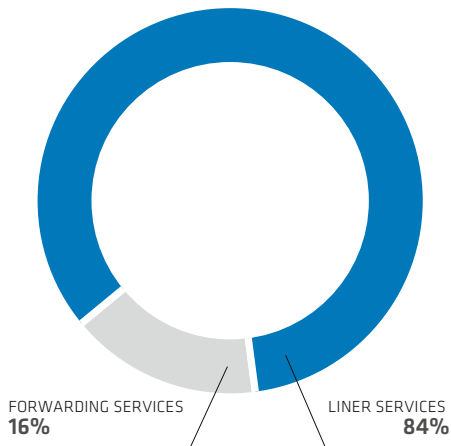


2012

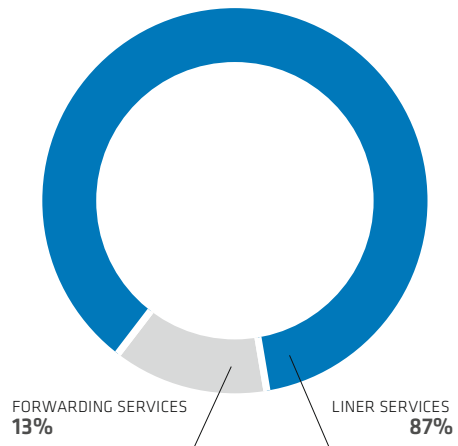


EBITDA BY SEGMENT

2013

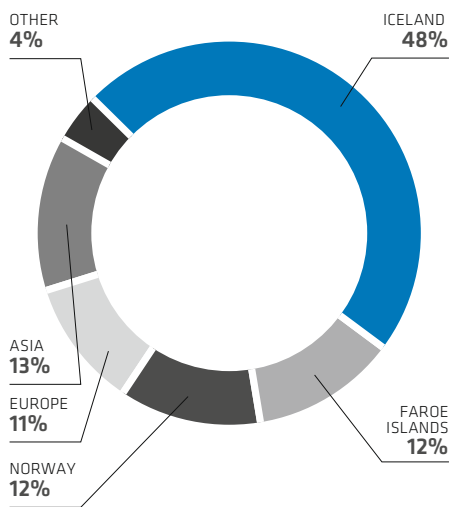


2012

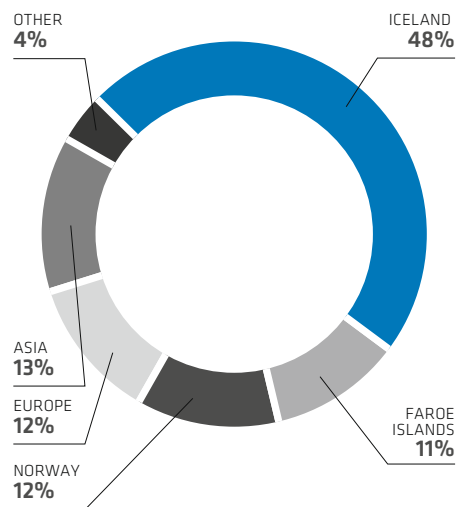


GEOGRAPHICAL SPLIT OF OPERATING REVENUE

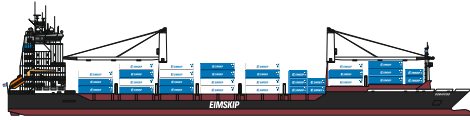
2013



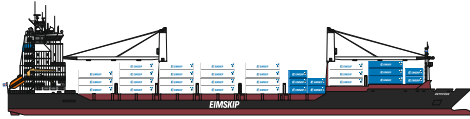
2012



## BLUE LINE

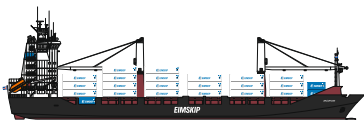


**Godafoss** O  
 Built 1995  
 TEU 1,457  
 Gross Tonnage 14,664

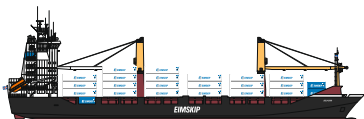


**Dettifoss** O  
 Built 1995  
 TEU 1,457  
 Gross Tonnage 14,664

## YELLOW LINE

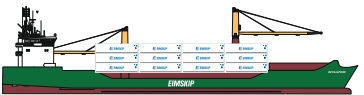


**Brúarfoss** O  
 Built 1992  
 TEU 724  
 Gross Tonnage 7,676



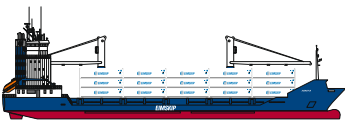
**Selfoss** O  
 Built 1991  
 TEU 724  
 Gross Tonnage 7,676

## RED LINE



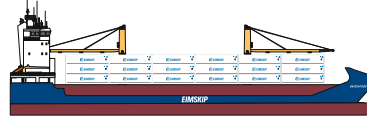
**Reykjafoss** C  
 Built 1999  
 TEU 712  
 Gross Tonnage 7,589

## GRAY LINE

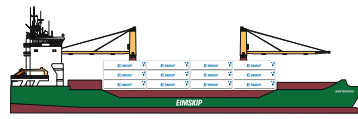


**Horst B** C  
 Built 1994  
 TEU 703  
 Gross Tonnage 6,297

## GREEN LINE



**Skógafoss** C  
 Built 2007  
 TEU 698  
 Gross Tonnage 7,545



**Westerkade** C  
 Built 2000  
 TEU 712  
 Gross Tonnage 7,541

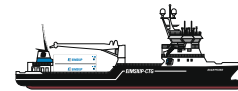
## ORANGE LINE



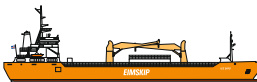
**Holmfoss** O  
 Built 2007  
 Reefer (bulk/TEU 24)  
 Gross Tonnage 3,538



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

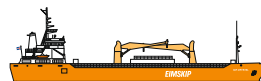


**Svartfoss** O  
 Built 2005  
 Reefer (bulk/TEU 48)  
 Gross Tonnage 2,990



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

## OTHER OPERATIONS



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



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



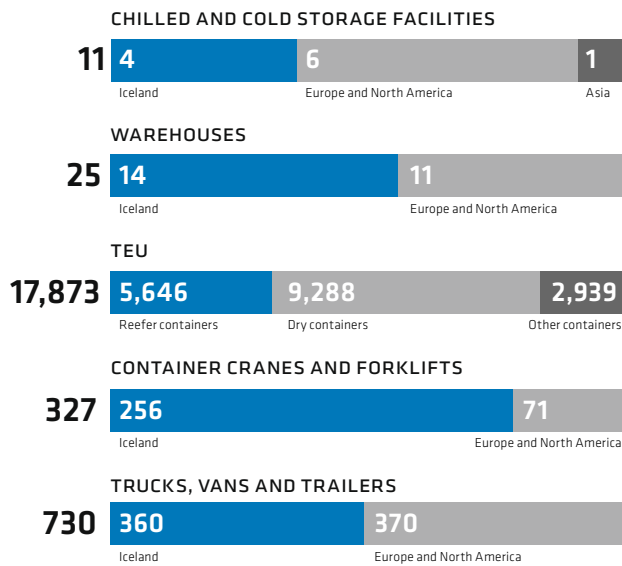
**Laxfoss** O  
 Built 1995  
 Bulk Cargo  
 Gross Tonnage 1,682



**Herjólfur** C  
 Built 1992  
 Ferry  
 Gross Tonnage 3,354



## OPERATING ASSETS



### Other Operating Assets

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

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

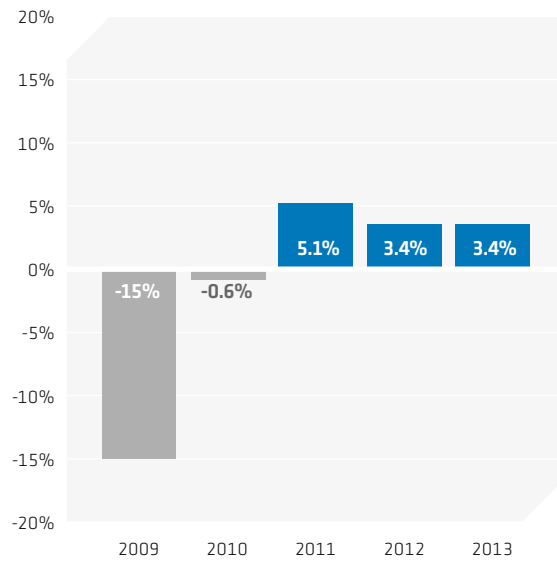
The Company's container fleet consists of around 17,900 TEUs (twenty-foot equivalent units), including about 5,600 reefer containers, 9,300 dry containers and 3,000 other types of containers.

Trucking and distribution services are operated in Iceland, the Faroe Islands, Denmark, Netherlands and USA. The Company operates a total of 327 container cranes and forklifts and 730 trucks, vans and trailers.

### Transported Volume

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

## VOLUME CHANGES IN LINER SERVICES



Transported volume in Eimskip's liner services increased by 3.4% in 2013 compared to the previous year. Volume to and from Iceland remained stable but there was growth in volume to and from the Faroe Islands and Norway and between Europe and North America.

### Eimskip's Home Market

Eimskip defines Iceland, the Faroe Islands, Norway and Newfoundland as its home market in the North Atlantic. This market is served with 16 vessels, of which twelve are used in liner services, one in bulk services to and from Iceland, two offer spot services in Norway and one is a ferry.

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

## ICELAND

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

Eimskip's sailing schedule is tailored to meet the needs of customers and includes coastal services in Iceland, with direct connections to the UK and mainland Europe and short transit times to and from USA.

The ever-increasing pace of modern commerce demands constant adaptation to new technology and solutions. An example of Eimskip's determination to meet this demand is ePort, which was introduced in 2010. This is a web-based service which is constantly being updated and improved and gives customers the opportunity to access invoices and necessary papers online, monitor their orders, call up a simple overview of their transport activities and manage storage of



their shipments in Eimskip's Warehouse Hotel in Reykjavík. The latest addition to Eimskip's service portfolio is eBOX, a quick and easy solution for smaller shipments from Europe and North America to Iceland where customers themselves can calculate the price of transportation on the web and the Company's transportation system makes sure that the shipment arrives in Iceland by the first available vessel.

Exporting fresh, frozen, salted and dried fish products has always been a large part of Eimskip's operations and the demand for processed products of all fishery resources is rising all over the world. It is the Company's ambition to offer customers outstanding services, and this calls for constant improvements in its operating procedures. Demand for processed fresh fish has been growing in recent years, making Eimskip fully aware of its responsibility when it comes to maintaining the quality and value of the product. Eimskip is working closely with seafood exporters and Matís, the Icelandic Food and Biotech Research and Development company, on developing a refrigeration system that could extend the shelf life of fresh fish even further than what it is today.

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





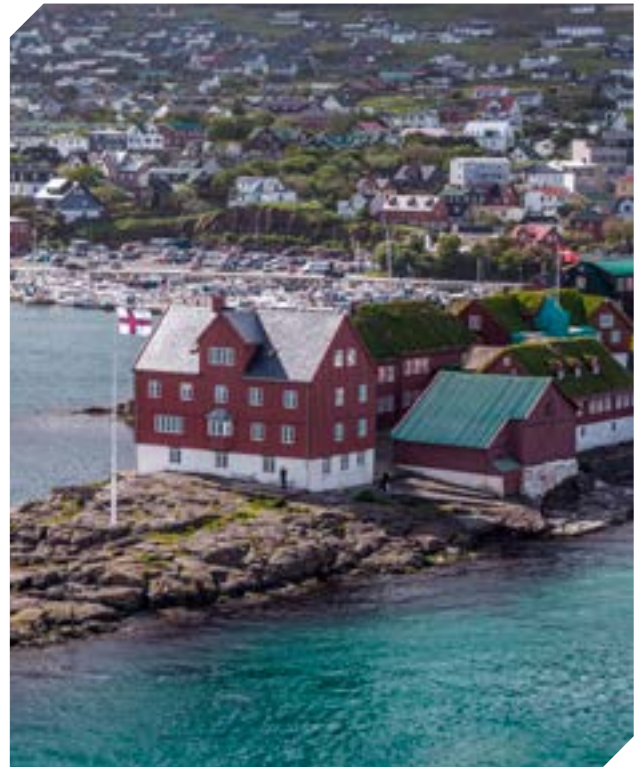


# FAROE SHIP

## FAROE ISLANDS

In the Faroe Islands Eimskip operates the company P/F Faroe Ship, which has a 95-year history. Since its formation in 1919 the company has epitomized Faroese initiative and independence, founding the Faroe Islands' first regular overseas connection which had enormous implications for the development of the Faroese economy throughout the 20th century.

