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**NIÐURSTÖÐUR FRAMHALDSAÐALFUNDAR EIMSKIPAFÉLAGS ÍSLANDS HF.
HALDINN Í HÖFUÐSTÖÐVUM FÉLAGSINS AÐ KORNGÖRÐUM 2, REYKJAVÍK
FÖSTUDAGINN 26. APRÍL 2019 KL. 16:00**

Meðfylgjandi eru niðurstöður fundarins.

1. Kosning stjórnar félagsins (dagskrárliður 1)

Fundurinn kaus eftirfarandi einstaklinga í aðalstjórn félagsins til næsta aðalfundar:

Baldvin Þorsteinsson
Guðrún Blöndal
Hrund Rudolfsdóttir
Lárus L. Blöndal
Óskar Magnússon

Fundurinn kaus eftirfarandi einstaklinga í varastjórn félagsins til næsta aðalfundar:

Jóhanna á Bergi
Vilhjálmur Vilhjálmsson

Stjórn félagsins hittist í kjölfar framhaldsaðalfundarins til að skipta með sér verkum. Baldvin Þorsteinsson var kosinn stjórnarformaður og Hrund Rudolfsdóttir var kosin varaformaður stjórnar.

2. Önnur mál (dagskrárliður 2)

Stjórn félagsins lagði fram eftirfarandi bókun undir þessum lið:

„Stjórn félagsins mun taka til skoðunar kosti og galla tilnefningarnefnda á starfsárinu og leggja fram tillögur sínar um þetta efni til aðalfundar 2020.“

**EXTENDED AGM RESULTS OF EIMSKIPAFÉLAG ÍSLANDS HF.
HELD AT THE COMPANY'S HEADQUARTERS AT KORNGARÐAR 2, 104 REYKJAVÍK
FRIDAY 26 APRIL 2019 AT 16:00 (GMT)**

Enclosed are the results of the meeting.

1. Election of the Board of Directors (agenda item no. 1)

The meeting elected the following individuals to serve on the Board of Directors of the Company until next Annual General Meeting:

Baldvin Þorsteinsson
Guðrún Blöndal
Hrund Rudolfsdóttir
Lárus L. Blöndal
Óskar Magnússon

The meeting elected the following individuals to serve as the Alternate Board of Directors of the Company until next Annual General Meeting:

Jóhanna á Bergi
Vilhjálmur Vilhjálmsson

Following the Extended Annual General Meeting the Board of Directors met and decided on allocation of responsibilities.

Baldvin Þorsteinsson was elected as Chairman of the Board of Directors and Hrund Rudolfsdóttir was elected as Vice Chairman.

2. Other matters (agenda item no. 2)

The Board of Directors of the Company noted the following under this item of the agenda:

"The Board of Directors of the Company will evaluate the pros and cons of nomination committees during its term and will present its proposals on the matter to the Annual General Meeting 2020."

EIMSKIPAFÉLAG ÍSLANDS HF.

ANNUAL GENERAL MEETING 28 MARCH 2019

Candidates to the Board of Directors and Alternate Board of Directors

Board of Directors

Mr. Baldvin Thorsteinsson

Baldvin was born in 1983 and lives in Iceland. He has worked for Samherji hf. in various roles since 2007 after earning a BS degree in Industrial Engineering from the University of Iceland. In the years 2013-2016, he was the CEO of Iceland Drilling, of which Samherji is a major shareholder. When rejoining Samherji in 2016, he was made Manager of Business Development. Baldvin joined the board of Olíuverzlun Íslands in 2011 and became the board's chairman in 2017, until he stepped down at the end of 2018 when the company was sold. Baldvin has been on the Board of Directors since 6 September 2018 and currently serves as the Chairman of the Board and a member of the Remuneration Committee. He owns 160,000 shares in the Company, but no share options, but is not independent of Samherji Holding ehf., which own, in total, 50.6 million shares in the Company.

Mrs. Guðrún Ó. Blöndal

Guðrún was born in 1960 and lives in Iceland. She has been on the Board of Directors of Eimskip since 6 September 2018. Previously she was a CEO of Nasdaq CSD Iceland (Nasdaq Central Securities Depository Iceland) from 2013 to March 2018, and a CEO of Arion Custody Services, subsidiary of Kaupthing hf., from 2002 until it merged with Arion bank hf. in 2012. She held various positions in Kaupthing hf. from 1984 to 2002 such as an Executive Director, Corporate Directors of Human Resources, Director of Marketing and Director in Asset Management. In 2012 until 2013 she was a Board Member of the Enterprise Investment Fund slhf., Reginn hf., Míla ehf., Vörður Insurance Company and Vörður Life Insurance. Guðrún is an alternate board member of Landsbankinn hf. Guðrún earned a Cand.Oecon degree at the University of Iceland in 1990. Guðrún currently serves as a member of the Remuneration Committee. She is an independent Board member and does neither own shares nor share options in the Company. Apart from being an alternate board member in Landsbankinn she has no interest links with the Company's main clients, competitors or major shareholders. Guðrún will be an independent Board member.

Mrs. Hrund Rudolfsdóttir

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

Mr. Lárus L. Blöndal

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

Mr. Óskar Magnússon

Óskar was born in 1954 and lives in Iceland. He is a well-known writer and has published two collections, short stories and two novels in recent years. He is a farmer and co-owner and chairman of Kerfélagið ehf., the owner of the tourist nature attraction Kerid Crater. Óskar is currently a vice chairman of the board of Samherji hf., a board member of Samherji Holding ehf. and a chairman of the Icelandic landowners Association. He has previously been a board member of the Icelandic Bar Association. Óskar was Publisher/CEO and major shareholder of Árvakur hf. from 2009 to 2015, President/CEO of Tryggingamiðstöðin hf. and TM Life Insurance hf. from 2004 to 2007, President/CEO of Vodafone Iceland from 2001 to 2007, Executive Chairman of Baugur from 1998 to 1999 and President/CEO of Hagkaup hf. supermarkets, that later became part of Baugur Corporation, from 1993 to 1998. Óskar has been a Supreme Court Attorney since 1993. He graduated with an LL.M. degree in International Business Law from George Washington University Law School in 1986, and with a Cand.jur. degree from the University of Iceland in 1983. He owns 15,000 shares in the Company, but no share options, but is not independent of Samherji Holding ehf., which own, in total, 50.6 million shares in the Company.

Mr. Vilhjálmur Vilhjálmsson

Vilhjálmur was born in 1953 and lives in Iceland. He is a Chairman of the Board of Directors of Hampiðjan hf., and a board member of Iceland Chamber of Commerce. Vilhjálmur was the CEO of HB Grandi hf. from 2012 to 2018, and a Manager of HB Grandi hf.'s pelagic sector from 2005 to 2012. Before joining HB Grandi hf. Vilhjálmur was office manager and later the CEO of Tangi, Vopnafjörður based fishery from 2001 to 2004. Vilhjálmur started his career in fisheries at age 11 and worked as a seaman from age of 15 alongside his studies. Later Vilhjálmur started working ashore at Fiskafurðir ehf. and at the Federation of Icelandic fishing vessels owners where he worked for 8 years before joining Tangi. Vilhjálmur is a Fish Industry Technician from the Icelandic Technical College, and is a master of navigation from Reykjavik Navigational School. He is an independent Board member and does neither own shares nor share options in the Company. He has no interest links with the Company's main clients, competitors or major shareholders. Vilhjálmur will be an independent Board member.

Alternate Board of Directors

Mrs. Jóhanna á Bergi

Jóhanna was born in 1970 and lives in the Faroe Islands. She is the CEO of Atlantic Airways Ltd., and has been on the Company's Board of Directors since 18 November last year. Jóhanna was the CEO of P/f Faroe Ship, Eimskip's subsidiary in the Faroe Islands, from 2006 to 2015, Sales Director of JFK and Kósin Seafood from 1998 to 2006 and Sales Manager of Faroe Seafood France from 1994 to 1998. She is currently a board member of the Faroese Confederation of Sports and Olympic Committees, Nordoyatunnilin, Föroya Grunnurin and Visit Faroe Islands. Jóhanna has a Master's degree in Management from Robert Gordon University in the UK. She further holds an EE degree from the Danish School of International Marketing and Export. Jóhanna has been an alternate member of the Board since 3 April 2013, is an independent Board member and does neither own shares nor share options in the Company. She has no interest links with the Company's main clients, competitors or major shareholders. Jóhanna will be an independent Board member.

Mr. Philip G Quinlan

Philip was born in 1952 and lives in Canada. He is a Chartered Professional Accountant and a Partner at Quinlan & Taylor, a CPA Professional Corporation providing audit, corporate and personal tax planning and management consulting services. Philip is currently a board member of Northern Coalition Corporation, Northern Shrimp Research Foundation, Northern Shrimp Advisory Committee, Madsen Construction Equipment Inc. and Madsen Controls Inc. Philip has been actively involved in his profession throughout his career having served on numerous committees of both the provincial and national institutes of Chartered Accountants including serving as president of the provincial institute of Chartered Accountants and a Board member of the Board of Governors of the Canadian Institute Of Chartered Accountants. Phillip has a wide range of experience providing services to clients in almost every sector of the economy, including audit, corporate and personal income tax planning, management consulting services focusing on operational efficiencies, business valuations, capital acquisitions and related financing, together with cash flow planning and management. He participates in the ownership and management of private companies that provide synchronized control solutions for engines and turbines, along with the sale of heavy construction equipment. Phil has been on the Alternate Board of Directors since 6 September 2018 and is currently Chairman of the Audit Committee. Philip is an independent Board member and does neither own shares nor share options in the Company. He has no interest links with the Company's main clients, competitors or major shareholders. Philip will be an independent Board member.

Mrs. Erna Eiríksdóttir

Erna was born in 1963 and lives in Iceland. She was Senior Manager of Investor Relations at Eimskip from 2012 to 2018. Previously she was Financial Manager of Landsvirkjun Power ehf., subsidiary of Landsvirkjun, from 2008 to 2011 and held various managerial positions in Eimskip from 1990 to 2005. She was the Company's Chief Accountant and a Senior Manager in Domestic Operations, in International Operations and Corporate Communication. Erna is currently a board member of Landsbréf hf. and Festa – Icelandic Center for Corporate Social Responsibility. Previously she was a board member of Íslandssjóðir hf. and Sýn hf. (Vodafone) and an alternate board member of Advania hf. Erna took her MBA degree at Reykjavík University in 2007. She also earned a Cand.Oecon. degree at the University of Iceland in 1987 and has a Securities Brokerage Certification. She is an independent Board member and owns 2,404 shares in the Company but no share options. She has no interest links with the Company's main clients, competitors or major shareholders. Erna will be an independent Board member.

FRAMHALD SAÐALFUNDUR EIMSKIPAFÉLAGS ÍSLANDS HF.

Framhaldsaðalfundur Eimskipafélags Íslands hf. verður haldinn föstudaginn 26. apríl 2019 kl. 16:00 í höfuðstöðvum félagsins að Korngörðum 2, 104 Reykjavík.

DAGSKRÁ

- Kosning stjórnar félagsins.
- Önnur mál.

REGLUR UM ÞÁTTTÖKU OG ATKVÆÐAGREIÐSLU Á FUNDINUM

Upplýsingar um réttindi hluthafa er að finna á fjárfestasíðu félagsins: www.eimskip.com/investors/agm

Eitt atkvæði fylgir hverjum hlut í félaginu. Aðgöngumiðar, atkvæðaseðlar og önnur fundargögn verða afhent á fundarstað frá kl. 15:30 á fundardegi.

Ekki verður unnt að greiða atkvæði með rafrænum hætti á fundinum.

Nánari upplýsingar um atkvæðareglur og notkun umboða er að finna á vefsíðu félagsins: www.eimskip.com/investors/agm

AÐRAR UPPLÝSINGAR

Upplýsingar um frambjóðendur er að finna á heimasíðu félagsins.

Gæta þarf kynjahlutfalla við kjörið og skal hlutfall hvors kyns ekki vera lægra en 40%.

Fundurinn er auglýstur skv. ákvæðum í 3. mgr. 88. gr. a laga nr. 2/1995 um hlutafélag.

Reykjavík, 12. apríl 2019
Stjórn Eimskipafélags Íslands hf.



EXTENDED ANNUAL GENERAL MEETING EIMSKIPAFÉLAGS ÍSLANDS HF.

Extended Annual General Meeting of Eimskipafélag Íslands hf. will be held on Friday 26 April 2019 at 16:00 at the Company's headquarters in Korngardar 2, 104 Reykjavík.

AGENDA:

1. Election of the Board of Directors.
 2. Other matters.
-

RULES ON PARTICIPATION AND VOTING

Further information on shareholders' rights is available on the Company's website: www.eimskip.com/investors/agm

Each share in the Company carries one vote. Shareholders and holders of power of attorney can register for the meeting on the meeting day from 15:30 at the Company's headquarters.

Shareholders will not be able to vote electronically at the meeting.

Further information on the voting rules and use of powers of attorney are available on the Company's website: www.eimskip.com/investors/agm

FURTHER INFORMATION

Information on candidates to the Board of Directors can be found on the Company's website.

When electing to the Board of Directors the proportion between genders in the board shall be as even as possible and the proportion of each gender shall never go below 40%.

The meeting convocation is published in accordance with Art. 88. a., pg. 3, of Icelandic Act no. 2/1995 respecting Public Limited Companies.

Reykjavík, 12. apríl 2019

Board of Directors of Eimskipafélag Íslands hf.



**NIÐURSTÖÐUR AÐALFUNDAR EIMSKIPAFÉLAGS ÍSLANDS HF.
HALDINN Í HÖFUÐSTÖÐVUM FÉLAGSINS AÐ KORNGÖRÐUM 2, REYKJAVÍK
FIMMTUDAGINN 28. MARS 2019 KL. 16:00**

Meðfylgjandi eru niðurstöður fundarins.

1. Skýrsla stjórnar félagsins um starfsemi þess á liðnu starfsári og staðfesting ársreiknings fyrir síðastliðið reikningsár (dagskrárliðir 1 og 2)

Ársreikningurinn og skýrsla stjórnar voru samþykkt samhljóða.

2. Ákvörðun um ráðstöfun hagnaðar félagsins á reikningsárinu 2018 (dagskrárliður 3)

Fundurinn samþykkti að félagið greiði hluthöfum arð vegna reikningsársins 2018 sem nemur 3,50 kr. á hlut, sem samsvarar um 64,8% af hagnaði ársins. Viðmiðunardagsetning arðgreiðslu er við lok viðskipta á aðalfundardegi og arðleysisdagur¹ því 29. mars 2019 og arðsréttardagur² 1. apríl 2019. Útborgunardagur³ verður þann 10. apríl 2019.

3. Tillaga félagsstjórnar um starfskjarastefnu (dagskrárliður 4)

Fundurinn samþykkti breytingar á starfskjarastefnu félagsins. Eftirfarandi er gildandi starfskjarastefna félagsins:

„STARFSKJARASTEFNA EIMSKIPS

1. GRUNDVÖLLUR OG MARKMIÐ

Samkvæmt ákvæði 79. gr. a. í lögum 2/1995 um hlutafélög ber Eimskipafélagi Íslands hf. (‐félagið‐) að setja sér starfskjarastefnu varðandi laun og aðrar greiðslur til forstjóra og annarra stjórnenda félagsins sem og stjórnarmanna þess. Starfskjarastefnan skal samþykkt á aðalfundi félagsins og er hluthöfum þannig gert kleift að hafa áhrif á stefnu félagsins varðandi starfskjör.

Starfskjarastefnan er á ábyrgð stjórnar félagsins, sem tók mið af fimmtu útgáfu leiðbeininga Viðskiptaráðs Íslands um góða stjórnarhætti við gerð stefnunnar.

Markmið starfskjarastefnu þessarar er að gera starf hjá félaginu að eftirsóknarverðum kosti fyrir hæft starfsfólk og þar með tryggja samkeppnishæfni félagsins, framþróun og viðunandi arðsemi. Til að svo megi verða er nauðsynlegt að félaginu sé gert kleift að bjóða samkeppnishæf starfskjör á hinum ýmsu starfsvæðum félagsins. Starfskjör stjórnenda og annarra lykilstarfsmanna skulu taka mið af starfskjörum annarra starfsmanna félagsins og með því leitast við að tryggja samræmda og sanngjarna starfskjarastefnu innan félagsins. Nauðsynlegt er að félagið og stjórnendur þess hafi svigrúm til þess að bjóða samkeppnishæf starfskjör, sem eftir atvikum eru tengd við staðsetningu, umsvif, árangur og ábyrgð.

2. STARFSKJARANEFND

Stjórn félagsins skal skipa starfskjaranefnd sem skipuð er þremur mönnum sem stjórn félagsins kýs úr sínum röðum. Nefndin starfar samkvæmt sérstökum starfsreglum sem stjórn félagsins setur henni. Hlutverk starfskjaranefndar er að vera leiðbeinandi fyrir félagsstjórn og framkvæmdastjórn um starfskjör æðstu stjórnenda félagsins og ráðgefandi um starfskjarastefnu. Skal nefndin jafnframt fylgjast með því að starfskjör lykilstarfsmanna séu innan ramma starfskjarastefnunnar og gefa félagsstjórn skýrslu þar um árlega í tengslum við aðalfund félagsins.