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



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

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

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







## NORWAY



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

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

Eimskip Norway operates a container terminal, a chilled and cold storage facility and a warehouse in Sortland and a chilled and cold storage facility in Kirkenes and offers cold store facilities





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

Eimskip Norway has a strong presence in Northern Norway and is the only containerized operator offering regular services between Northern Norway and North America. This route, the Green Line, which started operations in 2011 and connects Northern Norway with destinations in Newfoundland, Nova Scotia and the USA, has created new opportunities. The Green Line connects these

countries with Iceland as a hub for further connections on to Europe. The Company also serves the oil industry and other industries in Norway.

In 2012 Eimskip invested in three reefer vessels that the Company had chartered since 2005, referred to as the Ice Sisters, which have played a key role in the Company's reefer services. The vessels have now been named the Langfoss, Stigfoss and Vidfoss, after Norwegian waterfalls. Each is 3,625 gross tonnage and they are particularly efficient compared to other reefer vessels on the market. This investment further strengthens the services and reliability of the Company's North Atlantic liner system, and particularly its position in the Norwegian market. The vessels' primary operations are in Norway, providing transport services to the Baltic and Russia. They have also been transporting frozen seafood from Iceland, the Faroe Islands and Newfoundland.









## NEWFOUNDLAND

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

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

Newfoundland has seen significant economic growth in recent years. Eimskip has benefited from this growth as it has focused its services on two main revenue streams, the oil and gas industry and the traditional seafood industry. The Company is not new to the oil and gas sector: Eimskip in Canada has

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

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

## 51 OWN OFFICES AND 67 ASSOCIATES IN 46 COUNTRIES



### FORWARDING SERVICES

Eimskip's forwarding services include international reefer and general forwarding, concentrating mainly on Asia, Europe and North America. The services in Asia include intra-trade in Asia. Forwarding services accounted for 26% of the Company's operating revenue in 2013.

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

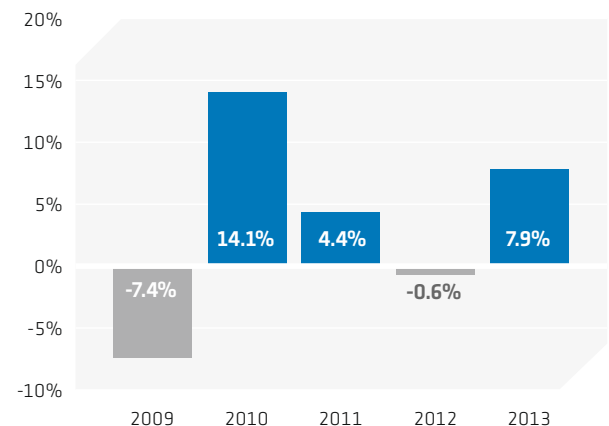
Eimskip's forwarding services network consists of 51 offices of its own and 67 associates in a total of 46 countries in Europe, America, Asia and Africa.

### Transported volume

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

Transported volume in Eimskip's reefer forwarding services in 2013 increased by 7.9% from the previous year. The main reason for the growth is increased Intra-Asian transport and transport from Europe to Asia.

### VOLUME CHANGES IN REEFER FORWARDING SERVICES







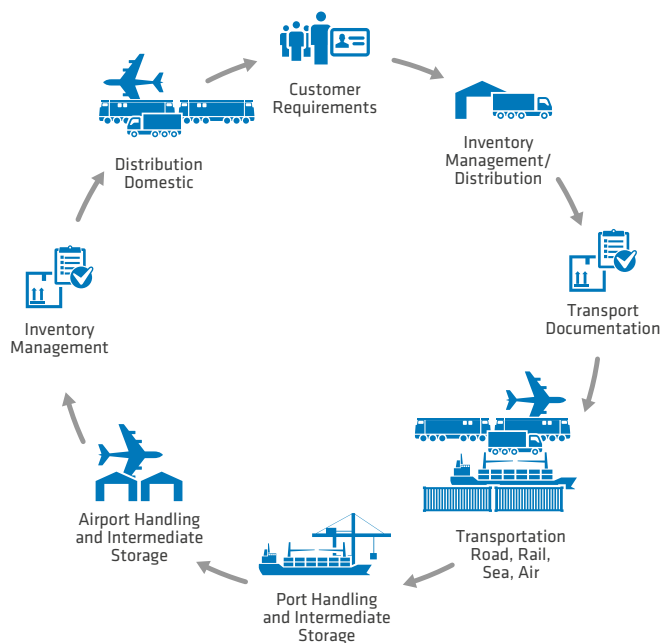
## OPPORTUNITIES IN TRANSPORTATION

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

The changes made to the Company's sailing schedule in 2013 and 2014 have resulted in a more flexible and powerful transportation system with increased service reliability, which creates new opportunities by opening up new markets to current and future customers and by being able to respond to requirements from them. There are also growth opportunities related to new projects in the Faroe Islands, in Northern Norway, Newfoundland, Maine in the USA, Scotland, Poland, Greenland and Russia, for example in the fishing and fish farming industries, heavy industry, oil and mining, as well as terminal services, infrastructure projects and other potential projects connected with the new Arctic sailing route.

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

## EIMSKIP'S TRANSPORTATION SYSTEM



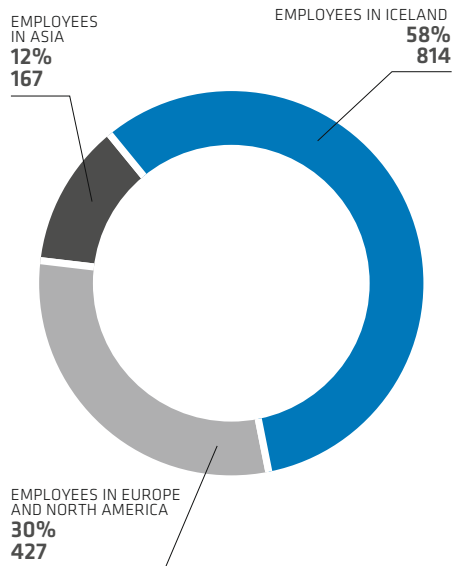
EMPLOYEES





At the end of 2013, the total number of Eimskip's employees was 1,408, of whom 814 were located in Iceland, 427 in Europe and North America and 167 in Asia.

### EMPLOYEES BY LOCATION



### WORKPLACE AND CULTURE

Eimskip's workplace is characterized by reliance on input from a strong team that consists of individuals with a wide range of educational backgrounds, experience, knowledge and skills. The Eimskip team plays an important role in creating an attractive and desirable workplace and an atmosphere that they can be proud of.

Emphasis is placed on a healthy and family-friendly environment, equality, mutual flexibility and understanding, competitive terms of employment and constructive feedback on performance. Open information flow and good communication are everyone's responsibility as they are important factors in maintaining a strong team.

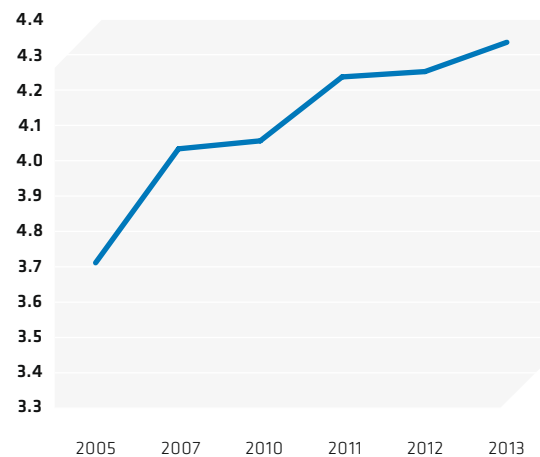
Eimskip's management policy is based on the view that the employees are the main premise for the achievement of the Company's objectives. Managers aim to bring out the best in every employee and build up a strong team that plays a responsible part in maintaining a stimulating working atmosphere.

### JOB SATISFACTION AND EMPLOYEE ENGAGEMENT

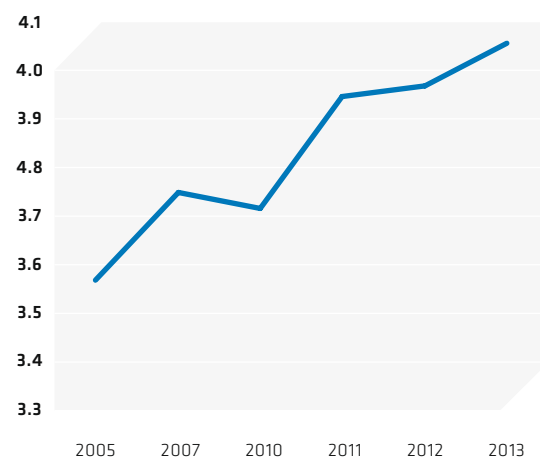
In recent years Eimskip has conducted annual employee surveys. These focus primarily on job satisfaction and engagement and provide valuable feedback from employees regarding several factors that create the workplace and the Company's culture. Job satisfaction is an important factor when predicting customer satisfaction, employee performance, employee turnover and, in the end, the profitability of the Company and it is therefore very important to monitor it on a regular basis.

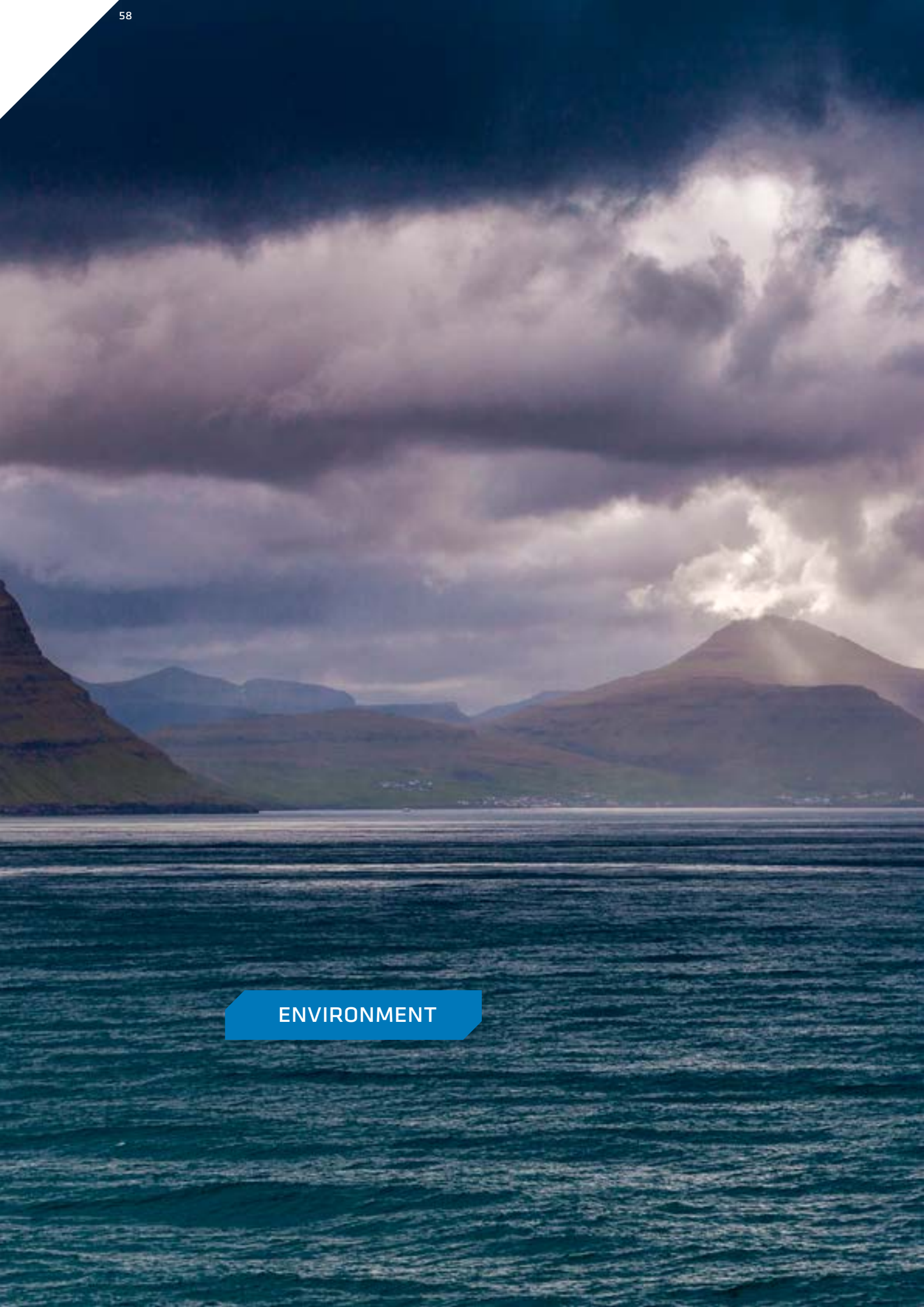
Eimskip proudly notices improvements in several factors over the years, including general job satisfaction, engagement, pride and feedback. Participation rates in the survey each year are high, around 80%, which is important for the survey's credibility. This also supports Eimskip's corporate culture which centers on a team of responsible employees who are concerned to contribute to the Company's achievements and live Eimskip's values: Achievement, Cooperation and Trust.

### STEADY GROWTH IN JOB SATISFACTION ON A SCALE 1-5



### GROWING EMPLOYEE ENGAGEMENT ON A SCALE 1-5





**ENVIRONMENT**





### EIMSKIP'S AIM IS TO

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

## ENVIRONMENTAL POLICY

Eimskip was one of the first companies in Iceland to establish an environmental policy back in 1991. Since then, the challenges in this field have developed very quickly and the transportation industry, as well as others, realizes how important environmental issues are for the world as we know it to survive. Eimskip's environmental policy is as follows.

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

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

### ENERGY MANAGEMENT ON EIMSKIP'S VESSELS

Most of the vessels operated by Eimskip are now being equipped with an on-board energy management system from Marorka to minimize fuel consumption. Marorka is a leading provider of energy management solutions for the maritime sector with systems

installed on more than 200 vessels worldwide. Marorka has been using the Dettifoss, one of Eimskip's vessels, as a pilot project for developing their system since 2005.

Five of the Company's vessels, the Dettifoss, Godafoss, Brúarfoss, Selfoss and Herjólfur, are using Marorka Online. Eimskip's two new vessels being built in China will also be equipped with this solution. Other vessels are being worked on.

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

### RECYCLING OF WASTE

At the end of 2012, Eimskip started taking further steps towards the sorting of waste. For many years the major part of the waste from the Company's operations has already been sorted and sent for recycling, but in 2012 it was decided to take the step of recycling the Company's waste as far as practicable and the project received much attention during 2013.





### **HARBOR CRANES USE EXTERNAL ELECTRICAL POWER SUPPLY**

In the first half of 2013, Eimskip finalized a project on connecting two mobile harbor cranes directly to external electrical power at two of the Company's terminals in Iceland, in Reykjavík and in Reydarfjörður on the east coast. Both of the harbor cranes are of the Gottwald type and were originally designed to be able to run either on their diesel engines or by being connected to external electrical power supply from the landside. The cranes use 1.2 MW power with 11,000 V voltages which is similar to the usage of a village with 500 to 700 inhabitants. The project is environmentally friendly since there are no emissions from the cranes when they run on electrical power. With this change, Eimskip reduces carbon dioxide, CO<sub>2</sub>, by 340 metric tons per year, which amounts to what a 17 hectare forest is able to bind on an annual basis. In addition, pollution from noise and dust is reduced at the terminals.

### **LOWER EMISSIONS FROM TRUCKS**

In 2013 Eimskip acquired a majority share in European Transport Services B.V., E.T.S., a trucking company located in the Netherlands. The company specializes in reefer container haulage with a fleet of 15 trucks. The majority of the trucks are equipped with a TRS

system, an environmentally friendly transport refrigeration system where the engine of the truck provides power to the reefer container, resulting in much lower emissions than the conventional generators used to power reefer containers' refrigeration equipment.

### **COMPLYING WITH ENVIRONMENTAL DEMANDS IN TRANSPORTATION**

Eimskip respects the environment and recognizes the effects that climate change could have on society, the Company's business activities and the need for a low-carbon economy. Transportation is responsible for 6% of global CO<sub>2</sub> emissions. Air transportation is rated the least efficient in terms of emissions on a ton-per-mile basis. Air cargo emits 35 times more CO<sub>2</sub> than rail and 18 times more than land transportation. It is estimated that a container vessel emits, on average, around 47 times less CO<sub>2</sub> than a large freight aircraft, making seaborne transportation one of the most environmentally-friendly modes of transportation.

**RISK MANAGEMENT AND RISK FACTORS**



**EIMSKI**  
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## RISK MANAGEMENT

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

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

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

Eimskip is aware of the importance of safety, security and loss prevention and has increased the resources available for these activities in recent years.

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

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

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

## RISK FACTORS

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

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

### MARKET RISK

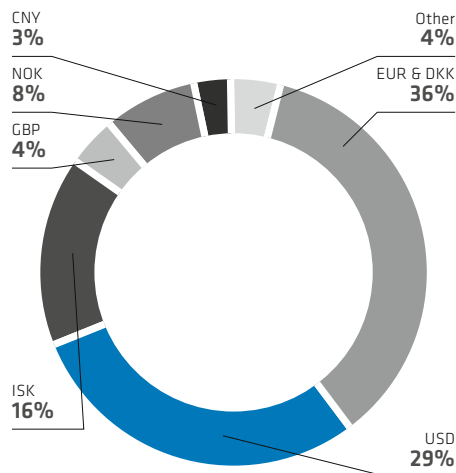
Demand for shipping and logistics services has historically been highly cyclical and closely correlated with global economic activity. Eimskip is thus exposed to a possible economic downturn or recession, either globally or in one or more of the Company's main markets. The Company is also sensitive to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

### OPERATIONAL RISK

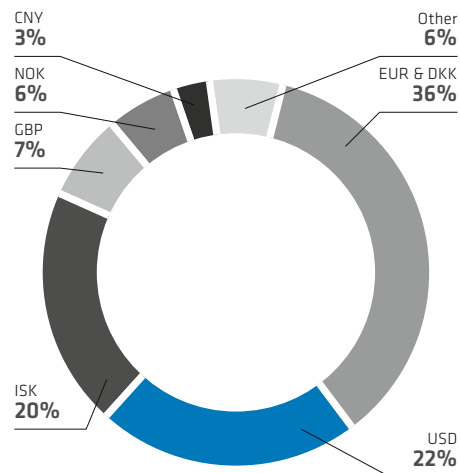
Eimskip's operations are dependent upon many factors, e.g. access to terminals, IT systems, operation and ownership of vessels, supply of and demand for fuel, inflation, the reputation of the Company and its ability to retain key personnel and customer contracts. Further, refugees and stowaways and incidents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



## SALES BY CURRENCY



## EXPENSES BY CURRENCY



## FINANCIAL RISK

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

Some of the financial risk factors are addressed as follows.

### Currency risk

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

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

Assets and liabilities in the balance sheet are mostly denominated in EUR or the relevant operating currency of the entities. The mismatch of other non-operating currencies on the balance sheet is mainly related to two currencies, the ISK and the USD, as described in a table under note 20 in the Consolidated Financial Statements.

### Access to credit risk

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

### Interest-rate risk

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

### Liquidity risk

Eimskip has liabilities and obligations which arise over time and the Company may not have the liquidity to meet its liabilities as they fall due. Eimskip's approach to managing liquidity, i.e. cash on hand or short-term marketable securities, is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. For further information on liquidity status, reference is made to note 20 in the Consolidated Financial Statements.

**Credit risk**

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

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

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

In spite of these precautionary measures, a general downturn in financial markets and economic activity may result in a higher volume of late payments and outstanding receivables. Eimskip's sales will depend on the financial position of its counterparties and there can be no guarantee that the financial position of the Company's customers and other contract parties will be sufficient to honor their obligations under their contracts with the Company. Even though the Company seeks to recover all outstanding receivables, the amounts of write-offs may increase. Trade and other receivables of Eimskip amounted to EUR 69.2 million at the end of 2013, which represents 15.9% of the Company's revenues.

**Fuel-price risk**

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

Fuel costs accounted for 9.5% of Eimskip's total operating costs in 2013. 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 prices could lead to downward pressure on the Company's tariffs from its customers.









# EIMSKIP

CONSOLIDATED FINANCIAL STATEMENTS 2013



## ENDORSEMENT AND STATEMENT BY THE BOARD OF DIRECTORS AND THE CEO

### OPERATIONS AND SIGNIFICANT MATTERS IN 2013

Eimskip specializes in shipping, logistics and supply chain management and offers its customers solutions on land, sea and air with special emphasis on the handling and storing of any type of temperature-controlled cargo, frozen or chilled and dry cargo.

In March 2013 Eimskip made substantial changes to its sailing schedule. The changes included coastal sailings in Iceland, with additional port calls in the Faroe Islands, direct connection to the UK and mainland Europe and shorter transit time and increased frequency to and from the USA. The number of vessels in liner services was increased by one. In connection with the changes, Eimskip opened new offices in Gdynia, Poland and Portland, Maine, USA.

In April 2013 Eimskip entered into an amended agreement regarding the building of two new container vessels. Expected delivery was in the year 2013 but with the amended agreement, delivery was expected in the first half of 2014. As a result of the delay, Eimskip was able to negotiate a reduction of the vessels' purchase price of USD 10 million (EUR 7.3 million) in total. In January 2014 the agreement with the shipyard was further amended, including an additional reduction in the first vessel's purchase price of USD 750 thousand (EUR 544 thousand). Expected delivery of the first vessel was further delayed to the second quarter of 2014. An amendment for the purchase of the second vessel has not been made, but expected delivery has been delayed to the fourth quarter of 2014.

In September 2013 the Icelandic Competition Authority exercised a dawn raid at the premises of Eimskipafélag Íslands hf. and its subsidiaries, Eimskip Ísland ehf. and TVG-Zimsen ehf., based on a ruling from the Reykjavík District Court. The dawn raid was exercised due to alleged breach of Article 10 and 11 of the Icelandic Competition Act. At this point the subject matter of the investigation is not known and any elaboration on the potential outcome of the investigation is premature. The investigation neither affected the income statement nor the statement of financial position of Eimskip as at 31 December 2013. Further information is provided in note 24.

Net earnings for the year 2013 amounted to EUR 10.8 million (2012: 12.7 million) according to the consolidated income statement. Total equity at 31 December 2013 amounted to EUR 205.8 million (2012: 199.6 million) according to the statement of financial position.

The Board of Directors proposes a dividend payment to shareholders in 2014 in the amount of ISK 2.60 per share. The total dividend payment is ISK 504.6 million, or EUR 3.2 million, which represents 30.0% of net earnings for the year 2013.

### SHARE CAPITAL AND ARTICLES OF ASSOCIATION

The nominal value of the Company's issued share capital amounts to ISK 200 million of which the Company held treasury shares of ISK 5.9 million which is equal to 2.96% of issued shares. The share capital is divided into shares of ISK 1 each with equal rights within a single class of shares listed on the Icelandic Stock Exchange (NASDAQ OMX Iceland). Companies can purchase up to 10% of the nominal value of the Company's shares according to the Icelandic Company's Act.

The Company's Board of Directors consists of five Directors and two alternate Directors and they are all elected at the Annual General Meeting. Those who intend to run for the Board of Directors shall notify the Board of Directors of their candidacy at least five days before a shareholders' meeting. The Company's Articles of Association may only be amended by a lawful shareholders' meeting, as long as the proposal for the amendment is described in the invitation to the meeting. The decision to amend the Articles of Association will only be valid if it is approved by 2/3 of the votes and approved by shareholders controlling at least 2/3 of the votes represented at the shareholders' meeting.

Further information on matters related to the share capital is disclosed in note 15. Additional information on shareholders is provided on the Company's website [www.eimskip.is/investors](http://www.eimskip.is/investors). The number of shareholders at year-end was 1,224 which was a decrease of 1,200 from the beginning of year.

### CORPORATE GOVERNANCE

Eimskip's management is of the opinion that practicing good Corporate Governance is vital for Eimskip and is in the best interests of the shareholders, employees and other stakeholders. The framework for Corporate Governance practices within Eimskip consists of the provisions of law, the parent company's Articles of Association, general securities regulations and the Icelandic Corporate Governance Guidelines issued by the Iceland Chamber of Commerce, NASDAQ OMX Iceland and the Confederation of Icelandic Employers. Corporate Governance practices are designed to ensure open and transparent relationship between the Company's management, its Board of Directors, its shareholders and other stakeholders. Further information is provided in the Corporate Governance Statement which is an appendix to these financial statement. The Corporate Governance in Eimskip is also designed to ensure sound and effective control of the Company's affairs and a high level of business ethics. The Company is of the opinion that it follows and complies with the Guidelines. However the Company has not established a Nomination Committee as the Board of Directors has considered it unnecessary.