3. STARFSKJÖR STJÓRNARMANNA

¹ **Arðleysisdagur** er sá dagur sem viðskipti hefjast án arðsréttinda, þ.e. næsti viðskiptadagur eftir aðalfund.

² **Arðsréttardagur** er sá dagur sem hluthafar verða að vera skráðir í hlutaskrá til að eiga rétt á arði, þ.e. annar viðskiptadagur eftir aðalfund. Þetta þýðir að hluthafar sem hafa keypt hluti á aðalfundardegi munu fá greiddan arð.

³ **Útborgunardagur** er sá dagur sem arður er greiddur út til hluthafa, rúmunum þremur vikum eftir aðalfund.

Stjórnarmönnum skal greidd föst mánaðarleg þóknun í samræmi við ákvörðun aðalfundar ár hvert, svo sem kveðið er á um í 79. gr. laga um hlutafélög. Gerir stjórnin tillögu um þóknunina fyrir komandi starfsár og tekur mið af þeim tíma sem stjórnarmenn verja til starfans, þeirri ábyrgð sem á þeim hvílir, afkomu félagsins auk þess sem litið skal til þóknunar til stjórnarmanna sambærilegra félaga. Heimilt er að greiða stjórnarmönnum sérstaklega fyrir ákveðin afmörkuð verkefni. Greiðslur fyrir slík verk skulu háðar samþykki stjórnar, annarra en þess stjórnarmanns sem um ræðir hverju sinni. Félagið skal tryggja stjórnarmönnum að þeir séu skaðlausir af kröfum sem á þá kunna að verða gerðar eða á þá kunna að falla vegna starfa fyrir félagið að svo miklu leyti sem ákvæði laga um hlutafélög leyfa. Óheimilt er að gera starfslokasamninga við stjórnarmenn.

4. STARFSKJÖR FORSTJÓRA

Gera skal skriflegan ráðningarsamning við forstjóra. Í þeim samningi skulu koma fram helstu skyldur forstjóra og ábyrgðarsvið hans. Fjárhæð grunnlauna og annarra greiðslna til forstjóra skal taka mið af menntun, reynslu og fyrri störfum. Tilgreina skal önnur starfskjör í ráðningarsamningnum, svo sem greiðslur í lífeyrissjóð, orlof, hlunnindi og uppsagnarfrest. Auk þess er heimilt að semja við forstjóra um afkomutengdar greiðslur og/eða hlutabréfatengd réttindi að hlutafé í félaginu, skv. því sem getið er í 7. grein, og skulu slíkir samningar skoðast sem hluti af ráðningarsamningi.

Við ákvörðun uppsagnarfrests í ráðningarsamningi má hafa sérstök ákvæði um að uppsagnarfrestur skuli lengjast í hlutfalli við starfstíma forstjóra. Jafnframt skal, í ráðningarsamningi, geta um skilyrði uppsagnar forstjóra.

Endurskoða skal grunnlaun forstjóra árlega og skal við slíka endurskoðun hafa hliðsjón af frammistöðu forstjóra, þróun launakjara almennt í sambærilegum fyrirtækjum og afkomu félagsins.

Við gerð ráðningarsamnings við forstjóra skal haft að leiðarljósi að ekki komi til frekari greiðslna við starfslok en fram koma í ráðningarsamningi. Heimilt er þó við sérstök skilyrði að gera sérstakan starfslokasamning við forstjóra sem þjóni hagsmunum félagsins að mati stjórnar.

5. STARFSKJÖR FRAMKVÆMDASTJÓRA og annarra lykilstarfsmanna

Forstjóri ræður framkvæmdastjóra félagsins og aðra lykilstarfsmenn félagsins í samráði við stjórn félagsins. Við ákvörðun starfskjara framkvæmdastjóra gilda sömu sjónarmið og ákvæði sem rakin eru í 4. gr.

6. AÐRIR STARFSMENN

Við ákvörðun starfskjara annarra starfsmanna skulu framkvæmdastjórar einstakra sviða taka mið af ofangreindum reglum eftir því sem við á. Starfskjör annarra starfsmanna skuli vera samkeppnishæf á mælikvarða viðkomandi lands.

7. KAUPAUKAR

Stjórn félagsins er heimilt er að greiða forstjóra, framkvæmdastjórum og öðrum lykilstarfsmönnum félagsins kaupauka í formi reiðufjár og/eða hlutabréfatengdra réttinda á grundvelli sérstaks kaupaukakerfis sem samþykkt hefur verið af stjórn að fengnu álitni starfskjaranefndar.

Með kaupauka er átt við greiðslur og hlunnindi til starfsmanna, meðal annars reiðufé, sérstakar lífeyrisgreiðslur og hlutabréfatengd réttindi, þ.m.t. kauprétti, venjulega skilgreint með tilliti til árangurs, sem ekki er þáttur í föstum starfskjörum starfsmanna, þar sem endanleg fjárhæð liggur ekki fyrir með nákvæmum hætti fyrirfram. Kaupauki getur að hámarki numið fjárhæð sem samsvarar þriggja mánaða grunnlaunum hjá forstjóra, en tveggja mánaða grunnlaunum hjá öðrum.

Skulu kaupaukar miðast við frammistöðu viðkomandi starfsmanna, afkomu félagsins, mikilvæga áfanga í rekstri og starfsemi félagsins, þ.á.m. hvort settum markmiðum hefur verið náð. Slíkir kaupaukar eða hlutabréfatengd réttindi skulu einungis vera starfsmönnum til boða sem starfa hjá félaginu þegar kaupaukinn er greiddur.

Ákveði stjórnin að gefa lykilstarfsmönnum félagsins kost á samningum um hlutabréfatengd réttindi skal áætlun um slíka samninga lögð fyrir hluthafafund félagsins til samþykktar eða synjunar, með upplýsingum um viðmiðunarverð hlutabréfa, tímalengd þeirra, fjölda hluta og fjölda starfsmanna sem áætlun nær til. Skal stjórnin gera fundinum grein fyrir þeim kostnaði sem félagið kann að hafa af áætlunum um hlutabréfatengd réttindi, verði þær samþykktar.

Gera skal skriflega samninga um hlutabréfatengd réttindi við einstaka starfsmenn. Þeir samningar skulu ávallt vera innan ramma laga um hlutafélög nr. 2/1995 og háð þeim skilyrðum sem þar koma fram.

Stjórnarmenn skulu ekki njóta hlutabréfatengdra réttinda.

Greiðsla kaupauka og gerð samninga um hlutabréfatengd réttindi er ávallt háð skilyrðum laga um hlutafélög nr. 2/1995 og háð þeim skilyrðum sem þar koma fram.

8. LÁNVEITINGAR TIL STARFSMANNA

Félagsstjórn skal óheimilt að veita starfsmönnum lán til hlutabréfakaupa í tengslum við fjármögnun á kaupum þeirra á hlutum í félaginu sbr. 2. mgr. 104. gr. laga nr. 2/1995 um hlutafélög.

9. Ábyrgðartrygging stjórnenda

Á hverjum tíma skal félagið sjá til þess að í gildi sé ábyrgðartrygging vegna starfa stjórnenda þess, sem tryggir þeim skaðleysi vegna krafna sem kunna að vera gerðar vegna starfa þeirra fyrir félagið. Félagið tryggir stjórnendum ekki skaðleysi ef krafan er tilkomin vegna saknæmrar háttsemi viðkomandi stjórnanda, þannig að hún teljist ásetningur eða stórfellt gáleysi.

10. UPPLÝSINGAGJÖF

Á aðalfundi skal stjórn gera grein fyrir kjörum forstjóra, framkvæmdastjóra, lykilstarfsmanna og stjórnarmanna. Upplýsa skal um heildarfjárhæð greiddra launa á árinu, greiðslur frá öðrum félögum í sömu fyrirtækjasamstæðu, fjárhæð kaupauka og hlutabréfatengdra réttinda, annars konar greiðslur sem tengjast hlutabréfum í félaginu, starfslokagreiðslur ef einhverjar eru, auk heildarfjárhæðar annarra greiðslna. Þá skal gera grein fyrir launum og starfskjörum stjórnar og æðstu stjórnenda í ársskýrslu félagsins.

Starfskjarastefna þessi skal vera aðgengileg á vefsíðu félagsins.

11. SAMÞYKKT STARFSKJARASTEFNU OG FLEIRA

Starfskjarastefna þessi var samþykkt á stjórnarfundum félagsins þann 13. mars 2019 og öðlast gildi við samþykki aðalfundar.

Starfskjarastefna félagsins skal tekin til endurskoðunar ár hvert og borin undir aðalfund til samþykktar með eða án breytinga.

Er starfskjarastefnan bindandi fyrir stjórn félagsins að því er varðar ákvæði um samninga um hlutabréfatengd réttindi og hvers konar samninga eða greiðslur er fylgja þróun verðs á hlutabréfum í félaginu, sbr. 2. mgr. 79. gr. a. hlutafélagalaga. Að öðru leyti er starfskjarastefnan leiðbeinandi fyrir félagið og stjórn þess. Stjórn félagsins skal færa til bókar í fundargerðarbók veigamikil frávík frá starfskjarastefnunni og skulu þau frávík studd greinargóðum rökum. Gera skal grein fyrir frávikum á næsta aðalfundi félagsins.

GREINARGERÐ MEÐ STARFSKJARASTEFNU EIMSKIPAFÉLAGS ÍSLANDS HF.

Með lögum nr. 89/2006 var m.a. gerð sú breyting á hlutafélagalögum að grein 79 a. var bætt inn í lögin. Greinin hefur síðan verið breytt með lögum 87/2009 og lögum 68/2010 Greinin leggur þá skyldu á stjórn Eimskipafélags Íslands hf. að leggja starfskjarastefnu fyrir aðalfund félagsins til samþykktar eða synjunar. Skal starfskjarastefnan mæla fyrir um laun og aðrar greiðslur til forstjóra og annarra lykilstarfsmanna félagsins, svo og stjórnarmanna þess. Segir í lögum að í starfskjarastefnu skuli koma fram grundvallaratriði varðandi starfskjör stjórnenda og stjórnarmanna og stefnu félagsins varðandi samninga við stjórnendur og stjórnarmenn. Jafnframt skal koma þar fram hvort og þá við hvaða aðstæður og innan hvaða ramma heimilt sé að greiða eða umbuna stjórnendum og stjórnarmönnum til viðbótar grunnlaunum þeirra og þá meðal annars í formi afhendingar hluta, árangurstengdra greiðslna, hlutabréfa, kaup- og söluréttar, forkaupsréttar og annars konar greiðslna sem tengdar eru hlutabréfum í félaginu eða þróun verðs á þeim (hlutabréfatengd réttindi), lánasamninga, lífeyrissamninga og starfslokasamninga.

Var umrædd lagabreyting gerð vegna tilmæla Framkvæmdastjórnar Evrópubandalagsins 2004/913/EB frá 14. desember 2004 um að stuðla að viðeigandi fyrirkomulagi að því er varðar starfskjör stjórnenda í hlutafélögum sem eru skráð í Kauphöll.

Stjórn Eimskipafélags Íslands hf. hefur það að markmiði með tillögu að starfskjarastefnu, sem hér er lögð fyrir aðalfund félagsins, að marka félaginu raunhæfa starfskjarastefnu sem gerir

félaginu fært að laða til sín starfsmenn í fremstu röð og tryggja þar með samkeppnishæfni félagsins á alþjóðlegum vettvangi að teknu tilliti til laga og reglna.

Samþykkt á aðalfundi þann 28. mars 2019.“

4. Kosning stjórnar félagsins (dagskrárliður 5)

Gengið var til kosninga í aðalstjórn. Niðurstaða kosninganna var að ekki tókst að kjósa lögmæta stjórn og því úrskurðaði fundarstjóri að fresta fundinum til framhaldsaðalfundar sem haldinn verður innan mánaðar.

5. Ákvörðun um þóknun til stjórnarmanna, varamanna og undirnefnda stjórnar (dagskrárliður 6)

Fundurinn samþykkti tillögu um að þóknun stjórnarmanna, varamanna og undirnefnda stjórnar. Þóknanir verða því sem hér segir:

Stjórnarformaður	kr. 470.000 á mánuði
Varaformaður	kr. 450.000 á mánuði
Meðstjórnendur	kr. 310.000 á mánuði
Varamenn	kr. 125.000 fyrir hvern setinn fund, þó ekki hærra en kr. 310.000 fyrir hvern mánuð
Nefndarmenn í endurskoðunarnefnd	kr. 125.000 á mánuði
Nefndarmenn í starfskjaranefnd	kr. 125.000 á mánuði

Stjórnarlaun og laun nefndarmanna í endurskoðunar- og starfskjaranefnd eru ákveðin fyrirfram fyrir kjörtímabilið.

6. Kosning endurskoðenda (dagskrárliður 7)

KPMG ehf., Borgartúni 27, 105 Reykjavík, var endurkjörið endurskoðendur félagsins.

**ANNUAL GENERAL MEETING RESULTS OF EIMSKIPAFÉLAG ÍSLANDS HF.
HELD AT THE COMPANY'S HEADQUARTERS AT KORNGARÐAR 2, 104 REYKJAVÍK
THURSDAY 28 MARCH 2019 AT 16:00 (GMT)**

Enclosed are the results of the meeting.

1. The report of the Board of Directors on the activities of the Company for the financial year 2018 and confirmation of the consolidated financial statements for the financial year 2018 (agenda item no. 1 and 2)

The consolidated financial statements and report of the Board of Directors were approved unanimously.

2. Decision on the handling of the net earnings for 2018 (agenda item no. 3)

The meeting approved that the Company pays a dividend of ISK 3.50 per share to shareholders for the year 2018, corresponding to approximately 64,8% of the Company's net earnings. Ex-Date is 29 March 2019¹, the Record Date is 1 April 2019² and the Payment Date is 10 April 2019³.

3. Proposal on the Company's Remuneration Policy (agenda item no. 4)

The meeting approved the proposed changes to the Company's Remuneration Policy. Therefore the Company's current Remuneration Policy reads as follows:

"Remuneration Policy

1. LEGAL BASIS AND OBJECTIVE

Eimskipafélag Íslands hf. ("the Company") is obligated according to Article 79(a) of Act No 2/1995 on Public Limited Companies to set a Remuneration Policy regarding salary and other remuneration to the CEO and other managers of the Company and to Members of the Board of Directors. The Remuneration Policy shall be approved at the Annual General Meeting of the Company allowing the shareholders of the Company have a possibility to influence the Company's policy.

The Board of Directors is responsible for the Remuneration Policy of the Company: The Board of Directors took the guidelines of the Iceland Chamber of Commerce on corporate governance, fifth edition, into account when preparing the policy.

The object of this Remuneration Policy is to make the Company a desirable workplace for competent employees and thereby secure Eimskip's competitiveness, future development and acceptable profitability. In order to achieve this, it is imperative that the Company is in a position to offer competitive remuneration in all operational locations. Remuneration of executives and other key employees shall take into consideration the remuneration of other employees of the Company and thereby aim to secure coordinated and fair Remuneration Policy for the Company. It is necessary that the Company and its managers have the flexibility to offer competitive remuneration, remuneration can as applicable be linked to location, the scope of operations, success and responsibility.

2. REMUNERATION COMMITTEE

The Board of Directors shall appoint a Remuneration Committee consisting of three members of the Board of Directors. The committee shall work in accordance with the Rules of Procedure set by the Board. The remuneration committee shall be advisory to the Board of Directors and the CEO regarding terms of employment for the executives of the Company and setting a Remuneration Policy. The committee shall also supervise that terms of employment of ranking

¹ **Ex-Date** is the day when trading commences without dividends, i.e. the next business day after the AGM.

² **Record Date** is the day shareholders have to be registered in the share registry to be entitled to receive dividends, i.e. the second business day after the AGM. Shareholders that purchase shares on the day of the AGM will receive dividends.

³ **Payment date** is the day when dividends are paid out to shareholders.

employees are in line with the Remuneration Policy and report annually to the Board of Directors in connection with the Annual General Meeting.

3. REMUNERATION OF THE BOARD OF DIRECTORS

Members of the Board of Directors shall be paid a monthly salary, according to decision taken by the Annual General Meeting in that respect, as specified in paragraph 79 of the Act on Public Limited Companies. The Board of Directors shall submit a proposal for the period until the next Annual General Meeting and shall take into account the time spent by the Board Members on their duties, their personal liability, as well as the operational and economic performance of the Company and the Board of Directors shall also take into account remuneration of members of the Boards of Directors of comparable companies. Additional payments may be effected to individual Board Members for specifically defined projects. Payments for such tasks shall be subject to approval by the other Board Members. The Company shall secure immunity for the Board of Directors for all claims that can eventually be made against them, connected to their work on behalf of the Company, within the limits allowed under the act on Public Limited Companies. It is not permitted to make redundancy contracts with individual Board Members.

4. CEO – TERMS OF EMPLOYMENT

A written employment contract shall be prepared between the Company and the CEO, containing details of his main duties and responsibilities. The amount of his basic salaries and other remuneration shall take into account his education, working experience and previous employment. Other details of his remuneration, such as contribution to pension funds, holiday allowance and other benefits, as well as terms of notice, shall be mentioned in the employment contract. Bonuses and stock incentives shall also be included in the employment contract, as specified in paragraph 7 of this Remuneration Policy.

When stipulating the period of notice for termination of the employment contract, the period may be directly related to the duration of the employment of the CEO. The employment contract shall also stipulate the terms of notice.

The basic salary of the CEO shall be revised annually and shall evaluate the performance of the CEO, the development of salaries for similar positions in comparable and the general performance and operations of the Company.

The employment contract should include and stipulate all payments due to the CEO upon termination of the contract. Under special circumstances it is however permitted to prepare a separate redundancy contract if the Board of Directors is of the opinion that it is in line with the Company's interests.

5. SENIOR EXECUTIVES and other key employees – TERMS OF EMPLOYMENT

The CEO employs the Senior Executives and other key employees of the Company, in consultation with the Board of Directors. Terms of their employment contracts shall take into account same aspects and principles as mentioned in paragraph 4.

6. OTHER EMPLOYEES

The Senior Executives shall, when applicable, take the above into consideration when deciding on the terms of employment of other employees. Remuneration of other employees shall be competitive on the labor market of the country in question.

7. INCENTIVES

The Board of Directors is authorized to incentivize the CEO, Senior Executives and key employees may be with cash and/or stock incentives, based on an incentive plan that has been approved by the Board of Directors upon recommendation by the Remuneration Committee.

Incentives are payments and benefits to employees beyond fixed salary which is normally contingent of performance and where the amount of cannot be determined beforehand, the payments can be in the form of cash bonus payments, specific pension rights and stock incentives, including stock options. The maximum amount of incentives is three months base salary for the CEO, but two months base salary for others.

Incentives shall be directly related to the working performance of the individual employees, their status and responsibility, the economic performance of the Company, the achievements of certain operational goals, including reaching certain budget targets. Such bonuses or

incentives can only be offered to employees who are still working for the Company at the time when the bonuses are due for payment.

If the Board of Directors decides to offer further stock incentives to key employees of the Company, a stock incentive plan shall be presented to shareholders meeting, for approval or rejection, with information on the reference price of shares, vesting period, number of shares and number of employees under the program. The Board shall present to the Annual General Meeting a cost estimate of stock incentive plans.

The Company shall enter into written stock incentive agreements with employees. The agreements shall always be subject to the conditions of the act no. 2/1995 on Public Limited Companies.

Members of the Board of Directors shall not be entitled to stock incentives.

Payments of bonuses and offering of stock incentives is always subject to the terms and conditions of Act No. 2/1995 on Public Limited Companies.

8. LOANS TO EMPLOYEES

The Board of Directors is not permitted to grant loans to employees regarding financing of shares in the Company in accordance with 2 paragraph of Art. 104 of act no. 2/1995 on Public Limited Companies.

9. Directors and Officers Liability insurance

The Company shall at any given time have in place a directors and officers liability insurance policy relating to managers work, to indemnify and hold them harmless from and against claims that can be made in relation to their work for the company. The Company will not indemnify managers in the event a claim results from a culpable behaviour of a manager, defined as wilful misconduct or gross negligence.

10. DISCLOSURE

At the Annual General Meeting the Board of Directors shall disclose to the shareholders the terms of employment of the CEO, Senior Executives, key employees and Board Members of the Company. The Board of Directors shall disclose the total amount paid in salaries in any form in the previous financial year, payments from other companies within the Group, and stock incentives and all other forms of payment pertaining to stock in the Company and retirement payments, if any. Further to this, the salary and remuneration of the Members of the Board of Directors and managers of the Company shall be outlined in the Annual Report of the Company.

This Remuneration Policy shall be accessible at the Company's website.

11. APPROVAL OF THE REMUNERATION POLICY AND OTHER MATTERS

This Remuneration Policy was approved in a meeting of the Board of Directors of the Company on 13 March 2019 and will come into force with its approval by the Annual General Meeting of the Company.

The Remuneration Policy is subject to annual review and approval of the Annual General Meeting, with or without amendments.

The Remuneration Policy is binding for the Board of Directors regarding stock incentives and any payment under which directors are remunerated in shares, share options or any other right to acquire shares or to be remunerated on the basis of share price movements and any substantial change in such schemes as per paragraph 2 Art. 79 a. of the act on Public Limited Companies. In all other aspects the policy shall be viewed as guidelines. The Board of Directors shall note in the minutes of the meeting any major deviation from the Remuneration Policy and such deviation shall be well justified. The Board of Directors shall inform the Annual General Meeting of such a deviation.

EXPOSITION WITH THE REMUNERATION POLICY FOR EIMSKIPAFÉLAG ÍSLANDS HF.

Act no. 89/2006 added Article 79 a. to the act on Public Limited Companies. The article has been amended with laws no. 87/2009 and 68/2010. The article requires the Board of Directors to set forth a Remuneration Policy prior to the general meeting of the shareholders where it is put to a vote. The Remuneration Policy shall stipulate the salary and other payments to the CEO and other key employees, as well as the Board of Directors. The Act also states that the Remuneration Policy shall include all fundamentals on terms of employment of executives and

Board Members along with the Company's policy on agreements with ranking employees and Board Members. It shall moreover include details on if, how, under what circumstances and within what limits the management and directors can receive additional awards in the form of delivery of shares, performance based payments, stock options and any and all payment having to do with Company shares or the future value of such shares (stock incentives), loan contracts, pension funds, retirement or redundancy payments.

The before mentioned legislative change was made on the grounds of Commission Recommendation 2004/913/EC of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies.

With this Remuneration Policy, hereby submitted to the Annual General Meeting of the shareholders, the Board of Directors of Eimskipafélag Íslands hf. aims to set forth a Remuneration Policy that will enable the Company to attract leading individuals and thereby guaranteeing the Company's competitiveness on an international basis and compliance with law and regulations.

Approved at the Annual General Meeting on 28 March 2019."

4. Election to the Board of Directors (agenda item no. 5)

Elections were held in the Board of Directors. The voting did not result in a lawful Board of Directors and therefore the chairman of the meeting decided to defer the meeting until an extended Annual General Meeting which will be held within one month.

5. Decision on remuneration to the members of the Board of Directors, the alternate board members and subcommittees (agenda item no. 6)

The meeting approved the proposal of the Board of Directors on remuneration to the members of the Board of Directors, the alternate board members and subcommittees. The remuneration shall be as follows:

Chairman	ISK 470,000 per month
Vice-Chairman	ISK 450,000 per month
Directors	ISK 310,000 per month
Alternates	ISK 125,000 per attended meeting, but shall never exceed ISK 310,000 per month
Members of the Audit Committee and Remuneration Committee	ISK 125,000 per month

The remuneration of the Board of Directors, the Audit Committee and the Remuneration Committee is fixed and shall apply to the next term.

6. Election of auditors (agenda item no. 7)

The meeting approved to re-elect KPMG ehf., Borgartún 27, 105 Reykjavík, as the Company's auditing firm for the year 2019.

EIMSKIPAFÉLAG ÍSLANDS HF.

ANNUAL GENERAL MEETING 28 MARCH 2019

To be held at Eimskip's headquarters at Korngardar 2, Reykjavík at 16:00 (GMT)

Meeting Agenda

1. The report of the Board of Directors on the activities of the Company for the financial year 2018
2. Confirmation of the Company's Consolidated Financial Statements for the financial year 2018
3. Decision on the handling of the net earnings for 2018
4. Proposal on the Company's Remuneration Policy
5. Election to the Board of Directors
6. Decision on remuneration to the members of the Board of Directors, the alternate Board members and subcommittees
7. Election of auditors
8. Other issues, lawfully presented

Resolutions for the Annual General Meeting 2019

2. Confirmation of the Company's Consolidated Financial Statements for the financial year 2018

The Board of Directors of Eimskipafélag Íslands hf. proposes that the Consolidated Financial Statements for 2018 are approved.

3. Decision on the handling of the net earnings for 2018

The Board of Directors proposes that the Company pays a dividend of ISK 3,50 per share to shareholders for the year 2018. The proposed total amount is ISK 653.2 million, corresponding to approximately 68.4% of the Company's net earnings. Ex-Date is 29 March 2019¹, the Record Date is 1 April 2019² and the Payment Date is 10 April 2019³.

4. Proposal on the Company's Remuneration Policy

The Board of Directors proposes amendments to the Remuneration Policy, mainly regarding incentives. All amendment proposals will be covered at the AGM.

The Board of Directors proposes that the following Remuneration Policy will be approved:

"1. LEGAL BASIS AND OBJECTIVE

Eimskipafélag Íslands hf. ("the Company") is obligated according to Article 79(a) of Act No 2/1995 on Public Limited Companies to set a Remuneration Policy regarding salary and other remuneration to the CEO and other managers of the Company and to Members of the Board of Directors. The Remuneration Policy shall be approved at the Annual General Meeting of the Company allowing the shareholders of the Company have a possibility to influence the Company's policy.

The Board of Directors is responsible for the Remuneration Policy of the Company: The Board of Directors took the guidelines of the Iceland Chamber of Commerce on corporate governance, fifth edition, into account when preparing the policy.

The object of this Remuneration Policy is to make the Company a desirable workplace for competent employees and thereby secure Eimskip's competitiveness, future development and acceptable profitability. In order to achieve this, it is imperative that the Company is in a position to offer competitive remuneration in all operational locations. Remuneration of executives and other key employees shall take into consideration the remuneration of other employees of the Company and thereby aim to secure coordinated and fair Remuneration Policy for the Company. It is necessary that the Company and its managers have the flexibility to offer competitive remuneration, remuneration can as applicable be linked to location, the scope of operations, success and responsibility.

2. REMUNERATION COMMITTEE

The Board of Directors shall appoint a Remuneration Committee consisting of three members of the Board of Directors. The committee shall work in accordance with the Rules of Procedure set by the Board. The remuneration committee shall be advisory to the Board of Directors and the CEO regarding terms of employment for the executives of the Company and setting a Remuneration Policy. The committee shall also supervise that terms of employment of ranking employees are in line with the Remuneration Policy and report annually to the Board of Directors in connection with the Annual General Meeting.

¹ **Ex-Date** is the day when trading commences without dividends, i.e. the next business day after the AGM.

² **Record Date** is the day shareholders have to be registered in the share registry to be entitled to receive dividends, i.e. the second business day after the AGM. Shareholders that purchase shares on the day of the AGM will receive dividends.

³ **Payment date** is the day when dividends are paid out to shareholders.

3. REMUNERATION OF THE BOARD OF DIRECTORS

Members of the Board of Directors shall be paid a monthly salary, according to decision taken by the Annual General Meeting in that respect, as specified in paragraph 79 of the Act on Public Limited Companies. The Board of Directors shall submit a proposal for the period until the next Annual General Meeting and shall take into account the time spent by the Board Members on their duties, their personal liability, as well as the operational and economic performance of the Company and the Board of Directors shall also take into account remuneration of members of the Boards of Directors of comparable companies. Additional payments may be effected to individual Board Members for specifically defined projects. Payments for such tasks shall be subject to approval by the other Board Members. The Company shall secure immunity for the Board of Directors for all claims that can eventually be made against them, connected to their work on behalf of the Company, within the limits allowed under the act on Public Limited Companies. It is not permitted to make redundancy contracts with individual Board Members.

4. CEO – TERMS OF EMPLOYMENT

A written employment contract shall be prepared between the Company and the CEO, containing details of his main duties and responsibilities. The amount of his basic salaries and other remuneration shall take into account his education, working experience and previous employment. Other details of his remuneration, such as contribution to pension funds, holiday allowance and other benefits, as well as terms of notice, shall be mentioned in the employment contract. Bonuses and stock incentives shall also be included in the employment contract, as specified in paragraph 7 of this Remuneration Policy.

When stipulating the period of notice for termination of the employment contract, the period may be directly related to the duration of the employment of the CEO. The employment contract shall also stipulate the terms of notice.

The basic salary of the CEO shall be revised annually and shall evaluate the performance of the CEO, the development of salaries for similar positions in comparable and the general performance and operations of the Company.

The employment contract should include and stipulate all payments due to the CEO upon termination of the contract. Under special circumstances it is however permitted to prepare a separate redundancy contract if the Board of Directors is of the opinion that it is in line with the Company's interests.

5. SENIOR EXECUTIVES and other key employees – TERMS OF EMPLOYMENT

The CEO employs the Senior Executives and other key employees of the Company, in consultation with the Board of Directors. Terms of their employment contracts shall take into account same aspects and principles as mentioned in paragraph 4.

6. OTHER EMPLOYEES

The Senior Executives shall, when applicable, take the above into consideration when deciding on the terms of employment of other employees. Remuneration of other employees shall be competitive on the labor market of the country in question.

7. INCENTIVES

The Board of Directors is authorized to incentivize the CEO, Senior Executives and key employees may be with cash and/or stock incentives, based on an incentive plan that has been approved by the Board of Directors upon recommendation by the Remuneration Committee.

Incentives are payments and benefits to employees beyond fixed salary which is normally contingent of performance and where the amount of cannot be determined beforehand, the payments can be in the form of cash bonus payments, specific pension rights and stock incentives, including stock options. The maximum amount of incentives is three months base salary for the CEO, but two months base salary for others.

Incentives shall be directly related to the working performance of the individual employees, their status and responsibility, the economic performance of the Company, the achievements of certain operational goals, including reaching certain budget targets. Such bonuses or incentives can only be offered to employees who are still working for the Company at the time when the bonuses are due for payment.

If the Board of Directors decides to offer further stock incentives to key employees of the Company, a stock incentive plan shall be presented to shareholders meeting, for approval or rejection, with information on the reference price of shares, vesting period, number of shares and number of employees under the program. The Board shall present to the Annual General Meeting a cost estimate of stock incentive plans.

The Company shall enter into written stock incentive agreements with employees. The agreements shall always be subject to the conditions of the act no. 2/1995 on Public Limited Companies.

Members of the Board of Directors shall not be entitled to stock incentives.

Payments of bonuses and offering of stock incentives is always subject to the terms and conditions of Act No. 2/1995 on Public Limited Companies.

8. LOANS TO EMPLOYEES

The Board of Directors is not permitted to grant loans to employees regarding financing of shares in the Company in accordance with 2 paragraph of Art. 104 of act no. 2/1995 on Public Limited Companies.

9. DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Company shall at any given time have in place a directors and officers liability insurance policy relating to managers work, to indemnify and hold them harmless from and against claims that can be made in relation to their work for the company. The Company will not indemnify managers in the event a claim results from a culpable behaviour of a manager, defined as wilful misconduct or gross negligence.

10. DISCLOSURE

At the Annual General Meeting the Board of Directors shall disclose to the shareholders the terms of employment of the CEO, Senior Executives, key employees and Board Members of the Company. The Board of Directors shall disclose the total amount paid in salaries in any form in the previous financial year, payments from other companies within the Group, and stock incentives and all other forms of payment pertaining to stock in the Company and retirement payments, if any. Further to this, the salary and remuneration of the Members of the Board of Directors and managers of the Company shall be outlined in the Annual Report of the Company.

This Remuneration Policy shall be accessible at the Company's website.

11. APPROVAL OF THE REMUNERATION POLICY AND OTHER MATTERS

This Remuneration Policy was approved in a meeting of the Board of Directors of the Company on 13 March 2019 and will come into force with its approval by the Annual General Meeting of the Company.

The Remuneration Policy is subject to annual review and approval of the Annual General Meeting, with or without amendments.

The Remuneration Policy is binding for the Board of Directors regarding stock incentives and any payment under which directors are remunerated in shares, share options or any other right to acquire shares or to be remunerated on the basis of share price movements and any substantial change in such schemes as per paragraph 2 Art. 79 a. of the act on Public Limited Companies. In all other aspects the policy shall be viewed as guidelines. The Board of Directors shall note in the minutes of the meeting any major deviation from the Remuneration Policy and

such deviation shall be well justified. The Board of Directors shall inform the Annual General Meeting of such a deviation.

EXPOSITION WITH THE REMUNERATION POLICY FOR EIMSKIPAFÉLAG ÍSLANDS HF.