AMOUNTS ARE IN THOUSANDS OF EUR

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

EIMSKIPAFÉLAG ÍSLANDS HF. | ANNUAL REPORT 2013

## ENDORSEMENT AND STATEMENT BY THE BOARD OF DIRECTORS AND THE CEO

The Company's largest shareholders at the year-end are the following:

Shareholder:	2013		2012	
	NUMBER OF SHARES	SHARES IN %	NUMBER OF SHARES	SHARES IN %
Yucaipa American Alliance Fund II, LP .....	30,504,030	15.72%	30,504,030	15.72%
Lífeyrissjóður verzlunarmanna .....	29,135,070	15.01%	29,135,070	15.01%
Yucaipa American Alliance (Parallel) .....	20,095,970	10.35%	20,095,970	10.35%
Lífeyrissjóður starfsmanna ríkisins A-deild .....	14,624,665	7.54%	0	0.00%
A1988 hf. ....	8,441,950	4.35%	8,441,950	4.35%
J.P. Morgan Clearing Corporation .....	7,672,360	3.95%	7,672,360	3.95%
Lífeyrissjóður starfsmanna ríkisins B-deild .....	6,900,000	3.56%	364,822	0.19%
Stefnir - ÍS 15 .....	5,937,749	3.06%	3,262,795	1.68%
Sameinadi lífeyrissjóðurinn .....	5,442,718	2.80%	2,400,280	1.24%
Stapi lífeyrissjóður .....	4,717,732	2.43%	642,970	0.33%
IS Hlutabréfasjóðurinn .....	3,145,792	1.62%	3,725,305	1.92%
Landsbankinn hf. ....	2,786,913	1.44%	1,093,461	0.56%
Other shareholders .....	54,676,231	28.17%	86,742,167	44.69%
Total outstanding shares .....	194,081,180	100.00%	194,081,180	100.00%
Treasury shares .....	5,918,820		5,918,820	
Total issued shares .....	200,000,000		200,000,000	

### STATEMENT BY THE BOARD OF DIRECTORS AND THE CEO

The Consolidated Financial Statements of Eimskipafélag Íslands hf. and its subsidiaries (together referred to as "Eimskip" or the "Group") are prepared and presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements are presented in thousands of EUR. According to the best of our knowledge, it is our opinion that these Annual Consolidated Financial Statements give a true and fair view of the consolidated financial performance of Eimskip for the year 2013, its assets, liabilities and consolidated financial position as at 31 December 2013 and its consolidated cash flows for the year 2013. Further, in our opinion the Consolidated

Financial Statements and the Endorsement by the Board of Directors and the CEO give a fair view of the development and performance of Eimskip's operations and its position and describe the principal risks and uncertainties faced by Eimskip. The Board of Directors and the CEO have today discussed the Consolidated Financial Statements of Eimskipafélag Íslands hf. for the year 2013 and confirm them by means of their signatures. The Board of Directors and the CEO recommend that the Consolidated Financial Statements will be approved at the Annual General Meeting of Eimskipafélag Íslands hf.

Reykjavík, 27 February 2014

#### BOARD OF DIRECTORS

Richard Winston Mark d'Abo

Chairman

Gunnar Karl Gudmundsson

Helga Melkorka Óttarsdóttir

Hrund Rudolfsdóttir

Vígundur Thorsteinsson

#### CEO

Gylfi Sigfússon

AMOUNTS ARE IN THOUSANDS OF EUR

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

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying Consolidated Financial Statements of Eimskipafélag Íslands hf., which comprise the consolidated statement of financial position as at 31 December 2013, 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 CONSOLIDATED 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 Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

### AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material

misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Consolidated Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements.

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

### OPINION

In our opinion, the Consolidated Financial Statements give a true and fair view of the consolidated financial position of Eimskipafélag Íslands hf. as at 31 December 2013, 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 104, Paragraph 2 of the Icelandic Financial Statement Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors accompanying the Consolidated Financial Statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the Consolidated Financial Statements.

Reykjavík, 27 February 2014

### KPMG EHF.

Alexander G. Edvardsson

Ólafur Már Ólafsson





## CONSOLIDATED INCOME STATEMENT

### 1 JANUARY TO 31 DECEMBER 2013

	NOTES	2013	2012
<b>OPERATING REVENUE:</b>			
Sales .....	2,4	433,824	423,653
<b>EXPENSES:</b>			
Operating expenses .....	2,4	321,368	312,086
Salaries and related expenses .....	5	75,402	70,803
Other expenses .....	4	0	4,596
		396,770	387,485
Operating profit (EBITDA) .....		37,054	36,168
Depreciation and amortization .....	8,9	( 21,143)	( 22,436)
<b>Results from operating activities</b> .....		15,911	13,732
Finance income .....		704	657
Finance expense .....		( 3,938)	( 3,640)
	6	( 3,234)	( 2,983)
Share of earnings of associated company .....	10	2	0
<b>Net earnings before income tax</b> .....		12,679	10,749
Income tax .....	7	( 1,862)	1,982
<b>Net earnings for the year</b> .....		10,817	12,731
<b>NET EARNINGS FOR THE YEAR ATTRIBUTABLE TO:</b>			
Equity holders of the Company .....		10,743	12,519
Non-controlling interest .....		74	212
		10,817	12,731
<b>EARNINGS PER SHARE:</b>			
Basic and diluted earnings per share (EUR) .....	16	0.0554	0.0645

AMOUNTS ARE IN THOUSANDS OF EUR

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY TO 31 DECEMBER 2013

	NOTES	2013	2012	
Net earnings for the year .....		10,817	12,731	
<b>OTHER COMPREHENSIVE INCOME:</b>				
<b>Items that may subsequently be reclassified to the income statement</b>				
Foreign currency translation difference of foreign operations .....	(	2,061)	(	735)
Total comprehensive income for the year .....		8,756	11,996	
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:</b>				
Equity holders of the Company .....		8,928	11,888	
Non-controlling interest .....	(	172)	108	
Total comprehensive income for the year .....		8,756	11,996	

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	NOTES	2013	2012
<b>ASSETS:</b>			
Property, vessels and equipment .....	8	186,471	180,440
Intangible assets .....	9	20,372	19,647
Investment in associated company .....	10	546	0
Financial assets .....	11	888	984
Deferred tax assets .....	12	7,819	8,652
<b>Total non-current assets</b>		<b>216,096</b>	<b>209,723</b>
Inventories .....		2,745	3,114
Trade and other receivables .....	13,20	69,154	63,140
Cash and cash equivalents .....	14	26,370	37,304
<b>Total current assets</b>		<b>98,269</b>	<b>103,558</b>
<b>Total assets</b>		<b>314,365</b>	<b>313,281</b>
<b>EQUITY:</b>			
Share capital .....		1,211	1,211
Share premium .....		154,680	154,680
Translation reserve .....		( 2,358)	( 543)
Retained earnings .....		49,296	41,208
<b>Total equity attributable to equity holders of the parent</b>	15	<b>202,829</b>	<b>196,556</b>
Non-controlling interest .....		2,942	3,043
<b>Total equity</b>		<b>205,771</b>	<b>199,599</b>
<b>LIABILITIES:</b>			
Loans and borrowings .....	17	44,300	51,088
Deferred tax liability .....	12	136	0
<b>Total non-current liabilities</b>		<b>44,436</b>	<b>51,088</b>
Loans and borrowings .....	17	15,098	8,166
Trade and other payables .....	18	49,060	54,428
<b>Total current liabilities</b>		<b>64,158</b>	<b>62,594</b>
<b>Total liabilities</b>		<b>108,594</b>	<b>113,682</b>
<b>Total equity and liabilities</b>		<b>314,365</b>	<b>313,281</b>

AMOUNTS ARE IN THOUSANDS OF EUR

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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY						NON CONTROLLING INTEREST	TOTAL EQUITY
	SHARE CAPITAL	SHARE PREMIUM	SHARE OPTION RESERVE	TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL		
<b>CHANGES IN EQUITY 2013:</b>								
Equity at 1 January 2013 .....	1,211	154,680	0	( 543 )	41,208	196,556	3,043	199,599
Other changes in non-controlling interest .....						0	71	71
Dividend paid (0,00137 EUR per share).....					( 2,655 )	( 2,655 )		( 2,655 )
Total comprehensive income for the year .....				( 1,815 )	10,743	8,928	( 172 )	8,756
Equity at 31 December 2013 .....	1,211	154,680	0	( 2,358 )	49,296	202,829	2,942	205,771

### CHANGES IN EQUITY 2012:

Equity at 1 January 2012 .....	104	148,179	425	88	25,077	173,873	2,636	176,509
Effects of share based payment agreements			3,187			3,187		3,187
Stock split .....	1,070	( 1,070 )				0		0
Treasury shares sold .....	37	7,571				7,608		7,608
Cancellation of share options .....			( 3,612 )		3,612	0		0
Other changes in non-controlling interest .....						0	299	299
Total comprehensive income for the year .....				( 631 )	12,519	11,888	108	11,996
Equity at 31 December 2012.....	1,211	154,680	0	( 543 )	41,208	196,556	3,043	199,599

AMOUNTS ARE IN THOUSANDS OF EUR

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## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Earnings for the year .....		10,817	12,731
Adjustments for:			
Depreciation and amortization .....	8,9	21,143	22,436
Share of earnings of associated company .....	10	( 2)	0
Effects of share options .....		0	3,187
Net finance expense .....	6	3,234	2,983
Change in deferred taxes .....	7,12	907	( 2,831)
Other changes .....		( 2,493)	( 762)
		33,606	37,744
Changes in current assets and liabilities:			
Inventories, change .....		291	615
Receivables, change .....		( 5,182)	( 6,097)
Payables, change .....		( 5,314)	8,366
Change in current assets and liabilities		( 10,205)	2,884
Interest paid .....		( 2,493)	( 4,131)
Interest received .....		581	947
Taxes paid .....		( 952)	( 572)
Net cash from operating activities		20,537	36,872
<b>CASH FLOWS USED IN INVESTING ACTIVITIES:</b>			
Investments in non-current assets .....	8,9	( 26,469)	( 41,668)
Proceeds from the sale of non-current assets .....		938	2,480
Investments in subsidiaries net of cash acquired .....		( 565)	0
Investment in associated company .....	10	( 498)	0
Investments in financial assets .....		( 7)	0
Net cash used in investing activities		( 26,601)	( 39,188)
<b>CASH FLOWS USED IN FINANCING ACTIVITIES:</b>			
Proceeds from sale of treasury shares .....		0	7,608
Changes in non-controlling interest .....		( 71)	( 299)
Proceeds from long-term borrowings .....		7,921	359
Repayment of long-term borrowings .....		( 8,753)	( 12,037)
Dividend paid .....		( 2,655)	0
Net cash used in financing activities		( 3,558)	( 4,369)
Changes in cash and cash equivalents .....		( 9,622)	( 6,685)
Cash and cash equivalents at the beginning of the year .....		37,304	43,517
Effects of exchange rate fluctuations on cash held .....		( 1,312)	472
<b>Cash and cash equivalents at year-end .....</b>		<b>26,370</b>	<b>37,304</b>
<b>INVESTING ACTIVITIES NOT AFFECTING CASH FLOWS:</b>			
Proceeds from the sale of non-current assets .....		2,823	0
Repayment of long-term borrowings .....		( 2,823)	0
Investment in non-current assets .....	8,9	( 2,809)	( 8,860)
Proceeds from long-term borrowings .....		2,809	8,860

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## NOTES TO THE 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 2013 comprise the Company and its subsidiaries (together referred to as “Eimskip” or the “Group”) and the Eimskip’s interest in associated companies. The parent company is an investment company focused on investments in shipping and logistic services. The Company is listed on NASDAQ OMX Iceland.

### 2. BASIS OF PREPARATION

#### a. Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements were approved and authorized for issue by the Company’s Board of Directors on 27 February 2014.

#### b. Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis. The methods used to measure fair values are discussed further in note 3.

#### c. Functional and presentation currency

These Consolidated Financial Statements are presented in EUR, which is the Company’s functional currency. All financial information presented in EUR has been rounded to the nearest thousand unless otherwise indicated.

#### d. Use of estimates and judgements

The preparation of the Consolidated Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

Note 12 – Measure of the recoverable amounts of deferred tax assets

Note 13 – Trade and other receivables

#### e. Restatement of comparative figures

One of the Group’s subsidiaries restated its comparative amounts for sales and operating expenses for the previous year when preparing the interim financial statements for the first half of 2013. The restatement is due to the fact that in the previous year the subsidiary presented certain sales on net basis but did not report gross amounts of income and expenses. The effect on the consolidated comparative figures is an increase of EUR 9.3 million in sales with a corresponding increase in operating expenses. The restatement of the comparative amounts has no other effect on the Consolidated Financial Statements.

### 3. 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) 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

### 4. SEGMENT REPORTING

#### Business segments

Eimskip has two reportable segments, as described below, which are Eimskip's strategic business units. The strategic business units offer different products and services on different markets and are managed separately. The segment reporting is based on an internal reporting function of Eimskip. The following summary describes the operations in each of Eimskip's reportable segments:

**Liner services:** The main emphasis in Eimskip's operations is the sale of transportation of goods to and from Iceland, Norway and the Faroe Islands through its service routes in the North-Atlantic. This service includes sea transportation, trucking and warehousing and logistic services.

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

**Unallocated:** The unallocated column consists of costs relating to the forfeited share option agreements and the costs associated with the registration of the Company's shares on NASDAQ OMX Iceland. The unallocated expense in 2012 is presented as other expenses in the income statement. Specific one-off items are as follows:

	2013	2012
Operating profit (EBITDA) .....	37,054	36,168
<b>Expenses:</b>		
Effects of cancellation of share based payment agreements .....	0	2,914
Registration on NASDAQ OMX Iceland .....	0	1,682
	0	4,596
Operating profit (EBITDA) without specific one-off items .....	37,054	40,764

#### Business segments

	LINER SERVICES	FORWARDING SERVICES	UNALLOCATED	TOTAL
<b>For the year 2013</b>				
Revenue, external .....	319,180	114,644	0	433,824
Inter-segment revenue .....	32,588	33,336	0	65,924
Total .....	351,768	147,980	0	499,748
Expenses, external .....	( 287,291)	( 109,479)	0	( 396,770)
Inter-segment expense .....	( 33,336)	( 32,588)	0	( 65,924)
<b>EBITDA</b> .....	31,141	5,913	0	37,054
Depreciation and amortization .....	( 19,728)	( 1,415)	0	( 21,143)
<b>EBIT</b> .....	11,413	4,498	0	15,911
Net finance expense .....	( 2,836)	( 398)	0	( 3,234)
Share of earnings of associated company .....	2	0	0	2
Income tax .....	( 672)	( 1,190)	0	( 1,862)
Net earnings for the year .....	7,907	2,910	0	10,817
Segment assets .....	269,031	45,334	0	314,365
Segment liabilities .....	84,128	24,466	0	108,594
Capital expenditure .....	28,544	734	0	29,278

## NOTES

### 4. SEGMENT REPORTING, CONTINUED

	LINER SERVICES	FORWARDING SERVICES	UNALLOCATED	TOTAL
<b>For the year 2012</b>				
Revenue, external .....	307,536	116,117	0	423,653
Inter-segment revenue .....	25,338	26,920	0	52,258
Total .....	332,874	143,037	0	475,911
Expenses, external .....	( 270,459)	( 112,430)	( 4,596)	( 387,485)
Inter-segment expense .....	( 26,920)	( 25,338)	0	( 52,258)
<b>EBITDA</b> .....	35,495	5,269	( 4,596)	36,168
Depreciation and amortization .....	( 21,113)	( 1,323)	0	( 22,436)
<b>EBIT</b> .....	14,382	3,946	( 4,596)	13,732
Net finance expense .....	( 2,516)	( 467)	0	( 2,983)
Income tax .....	3,108	( 1,126)	0	1,982
Net earnings for the year .....	14,974	2,353	( 4,596)	12,731
Segment assets .....	267,552	45,729	0	313,281
Segment liabilities .....	88,576	25,106	0	113,682
Capital expenditure .....	49,724	804	0	50,528

#### Geographical segments

In presenting information on the basis of geographical segments, segment revenue and assets are based on the geographical location of assets.

#### Geographical segments

	NORTH ATLANTIC	OTHER TERRITORIES	TOTAL
<b>For the year 2013</b>			
Revenue, external .....	385,228	48,596	433,824
Segment assets .....	300,349	14,016	314,365
Capital expenditure .....	29,268	10	29,278
<b>For the year 2012</b>			
Revenue, external .....	367,384	56,269	423,653
Segment assets .....	295,557	17,724	313,281
Capital expenditure .....	50,515	13	50,528

### 5. SALARIES AND RELATED EXPENSES

Salaries and related expenses are specified as follows:

	2013	2012
Salaries .....	62,806	58,756
Defined contribution plan .....	5,095	4,521
Share based payments expense .....	0	273
Other related expenses .....	7,501	7,253
Salaries and related expenses .....	75,402	70,803
Average number of full-time equivalents during the year .....	1,343	1,311
Average number of positions .....	1,373	1,312
Number of employees at year-end .....	1,408	1,329



## NOTES

### 6. FINANCE INCOME AND EXPENSE

Finance income is specified as follows:

	2013	2012
Interest income .....	619	598
Dividend received .....	85	59
	704	657

Finance expense is specified as follows:

Interest on long-term loans .....	( 2,187)	( 2,528)
Other finance expenses .....	( 696)	( 856)
Net foreign exchange loss .....	( 1,055)	( 256)
	( 3,938)	( 3,640)
Net finance expense .....	( 3,234)	( 2,983)

### 7. INCOME TAX

#### (i) Income tax recognized in the income statement:

##### Current tax expense:

	2013	2012
Current period .....	( 1,144)	( 867)

##### Deferred tax:

Origination and reversal of temporary differences .....	( 550)	( 816)
Changes in tax rates .....	0	( 6)
Benefit of tax losses recognized .....	15	3,642
Other changes .....	( 183)	29
	( 718)	2,849
Total income tax .....	( 1,862)	1,982

#### (ii) Reconciliation of effective tax rate:

	2013	2012
Net earnings before income tax .....	12,679	10,749

	2013		2012	
Income tax using the Company's domestic tax rate .....	20.0%	2,536	20.0%	2,150
Effect of tax rates in foreign jurisdictions .....	( 3.5%)	( 442)	0.6%	60
Effects of tax losses recognized .....	0.0%	0	( 33.9%)	( 3,642)
Under / over provided in previous years .....	2.0%	251	( 2.0%)	( 209)
Other changes .....	( 3.8%)	( 483)	( 3.0%)	( 341)
Effective tax .....	14.7%	1,862	( 18.4%)	( 1,982)

## NOTES

### 8. PROPERTY, VESSELS AND EQUIPMENT

Property, vessels and equipment are specified as follows:

Cost	LAND AND BUILDINGS	VESSELS	VESSELS UNDER CONSTRUCTION	CONTAINERS AND EQUIPMENT	TOTAL
Balance at 1 January 2012 .....	64,317	74,927	7,126	45,797	192,167
Reclassification of assets .....	13	368	0	( 792)	( 411)
Additions .....	4,169	17,973	8,397	17,563	48,102
Disposals .....	( 709)	( 337)	0	( 1,811)	( 2,857)
Currency adjustments .....	347	761	0	23	1,131
Balance at 31 December 2012 .....	68,137	93,692	15,523	60,780	238,132
Balance at 1 January 2013 .....	68,137	93,692	15,523	60,780	238,132
Reclassification of assets .....	0	0	0	2,807	2,807
Additions in acquisition .....	72	0	0	1,330	1,402
Additions .....	3,816	5,370	8,456	9,570	27,212
Disposals .....	( 53)	0	0	( 3,500)	( 3,553)
Currency adjustments .....	( 1,346)	( 1,807)	0	( 29)	( 3,182)
Balance at 31 December 2013 .....	70,626	97,255	23,979	70,958	262,818
<b>Depreciation</b>					
Balance at 1 January 2012 .....	7,203	18,993	0	13,292	39,488
Disposals .....	( 243)	( 365)	0	( 1,981)	( 2,589)
Depreciation .....	2,934	10,222	0	7,705	20,861
Currency adjustments .....	181	( 315)	0	66	( 68)
Balance at 31 December 2012 .....	10,075	28,535	0	19,082	57,692
Balance at 1 January 2013 .....	10,075	28,535	0	19,082	57,692
Reclassification of assets .....	0	0	0	2,807	2,807
Additions in acquisition .....	8	0	0	100	108
Disposals .....	( 32)	0	0	( 2,029)	( 2,061)
Depreciation .....	3,139	7,678	0	8,218	19,035
Currency adjustments .....	( 842)	( 137)	0	( 255)	( 1,234)
Balance at 31 December 2013 .....	12,348	36,076	0	27,923	76,347
<b>Carrying amounts</b>					
At 1 January 2012 .....	57,109	55,934	7,126	32,510	152,679
At 31 December 2012 .....	58,062	65,157	15,523	41,698	180,440
At 31 December 2013 .....	58,278	61,179	23,979	43,035	186,471

#### Finance leases

As part of Eimskip's activities, customary leasing agreements are entered into, especially with regard to the chartering of vessels and leasing of containers and other equipment. In some cases, the leasing agreements comprise purchase options and options for extension of the lease term. In the Consolidated Financial Statements, assets held under finance leases are recognized in the same way as owned assets. The carrying amount of assets under finance leases at year end 2013 amounted to EUR 6.9 million (2012: 9.5 million). The commitment according to the lease agreements at the same time amounted to EUR 5.6 million (2012: 8.6 million).

Eimskip's non-ISK finance leases, which amounted to EUR 1.9 million at 31 December 2013, could be subject to recent general legal cases results and legal cases pending court results. Eimskip is not directly a party to those cases but 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

### 8. PROPERTY, VESSELS AND EQUIPMENT, CONTINUED

#### Pledges

Vessels, buildings, etc., with a carrying amount of EUR 60.5 million (2012: 52.9 million) have been pledged as security for loans amounting to EUR 59.1 million (2012: 50.7 million) at year-end.

#### Borrowing costs

Borrowing costs amounting to EUR 377.7 thousand (2012: 234.9 thousand) have been capitalized due to vessels under construction.

### 9. INTANGIBLE ASSETS

Intangible assets and amortization are specified as follows:

Cost	BRAND NAME	SOFTWARE	MARKET AND CUSTOMER RELATED	TOTAL
Balance at 1 January 2012 .....	14,003	11,452	2,701	28,156
Reclassification of assets .....	0	411	0	411
Additions .....	0	2,426	0	2,426
Disposals .....	0	( 2)	0	( 2)
Currency adjustments .....	0	3	0	3
Balance at 31 December 2012 .....	14,003	14,290	2,701	30,994
Balance at 1 January 2013 .....	14,003	14,290	2,701	30,994
Reclassification of assets .....	0	( 2,807)	0	( 2,807)
Additions in acquisition .....	0	0	765	765
Additions .....	0	2,066	0	2,066
Disposals .....	0	0	0	0
Currency adjustments .....	0	( 3)	0	( 3)
Balance at 31 December 2013 .....	14,003	13,546	3,466	31,015
<b>Amortization</b>				
Balance at 1 January 2012 .....	0	9,234	540	9,774
Amortization .....	0	1,305	270	1,575
Currency adjustments .....	0	( 2)	0	( 2)
Balance at 31 December 2012 .....	0	10,537	810	11,347
Balance at 1 January 2013 .....	0	10,537	810	11,347
Reclassification of assets .....	0	( 2,807)	0	( 2,807)
Amortization .....	0	1,838	270	2,108
Currency adjustments .....	0	( 5)		( 5)
Balance at 31 December 2013 .....	0	9,563	1,080	10,643
<b>Carrying amounts</b>				
At 1 January 2012 .....	14,003	2,218	2,161	18,382
At 31 December 2012 .....	14,003	3,753	1,891	19,647
At 31 December 2013 .....	14,003	3,983	2,386	20,372

In 2013 the subsidiary TVG-Zimsen ehf. acquired all shares in Gára ehf. Following the business combination the purchase price in excess of the equity value of Gára ehf. on the acquisition date was allocated to market and customer related intangible assets.



## NOTES

### 9. INTANGIBLE ASSETS, CONTINUED

#### Amortization

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

The carrying amount of Eimskip's brand name is stated at allocated amount and is tested annually for impairment. No impairment has been recognized.

### 10. INVESTMENT IN ASSOCIATED COMPANY

TVG-Zimsen ehf., a subsidiary of Eimskipafélag Íslands hf., acquired in July 2013 a 31.9% equity interest in Truenorth Ísland ehf. which is an Icelandic film production services and event management company.