Act no. 89/2006 added Article 79 a. to the act on Public Limited Companies. The article has been amended with laws no. 87/2009 and 68/2010. The article requires the Board of Directors to set forth a Remuneration Policy prior to the general meeting of the shareholders where it is put to a vote. The Remuneration Policy shall stipulate the salary and other payments to the CEO and other key employees, as well as the Board of Directors. The Act also states that the Remuneration Policy shall include all fundamentals on terms of employment of executives and Board Members along with the Company's policy on agreements with ranking employees and Board Members. It shall moreover include details on if, how, under what circumstances and within what limits the management and directors can receive additional awards in the form of delivery of shares, performance based payments, stock options and any and all payment having to do with Company shares or the future value of such shares (stock incentives), loan contracts, pension funds, retirement or redundancy payments.

The before mentioned legislative change was made on the grounds of Commission Recommendation 2004/913/EC of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies.

With this Remuneration Policy, hereby submitted to the Annual General Meeting of the shareholders, the Board of Directors of Eimskipafélag Íslands hf. aims to set forth a Remuneration Policy that will enable the Company to attract leading individuals and thereby guaranteeing the Company's competitiveness on an international basis and compliance with law and regulations.

Approved at the Annual General Meeting on 28 March 2019."

5. Election of the Board of Directors

Final information on the candidates to the Board of Directors will be published no later than two days prior to the Annual General Meeting, cf. Art. 63 a. of act no. 2/1995 on Public Limited Companies.

6. Decision on remuneration to the members of the Board of Directors, the alternate Board members and subcommittees

The Board of Directors proposes amendments to its remuneration. Chairman's remuneration will be lowered from two times the remuneration of a Director to 1,5 times and Vice-Chairman's remuneration will be lowered from ISK 470,000 to ISK 450,000. Other remuneration will remain the same as last year.

Therefore the Board of Directors proposes that the remuneration of the Board of Directors for the year 2019 will be as follows:

Chairman	ISK 470,000 per month
Vice-Chairman	ISK 450,000 per month
Directors	ISK 310,000 per month
Alternates	ISK 125,000 per attended meeting, but shall never exceed ISK 310,000 per month
Members of the Audit Committee and the Remuneration Committee	ISK 125,000 per month

The remuneration of the Board of Directors, the Audit Committee and the Remuneration Committee is fixed and shall apply to the next term.

7. Election of auditors

The Board of Directors proposes to the Annual General Meeting that KPMG ehf., Borgartún 27, 105 Reykjavík, will be re-elected as the Company's auditing firm for the year 2019.

EIMSKIPAFÉLAG ÍSLANDS HF.

ANNUAL GENERAL MEETING 28 MARCH 2019

Candidates to the Board of Directors and Alternate Board of Directors

Board of Directors

Mr. Baldvin Thorsteinsson

Baldvin was born in 1983 and lives in Iceland. He has worked for Samherji hf. in various roles since 2007 after earning a BS degree in Industrial Engineering from the University of Iceland. In the years 2013-2016, he was the CEO of Iceland Drilling, of which Samherji is a major shareholder. When rejoining Samherji in 2016, he was made Manager of Business Development. Baldvin joined the board of Olíuverzlun Íslands in 2011 and became the board's chairman in 2017, until he stepped down at the end of 2018 when the company was sold. Baldvin has been on the Board of Directors since 6 September 2018 and currently serves as the Chairman of the Board and a member of the Remuneration Committee. He owns 160,000 shares in the Company, but no share options, but is not independent of Samherji Holding ehf., which own, in total, 50.6 million shares in the Company.

Mrs. Guðrún Ó. Blöndal

Guðrún was born in 1960 and lives in Iceland. She has been on the Board of Directors of Eimskip since 6 September 2018. Previously she was a CEO of Nasdaq CSD Iceland (Nasdaq Central Securities Depository Iceland) from 2013 to March 2018, and a CEO of Arion Custody Services, subsidiary of Kaupthing hf., from 2002 until it merged with Arion bank hf. in 2012. She held various positions in Kaupthing hf. from 1984 to 2002 such as an Executive Director, Corporate Directors of Human Resources, Director of Marketing and Director in Asset Management. In 2012 until 2013 she was a Board Member of the Enterprise Investment Fund slhf., Reginn hf., Míla ehf., Vörður Insurance Company and Vörður Life Insurance. Guðrún is an alternate board member of Landsbankinn hf. Guðrún earned a Cand.Oecon degree at the University of Iceland in 1990. Guðrún currently serves as a member of the Remuneration Committee. She is an independent Board member and does neither own shares nor share options in the Company. Apart from being an alternate board member in Landsbankinn she has no interest links with the Company's main clients, competitors or major shareholders. Guðrún will be an independent Board member.

Mrs. Hrund Rudolfsdóttir

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

Mr. Lárus L. Blöndal

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

Mr. Óskar Magnússon

Óskar was born in 1954 and lives in Iceland. He is a well-known writer and has published two collections, short stories and two novels in recent years. He is a farmer and co-owner and chairman of Kerfélagið ehf., the owner of the tourist nature attraction Kerid Crater. Óskar is currently a vice chairman of the board of Samherji hf., a board member of Samherji Holding ehf. and a chairman of the Icelandic landowners Association. He has previously been a board member of the Icelandic Bar Association. Óskar was Publisher/CEO and major shareholder of Árvakur hf. from 2009 to 2015, President/CEO of Tryggingamiðstöðin hf. and TM Life Insurance hf. from 2004 to 2007, President/CEO of Vodafone Iceland from 2001 to 2007, Executive Chairman of Baugur from 1998 to 1999 and President/CEO of Hagkaup hf. supermarkets, that later became part of Baugur Corporation, from 1993 to 1998. Óskar has been a Supreme Court Attorney since 1993. He graduated with an LL.M. degree in International Business Law from George Washington University Law School in 1986, and with a Cand.jur. degree from the University of Iceland in 1983. He owns 15,000 shares in the Company, but no share options, but is not independent of Samherji Holding ehf., which own, in total, 50.6 million shares in the Company.

Mr. Vilhjálmur Vilhjálmsson

Vilhjálmur was born in 1953 and lives in Iceland. He is a Chairman of the Board of Directors of Hampiðjan hf., and a board member of Iceland Chamber of Commerce. Vilhjálmur was the CEO of HB Grandi hf. from 2012 to 2018, and a Manager of HB Grandi hf.'s pelagic sector from 2005 to 2012. Before joining HB Grandi hf. Vilhjálmur was office manager and later the CEO of Tangi, Vopnafjörður based fishery from 2001 to 2004. Vilhjálmur started his career in fisheries at age 11 and worked as a seaman from age of 15 alongside his studies. Later Vilhjálmur started working ashore at Fiskafurðir ehf. and at the Federation of Icelandic fishing vessels owners where he worked for 8 years before joining Tangi. Vilhjálmur is a Fish Industry Technician from the Icelandic Technical College, and is a master of navigation from Reykjavik Navigational School. He is an independent Board member and does neither own shares nor share options in the Company. He has no interest links with the Company's main clients, competitors or major shareholders. Vilhjálmur will be an independent Board member.

Alternate Board of Directors

Mrs. Jóhanna á Bergi

Jóhanna was born in 1970 and lives in the Faroe Islands. She is the CEO of Atlantic Airways Ltd., and has been on the Company's Board of Directors since 18 November last year. Jóhanna was the CEO of P/f Faroe Ship, Eimskip's subsidiary in the Faroe Islands, from 2006 to 2015, Sales Director of JFK and Kósin Seafood from 1998 to 2006 and Sales Manager of Faroe Seafood France from 1994 to 1998. She is currently a board member of the Faroese Confederation of Sports and Olympic Committees, Nordoyatunnilin, Föroya Grunnurin and Visit Faroe Islands. Jóhanna has a Master's degree in Management from Robert Gordon University in the UK. She further holds an EE degree from the Danish School of International Marketing and Export. Jóhanna has been an alternate member of the Board since 3 April 2013, is an independent Board member and does neither own shares nor share options in the Company. She has no interest links with the Company's main clients, competitors or major shareholders. Jóhanna will be an independent Board member.

Mr. Philip G Quinlan

Philip was born in 1952 and lives in Canada. He is a Chartered Professional Accountant and a Partner at Quinlan & Taylor, a CPA Professional Corporation providing audit, corporate and personal tax planning and management consulting services. Philip is currently a board member of Northern Coalition Corporation, Northern Shrimp Research Foundation, Northern Shrimp Advisory Committee, Madsen Construction Equipment Inc. and Madsen Controls Inc. Philip has been actively involved in his profession throughout his career having served on numerous committees of both the provincial and national institutes of Chartered Accountants including serving as president of the provincial institute of Chartered Accountants and a Board member of the Board of Governors of the Canadian Institute Of Chartered Accountants. Phillip has a wide range of experience providing services to clients in almost every sector of the economy, including audit, corporate and personal income tax planning, management consulting services focusing on operational efficiencies, business valuations, capital acquisitions and related financing, together with cash flow planning and management. He participates in the ownership and management of private companies that provide synchronized control solutions for engines and turbines, along with the sale of heavy construction equipment. Phil has been on the Alternate Board of Directors since 6 September 2018 and is currently Chairman of the Audit Committee. Philip is an independent Board member and does neither own shares nor share options in the Company. He has no interest links with the Company's main clients, competitors or major shareholders. Philip will be an independent Board member.

Mrs. Erna Eiríksdóttir

Erna was born in 1963 and lives in Iceland. She was Senior Manager of Investor Relations at Eimskip from 2012 to 2018. Previously she was Financial Manager of Landsvirkjun Power ehf., subsidiary of Landsvirkjun, from 2008 to 2011 and held various managerial positions in Eimskip from 1990 to 2005. She was the Company's Chief Accountant and a Senior Manager in Domestic Operations, in International Operations and Corporate Communication. Erna is currently a board member of Landsbréf hf. and Festa – Icelandic Center for Corporate Social Responsibility. Previously she was a board member of Íslandssjóðir hf. and Sýn hf. (Vodafone) and an alternate board member of Advania hf. Erna took her MBA degree at Reykjavík University in 2007. She also earned a Cand.Oecon. degree at the University of Iceland in 1987 and has a Securities Brokerage Certification. She is an independent Board member and owns 2,404 shares in the Company but no share options. She has no interest links with the Company's main clients, competitors or major shareholders. Erna will be an independent Board member.

AÐALFUNDUR EIMSKIPAFÉLAGS ÍSLANDS HF.

Aðalfundur Eimskipafélags Íslands hf. verður haldinn fimmtudaginn 28. mars 2019 kl. 16:00 í höfuðstöðvum félagsins að Korngörðum 2, 104 Reykjavík.

DRÖG AÐ DAGSKRÁ

- Skýrsla stjórnar félagsins um starfsemi þess á liðnu starfsári
- Staðfesting ársreiknings fyrir síðastliðið reikningsár
- Ákvörðun um ráðstöfun hagnaðar á reikningsárinu 2018
- Tillaga um starfskjarastefnu félagsins
- Kosning stjórnar félagsins
- Ákvörðun um þóknun til stjórnarmanna, varamanna og undirnefnda stjórnar
- Kosning endurskoðenda
- Önnur mál, löglega upp borin

REGLUR UM ÞÁTTTÖKU OG ATKVÆÐAGREIÐSLU Á FUNDINUM

Hluthafar eiga rétt á að fá mál sett á dagskrá, leggja fram ályktunartillögur og spyrja spurninga, með skriflegum eða rafrænum hætti. Kröfu þar um skal fylgja rökstuðningur eða drög að ályktun sem berast skal stjórn félagsins eigi síðar en 10 dögum fyrir fund, fyrir kl. 16:00 þann 18. mars 2019. Nánari upplýsingar um réttindi hluthafa er að finna á vefsíðu félagsins: [www.eimskip.com/investors](#)

Eitt atkvæði fylgir hverjum hlut í félaginu að frádregnum eigin hlutum sem eru án atkvæðisréttar. Aðgöngumiðar, atkvæðaseðlar og önnur fundargögn verða afhent á fundarstað. Hluthöfum sem ekki sækja aðalfund stendur til boða að kjósa um dagskrármál með skriflegum hætti eða veita umboð. Ekki verður unnt að greiða atkvæði með rafrænum hætti á fundinum.

Eigi síðar en fimm dögum fyrir aðalfund þarf beiðni hluthafa um að kjósa með skriflegum hætti að berast félaginu. Hluthafar geta fengið atkvæðaseðla senda til sín, en einnig má nálgast þá í höfuðstöðvum félagsins þar sem greiða má atkvæði alla virka daga milli kl. 9:00 og 16:30. Atkvæðin skulu berast félaginu fyrir aðalfundinn. Hluthafar geta veitt skrifleg umboð að uppfylltum ákveðnum skilyrðum. Slík umboð skulu berast félaginu áður en aðalfundur hefst eða við skráningu á fundarstað. Nánari upplýsingar um atkvæðareglur og notkun umboða er að finna á vefsíðu félagsins: [www.eimskip.com/investors](#)

AÐRAR UPPLÝSINGAR

Skjöl sem lögð verða fyrir aðalfund er að finna á vefsíðu félagsins: [www.eimskip.com/investors](#)

Hluthöfum stendur einnig til boða að nálgast skjölin í höfuðstöðvum félagsins að Korngörðum 2, 104 Reykjavík, virka daga milli kl. 9:00 og 16:30.

Endanleg dagskrá og tillögur stjórnar verða birtar tveimur vikum fyrir fundinn. Berist tillögur frá hluthöfum verða þær birtar a.m.k. þremur dögum fyrir fundinn ásamt uppfærðri dagskrá. Samkvæmt 63. gr. a. hlutafélagalaga nr. 2/1995 skal tilkynna um framboð til stjórnar skriflega minnst fimm dögum fyrir aðalfund, eða fyrir kl. 16:00 þann 23. mars 2019. Framboðs-tilkynningu má nálgast á skrifstofu félagsins. Upplýsingar um framboðendur til stjórnar verða birtar eigi síðar en tveimur dögum fyrir aðalfund.

Aðgöngumiðar, atkvæðaseðlar og önnur fundargögn verða afhent frá kl. 15:30 á aðalfundardegi.

Reykjavík, 6. mars 2019

Stjórn Eimskipafélags Íslands hf.



ANNUAL GENERAL MEETING OF EIMSKIPAFÉLAG ÍSLANDS HF.

Annual General Meeting of Eimskipafélag Íslands hf. will be held on Thursday 28 March 2019 at 16:00 at the Company's headquarters in Korngardar 2, 104 Reykjavík.

PROPOSED AGENDA

1. The report of the Board of Directors on the activities of the Company for the financial year 2018
 2. Confirmation of the Company's consolidated financial statements for the financial year 2018
 3. Decision on the handling of the net earnings for 2018
 4. Proposal on the Company's Remuneration Policy
 5. Election to the Board of Directors
 6. Decision on remuneration to the members of the Board of Directors, the alternate Board members and subcommittees
 7. Election of auditors
 8. Other issues, lawfully presented
-

RULES ON PARTICIPATION AND VOTING

Shareholders are entitled to put items on the agenda, table proposed resolutions and ask questions, in writing or by electronic means. Request thereon shall include reasoning or a proposed resolution and has to be delivered to the Board of Directors no later than 10 days before the meeting, by 16:00 GMT on 18 March 2018. Further information on shareholders' rights is available on the Company's website: www.eimskip.com/investors

Each share in the Company carries one vote, except Treasury Shares that do not carry voting rights. Shareholders attending the Annual General Meeting in person will be registered at the entrance of the meeting and will receive their ballot and other relevant documents. Shareholders who do not attend the Annual General Meeting in person can vote on items on the agenda in writing, or by issuing a power of attorney. Shareholders will not be able to vote electronically at the meeting.

A shareholder's request to vote in writing must be received by the Company no later than five days prior to the Annual General Meeting. Shareholders can request to have their ballot sent to them or claim their ballots at the Company's headquarters where they can cast their votes on business days from 9:00 to 16:30. Votes must be received by the Company prior to the Annual General Meeting. Shareholders can grant written power of attorney, subject to certain formalities identified on the Company's website. Written powers of attorney must be received by the Company prior to the Annual General Meeting or when registering for the meeting. Further information on the voting rules and use of powers of attorney are available on the Company's website: www.eimskip.com/investors

FURTHER INFORMATION

Documents of the Annual General Meeting are available at the Company's website: www.eimskip.com/investors

Shareholders can also access the documents at the Company's headquarters in Korngardar 2, 104 Reykjavík, on business days from 9:00 to 16:30.

The final agenda and proposals from the Board of Directors will be published two weeks before the meeting. Resolution proposed by shareholders will be published at least three days prior to the meeting along with updated agenda. According to article 63 a. of Act on Public Limited Companies no. 2/1995 written notices on candidature to the Board of Directors can be announced until five days before the Annual General Meeting, or before 16:00 (GMT) on 23 March 2019. Forms for declaration of candidacy to the Board of Directors can be accessed at the Company's offices. Information on all candidates to the Board of Directors will be made available no later than two days before the Annual General Meeting.

Shareholders and holders of power of attorney can register for the Annual General Meeting on the meeting day from 15:30 at the Company's headquarters.

Reykjavík, 6 March 2019

Board of Directors of Eimskipafélag Íslands hf.



Eimskipafélag Íslands hf.

Ályktunartillögur fyrir aðalfund 2019

Hluthöfum er bent á að endanlegar tillögur stjórnar verða lagðar fram tveimur vikum fyrir aðalfund. Öll gögn vegna aðalfundar er að finna á vefsíðu félagsins: www.eimskip.is/investors/agm

2. Staðfesting ársreiknings fyrir síðastliðið reikningsár

Stjórn Eimskipafélags Íslands hf. leggur til við aðalfund félagsins að ársreikningur fyrir árið 2018 verði samþykktur.

3. Ákvörðun um ráðstöfun hagnaðar á reikningsárinu 2018

Félagsstjórn leggur til við aðalfund að greiddur verði út arður vegna reikningsársins 2018 sem nemur 3,50 krónum á hlut. Nemi heildarfjárhæð arðgreiðslunnar 653,2 milljónum króna sem samsvari um 64,8% af hagnaði ársins. Viðmiðunardagsetning arðgreiðslu verði við lok viðskipta á aðalfundardegi og arðleysisdagur¹ því 29. mars 2019 og arðsréttardagur² 1. apríl 2019. Lagt er til að útborgunardagur³ verði þann 10. apríl 2019.

4. Tillaga um starfskjarastefnu félagsins

Stjórn félagsins leggur til að framlögð starfskjarastefna félagsins verði samþykkt.

5. Kosning stjórnar félagsins

Endanlegar upplýsingar um frambjóðendur til stjórnar félagsins verða birtar eigi síðar en tveimur dögum fyrir aðalfundinn, sbr. 63. gr. a. hlutafélagalaga nr. 2/1995.

6. Ákvörðun um þóknun til stjórnarmanna, varamanna og undirnefnda stjórnar

Endanlegar tillögur stjórnar um ákvörðun þóknana til stjórnarmanna, varamanna og undirnefnda stjórnar verða birtar eigi síðar en fjórtán dögum fyrir aðalfundinn, sbr. 4. mgr. 88. gr. hlutafélagalaga nr. 2/1995.

7. Kosning endurskoðenda

Lagt er til að KPMG ehf., Borgartúni 27, 105 Reykjavík, verði endurkjörnir endurskoðendur félagsins fyrir árið 2019.

¹ **Arðleysisdagur** er sá dagur sem viðskipti hefjast án arðsréttinda, þ.e. næsti viðskiptadagur eftir aðalfund.

² **Arðsréttardagur** er sá dagur sem hluthafar verða að vera skráðir í hlutaskrá til að eiga rétt á arði, þ.e. annar viðskiptadagur eftir aðalfund. Þetta þýðir að hluthafar sem hafa keypt hluti á aðalfundardegi munu fá greiddan arð.

³ **Útborgunardagur** er sá dagur sem arður er greiddur út til hluthafa.

Eimskipafélag Íslands hf.

Proposed resolutions for the Annual General Meeting 2019

Final resolutions from the Board of Directors will be published two weeks before the AGM. Shareholders can access all meeting documents at the Company's website: www.eimskip.is/investors/agm

2. Confirmation of the Company's consolidated financial statements for the financial year 2018

The Board of Directors of Eimskipafélag Íslands hf. proposes that the Consolidated Financial Statements for 2018 are approved.

3. Decision on the handling of the net earnings for 2018

The Board of Directors proposes that the Company pays a dividend of ISK 3,50 per share to shareholders for the year 2018. The proposed total amount is ISK 653.2 million, corresponding to approximately 68.4% of the Company's net earnings. Ex-Date is 29 March 2019¹, the Record Date is 1 April 2019² and the Payment Date is 10 April 2019³.

4. Proposal on the Company's Remuneration Policy

The Board of Directors suggests that the proposed Remuneration Policy will be approved.

5. Election of the Board of Directors

Final information on the candidates to the Board of Directors will be published no later than two days prior to the Annual General Meeting, cf. Art. 63 a. of act no. 2/1995 on Public Limited Companies.

6. Decision on remuneration to the members of the Board of Directors, the alternate Board members and subcommittees

The Board of Directors will publish final information on the decision on remuneration to the members of the Board of Directors, the alternate Board members and subcommittees no later than fourteen days prior to the Annual General Meeting, cf. Art. 88.4 of act no. 2/1995 on Public Limited Companies.

7. Election of auditors

The Board of Directors proposes to the Annual General Meeting that KPMG ehf., Borgartún 27, 105 Reykjavík, will be re-elected as the Company's auditing firm for the year 2019.

¹ **Ex-Date** is the day when trading commences without dividends, i.e. the next business day after the AGM.

² **Record Date** is the day shareholders have to be registered in the share registry to be entitled to receive dividends, i.e. the second business day after the AGM. Shareholders that purchase shares on the day of the AGM will receive dividends.

³ **Payment date** is the day when dividends are paid out to shareholders.



Eimskipafélag Íslands hf.
Consolidated Financial Statements
for the year ended 31 December 2018
EUR

Eimskipafélag Íslands hf.
Korngardar 2
104 Reykjavík
Iceland

Reg. no. 690409-0460

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Endorsement and Statement by the Board of Directors and the CEO

Operations and significant matters in 2018

Eimskip is a leading transportation company in the North Atlantic with connections to international markets and is specialized in worldwide freight forwarding services, with the vision of providing excellence in transportation solutions and services. 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.

The Annual General Meeting of Eimskip approved on 22 March 2018 a dividend payment to shareholders of ISK 6.80 per share. The total dividend payment amounted to ISK 1,269.1 million or EUR 10.4 million. The payment date was 18 April 2018.

In August 2018, Eimskip acquired a 51% share of the cold storage company Tromsøterminalen AS.

Net earnings for the year 2018 amounted to EUR 7.4 million (2017: EUR 16.8 million) according to the Consolidated Income Statement. Total equity at 31 December 2018 amounted to EUR 238.9 million (2017: EUR 244.6 million) according to the Statement of Financial Position.

The Board of Directors proposes a dividend payment to shareholders in 2019 in the amount of ISK 3.50 per share. The proposed dividend payment is ISK 653.2 million, or EUR 4.8 million, which represents 64.8% of net earnings for the year 2018.

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, Rules for Issuers of Financial Instruments listed at Nasdaq Iceland and the 5th edition of Corporate Governance Guidelines issued by the Iceland Chamber of Commerce, SA - Business Iceland and Nasdaq Iceland. Corporate Governance practices are designed to ensure open and transparent relationship between the Company's management, its Board of Directors, its shareholders and other stakeholders. The Corporate Governance in Eimskip is also designed to ensure sound and effective control of the Company's affairs and a high level of business ethics. Further information is provided in the Corporate Governance Statement which is an appendix to these Financial Statements.

Information on matters related to financial risk management is disclosed in note 19.

The Company complies with Article 63 of Act no. 2/1995 on Limited Liability Companies (Company Act), as the Company's Board of Directors currently consists of three females and two males. The Company's gender ratio is 68% males and 32% females.

Non-Financial Reporting

The Company is defined as a large Public Interest Entity according to the Icelandic Financial Statement Act. The Act stated that these companies should disclose as an attachment to the Endorsement of the Board of Directors and CEO relevant and useful information on their policies, main risks and outcomes relating to environmental, social and employee matters, their human rights policy and how they counteract corruption and bribery, in addition to a short description of the Company's business model. The Company's policies and outcome of these matters are further discussed in the Non-Financial Reporting which is an appendix to these Consolidated Financial Statements.

Endorsement and Statement by the Board of Directors and the CEO

Share capital and articles of association

On shareholders meeting 24 July 2018, it was approved to reduce the nominal value of the Company's share capital by ISK 13.0 million, by reducing the Company's treasury shares. The reduction of share capital was executed in August 2018. The reason for the reduction was due to the strong financial leverage of the Company and not foreseeable use of the treasury shares. The nominal value of the Company's issued share capital amounts to ISK 187.0 million of which the Company held treasury shares of ISK 0.4 million at year-end 2018 which is equal to 0.19% 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 Iceland). Companies can acquire and hold up to 10% of the nominal value of the their shares according to the Icelandic Company's Act.

The Company's Board of Directors consists of five Directors and one alternate Director, all elected at a shareholders' meeting in September 2018. 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 16. Additional information on shareholders is provided on the Company's website, www.eimskip.is/investors. The number of shareholders at year-end 2018 was 703 which was a decrease of 9 from the beginning of year.

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

Shareholder:	2018		2017	
	Number of shares	Shares in %	Number of shares	Shares in %
1. Samherji Holding ehf.....	50,600,000	27.11%	0	0.00%
2. Lífeyrissjóður verzlunarmanna.....	27,785,070	14.89%	27,785,070	14.89%
3. Gildi - lífeyrissjóður.....	23,116,139	12.39%	18,846,139	10.10%
4. Eaton Vance Management*.....	15,658,781	8.39%	11,147,295	5.97%
5. Lífeyrissjóður starfsmanna ríkisins A-deild**.....	12,070,000	6.47%	12,070,000	6.47%
6. Stapi lífeyrissjóður.....	9,231,897	4.95%	9,292,555	4.98%
7. Birta lífeyrissjóður.....	8,441,706	4.52%	7,989,966	4.28%
8. Lífeyrissjóður starfsmanna ríkisins B-deild**.....	4,693,700	2.51%	4,165,000	2.23%
9. The Wellington Trust Company	4,475,017	2.40%	3,293,102	1.76%
10. Almenni lífeyrissjóðurinn.....	3,611,558	1.94%	3,611,558	1.94%
11. Festa - lífeyrissjóður.....	3,588,414	1.92%	3,251,374	1.74%
12. Söfnunarsjóður lífeyrisréttinda.....	2,761,188	1.48%	2,755,323	1.48%
Yucaipa American Alliance Fund II, LP.....	0	0.00%	30,504,030	16.34%
Yucaipa American Alliance (Parallel), Fund II LP.....	0	0.00%	20,095,970	10.77%
Other shareholders	20,605,760	11.03%	31,831,848	17.05%
Total outstanding shares	186,639,230	100.00%	186,639,230	100.00%
Treasury shares	360,770		13,360,770	
Total issued shares	187,000,000		200,000,000	

*) The shareholders are Global Opportunities Portfolio, Global Macro Portfolio, Global Macro Absolute Return Advantage Portfolio, Global Macro Capital Opportunities Portfolio, JNL/Eaton Vance Global Macro Absolute Return Advantage Fund and Pacific: IGPACSEL/Pacific Select Fund Global Absolute Return Fund.

***) Lífeyrissjóður starfsmanna ríkisins with total shareholding of 9.0%

Endorsement and Statement by the Board of Directors and the CEO

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 and additional requirements for listed Icelandic companies. 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 2018, its assets, liabilities and consolidated financial position as at 31 December 2018 and its consolidated cash flows for the year 2018.

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 2018 and confirm them by means of their signatures. The Board of Directors and the CEO recommend that the Consolidated Financial Statements will be approved at the Annual General Meeting of Eimskipafélag Íslands hf.

Reykjavík, 28 February 2019

Board of Directors:

Baldvin Thorsteinsson, Chairman

Hrund Rudolfsdóttir

Guðrún Ó. Blöndal

Lárus L. Blöndal

Jóhanna á Bergi

CEO:

Vilhelm Már Thorsteinsson

Independent Auditors' Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Eimskipafélag Íslands hf. (the Group), which comprise the Consolidated Statement of Financial Position as at 31 December 2018, the Consolidated Statements of Income, Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying Consolidated Financial Statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional disclosure requirements for listed companies in Iceland.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of consolidated financial statements in Iceland and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters

Revenue Recognition, timing and accuracy

Reference is made to note 5 and note 26.k.

Revenue recognition represents a risk of error due to the high volume of revenue transactions that exist through the year, and that the transactions are based on several types of logistics contracts with individually negotiated terms.

For revenue streams an area of focus is the risk that revenue may be inaccurately recorded and/or recorded in the incorrect period. Therefore, revenue recognition is a key audit matter.

How the matter was addressed in our audit

Our audit procedures were designed to challenge the timing and accuracy of the revenue recognition.

- We assessed the adequacy of the implementation, operation and monitoring of selected controls, both manual and IT controls related to revenue recognition.
- We tested a sample of transactions around the year-end date in order to assess if those transactions were recognised in the right period.
- For certain significant components, providing forwarding services, we performed analytical review procedures to identify significant margin fluctuations and trends. Where items were noted which were not in line with our expectations, we obtained explanations and evidence from management and assessed whether, in our professional judgment, such items were appropriate.
- We performed journals testing, by inspecting underlying documentation for journal entries which met specified risk-based criteria.
- We assessed whether the accounting policies for revenue recognition were in accordance with International Financial Reporting Standards.

Independent Auditors' Report

Other Information

The Board of Directors and CEO are responsible for the other information. The other information comprises the information included in the Annual Report of the Group, but does not include the Consolidated Financial Statements and our auditor's report thereon. Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. The Annual Report is not available at our reporting date but is expected to be made available to us after that date.

Responsibilities of the Board of Directors and CEO for the Consolidated Financial Statements

The Board of Directors and CEO are responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with IFRSs as adopted by the European Union and additional disclosure requirements for listed companies in Iceland, and for such internal control as they determine is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the Board of Directors and CEO are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and CEO are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditors' Report

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with The Board of Directors and audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide The Board of Directors and audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with The Board of Directors and audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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 and CEO accompanying the Consolidated Financial Statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the Consolidated Financial Statements.

The engagement partner on the audit resulting in this independent auditor's report is Hrafnhildur Helgadóttir.

Reykjavík, 28 February 2019

KPMG ehf.

Hrafnhildur Helgadóttir
Sæmundur Valdimarsson

Consolidated Income Statement for the year 2018

	Notes	2018	2017
Revenue			
Operating revenue		687,613	660,809
Other revenue		1,541	3,164
	5	689,154	663,973
Expenses			
Operating expenses		502,375	471,161
Salaries and related expenses	6	137,541	135,614
	5	639,916	606,775
Operating profit, EBITDA		49,238	57,198
Depreciation and amortization	10,11	(32,548)	(30,148)
Results from operating activities, EBIT		16,690	27,050
Finance income		545	870
Finance expense		(5,382)	(4,761)
Net foreign currency exchange loss		(86)	(3,345)
Net finance expense	7	(4,923)	(7,236)
Share of loss of equity-accounted investees	13	(1,753)	(339)
Net earnings before income tax		10,014	19,475
Income tax	8	(2,612)	(2,671)
Net earnings for the year		7,402	16,804
Net earnings for the year attributable to:			
Equity holders of the Company		7,057	16,520
Non-controlling interest		345	284
		7,402	16,804
Earnings per share:			
Basic and diluted earnings per share (EUR per share)	9	0.0378	0.0885

The notes on pages 16 to 41 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income for the year 2018

	Notes	2018	2017	
Net earnings for the year		7,402	16,804	
Other comprehensive income:				
Items that are or may subsequently be reclassified to the income statement				
Foreign currency translation difference of foreign operations .....	(	1,602)	(	6,263)
Effective portion of changes in fair value of cash flow hedges, net of income tax .....	(	758)		748
Fair value changes of minority put option liability .....	(	375)		0
Total other comprehensive income for the year .....	(	2,735)	(	5,515)
Total comprehensive income for the year		4,667		11,289
Total comprehensive income for the year attributable to:				
Equity holders of the Company		4,407		11,276
Non-controlling interest		260		13
		4,667		11,289

The notes on pages 16 to 41 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

as at 31 December 2018

	Notes	2018	2017
Assets:			
Property, vessels and equipment	10	245,895	230,165
Intangible assets	11,12	67,870	66,982
Equity accounted investees	13	11,731	10,229
Finance assets		3,777	474
Deferred tax assets	14	5,899	5,679
Total non-current assets		335,172	313,529
Inventories		5,075	3,946
Trade and other receivables	15,19	124,108	118,871
Cash and cash equivalents		21,941	23,169
Total current assets		151,124	145,986
Total assets		486,296	459,515
Equity:			
Share capital		1,165	1,165
Share premium		154,726	154,726
Reserves		18,317	20,342
Retained earnings		59,950	63,878
Total equity attributable to equity holders of the parent company	16	234,158	240,111
Non-controlling interest		4,768	4,499
Total equity		238,926	244,610
Liabilities:			
Loans and borrowings	17	130,860	107,808
Other long-term liabilities	23	5,025	4,650
Deferred tax liability	14	4,868	5,156
Total non-current liabilities		140,753	117,614
Loans and borrowings	17	28,733	18,176
Trade and other payables	18	77,884	79,115
Total current liabilities		106,617	97,291
Total liabilities		247,370	214,905
Total equity and liabilities		486,296	459,515

The notes on pages 16 to 41 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2018