	OWNERSHIP	BOOK VALUE	SHARE IN PROFIT
Truenorth Ísland ehf. ....	31.9%	546	2

### 11. FINANCIAL ASSETS

#### Non-current finance assets

	2013	2012
Interest-bearing bonds .....	0	75
Other financial assets .....	888	909
	888	984

### 12. DEFERRED TAX ASSETS AND LIABILITIES

#### Recognized deferred tax assets and liabilities

	ASSETS	LIABILITIES	NET
<b>2013</b>			
Intangible assets .....	413	( 9)	404
Property, vessels and equipment .....	595	( 434)	161
Current assets .....	1,045	( 10)	1,035
Current liabilities .....	28	( 0)	28
Other .....	100	( 40)	60
Tax loss carried-forward .....	5,995	0	5,995
Total tax assets (liabilities) .....	8,176	( 493)	7,683
Set off tax .....	( 357)	357	0
Net tax assets .....	7,819	( 136)	7,683
<b>2012</b>			
Intangible assets .....	131	( 258)	( 127)
Property, vessels and equipment .....	1,145	( 57)	526
Current assets .....	1,207	0	1,207
Current liabilities .....	62	( 1)	61
Other .....	268	( 7)	261
Tax loss carried-forward .....	6,162	0	6,724
Total tax assets (liabilities) .....	8,975	( 323)	8,652
Set off tax .....	( 323)	323	0
Net tax assets .....	8,652	0	8,652

## NOTES

### 13. TRADE AND OTHER RECEIVABLES

Trade and other receivables are specified as follows:

	2013	2012
Trade receivables .....	61,441	56,176
Restricted cash .....	2,480	1,953
Other receivables .....	5,233	5,011
Trade and other receivables total .....	69,154	63,140

Restricted cash consists of deposits for guarantees issued by Eimskipafélag Íslands hf. on behalf of its subsidiaries for, among other, tax authorities, customs, port authorities and leases of office buildings.

Allowance for impairment losses of trade receivables are specified as follows:

Balance at beginning of year .....	( 6,913)	( 7,772)
Write-offs .....	794	746
Changes in allowance for impairment losses .....	( 389)	113
Balance at year-end .....	( 6,508)	( 6,913)

### 14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are specified as follows:

	2013	2012
Bank balances and cash on hand .....	26,370	34,385
Marketable securities .....	0	2,919
Cash and cash equivalents .....	26,370	37,304

### 15. CAPITAL AND RESERVES

#### Share capital

The Company's capital stock is nominated in Icelandic krónur. The nominal value of each share is one ISK and one vote is attached to each share. Total authorized and issued shares were 200,000,000 both in the beginning and at the end of the year. Total outstanding shares were 194,081,180 both in the beginning and at the end of the year. The EUR amount of capital stock was 1.2 million at year-end 2013.

#### Shares issued to A1988 hf.

According to the composition agreement for A1988 hf., finalized in 2009, a 4.2% shareholding in Eimskipafélag Íslands hf. was not distributed to creditors but reserved for A1988 hf. to satisfy contingent claims that could have arisen in periods resulting from events prior to the composition agreement. The shares do not have voting rights attached to them.

A1988 hf. concluded its composition agreements with creditors over four years ago, or in September 2009. Therefore, no further claims can be made against A1988 hf. that can be considered composition claims. The shares that are not needed to satisfy contingent claims will be transferred back to Eimskipafélag Íslands hf. without any compensation. The shares are not recognized 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. The balance of the share premium account can be used to offset losses not covered by other reserves or to offset stock splits.

#### Translation reserve

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

## NOTES

### 15. CAPITAL AND RESERVES, CONTINUED

#### Dividend

Shareholders are entitled to receive dividend as declared from time to time. According to a decision made on the Company's 2013 Annual General Meeting, a dividend of EUR 2.7 million or 2.1 ISK per share was paid out to shareholders, which represents 20% of the Company's profits for the year 2012.

The Board of Directors proposes a dividend payment to shareholders in 2014 in the amount of ISK 2.60 per share. The total dividend payment is ISK 504.6 million, or EUR 3.2 million, which represents 30.0% of net earnings for the year 2013. Treasury shares are not entitled to receive dividend.

### 16. EARNINGS PER SHARE

#### Basic and diluted earnings per share

The calculation of basic earnings per share for the year 2013 was based on earnings attributable to shareholders and a weighted average number of shares outstanding during the year. Diluted earnings per share is equal to earnings per share whereas Eimskip has not issued convertible bonds nor granted stock options. Calculations are as follows:

	2013	2012
Net earnings attributable to ordinary shareholders .....	10,743	12,519
Number of outstanding shares at the beginning of the year .....	200,000	20,000
Effect of stock split issued in 2012 .....	0	180,000
Effect of treasury shares held .....	( 5,919)	( 5,919)
Weighted average number of ordinary shares at 31 December .....	194,081	194,081
Basic earnings per share (EUR) .....	0.0554	0.0645

#### Earnings per share without specific one-off items

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

	2013	2012
Net earnings, without specific one-off items attributable to ordinary shareholders (see note 4) .....	10,743	17,115
Basic and diluted earnings per share (EUR) .....	0.0554	0.0882



## NOTES

### 17. LOANS AND BORROWINGS

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

Non-current loans and borrowings consist of the following:

	2013		2012	
Finance lease liabilities .....		5,383		8,538
Secured bank loans .....		54,015		50,716
		59,398		59,254

	2013		2012	
	NOMINAL INTEREST	CARRYING AMOUNT	NOMINAL INTEREST	CARRYING AMOUNT
Loans in EUR .....	3.9%	41,530	3.9%	42,470
Loans in USD .....	1.7%	2,937	1.8%	5,116
Loans in other currencies .....	-	9,548	-	3,130
		54,015		50,716
Current maturities .....		( 13,078)*		( 5,568)
Total non-current secured bank loans .....		40,937		45,148

Aggregated annual maturities are as follows:

	2013	2012
On demand or within 12 months .....	13,078	5,568
12 - 24 months .....	11,304	11,158
24 - 36 months .....	3,117	4,373
36 - 48 months .....	3,108	3,120
48 - 60 months .....	3,108	3,120
After 60 months .....	20,300	23,377
	54,015	50,716

\* Included in current maturities is a EUR 7.6 million bridge loan, related to vessels under construction. The Company has made an agreement for long-term financing of the vessels upon delivery. The new loans will have a term of ten years.

#### Finance lease liabilities

Finance lease liabilities are payable as follows:

	2013		2012	
	MINIMUM LEASE PAYMENTS	PRINCIPAL	MINIMUM LEASE PAYMENTS	PRINCIPAL
Less than one year .....	2,129	2,020	2,604	2,598
Between one and five years .....	3,391	3,242	4,743	4,731
More than five years .....	128	121	1,210	1,209
	5,648	5,383	8,557	8,538

Collateral of loans and borrowings is specified as follows:

	2013	2012
Loans with collateral in property and vessels .....	54,015	50,716
Finance leases .....	5,383	8,538
Total .....	59,398	59,254

## NOTES

### 18. TRADE AND OTHER PAYABLES

Trade and other payables are attributable to the following:

	2013	2012
Trade payables .....	32,672	40,649
Income tax payable .....	182	648
Other payables .....	16,206	13,131
Total .....	49,060	54,428

### 19. SHARE-BASED PAYMENT

#### Share option program (equity settled)

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

#### Cancellation of share option agreements

In connection with the Company's listing on NASDAQ OMX Iceland, in 2012, the executive management decided to forfeit their share options granted under the Company's stock option program. The management forfeiture and the Company's disclosure to the stock exchange had the effect that the total cost of the agreements was expensed in full in the income statement of 2012.

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

### 20. FINANCIAL RISK MANAGEMENT

#### Overview

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

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

This note presents information about Eimskip's exposure to each of the above risks, Eimskip's objectives, policies and processes for measuring and managing risk, and Eimskip's management of capital. Further quantitative disclosures are included throughout these Consolidated Financial Statements.

#### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of Eimskip's risk management framework.

Eimskip's risk management policies are established to identify and analyze the risks faced by Eimskip, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Eimskip's activities. Eimskip, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with Eimskip's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by Eimskip.

## NOTES

### 20. FINANCIAL RISK MANAGEMENT, CONTINUED

#### (i) Credit risk

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

#### Trade and other receivables

Eimskip's exposure to credit risk is influenced mainly by the individual characteristics of each customer. No single customer accounts for more than 10% of Eimskip's revenue from sales transactions. Geographically, there is some concentration of credit risk.

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

Goods that are shipped or transported may be with-held until payment for service rendered has been received. Eimskip usually does not require collateral in respect to trade and other receivable.

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

#### Exposure to credit risk

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

		2013	2012
	NOTE	CARRYING AMOUNT	CARRYING AMOUNT
Interest-bearing bonds .....	11	0	75
Other financial assets .....	11	888	909
Trade and other receivables .....	13	69,154	63,140
Cash and cash equivalents .....	14	26,370	37,304
		96,412	101,428

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

	2013	2012
	CARRYING AMOUNT	CARRYING AMOUNT
North Atlantic .....	58,301	50,023
Other regions .....	10,853	13,117
	69,154	63,140

#### Impairment risk

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

	GROSS	IMPAIRMENT	GROSS	IMPAIRMENT
	2013	2013	2012	2012
Not past due .....	50,765	( 659)	48,633	( 661)
Past due 1 - 90 days .....	16,688	( 979)	14,801	( 1,390)
Past due 91 - 180 days .....	3,739	( 820)	3,755	( 1,998)
More than 180 days .....	4,470	( 4,050)	2,864	( 2,864)
	75,662	( 6,508)	70,053	( 6,913)



## NOTES

### 20. FINANCIAL RISK MANAGEMENT, CONTINUED

#### (ii) Liquidity risk

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

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

#### Non-derivative financial liabilities:

	CARRYING AMOUNT	CONTRACTUAL CASH FLOW	LESS THAN 1 YEAR	1 - 2 YEARS	2 - 5 YEARS	MORE THAN 5 YEARS
<b>31.12.2013</b>						
Secured bank loans .....	54,015	( 65,644)	( 15,641)	( 12,557)	( 12,320)	( 25,126)
Finance lease liabilities .....	5,383	( 5,879)	( 2,574)	( 1,868)	( 1,437)	0
Trade and other payables .....	49,060	( 49,060)	( 49,060)	0	0	0
	108,458	( 120,583)	( 67,275)	( 14,425)	( 13,757)	( 25,126)
<b>31.12.2012</b>						
Secured bank loans .....	50,716	( 76,221)	( 8,064)	( 7,646)	( 15,582)	( 44,929)
Finance lease liabilities .....	8,538	( 12,164)	( 2,994)	( 2,388)	( 6,594)	( 188)
Trade and other payables .....	54,428	( 54,428)	( 54,428)	0	0	0
	113,682	( 142,813)	( 65,486)	( 10,034)	( 22,176)	( 45,117)

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

#### (iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect Eimskip's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of the Group entities. At year-end 2013 the primary risks are attached to the US Dollar (USD), the Canadian Dollar (CAD), Swiss Franc (CHF), but also the Icelandic Krona (ISK) as can be seen in the table below.

#### Exposure to currency risk

Eimskip's exposure to foreign currency risk is as follows based on notional amounts:

	ISK	USD	CAD	CHF	OTHER
<b>31 December 2013</b>					
Trade and other receivables .....	16,450	14,704	720	0	9,642
Cash and cash equivalents .....	( 1,398)	7,219	402	0	2,498
Loans and borrowings .....	( 9,691)	( 2,937)	0	( 936)	( 599)
Trade and other payables .....	( 11,354)	( 8,782)	( 284)	1)	( 9,351)
Gross balance sheet exposure .....	( 5,993)	10,204	838	( 937)	2,190
<b>31 December 2012</b>					
Trade and other receivables .....	12,189	20,729	1,951	5,153	3,717
Cash and cash equivalents .....	2,448	4,997	3,789	281	3,904
Loans and borrowings .....	( 2,995)	( 8,016)	0	( 763)	( 1,248)
Trade and other payables .....	( 8,107)	( 17,577)	( 2,276)	( 2,954)	( 2,496)
Gross balance sheet exposure .....	3,535	133	3,464	1,717	3,877

## NOTES

### 20. FINANCIAL RISK MANAGEMENT, CONTINUED

The following significant exchange rates were applied during the year:

	AVERAGE RATE		REPORTING DATE SPOT RATE	
	2013	2012	2013	2012
ISK .....	162.2205	160.8073	158.5000	168.9500
USD .....	1.3283	1.2851	1.3791	1.3194
DKK .....	7.4580	7.4437	7.4593	7.4610
RMB .....	8.1660	8.1075	8.3491	8.2207
NOK .....	7.7968	7.4752	8.3630	7.3483

#### Sensitivity analysis

A 10% strengthening of the EUR against the following currencies at 31 December would have increased result after income tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for the year 2012.