Attributable to equity holders of the Company

	Share capital	Share premium	Trans- lation reserve	Hedging reserve	Fair value changes of minority put options	Un- distributed profits	Retained earnings	Total	Non- controlling interest	Total equity
Changes in Equity 2017:										
Equity at 1 January 2017	1,165	154,726	(62)	0	0	9,866	73,725	239,420	4,355	243,775
Dividend paid (0.0717 EUR per share)							(10,585)	(10,585)		(10,585)
Acquisition of subsidiaries with non-controlling interest								0	390	390
Other changes in non-controlling interest								0	(259)	(259)
Total comprehensive income for the year			(5,992)	748			16,520	11,276	13	11,289
Profit of subsidiaries net of dividend received						15,782	(15,782)	0		0
Equity at 31 December 2017	1,165	154,726	(6,054)	748	0	25,648	63,878	240,111	4,499	244,610
Reserves						20,342				
Changes in Equity 2018:										
Equity at 1 January 2018	1,165	154,726	(6,054)	748	0	25,648	63,878	240,111	4,499	244,610
Dividend paid (0.0555 EUR per share)							(10,360)	(10,360)		(10,360)
Acquisition of subsidiaries with non-controlling interest								0	166	166
Other changes in non-controlling interest								0	(157)	(157)
Total comprehensive income for the year			(1,517)	(758)	(375)		7,057	4,407	260	4,667
Profit of subsidiaries net of dividend received						625	(625)	0		0
Equity at 31 December 2018	1,165	154,726	(7,571)	(10)	(375)	26,273	59,950	234,158	4,768	238,926
Reserves						18,317				

The notes on pages 16 to 41 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows for the year 2018

	Notes	2018	2017
Cash flows from operating activities:			
Net earnings for the year		7,402	16,804
Adjustments for:			
Depreciation and amortization	10,11	32,548	30,148
Net finance expense	7	4,923	7,236
Share of loss of equity-accounted investees	13	1,753	339
Change in deferred taxes	8,14	(407)	(726)
Other changes		(1,526)	(1,874)
		44,693	51,927
Changes in current assets and liabilities:			
Inventories		(1,169)	(1,182)
Trade and other receivables		(8,069)	(18,727)
Trade and other payables		312	11,988
Change in current assets and liabilities		(8,926)	(7,921)
Interest received		450	850
Interest paid		(5,489)	(4,843)
Taxes paid		(1,699)	(2,593)
Net cash from operating activities		29,029	37,420
Cash flows from investing activities:			
Acquisition of property, vessels and equipment	10	(42,886)	(48,455)
Acquisition of intangible assets	11	(2,239)	(3,499)
Proceeds from the sale of property, vessels and equipment		2,621	3,385
Investment in subsidiaries net of cash acquired	12	(3,543)	(18,397)
Investment in equity accounted investees		(3,026)	(7,876)
Investment in finance assets		(2,832)	(297)
Net cash used in investing activities		(51,905)	(75,139)
Cash flows from financing activities:			
Dividend paid to equity holders of the company		(10,360)	(10,585)
Dividend paid to non-controlling interest and other changes		(654)	(1,269)
Proceeds from non-current loans and borrowings	17	40,668	49,446
Repayment of non-current loans and borrowings	17	(9,023)	(15,011)
Net cash provided by financing activities		20,631	22,581
Changes in cash and cash equivalents		(2,245)	(15,138)
Cash and cash equivalents at the beginning of the year		23,169	39,543
Effects of exchange rate fluctuations on cash held		1,017	(1,236)
Cash and cash equivalents at year-end		21,941	23,169
Investing and financing activities not affecting cash flows:			
Acquisition of property, vessels, equipment and intangible assets	10	(2,304)	(9,939)
Proceeds from non-current loans and borrowings		2,304	9,939

The notes on pages 16 to 41 are an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

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Notes to the Consolidated Financial Statements

1. Reporting entity

Eimskipafélag Íslands hf. (the "Company" or the "Parent 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 2018 comprise the Company and its subsidiaries (together referred to as "Eimskip" or the "Group"). The Parent Company is an investment company focused on investments in shipping and logistic services. The Company's shares are listed at Nasdaq Iceland.

2. Basis of accounting

a. Statement of compliance

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Icelandic disclosure requirements for consolidated financial information of listed companies in accordance with Icelandic Financial Statement Act No. 3/2006 and rules for issuers of financial instruments at Nasdaq Iceland.

The financial statements were approved and authorized for issue by the Company's Board of Directors on 28 February 2019.

Details of the Group's accounting policies are included in Note 26.

This is the first set of the Group's annual financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. Changes to significant accounting policies are described in Note 4.

b. Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis, except for the valuation of minority put option liabilities which are valued at fair value through other comprehensive Income. The methods used to measure fair values for disclosure purposes are discussed in note 3.

c. Functional and presentation currency

These Consolidated Financial Statements are presented in EUR, which is the Parent 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 amounts recognized in the financial statements are described in the following notes:

Note 4 and 26 k - Revenue

Note 12 - Business combinations

Note 14 - Measure of the recoverable amounts of deferred tax assets

Note 15 - Trade and other receivables

3. Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Fair values have been measured for measurement and/or disclosure purposes based on the present value of future cash flows, discounted at the market rate of interest at the reporting date. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

4. Changes in significant accounting policies

Except as described below, the accounting policies applied in these Consolidated Financial Statements are the same as those applied in the Group's Consolidated Financial Statements as at and for the year ended 31 December 2017.

Notes

4. Changes in significant accounting policies, continued

The Group has initially applied IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* from 1 January 2018.

IFRS 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. IFRS 15 replaced the guidance in IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. The former practices for recognizing revenue have shown to comply in all material respects with the concepts and principles of IFRS 15. Accordingly the information presented for 2017 has not been restated and there is no impact of transition to IFRS 15 on retained earnings at 1 January 2018.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. IFRS 9 also replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measured at amortised cost, but not to investments in equity instruments. Under IFRS 9, credit losses will be recognised earlier than under IAS 39. The information presented for 2017 has not been restated and there is no impact of transition to IFRS 9 on retained earnings at 1 January 2018.

5. Segment reporting

Business segments

Eimskip has two reportable segments, as described below, which are Eimskip's strategic business units. The strategic business units offer different products and services on different markets and are managed separately. The segment reporting is based on 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. These services include sea transportation, trucking, 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 associates, mainly in the reefer sector.

	Liner services	Forwarding services	Consoli- dated
For the year 2018			
Revenue, external	449,236	239,918	689,154
Inter-segment revenue	38,738	53,885	92,623
Total	487,974	293,803	781,777
Expenses, external	(399,097)	(240,819)	(639,916)
Inter-segment expense	(53,885)	(38,738)	(92,623)
EBITDA	34,992	14,246	49,238
Depreciation and amortization	(30,686)	(1,862)	(32,548)
EBIT	4,306	12,384	16,690
Net finance (expense) income	(5,278)	355	(4,923)
Share of (loss) earnings of equity-accounted investees	(1,842)	89	(1,753)
Income tax	700	(3,312)	(2,612)
Net (loss) earnings for the year	(2,114)	9,516	7,402
Segment assets	406,488	79,808	486,296
Segment liabilities	209,836	37,534	247,370
Capital expenditure	45,631	1,798	47,429

Notes

5. Segment reporting, continued

	Liner services	Forwarding services	Consoli- dated
For the year 2017			
Revenue, external	438,416	225,557	663,973
Inter-segment revenue	39,942	53,288	93,230
Total	478,358	278,845	757,203
Expenses, external	(385,532)	(221,243)	(606,775)
Inter-segment expense	(53,288)	(39,942)	(93,230)
EBITDA	39,538	17,660	57,198
Depreciation and amortization	(27,712)	(2,436)	(30,148)
EBIT	11,826	15,224	27,050
Net finance expense	(6,170)	(1,066)	(7,236)
Share of earnings (loss) of equity-accounted investees	22	(361)	(339)
Income tax	554	(3,225)	(2,671)
Net earnings for the year	6,232	10,572	16,804
Segment assets	377,529	81,986	459,515
Segment liabilities	173,256	41,649	214,905
Capital expenditure	59,442	2,451	61,893

Geographical segments

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

	North Atlantic	Other territories	Consoli- dated
For the year 2018			
Revenue, external	640,088	49,066	689,154
Segment assets	472,214	14,082	486,296
Capital expenditure	47,410	19	47,429
For the year 2017			
Revenue, external	617,498	46,475	663,973
Segment assets	444,031	15,484	459,515
Capital expenditure	61,825	68	61,893

6. Salaries and related expenses

Salaries and related expenses are specified as follows:

	2018	2017
Salaries	111,598	110,283
Defined pension contribution plan	11,939	10,940
Other related expenses	14,004	14,391
Salaries and related expenses	137,541	135,614
Average number of full-time equivalents during the year	1,791	1,737
Average number of employees	1,851	1,782
Number of employees at year-end	1,821	1,853

Notes

7. Finance income and expense

Finance income is specified as follows:

	2018	2017
Interest income	461	785
Dividend received	84	85
Finance income	545	870

Finance expense is specified as follows:

Interest on long-term loans	(3,931)	(3,585)
Other finance expense	(1,451)	(1,176)
Finance expense	(5,382)	(4,761)

Net foreign currency exchange loss	(86)	(3,345)
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Net finance expense	(4,923)	(7,236)
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8. Income tax

(i) Income tax recognized in the income statement:

Current tax expense:

Current year	3,191	3,559
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Deferred tax:

Origination and reversal of temporary differences	(471)	(831)
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Other changes	(108)	(57)
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	(579)	(888)
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Total income tax	2,612	2,671
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(ii) Reconciliation of effective income tax rate:

	2018		2017	
Net earnings before income tax		10,014		19,475
Income tax using the Company's domestic tax rate	20.0%	2,003	20.0%	3,895
Effect of tax rates in foreign jurisdictions	(2.8%)	(277)	(3.8%)	(748)
Under or over provided in previous years	(0.8%)	(85)	0.0%	(5)
Other changes	9.7%	971	(2.4%)	(471)
Effective income tax rate	26.1%	2,612	13.7%	2,671

Decrease in income tax relating to items in other comprehensive income amounted to EUR 190 thousand (2017: Increase EUR 187 thousand).

9. Earnings per share

Basic and diluted earnings per share

The calculation of basic earnings per share 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:

	2018	2017
Net earnings attributable to equity holders of the Company	7,057	16,520
Number of issued shares at 1 January	200,000	200,000
Effect of shares reduced	(13,000)	0
Effect of treasury shares	(361)	(13,361)
Weighted average number of outstanding shares at 31 December	186,639	186,639
Basic and diluted earnings per share (EUR)	0.0378	0.0885

Notes

10. Property, vessels and equipment

Property, vessels and equipment are specified as follows:

	Land and buildings	Vessels	Vessels under construction	Containers and equipment	Total
Cost					
Balance at 1 January 2017	87,407	121,500	0	121,894	330,801
Reclassification of assets	274	0	0	(274)	0
Additions in acquisition	1,656	0	0	1,127	2,783
Additions	10,614	8,645	12,258	26,877	58,394
Disposals	(156)	(18,200)	0	(3,257)	(21,613)
Currency adjustments	(1,096)	(3,723)	0	(482)	(5,301)
Balance at 31 December 2017	98,699	108,222	12,258	145,885	365,064
Balance at 1 January 2018	98,699	108,222	12,258	145,885	365,064
Reclassification of assets	2,382	0	0	(2,668)	(286)
Additions in acquisition	167	0	0	0	167
Additions	790	8,439	6,632	29,329	45,190
Disposals	(48)	(6,421)	0	(5,944)	(12,413)
Currency adjustments	(533)	(347)	0	(429)	(1,309)
Balance at 31 December 2018	101,457	109,893	18,890	166,173	396,413
Depreciation					
Balance at 1 January 2017	21,281	51,500	0	55,108	127,889
Additions in acquisition	708	0	0	781	1,489
Disposals	(155)	(16,246)	0	(2,473)	(18,874)
Depreciation	3,736	8,402	0	13,928	26,066
Currency adjustments	(593)	(630)	0	(448)	(1,671)
Balance at 31 December 2017	24,977	43,026	0	66,896	134,899
Balance at 1 January 2018	24,977	43,026	0	66,896	134,899
Reclassification of assets	0	0	0	(63)	(63)
Additions in acquisition	(31)	0	0	0	(31)
Disposals	(38)	(6,421)	0	(4,862)	(11,321)
Depreciation	3,915	7,723	0	16,082	27,720
Currency adjustments	(212)	(137)	0	(337)	(686)
Balance at 31 December 2018	28,611	44,191	0	77,716	150,518
Carrying amounts					
At 1 January 2017	66,126	70,000	0	66,786	202,912
At 31 December 2017	73,722	65,196	12,258	78,989	230,165
At 31 December 2018	72,846	65,702	18,890	88,457	245,895

Finance leases

As a 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 2018 amounted to EUR 15.8 million (2017: EUR 15.7 million). The commitment according to the lease agreements at the same time amounted to EUR 14.4 million (2017: EUR 13.2 million). The assets held under finance leases are all equipment and real estate.

Notes

10. Property, vessels and equipment, continued

Pledges

Property, vessels and equipment with a carrying amount of EUR 76.5 million (2017: EUR 66.6 million) have been pledged as security for loans amounting to EUR 159.6 million (2017: EUR 126.0 million) at year-end.

Borrowing costs

Borrowing costs amounting to EUR 0.4 million (2017: EUR 0.1 million) with an interest rate of 1.83% have been capitalized due to vessels under construction.

11. Intangible assets

Intangible assets and amortization are specified as follows:

	Goodwill	Brand name	Software	Market and customer related	Total
Cost					
Balance at 1 January 2017	9,293	15,154	21,024	14,058	59,529
Additions in acquisition	14,545	0	0	11,045	25,590
Additions	805	0	3,208	0	4,013
Disposals	0	0	(3,144)	0	(3,144)
Currency adjustments	24	(31)	(6)	(157)	(170)
Balance at 31 December 2017	24,667	15,123	21,082	24,946	85,818
Balance at 1 January 2018	24,667	15,123	21,082	24,946	85,818
Reclassification of assets	(282)	0	287	299	304
Additions in acquisition	3,601	0	0	0	3,601
Additions	0	0	2,239	0	2,239
Currency adjustments	(215)	(20)	(2)	(196)	(433)
Balance at 31 December 2018	27,771	15,103	23,606	25,049	91,529
Amortization					
Balance at 1 January 2017	0	0	15,270	2,701	17,971
Disposal	0	0	(3,144)	0	(3,144)
Amortization	0	0	2,261	1,821	4,082
Currency adjustments	0	0	(40)	(33)	(73)
Balance at 31 December 2017	0	0	14,347	4,489	18,836
Balance at 1 January 2018	0	0	14,347	4,489	18,836
Reclassification of assets	0	0	40	15	55
Amortization	0	0	2,890	1,938	4,828
Currency adjustments	0	0	(3)	(57)	(60)
Balance at 31 December 2018	0	0	17,274	6,385	23,659
Carrying amounts					
At 1 January 2017	9,293	15,154	5,754	11,357	41,558
At 31 December 2017	24,667	15,123	6,735	20,457	66,982
At 31 December 2018	27,771	15,103	6,332	18,664	67,870

Notes

11. Intangible assets, continued

Impairment testing

Intangible assets other than goodwill and brand names are stated at cost less any accumulated amortization. Goodwill and brand name have an indefinite useful life.

The carrying amount of goodwill and brand name are tested annually for impairment. No impairment has been recognized.

The Company has acquired several subsidiaries. Each acquired company is considered to be one Cash Generating Unit ("CGU") for the purpose of impairment testing. The carrying amounts of goodwill related to the acquisition of Mareco N.V. is EUR 9.8 million, EUR 3.8 million is related to SHIP-LOG A/S and EUR 7.6 million related to Extraco Internationale Expeditie B.V. The impairment tests were performed in the fourth quarter of 2018 and were based on the results of 31 December 2018 as well as the board approved budget for the year 2019. The impairment tests are in the form of discounted cash-flow analysis. The periods projected are the years 2020-2024 with a fixed growth rate after the projected period when estimating the terminal value. The material variables in the test are revenue growth, EBITDA ratio, investments and growth rate after the five year period. The projected variables are based on past experience and market research.

	2018	2017
Future growth rate	1.0% - 2.0%	2.0% - 3.2%
Weighted-average cost of capital	8.3% - 11.1%	8,4% - 10,5%
Debt-ratio	22% - 56%	0% - 55%

For two individual CGU's, an increase of 1% in the weighted-average cost of capital, a decrease of 5% in EBITDA or a decrease of 1% in the future growth rate would have lead to the maximum impairment of EUR 235 to 445 thousand at the year end of 2018.

12. Business combinations

During the year the Group acquired 51% of the company Tromsøterminalen AS. The acquisition was accounted for by applying the purchase method. The purchase price of Tromsøterminalen AS will be allocated to identifiable assets and liabilities acquired in accordance with IFRS 3 *Business Combinations*. The values of assets and liabilities recognized on acquisition are their estimated fair values. Purchase price allocation of calculated goodwill on acquisition has not been finalized. The following table describes the consideration paid for Tromsøterminalen AS and the recognized provisional amount of assets acquired and liabilities assumed at the acquisition date being 15 August 2018:

Property and equipment	201
Inventories	29
Trade and other receivables	267
Cash and cash equivalents	233
Deferred tax liability	(11)
Trade and other payables	(375)
Total net identified assets	344
Non-controlling interest	(169)
Consideration paid in cash for the transaction on 15 August 2018	3,776
Provisional goodwill on acquisition	3,601

Notes

13. Investments in equity-accounted investees

Eimskip has interests in a number of individually immaterial associates and joint ventures. The ownership percentage, carrying amounts and share of earnings is specified as follows:

Shares in associated companies	Ownership	Share of earnings		Book value	
		2018	2017	2018	2017
Shares in associated companies					
Qingdao Port Eimskip					
Coldchain Log. Co. Ltd., China	30.0%	89 (	292)	613	530
Truenorth Ísland ehf., Iceland	0.0%	(475)	(101)	0	750
Discover Truenorth ehf., Iceland	20.0%	(149)	0	75	0
Hammerfest Fryseterminal AS, Norway	20.5%	2	0	189	191
Tromsøterminalen Eiendom AS, Norway	49.0%	(35)	0	2,178	0
Krít eignarhaldssjóður, Iceland	40.0%	0	0	145	99
		(568)	(393)	3,200	1,570
Joint ventures					
ElbFeeder Inc., The Marshall Islands	49.9%	(1,211)	0	7,468	7,616
P/F í Ánunum, The Faroe Islands	50.0%	26	54	824	803
P/F Gervi, The Faroe Islands	51.0%	0	0	239	240
		(1,185)	54	8,531	8,659
Total		(1,753)	(339)	11,731	10,229

The Group has long term receivables on two of its equity-accounted investees amounting to EUR 2.3 million at year-end 2018.

14. Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

	Assets	Liabilities	Net
2018			
Property, vessels and equipment	236 (	754)	(518)
Intangible assets	0 (	4,587)	(4,587)
Current assets	1,343 (	45)	1,298
Current liabilities	50	0	50
Other	190 (	69)	121
Tax loss carried-forward	4,667	0	4,667
Total tax assets (liabilities)	6,486 (	5,455)	1,031
Set off tax	(587)	587	0
Net tax assets	5,899 (	4,868)	1,031
2017			
Property, vessels and equipment	270 (	1,290)	(1,020)
Intangible assets	21 (	4,875)	(4,854)
Current assets	1,276 (	13)	1,263
Current liabilities	1 (	25)	(24)
Other	272 (	243)	29
Tax loss carried-forward	5,129	0	5,129
Total tax assets (liabilities)	6,969 (	6,446)	523
Set off tax	(1,290)	1,290	0
Net tax assets	5,679 (	5,156)	523

The Group has tax losses carried-forward that have not been recognized. If those tax losses carried-forward would be recognized, deferred tax asset would increase by 3.1 million EUR (2017: EUR 3.1 million).

Notes

15. Trade and other receivables

	2018	2017
Trade and other receivables are specified as follows:		
Trade receivables	110,861	104,294
Restricted cash	511	2,777
Other receivables	12,736	11,800
Trade and other receivables total	124,108	118,871

Restricted cash consists of deposits for guarantees issued towards 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	(7,954)	(12,228)
Write-offs	1,130	3,894
Changes in allowance for impairment losses	(1,327)	380
Balance at year-end	(8,151)	(7,954)

For more information regarding trade and other receivables see note 19.

16. Capital and reserves

Share capital

The Company's capital stock is nominated in Icelandic króna (ISK). The nominal value of each share is ISK 1 and one vote is attached to each share. Total authorized and issued shares were 200,000,000 at the beginning of the year. The number of issued shares was reduced by 13,000,000 during the year 2018. Total authorized and issued shares at the end of the year were 187,000,000.

Total outstanding shares were 186,639,230 at the year-end and have remained unchanged from the beginning of 2017. On shareholders meeting 24 July 2018, it was approved to reduce the nominal value of the Company's share capital by ISK 13.0 million, by reducing the Company's treasury shares. The reduction of share capital was executed in August 2018. The share capital of the Company is now ISK 187.0 million and the number of Company's treasury shares is ISK 361 thousands. The EUR amount of capital stock was 1.2 million at year-end 2018.

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 might arise in coming periods resulting from events prior to the composition agreement. The shares do not have voting rights attached to them.

If the value of the shares exceeds the contingent claims accepted by A1988 hf. in accordance with the composition agreement, the remaining shares will be transferred to Eimskipafélag Íslands hf. without any compensation. These shares are not recognized in the statement of financial position at year-end. To date, no material unrecorded contingent claims have been accepted by A1988 hf. which still holds 1,000,000 shares which corresponds to 0.5% of the total share capital of Eimskip.

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.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Fair value reserve of minority put option

The fair value reserve comprises the cumulative net change in the fair value of minority put option.

Notes

16. Capital and reserves, continued

Undistributed profits

According to Icelandic law, companies are required to recognize share in profit or loss of subsidiaries and associated companies that exceeds dividend received or declared from those companies in a restricted reserve among equity. If a subsidiary or an associated company is sold or liquidated, the undistributed profit or loss relating to that entity shall be transferred to retained earnings.

Dividend

The Board of Directors has approved the following dividend policy: "The policy of Eimskipafélag Íslands hf. is to pay annual dividend that equals an amount in the range of 10-65% of net 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."

According to a resolution made on the Company's 2018 annual General Meeting, a dividend of EUR 10.4 million or ISK 6.80 per share, was paid out to shareholders, which represented 61% of net earnings for the year 2017. According to a resolution made on the Company's 2017 Annual General Meeting, dividend in the amount of EUR 10.6 million or ISK 6.80 per share, was paid to shareholders, which represented 50% of the Company's profits for the year 2016.

Treasury shares are not entitled to receive dividend. The Board of Directors proposes a dividend payment to shareholders in 2019 in the amount of ISK 3.50 per share. The proposed dividend payment is ISK 653.2 million, or EUR 4.8 million, which represents 64.8% of net earnings for the year 2018.

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 19:

Loans and borrowings consist of the following:

	2018	2017
Secured bank loans	145,113	112,657
Finance lease liabilities	14,351	13,205
Bank overdraft and short term borrowings	129	122
Total loans and borrowings	159,593	125,984
Current maturities of secured bank loans	(18,321)	(15,987)
Finance lease liabilities payable within one year	(10,283)	(2,067)
Bank overdraft and short term borrowings	(129)	(122)
	(28,733)	(18,176)
Non-current loans and borrowings	130,860	107,808

The loan agreements of Eimskip contain restrictive covenants. At year-end 2018 and 2017 Eimskip complied with all restrictive covenants.

Secured bank loans

Secured bank loans are as follows:

	2018		2017	
	Nominal interest	Carrying amount	Nominal interest	Carrying amount
Loans in EUR	2.0%	127,508	2.5%	92,901
Loans in USD	5.4%	6,233	4.1%	7,046
Loans in ISK	5.5%	9,959	5.1%	10,862
Loans in other currencies	-	1,413	-	1,848
Total secured bank loans		145,113		112,657

Notes

17. Loans and borrowings, continued

Aggregated annual maturities of secured-bank loans are as follows:

	2018	2017
On demand or within 12 months	18,321	15,987
12 - 24 months	9,216	60,312
24 - 36 months	20,197	4,214
36 - 48 months	9,132	5,572
48 - 60 months	9,620	3,963
After 60 months	78,627	22,609
Total secured bank loans	<u>145,113</u>	<u>112,657</u>

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2018		2017	
	Minimum lease payments	Principal	Minimum lease payments	Principal
Less than one year	10,497	10,283	2,261	2,067
Between one and five years	4,292	4,058	11,502	11,138
More than five years	11	10	0	0
Total	<u>14,800</u>	<u>14,351</u>	<u>13,763</u>	<u>13,205</u>

Reconciliation of movements of loans and borrowings to cash flow's financing activities

	2018	2017
Balance of loans and borrowings as at 1 January	125,984	81,149
Proceeds from non-current loans and borrowings with cash effects	40,668	49,446
Non-cash proceeds from non-current loans and borrowings	2,304	9,939
Repayment of non-current loans and borrowings	(9,023)	(15,011)
Additions in acquisition	0	1,229
Currency adjustments	(340)	(768)
Loans and borrowings at 31 December	<u>159,593</u>	<u>125,984</u>

18. Trade and other payables

Trade and other payables are attributable to the following:

Trade payables	53,255	50,226
Income tax payable	713	426
Other payables	23,916	28,463
Total	<u>77,884</u>	<u>79,115</u>

19. Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

Notes

19. Financial risk management, continued

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.

(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.

The carrying amounts of financial assets represent the maximum credit exposure. Impairment losses on financial assets recognised in profit or loss were as follows.

	2018	2017
Impairment loss on trade and other receivables	1,130	3,894

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.

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:

	Note	2018 Carrying amount	2017 Carrying amount
Trade and other receivables	15	124,108	118,871
Cash and cash equivalents		21,941	23,169
Total		146,049	142,040

At year-end 2018 and 2017 there were no significant concentration of credit risk for trade and other receivables by individual counterparties or individual countries.

Notes

19. Financial risk management, continued

Impairment risk

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

	Gross 2018	Impairment 2018	Gross 2017	Impairment 2017
Not past due	90,600	(522)	86,639	(748)
Past due 1 - 90 days	27,937	(214)	24,772	(287)
Past due 91 - 180 days	3,305	(1,322)	3,509	(259)
More than 180 days	10,417	(6,093)	11,905	(6,660)
Total	132,259	(8,151)	126,825	(7,954)

(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 assets. 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 Company has undrawn revolver facility amounting to EUR 19 million at year-end 2018.

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

Financial liabilities	Carrying amount	Contractual cash flow	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
31.12.2018						
Secured bank loans	145,242	164,811	21,254	11,697	45,174	86,686
Finance lease liabilities	14,351	14,800	10,592	1,987	2,210	11
Trade and other payables	77,884	77,884	77,884	0	0	0
Total	237,477	257,495	109,730	13,684	47,384	86,697
31.12.2017						
Secured bank loans	112,779	124,344	17,528	63,166	16,765	26,885
Finance lease liabilities	13,205	13,763	2,362	9,336	1,971	94
Trade and other payables	79,115	79,115	79,115	0	0	0
Total	205,099	217,222	99,005	72,502	18,736	26,979

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 2018 the primary risks are attached to the US Dollar (USD), the Japanese Yen (JPY), the Euro (EUR) but also the Canadian Dollar (CAD) as can be seen in the table below.

Exposure to currency risk

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

31 December 2018	USD	JPY	EUR	CAD	Other
Trade and other receivables	28,221	1,510	1,451	756	33,661
Cash and cash equivalents	6,308	10	1,272	32	2,533
Loans and borrowings	(9,763)	0	(855)	0	(11,690)
Trade and other payables	(14,096)	(13)	(648)	(91)	(24,198)
Net balance sheet exposure	10,670	1,507	1,220	697	306

Notes

19. Financial risk management, continued

Exposure to currency risk, continued

31 December 2017	USD	ISK	JPY	NOK	Other
Trade and other receivables	21,461	28,746	1,093	156	5,316
Cash and cash equivalents	5,285	888	5	79	1,761
Loans and borrowings	0 (	15,149)	0	0 (	1,046)
Trade and other payables	(11,545)	(20,790)	(7)	(604)	(5,885)
Net balance sheet exposure	15,201 (	6,305)	1,091 (	369)	146

Sensitivity analysis

A 10% strengthening of the EUR against the following currencies at 31 December would have changed 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 previous year.

	2018	2017
USD	(1,281)	(1,162)
JPY	(121)	(87)
EUR	(78)	29
CAD	(53)	(11)
DKK	(49)	(3)
ISK	33	500

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.

The following significant exchange rates were applied during the year:

EUR:	Average rate		Reporting date spot rate	
	2018	2017	2018	2017
USD	1.1782	1.1281	1.1471	1.1993
JPY	130.2083	126.5502	125.6850	135.0074
ISK	127.7139	120.4094	133.2500	124.2545
RMB	7.8076	7.6254	7.8900	7.8044
PLN	4.2613	4.2571	4.2900	4.1770

Interest rate risk

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

Variable rate instruments	Carrying amount	
	2018	2017
Cash and cash equivalents	21,941	23,169
Financial liabilities	(159,593)	(125,984)
Net exposure	(137,652)	(102,815)

A change of 100 basis points in interest rates at the reporting date would increase (decrease) result after income tax by EUR 914 thousand (2017: EUR 170 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 2017. Eimskip does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss.

(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.

Notes

19. Financial risk management, continued

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

	2018	2017
Total equity	238,926	244,610
Total balance sheet capital	486,296	459,515
Equity ratio	49.13%	53.23%

(ii) Net debt to EBITDA ratio

Total interest-bearing debt	159,593	125,984
Cash and cash equivalents	(21,941)	(23,169)
Net debt	137,652	102,815
EBITDA	49,238	57,198
Net debt / EBITDA	2.80	1.80

20. Commitments

Operating lease commitments

Non-cancellable operating lease commitments are payable as follows:

Less than one year	9,583	8,752
Between one and five years	9,773	7,871
More than five years	2,901	3,020
Total operating lease commitments	22,257	19,643

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

Capital commitments

In January 2017, Eimskip signed a shipbuilding contract with a Chinese shipbuilding company for the building of two new 2,150 TEU container vessels. The contract price of each vessel is approximately USD 32.0 million or EUR 26.7 million. The vessels are expected to be delivered in 2019. The payment profile of the vessels is that 40% of the contract price is paid during the building period and 60% upon delivery. As of the end of the year, USD 19.2 million or EUR 17.4 million has been paid towards the agreements and capitalized as property, vessels and equipment. In April 2017, Eimskip secured the financing of the vessel buildings with a German bank, KfW IPEX Bank GmbH, for 80% of the contract price with a 15 year term.

Notes

21. Related parties

The Company's largest shareholders Samherji Holding ehf. with 27.11% shareholding and Lífeyrissjóður verzlunarmanna with 14.89% shareholding of outstanding shares are considered related parties, as well as subsidiaries, material equity accounted investees and key management personnel. Intercompany transactions with subsidiaries are eliminated in the consolidation.

Samherji Holding ehf. is the largest shareholder at year-end. During the year, two of the three largest shareholders, Yucaipa American Alliance Fund II LP and Yucaipa American Alliance (Parallel) Fund II LP sold all of their shareholding to Samherji Holding ehf. The shares sold totalled 27.11% of outstanding shares at the beginning of the year.

Transactions with the largest shareholder Samherji Holding ehf. and related companies for the period from August to year-end 2018 amounted to EUR 4.7 million and receivables at year-end amounted to EUR 1.7 million. Transactions with related parties are on arm's length basis.

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

Fee paid to the Board of Directors

	Fee in ISK		Fee in EUR		Shares at year-end*
	2018	2017	2018	2017	2018
Baldvin Thorsteinsson, Chairman	3,382	0	26	0	160,000
Hrund Rudolfsdóttir, Vice-Chairman	6,073	5,557	48	46	0
Gudrún Ó. Blöndal, Board Member	1,975	0	15	0	0
Lárus L. Blöndal, Board Member	5,715	5,457	45	45	3,190
Jóhanna á Bergi, Board Member	537	0	4	0	0
Philip G. Quinlan, Alternate of the Board	577	0	5	0	0
Richard Winston Mark d'Abo, former Chairman	6,791	9,985	53	83	0
Víglundur Thorsteinsson, former Vice-Chairman	5,110	5,400	40	45	0
Helga Melkorka Óttarsdóttir, former Board Member	3,094	3,972	24	33	0
Marc J. Smernoff, former Alternate of the Board	2,273	3,328	18	28	0

Salaries and benefits paid to Executive Management

2018	In ISK		In EUR		Shares at year-end*
	Base salary	Other **	Base salary	Other	
Gylfi Sigfússon, former CEO	64,264	13,727	503	107	9,615
Four VP's of the Company and the CFO ***	177,321	42,638	1,388	334	974,308

2017	In ISK		In EUR		Shares at year-end*
	Base salary	Other **	Base salary	Other	
Gylfi Sigfússon, former CEO	62,087	40,538	516	336	9,615
Four VP's of the Company and the CFO ***	170,367	75,023	1,415	623	26,443

* Number of shares held directly by Board of Directors and Executive Management or parties related to them.

** Cash incentives, travel allowance, pension contributions and house and car benefits.

*** Hilmar Pétur Valgardsson former CFO and current COO of Operation, Bragi Thór Marinósson EVP of International Operations and Logistics, Elín Hjalmsdóttir VP of Human Resources, Matthías Matthíasson VP of Sales and Marketing, Gudmundur Nikulásson VP of Iceland Domestic Operations and Services.

Due to change in position of the former CEO, the Company has an unpaid liability due to salaries amounting to EUR 0.7 million. The amount has been expensed in the year 2018.