	2013	2012
ISK .....	475 (	277)
USD .....	( 809) (	10)
CAD .....	( 66) (	58)
CHF .....	74	98
DKK .....	( 21) (	271)
RMB .....	( 57) (	135)

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

#### Interest rate risk

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

Variable rate instruments	CARRYING AMOUNT	
	2013	2012
Financial assets .....	26,370	37,304
Financial liabilities .....	( 59,181)	( 57,562)
Net exposure .....	( 32,811)	( 20,258)

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) result after income tax by EUR 265 thousand (2012: EUR 164 thousand). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for the year 2012. The Group accounts for immaterial 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:

	2013		2012	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Interest-bearing bonds .....	0	0	75	75
Other financial assets .....	888	888	909	909
Trade and other receivables .....	69,154	69,154	63,140	63,140
Cash and cash equivalents .....	26,370	26,370	37,304	37,304
	96,412	96,412	101,428	101,428
Secured bank loans .....	54,015	56,375	50,716	51,354
Finance lease liabilities .....	5,383	5,590	8,538	10,710
Trade and other payables .....	49,060	49,060	54,428	54,428
	108,458	111,025	113,682	116,492

AMOUNTS ARE IN THOUSANDS OF EUR

## NOTES

### 20. FINANCIAL RISK MANAGEMENT, CONTINUED

The methods used in determining the fair values of financial instruments are discussed in note 3.

#### Interest rates used for determining fair values

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

#### (iv) Operational risk

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

Eimskip manages operational risk in order to avoid financial losses and damage to Eimskip's reputation. When managing this risk overall cost effectiveness and avoidance of control procedures that restrict initiative and creativity are considered.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

#### Capital management

Eimskip's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business.

For the purposes of managing capital, management monitors the equity ratio and the net debt to equity ratio. The goal is to maintain both a strong equity ratio and a strong ratio of net debt to EBITDA.

#### (i) Equity ratio

	2013
Total equity .....	205,771
Total balance sheet capital .....	314,365
	65.46%

#### (ii) Net debt to EBITDA ratio

Total interest-bearing debt .....	59,398
Cash and cash equivalents .....	( 26,370)
Net debt .....	33,028
EBITDA .....	37,054
Net debt / EBITDA .....	0.89

### 21. COMMITMENTS

#### Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	2013	2012
Less than one year .....	3,504	3,900
Between one and five years .....	4,478	4,356
More than five years .....	850	1,161
	8,832	9,417

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



## NOTES

### 21. COMMITMENTS, CONTINUED

#### Capital commitments

In 2011 Eimskip entered into an agreement with a Chinese shipbuilding company for the building of two new container vessels in which the first vessel is scheduled to be delivered in the second quarter of 2014 and the second vessel in the fourth quarter of 2014. After renegotiations, where the purchase price was reduced by USD 10.75 million, the remaining obligation as at 31 December was USD 8.3 million or EUR 6.0 million.

### 22. RELATED PARTIES

The Company's largest shareholders Yucaipa American Alliance Fund II LP, with 15.72% shareholding, Lífeyrissjóður verzlunarmanna with 15.01% shareholding and Yucaipa American Alliance (Parallel) Fund II LP with 10.35% shareholding are considered related parties as well as subsidiaries (see note 23). Intercompany transactions with subsidiaries are eliminated in the consolidation.

At year-end one loan from Lífeyrissjóður verzlunarmanna to Eimskip was outstanding. The balance of the loan amounted to 243.6 thousand EUR and is negotiated on market terms. During the year there were no transactions nor other outstanding balances at year-end with the three major shareholders nor with associated company.

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

#### Board fee paid to the Board of Directors

	BOARD FEE 2013	BOARD FEE 2012	SHARES AT YEAR-END* 2013	SHARES AT YEAR-END* 2012
Richard Winston Mark d'Abo, Chairman ***	32	19	0	0
Gunnar Karl Gudmundsson, Vice-Chairman	19	0	0	0
Helga Melkorka Óttarsdóttir, Board Member	14	0	0	0
Hrund Rudolfsdóttir, Board Member	14	0	0	0
Víglundur Thorsteinsson, Board Member	14	0	0	0
Marc Jason Smernoff, Alternate of the Board ***	13	15	0	0
Bragi Ragnarsson, former Chairman	10	37	0	88,718
Ólafur Helgi Ólafsson, former Board Member	7	22	14,424	14,424
Tómas Kristjánsson, former Board Member	5	19	0	9,858
Ronald Wayne Burkle, former Board Member ***	5	19	0	0

#### Salaries and benefits paid to executive management

	2013		SHARES AT YEAR-END*
	BASE SALARY	OTHER **	
Gylfi Sigfússon, CEO	348	238	9,615
Hilmar Pétur Valgardsson, CFO	207	79	9,616
Bragi Thór Marinósson, EVP International	172	101	2,404
Gudmundur Nikulásson, VP Iceland Domestic	129	59	4,808
Ásbjörn Skúlason, VP Liner and vessel operation	129	55	2,404
Matthías Matthíasson, VP Sales and Services	129	49	9,615

	2012		SHARES AT YEAR-END*
	BASE SALARY	OTHER **	
Gylfi Sigfússon, CEO	313	185	9,615
Hilmar Pétur Valgardsson, CFO	168	121	9,616
Bragi Thór Marinósson, EVP International	169	79	2,404
Gudmundur Nikulásson, VP Iceland Domestic	126	52	4,808
Ásbjörn Skúlason, VP Liner and vessel operation	126	62	2,404
Matthías Matthíasson, VP Sales and Services	126	57	9,615

\* Shares held directly by Board of Directors and executive management or parties related to them.

\*\* Cash incentives, travel allowance, pension contribution and car benefits.

\*\*\* These board members are not independent of Yucaipa Funds which owns in total 50.6 million shares in the Company.

The board fee for these board members has been accrued but not paid

## NOTES

### 23. GROUP ENTITIES

At year-end the Company owned directly nine subsidiaries that are all included in the consolidation. The direct subsidiaries further owned 42 subsidiaries at year-end. The Group's subsidiaries are as follows:

	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	OWNERSHIP INTEREST
		2013	2012
Eimskip Ísland ehf. ....	Iceland	100%	100%
TVG-Zimsen ehf. ....	Iceland	100%	100%
Eimskip USA, Inc. ....	USA	100%	100%
Eimskip UK Ltd. ....	England	100%	100%
Eimskip Holding B.V. ....	Holland	100%	100%
P/f Skipafélagid Føroyar ....	Faroe Islands	100%	100%
Avia Technical Services Ltd. ....	England	100%	100%
Harbour Grace CS Inc., ....	Canada	51%	51%
Eimskip REIT ehf. ....	Iceland	100%	100%

### 24. OTHER MATTERS

On 10 September 2013 the Icelandic Competition Authority exercised a dawn raid at the premises of Eimskipafélag Íslands hf. and its subsidiaries, Eimskip Ísland ehf. and TVG-Zimsen ehf., based on a ruling from the Reykjavík District Court. The dawn raid was exercised due to alleged breach of Article 10 and 11 of the Icelandic Competition Act. The companies requested access to the information behind the Competition Authority's request for court ruling. Access was denied by the Competition Authority but the companies appealed to the Competition Authority Appeal Committee. The Appeal Committee ruled on 23 December 2013 that the decision made by the Competition Authority declining Eimskip access to the requested information was unlawful and therefore recinded. The companies are waiting for The Competition Authority to make the information available. At this point the subject matter of the investigation is not known and any elaboration on the potential outcome of the investigation is premature. The investigation neither affected the income statement nor the statement of financial position of Eimskip as at 31 December 2013.

### 25. SUBSEQUENT EVENTS

In January 2014 Eimskip entered into a new amendment agreement with the shipyard for a further reduction in the first vessel's purchase price in the amount of USD 750 thousand (EUR 544 thousand). As a result, expected delivery of the first vessel was delayed to the second quarter of 2014. A new amendment agreement for the second vessel has not been made, but expected delivery is in the fourth quarter of 2014.

### 26. 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 unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements.

## NOTES

### 26. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### a. Basis of consolidation, continued

##### (iii) *Investment in associated company*

Associates are those entities in which the Group has significant influence, but not control or joint control, over financial and operating policies. Investment in associated company is accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to recognition, the Consolidated Financial Statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

#### b. Foreign currency

##### (i) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortized cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss.

##### (ii) *Foreign operations*

The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated to EUR at foreign exchange rates at the reporting date. The income and expenses of foreign operations are translated to EUR at the average exchange rate for the year.

Foreign currency differences are recognized in other comprehensive income and accumulated translation reserve, except for the extent that the translation difference is allocated to non-controlling interest.

When a foreign operation is disposed of in its entirety or partially such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of an associate while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

#### c. Financial instruments

##### (i) *Non-derivative financial assets*

The Group has the following non-derivative financial assets: trade and other receivables, cash and cash equivalents and unlisted equity shares.

##### (ii) *Cash and cash equivalents*

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

##### (iii) *Non-derivative financial liabilities*

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

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

##### (iv) *Share capital*

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

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



## NOTES

### 26. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### d. Property, vessels and equipment

##### (i) Recognition and measurement

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

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

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

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

##### (ii) Subsequent costs

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

##### (iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, vessels and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of buildings, vessels and equipment are as follows:

Buildings .....	15 - 50 years
Vessels .....	5 - 14 years
Containers and equipment .....	2 - 10 years

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

#### e. Intangible assets

##### (i) Brand name and customer relations

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

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

##### (ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit and loss when incurred.

##### (iii) Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than brand name, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows:

Software .....	3 - 5 years
Market and customer related .....	10 years

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

## NOTES

### 26. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### f. Leased assets

##### (i) *Leased assets*

Assets held by the Group under leases which transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Group's statement of financial position.

##### (ii) *Lease payments*

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

#### g. Inventories

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

#### h. Impairment

##### (i) *Financial assets (including receivables)*

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

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

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

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

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

##### (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.

## NOTES

### 26. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### (ii) *Non - financial assets, continued*

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets (the “cash-generating unit”).

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### i. **Employee benefits**

##### (i) *Defined contribution plans*

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

##### (ii) *Share-based payment transactions*

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

#### j. **Provisions**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### k. **Revenue**

##### **Services**

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

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

#### l. **Finance income and finance expense**

Finance income comprises interest income on funds invested and dividend income. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group’s right to receive payment is established.

Finance expenses comprise interest expense on borrowings.

Borrowing costs that are not directly attributable to the acquisition, construction or production of an qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on net basis as finance income or finance expense.



## NOTES

### 26. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### m. Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

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

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

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

#### n. Earnings per share

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

#### o. Financial instruments

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

The Group holds derivative financial instruments to hedge its foreign currency rate risk exposures in connections with vessels under construction. At year-end 2012 and 2013 derivative contracts were immaterial.

#### p. 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.

#### q. New IFRS standards, interpretations and amendments to standards

The Group has adopted all International Financial Reporting standards, interpretations and amendments to standards that the EU has adopted and have become effective for the year 2013 and are relevant for the Group. A few new standards, amendment to standards and interpretations have not become effective for the year 2013 and have not been applied in preparing these Consolidated Financial Statements. It is not expected that those standards and interpretations will have material effect on the financial statements of the Group when adopted.

IFRS 13 Fair Value Measurement became effective at the beginning of 2013. The standard sets out a framework for assessment of fair value, and requirements for fair value disclosures, when such assessment is required or permitted according to IFRS. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In addition to that disclosure requirements have been expanded. The adoption of IFRS 13 did not affect the Group's measurement of fair value.

## QUARTERLY STATEMENTS (UNAUDITED)

YEAR 2013	Q1 2013	Q2 2013	Q3 2013	Q4 2013	2013
<b>Operating revenue</b> .....	105,313	108,112	113,524	106,875	433,824
Salaries and operating expenses .....	98,096	98,273	101,405	98,996	396,770
Other expenses .....	0	0	0	0	0
<b>Operating expenses</b> .....	98,096	98,273	101,405	98,996	396,770
Operating profit (EBITDA) .....	7,217	9,839	12,119	7,879	37,054
Depreciation and amortization.....	( 5,134)	( 5,028)	( 5,494)	( 5,487)	( 21,143)
<b>Results from operating activities</b> .....	2,083	4,811	6,625	2,392	15,911
<b>Net finance income (expense)</b> .....	949	( 2,067)	( 1,274)	( 842)	( 3,234)
Share of earnings of associated company .....	0	0	0	2	2
<b>Net earnings before income tax</b> .....	3,032	2,744	5,351	1,552	12,679
Income tax .....	( 500)	( 706)	( 272)	( 384)	( 1,862)
<b>Net earnings</b> .....	2,532	2,038	5,079	1,168	10,817
<b>YEAR 2012</b>	<b>Q1 2012</b>	<b>Q2 2012</b>	<b>Q3 2012</b>	<b>Q4 2012</b>	<b>2012</b>
<b>Operating revenue</b> .....	96,290	106,861	112,574	107,928	423,653
Salaries and operating expenses .....	89,514	94,595	101,054	97,726	382,889
Other expenses .....	0	0	681	3,915	4,596
<b>Operating expenses</b> .....	89,514	94,595	101,735	101,641	387,485
Operating profit (EBITDA) .....	6,776	12,266	10,839	6,287	36,168
Depreciation and amortization.....	( 5,462)	( 5,830)	( 5,026)	( 6,118)	( 22,436)
<b>Results from operating activities</b> .....	1,314	6,436	5,813	169	13,732
<b>Net finance income (expense)</b> .....	( 1,017)	( 1,021)	104	( 1,049)	( 2,983)
<b>Net earnings (loss) before income tax</b> .....	297	5,415	5,917	( 880)	10,749
Income tax .....	285	1,979	( 169)	( 113)	1,982
<b>Net earnings (loss)</b> .....	582	7,394	5,748	( 993)	12,731
<b>Operating profit (EBITDA)</b> .....	6,776	12,266	10,839	6,287	36,168
IPO costs .....	0	0	681	1,001	1,682
Share options forfeited by management .....	0	0	0	2,914	2,914
<b>EBITDA adjusted for one-off items</b> .....	6,776	12,266	11,520	10,202	40,764

## CORPORATE GOVERNANCE STATEMENT

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

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

The Corporate Governance statement of Eimskip is accessible on the Company's website, [www.eimskip.is](http://www.eimskip.is), and is published in a special chapter in the Company's Financial Statements.

The Corporate Governance Guidelines are available on the website of the Iceland Chamber of Commerce, [www.vi.is](http://www.vi.is).

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

### LAWS AND REGULATIONS

Eimskip is a limited liability company that is governed by Act no. 2/1995 on Limited Liability Companies (Company Act). Acts are available on the Parliament's website, [www.althingi.is](http://www.althingi.is).

### EIMSKIP'S FINANCIAL STATEMENTS

Eimskip's financial year is the calendar year. The Company's Financial Statements are accessible at the Company's website, [www.eimskip.is](http://www.eimskip.is).

### COMMUNICATION OF SHAREHOLDERS AND THE BOARD OF DIRECTORS

The supreme authority of the Company is in the hands of the shareholders who attend shareholders' meetings at least once a year. Share register is held at the Company's headquarters where it is available to shareholders.

### THE BOARD OF DIRECTORS OF EIMSKIP

The Board of Directors is responsible for the operations of the Company and is the supreme authority in all its matters between shareholders' meetings. The Board of Directors has statutory role which it is responsible for unless the Board grants permission by law to transfer authority by delegation.

Board meetings are called with one 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 and other members of the Executive Management as required.

The Board consists of five Directors and two alternate Directors and they are all elected annually at the Annual General Meeting. Those who intend to run for the Board of Directors shall notify the Board of Directors of their candidacy at least five days before a shareholders' meeting. The majority of the Directors are independent of the Company and its day-to-day managers, and three Directors and one alternate Director are independent of the Company's significant shareholders. The Board evaluates whether Directors are independent of the Company and its significant shareholders. Moreover, the Board evaluates the independence of new Directors before the Company's Annual General Meeting and makes available to shareholders the result of such evaluation.

Annually the Board evaluates its work, size, composition and practices and also revises and assesses the Company's development and whether it is in line with its objectives. The assessment entails e.g. evaluation of the strengths and weaknesses of the Board's work and practices and takes into consideration the work components the Board believes may be improved. The evaluation is built on self-assessment, but the assistance of outside parties may be sought as appropriate. The evaluation includes an examination of whether the Board has operated in accordance with its Rules of Procedure and how the Board operates in general. Examination must be made whether important matters relating to the Company have been sufficiently prepared and discussed within the Board, and individual Directors must be considered with respect to both attendance and participation in meetings.



## MAIN TASKS OF THE BOARD OF DIRECTORS

- To have supreme power in the Company's matters between shareholders' meetings and to bind the Company with resolutions and agreements.
- To hire the CEO, decide his terms of employment and execute a written employment contract.
- To set the Company's goals regarding its business, represent the Company and govern the social affairs of the Company between shareholders' meetings.
- To grant power of procuration.
- To work in accordance with the Rules of Procedures for the Board of Directors, the Company's Articles of Association and the Company Act.
- To monitor the Company's operations and financial position and that accounting and information processing are carried out with appropriate diligence. To obtain information on regular basis, including monthly operating results, to be presented to the Board in time for the Board Meetings, which are to be held monthly or more frequently if necessary.
- To elect a Chairman and Vice-Chairman and to delegate other tasks as applicable.
- To ensure that the Company is being operated in accordance with the law pertaining to its operations, such as taxation and notifications to public authorities.
- To make decisions on material contracts of the Company and to formulate the policy by which the Company is to operate.
- To ensure that a share register is kept.
- To present recommendations to shareholders' meetings concerning allocation of operating results.

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

## THE RULES OF PROCEDURE FOR THE BOARD OF DIRECTORS

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

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

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

Members of the Audit Committee are Gunnar Karl Gudmundsson, Marc Jason Smernoff and Ólafur Viggó Sigurbergsson.

The task of the Remuneration Committee involves negotiating wages and other benefits for the CEO and framing the Company's remuneration policy, including wage incentives and share option rights for company shares.

Members of the Remuneration Committee are Richard Winston Mark d'Abo, Hrund Rudolfsdóttir and Marc Jason Smernoff.

## THE DIRECTORS OF THE BOARD OF EIMSKIP

### Richard Winston Mark d'Abo, Chairman of the Board

Richard was born in 1956 and lives in USA. He is a Partner at The Yucaipa Companies, LLC. Richard has ten years of banking experience and 23 years of experience in private equity. From 1995 to 2003 he was involved in various activities in investment banking and private equity investing, co-founding and serving as the Director of Apogee Electronics, Inc. Richard was a Partner 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. Richard is currently a board member of A Tango ehf., VersaCold International Corporation, Apogee Electronics, LLC and NPE Holdings, LLC. He has previously been a board member of Americold Realty Trust (board of Trustees). Richard pursued a degree in Finance from the University of South California from 1975 to 1977. He has been on the Board of Directors since 23 September 2009. Richard does not own shares in the Company but is not independent of Yucaipa Funds which own in total 50.6 million shares in the Company.

### Gunnar Karl Gudmundsson, Vice-Chairman of the Board

Gunnar was born in 1959 and lives in Iceland. He is the CEO of Míla ehf. as from January 2014. Gunnar was an independent consultant from 2011 to 2013, was the CEO of MP Bank hf. from 2009 to 2011 and the CEO of Skeljungur hf. from 2003 to 2009. Gunnar is currently a board member of KNI A/S in Greenland. He has previously been a board member of Míla ehf., AFL – sparisjóður, Tryggingamidstöðin hf., P/F Föroya Shell, Eskja hf., Teris and subsidiaries and companies related to Skeljungur hf. Gunnar is an economist, holding Master's and Bachelor's degrees from Ohio University in USA. Gunnar has been on the Board of Directors since 3 April 2013 and does not own shares in the Company.

### Helga Melkorka Óttarsdóttir

Helga was born in 1966 and lives in Iceland. She is a Managing Partner at LOGOS Legal Services slf. Besides her job at LOGOS, Helga was an adjunct in European Law at the University of Reykjavík from 2005 to 2007 and a lecturer and an adjunct in European Law at the University of Iceland from 2000 to 2006. She served as an attorney in independent law practice from 1999 to 2000 and was a lawyer at EFTA Surveillance Authority in Brussels from 1994 to 1999. Helga is currently a board member of Iceland Chamber of Commerce, was nominated as a Leading Lawyer in financial and corporate law in IFLR1000 2011, 2012 and 2013 and is a leading individual in Chambers Global, most recently in 2013. She is a Partner Ad Hoc College member of the EFTA Surveillance Authority since 2004 and was a board member of the Icelandic Bar Association from 2003 to 2006. Helga is a Supreme Court Attorney since 2011 and a District Court Attorney since 1999. She has an LL.M. degree in European law and International law from Heidelberg in Germany from 1994 and graduated with a Cand.jur. degree from the University of Iceland in 1991. Helga has been on the Board of Directors since 3 April 2013 and does not own shares in the Company.

### Hrund Rudolfsdóttir

Hrund was born in 1969 and lives in Iceland. She is the CEO of Veritas Capital as from October 2013. Previously she was the Corporate Director of Human Resources at Marel hf. from 2009 and Director of Operation and Investments at Moderna Finance ehf./Milestone ehf. from 2007 to 2009. Hrunnd was the CEO of L&H Holding, the CEO and the Chief of Operation of Lyf & heilsa hf. from 2003 to 2006. She is currently a board member of Stefmir hf. Hrunnd has a Master's degree in International Marketing and Management from Copenhagen Business School from 2000. She further holds a Cand.Oecon. degree from the University of Iceland from 1994. Hrunnd has been on the Board of Directors since 3 April 2013 and does not own shares in the Company.

### Víglundur Thorsteinsson

Víglundur was born in 1943 and lives in Iceland. He has been active in the Icelandic industries for more than 50 years and has been a board member of various companies and organizations, such as SI – the Federation of Icelandic Industries, SA – Confederation of Iceland Employers and The Pension Fund of Commerce. Víglundur is currently the Chairman of Lindarflöt ehf., a private holding company. He has a Cand.jur. degree from the University of Iceland. Víglundur has been on the Board of Directors since 3 April 2013 and does not own shares in the Company.

### **Jóhanna á Bergi, Alternate Member of the Board of Directors**

Jóhanna was born in 1970 and lives in the Faroe Islands. She has been the CEO of P/f Faroe Ship, the Company's subsidiary in the Faroe Islands, from 2006. Jóhanna was a Sales Director of JFD and Kósin Seafood from 1998 to 2006 and the Sales Manager of Faroe Seafood France from 1994 to 1998. She is currently a board member of P/f Ánunum and P/f Bergfrost and is a board member of two of Eimskip's subsidiaries in the Faroe Islands. She is a member of the House of Industry in the Faroe Islands, Nordoyatunnilin, Föroyagrunnurin and the Faroese-Icelandic Chamber of Commerce. Jóhanna has a Master's degree in Management from Robert Gordon University in the UK. She further holds an EE degree from the Danish School of International Marketing and Export. Jóhanna has been an alternate member of the Board of Directors since 3 April 2013 and does not own shares in the Company.

### **Marc Jason Smernoff, Alternate Member of the Board of Directors**

Marc was born in 1973 and lives in USA. He 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 currently a board member of Digital On-Demand Inc. and La Canada Flintridge Educational Foundation. He has previously been a board member of Eimskipafélag Íslands hf. and Americold Realty Trust (board of Trustees). Marc has a Master's degree in Business Administration from UCLA Anderson School of Management from 2005 and is a Certified Public Accountant. He further holds a Bachelor's degree in Business Economics from the University of California, Santa Barbara, from 1995. He has been on the Board of Directors since 23 September 2009. Marc does not own shares in the Company but is not independent of Yucaipa Funds which own in total 50.6 million shares in the Company.

Gunnar Karl Gudmundsson, Helga Melkorka Óttarsdóttir, Hrund Rudolfsdóttir and Víglundur Thorsteinsson are independent members of the Board of Directors.

### **The Chief Executive Officer of Eimskip**

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

### **Gylfi Sigfússon, Chief Executive Officer**

Gylfi was born in 1961. He has worked for Eimskip and related companies since 1990. Gylfi held the position of CEO of Eimskip USA, Eimskip Logistics and Eimskip Canada from 2006 to 2008, overseeing all of Eimskip's transport operations in USA and Canada. Gylfi was the CEO of Eimskip Logistics in USA from 2000 to 2006. He was an EVP of Ambrosio Shipping in USA from 1996 to 2000 and an EVP of Marketing and Operations at Tollvörugeymslan hf., now TVG-Zimsen ehf., from 1990 to 1996. Gylfi is currently a board member of A Orange ehf. He is a board member or CEO, or both, of various subsidiaries of Eimskipafélag Íslands hf. Gylfi is a board member of the Iceland Chamber of Commerce, the American-Icelandic Chamber of Commerce, the Icelandic-Canadian Chamber of Commerce and the Greenland-Icelandic Chamber of Commerce. Gylfi holds a Cand.Oecon. degree from the University of Iceland from 1990. Gylfi owns 9,615 shares in the Company and does not have a share option agreement with the Company.



### **The Executive Management of Eimskip**

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

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

Further information on the Executive Management is provided in the Annual Report on the Company's website, [www.eimskip.is](http://www.eimskip.is).

### **Internal Control and Risk Management**

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

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

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

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

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

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

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

### **Information on violation of rules determined by the applicable authority**

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

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

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

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

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

## FORWARD-LOOKING STATEMENTS

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

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Eimskipafélag Íslands hf.

Korngarðar 2

104 Reykjavík

Iceland

Reg. no. 690409-0460

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**EIMSKIP**