Notes

22. Auditor's fees

	2018	2017
Audit of the Financial Statements for the relevant fiscal year	894	799
Other services	357	250
	<u>1,251</u>	<u>1,049</u>
Thereof fee to the auditor of the Parent Company	550	580

23. Group entities

At year-end the Company owned directly ten subsidiaries that are all included in the consolidation. In August 2018, Eimskip acquired 51% share in the cold storage company Tromsøterminalen AS. The acquired companies are included in the Consolidated Financial Statements. The direct subsidiaries owned 65 subsidiaries at year-end. The Company holds the majority of voting power in all of its subsidiaries. Assets, liabilities, revenues and expenses in Consolidated Financial Statements that include a non-controlling interest are immaterial to the Group.

The Group's direct subsidiaries are as follows:

	Country of incorporation	Ownership Interest 2018	Ownership Interest 2017
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.	The Netherlands	100%	100%
Eimskip Asia B.V.	The Netherlands	80%	80%
P/f Skipafélagid Føroyar	Faroe Islands	100%	100%
Harbour Grace CS Inc.	Canada	51%	51%
Eimskip REIT ehf.	Iceland	100%	100%
Sæferdir ehf.	Iceland	100%	100%

As a result of a purchase price allocation for acquisition in subsidiaries, Eimskip has recognized in the statement of financial position, a financial liability in the amount of EUR 5.0 million which reflects the estimated exercise price of put options issued towards non-controlling interests for their shareholding in the subsidiaries acquired. The financial liability is initially carried at fair value and classified as non-current. The fair value changes of the liability are recognized through equity. In the event that the options expire unexercised, the liability is derecognised with a corresponding recognition of a non-controlling interest in equity and to other equity.

24. Other matters

Eimskipafélag Íslands hf. and its subsidiaries, Eimskip Ísland ehf. and TVG-Zimsen ehf., have been under investigation of the Icelandic Competition Authority since 10 September 2013.

On 6 June 2018 the Company received first statement of objections from the Icelandic Competition Authority which is a part of the procedure in the investigation that started in 2013. The statement contains the preliminary assessment of the Icelandic Competition Authority, but is neither an administrative act nor a binding decision. The purpose of the statement is to ensure that the case will be fully investigated before a final decision is made and to enable the Company to use its right to put forward its arguments and objections according to the administrative procedure act.

The investigation period is from 2008 up to and including 2013. It is the preliminary assessment of the Icelandic Competition Authority that during this period Eimskip, and its competitor Samskip, committed a continuous illegal collusion which had as its main objective to restrict competition within the meaning of competition law. At this stage of the investigation, it is the assessment of the Competition Authority that the essence of the continuous collusion did not in the least entail the following: Collusion on limiting transportation supply; Market sharing by customers; Market sharing by regions in Iceland; Price collusion; Sharing of information on sensitive business matters.

Notes

24. Other matters, continued

Icelandic Competition Authority aims to send the Company additional statement of objections, statement of objections II, as soon as possible. The Company has no information on when it will be received.

On 11 May 2018 the CEO and the Executive Vice President of International Operations and Logistics went to the office of the District Prosecutor for formal questioning and both received a status of defendant on the same day. The investigation of the District Prosecutor concerns Article 10 of the competition law and whether concerted practices, regarding price or distortion of markets, has taken place.

The Company received data which the statement of objection no. 1 is based on in September 2018. The Company is working on the information received. The Company has until 29 March 2019 to submit arguments, documents and information regarding statement of objection no. 1. Any elaboration on the potential outcome of the investigation is premature, and no information is available on potential fines, or if they will materialize. The investigation has had little effect on the Company's Financial Statements other than for the year 2018 the Company has expensed EUR 0.5 million in legal and advisory cost. For further information, see note 23 in the Company's Consolidated Financial Statements 2018.

Tax related matters

The Icelandic Directorate of Internal Revenue ruled in December 2017 that the Company should pay EUR 0.2 million in income tax for operations of foreign vessel subsidiaries in 2013 and 2014. The Company does not agree with the ruling and has appealed it to the Internal Revenue Board. The Company has paid the EUR 0.2 million in income tax, but has not expensed the tax in the Income Statement. If the Company loses the case due for the years 2013 to 2018, it is estimated that the company will have to expense EUR 3.4 million in the Income Statement and pay EUR 0.5 million, as well as utilizing tax loss carried-forward.

25. Subsequent events

There are no subsequent events to report.

Notes

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, except as described in note 4.

The disclosures to the Consolidated Financial Statements are prepared on the basis on the concept of materiality. Therefore information that is considered immaterial for the user of the Consolidated Financial Statements is not disclosed.

a. Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transactions costs are expensed as incurred, except if related to the issue of debt or equity securities.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

(iii) 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.

(iv) Investment in equity-accounted investees

Associates are those entities in which the Group has significant influence, but not control, over financial and operating policies. Joint ventures involves contractual sharing of control. Investment in equity-accounted investees 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.

Notes

26. Significant accounting policies, continued

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) Derivative financial instruments and hedge accounting

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 financial assets and derivatives with negative fair values are recognized as trading liabilities.

The Group holds derivative financial instruments to hedge a part of its exposure to fluctuation in oil prices.

When a derivative is designated as a cash flow hedging instrument, the effective portion of the changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the hedging reserve in equity. Any ineffective portion of the changes in the fair value of the derivative is recognized immediately in profit or loss. The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss or the hedged item affects profit or loss.

(iii) Cash and cash equivalents

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

(iv) 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.

(v) 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.

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 or loss.

Notes

26. Significant accounting policies, continued

d. Property, vessels and equipment, continued

(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 for 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 - 25 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) Goodwill and brand names

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill and brand names are measured at cost less accumulated impairment losses. The value of the brand name „Eimskip“ and the brand names of other acquired subsidiaries are included among brand names.

(ii) Customer related intangible assets

Customer relationships and other intangible assets with finite useful lives that have been acquired as part of acquisitions are amortized using the straight line method.

(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.

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.

Notes

26. Significant accounting policies, continued

f. Leased assets, continued

(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 and 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 annually at the same time.

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.

Notes

26. Significant accounting policies, continued

h. Impairment, continued

(ii) Non - financial assets, continued

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 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.

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

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Eimskip has adopted IFRS 15 using the cumulative effect method with the effect of 1 January 2018, being the date of initial application. Accordingly, the information presented for 2017 has not been restated and is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information. The implementation of the standard did not result in any restatement in equity. According to IFRS 15, revenue is recognized when control over a good or service is transferred to a customer. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer rebates and other similar allowances.

(i) Revenue recognition in Liner services

Liner services is a door-to-door transportation process where customers can enter or exit the process whenever before the terminal handling in exports and after the terminal handling in imports. Activities included in liner services are pre-carriage, warehousing, terminal handling, container services, sea-transportation, documentation, on-carriage and distribution. Eimskip considers each activity in the liner transportation process to be a distinct performance obligation. For each activity, with the exception of sea-transportation, revenue is recognized when the performance obligation has been satisfied or at a certain point-in-time. Revenue from sea-transportation is recognized over-time in accordance with voyage days of the vessel already sailed in proportion to total estimated voyage days for the route. The consideration received for the services is allocated to each performance obligation based on tariff or stand-alone selling prices. Rebates are allocated to each performance obligation based on tariff or stand-alone selling prices.

(ii) Revenue recognition in Forwarding services

Forwarding services are an transportation solution outside Eimskip's own operating system but is materially the same process as the liner services.

Notes

26. Significant accounting policies, continued

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.

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. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding for the effects of all dilutive potential shares.

o. 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 CEO to make decisions about resources to be allocated to the segment and assess its performance.

Notes

27. Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's financial statements in the period of initial application.

a. IFRS 16 Leases

The Group is required to adopt IFRS 16 *Leases* from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

(i) Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases of lands, vessels, buildings and equipment. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

No significant impact is expected for the Group's finance leases.

Based on the information currently available, which is subject to change, the Group estimates that it will recognise additional lease liabilities of EUR 35 to 40 million as at 1 January 2019.

(ii) Leases in which the Group is a lessor

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

No significant impact is expected for leases in which the Group is a lessor.

(iii) Transition

The Group plans to apply IFRS 16 initially on 1 January 2019 using the modified retrospective approach with the cumulative catch up approach with no impact on Retained earnings as at 1 January 2019. Therefore there will be no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

Notes

27. Standards issued but not yet effective, continued

(iii) Transition, continued

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

b. Other standards

Other amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

Quarterly statements - unaudited

Year 2018	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2018
Revenue	155,532	172,631	182,164	178,827	689,154
Expenses	148,281	157,718	164,530	169,387	639,916
Operating profit, EBITDA	7,251	14,913	17,634	9,440	49,238
Depreciation and amortization	(7,807)	(7,918)	(7,896)	(8,927)	(32,548)
Results from operating activities, EBIT	(556)	6,995	9,738	513	16,690
Net finance expense	(1,114)	(901)	(1,331)	(1,577)	(4,923)
Share of loss of equity accounted investees	(670)	(345)	(170)	(568)	(1,753)
Net (loss) earnings before income tax	(2,340)	5,749	8,237	(1,632)	10,014
Income tax	754	(1,134)	(1,968)	(264)	(2,612)
Net (loss) earnings	(1,586)	4,615	6,269	(1,896)	7,402
Year 2017	Q1 2017	Q2 2017	Q3 2017	Q4 2017	2017
Revenue	143,499	170,722	173,868	175,884	663,973
Expenses	134,189	154,019	154,581	163,986	606,775
Operating profit, EBITDA	9,310	16,703	19,287	11,898	57,198
Depreciation and amortization	(7,371)	(7,485)	(7,561)	(7,731)	(30,148)
Results from operating activities, EBIT	1,939	9,218	11,726	4,167	27,050
Net finance expense	(1,510)	(2,836)	(1,650)	(1,240)	(7,236)
Share of loss of equity accounted investees	(108)	(65)	(20)	(146)	(339)
Net earnings before income tax	321	6,317	10,056	2,781	19,475
Income tax	(128)	(1,383)	(1,264)	104	(2,671)
Net earnings	193	4,934	8,792	2,885	16,804

Corporate Governance Statement

About Eimskip

Eimskipafélag Íslands hf. (Eimskip) is a leading transportation company in the North Atlantic with connections to international markets and is specialized in worldwide freight forwarding services, with the vision of providing excellence in transportation solutions and services. 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.

Corporate Governance

With this statement on the Corporate Governance of Eimskip it is declared that the Company is complying with the accepted practices in the 5th edition of Corporate Governance Guidelines, issued by the Iceland Chamber of Commerce, SA - Business Iceland and Nasdaq Iceland.

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

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

The Corporate Governance Guidelines are accessible on www.corporategovernance.is.

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 accessible on the Parliament's website, www.althingi.is.

Eimskip's Financial Statements

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

Shareholder Relations

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.

Company news that are considered to affect Eimskip's share price are published through the company news release distribution network of Nasdaq Nordic and on the Company's IR website, www.eimskip.is/investors. Other news are published on the Company's website, www.eimskip.is.

Proposals or questions from shareholders to the Board of Directors shall be sent to investors@eimskip.is and compliance@eimskip.is.

The Board of Directors of Eimskip

The Board of Directors holds supreme authority between shareholders' meetings. It shall ensure that the Company's organization and operations are in good order. It shall promote the development and long-term performance of the Company and supervise its operations. 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 week notice. A meeting schedule is made for the financial 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 attend as required. In 2018, the total number of Board meetings was 21 and the Board was competent to make decisions in all meetings.

Corporate Governance Statement

The Board consists of five Directors and one alternate Director and they were all elected at a shareholders' meeting in September 2018. Jóhanna á Bergi, elected alternate, took a permanent seat on the Board of Directors in November after Víglundur Thorsteinsson passed away. 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 of the Board are independent of the Company and its day-to-day management, and four Directors are independent of the Company's significant shareholders. The alternate member of the Board is either not independent of the Company or its 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 its evaluation.

Annually, the Board of Directors conducts an assessment of its work, size, composition and procedures and also evaluates the work of the Company's President and CEO, the Company's operations and development and whether it is in line with the Company's 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 adequately prepared and if sufficient time is provided for discussions within the Board. Additionally, individual Directors must be considered with respect to both attendance and participation in meetings. The assessment for the financial year 2018 was concluded in February 2019.

Main responsibilities of the Board of Directors

- To hold supreme authority between shareholders' meetings, promote the development and long-term performance of the Company and supervise its operations. The Board shall regularly assess the performance of the Company's executive directors and how the Company's policies are implemented.
- To take the initiative, together with the CEO, on formulating policies and setting goals and risk parameters for the Company, both in the short and long term.
- To establish an active system of internal controls. This means, among other things, that the arrangement of the internal controls system shall be formalized, documented and its functionality verified regularly.
- To ensure that the Company's operations are in conformity with existing laws and regulations.
- To handle the recruitment and dismissal of the Company's CEO.

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

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 23 February 2017. A copy can be obtained from the Company's website, www.eimskip.is.

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

The principal duties of the Audit Committee are to review all financial information and procedures regarding information disclosure from day-to-day management and the Company's independent auditors and to ensure the independence of the Company's independent auditors. The role and main responsibilities of the Audit Committee are set out in its rules of procedure.

Members of the Audit Committee are Philip G. Quinlan, Chairman, Lárus L. Blöndal and Ólafur Viggó Sigurbergsson. In 2018, the Audit Committee held a total of seven meetings.

The role of the Remuneration Committee includes preparing the Company's remuneration policy and ensuring its enforcement and negotiating with the CEO on wages and other employment terms. The role and main responsibilities of the Remuneration Committee are set out in its rules of procedure.

Members of the Remuneration Committee are Hrund Rudolfsdóttir, Chairman, Baldvin Thorsteinsson and Guðrún Blöndal. The Remuneration Committee held two meetings in 2018.

Corporate Governance Statement

Nomination Committee

The Board of Directors has not proposed to a shareholders' meeting to appoint a Nomination Committee with the role of proposing candidates to serve as Directors on the Board. The Board of Directors receives and reviews candidates' applications in accordance with the Company Act.

The Board of Directors

Baldvin Þorsteinsson, Chairman of the Board

Baldvin was born in 1983 and lives in Iceland. He is a Manager of Business Development at Samherji hf. Previously he was CEO of Iceland Drilling hf. from 2013 to 2016. He is currently a chairman of the board of Ólíuverzlun Íslands hf., a board member of Iceland Drilling hf., and a board member of the Canadian fishing company Newfoundland Resources Limited Ltd. and the Norwegian fishing company Nergard A/S. He earned a BS degree in Industrial Engineering from University of Iceland in 2007. Baldvin owns 160,000 shares in the Company but does not have a share options agreement with the Company. He is not independent of Samherji Holding ehf., which own 50.6 million shares in the Company.

Hrund Rudolfsdóttir

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

Guðrún Ó. Blöndal

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

Lárus L. Blöndal

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

Corporate Governance Statement

Jóhanna á Bergi

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

Philip G. Quinlan, Alternate Member of the Board

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

The Chief Executive Officer

The Company's CEO is responsible for the day-to-day operations, in accordance with law, regulations and the Company's Articles of Association and follows the policies and instructions laid down by the Board. The CEO must at all times conduct his work with integrity and take account of the Company's interests. 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 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 under its Rules of Procedure. The CEO shall ensure that Directors of the Board are regularly provided with accurate information on the Company's finances, development and operations to enable them to perform their duties and the information shall be in the form and of the quality determined by the Board. The information shall be available when needed and as up-to-date and accurate as possible. 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 within the group.

Vilhelm Már Thorsteinsson, Chief Executive Officer

Vilhelm was born in 1971 and lives in Iceland. He was appointed and started working as the Company's CEO in January 2019. Previously he worked at Íslandsbanki and predecessors for twenty years. He was Managing Director of Corporate & Investment Banking at Íslandsbanki from 2017 to 2019 and Managing Director of Corporate Banking from 2008 to 2017. Vilhelm earned MBA degree from Pace University in New York, B.Sc degree in Business Management, Majoring in Logistics, from Reykjavík University and is a licensed Securities broker. He is a board member or CEO, or both, of various subsidiaries of Eimskipafélag Íslands hf. Vilhelm does neither own shares nor share options in the Company.

Corporate Governance Statement

The Executive Management

The Executive Management of Eimskip consists of the Chief Executive Officer and the Directors of Finance, Operations, International Operations and Logistics, Human Resources, Sales and Marketing and Iceland Domestic Operations and Services. All the executives have an extensive experience within the Company.

Egill Örn Petersen is the Chief Financial Officer, Hilmar Pétur Valgarðsson is the Vice President of Operations, Bragi Thór Marinósson is the Executive Vice President of International Operations and Logistics, Elín Hjalmsdóttir is the Vice President of Human Resources, Matthías Matthíasson is the Vice President of Sales and Marketing and Gudmundur Nikulásson is the Vice President of Iceland Domestic Operations and Services.

Further information on the Executive Management is provided in the Annual Report on the Company's website, www.eimskip.is.

Internal Control and Risk Management

The role of internal control is to facilitate the management of an operation and it has been defined as a process which is shaped by a company's Board of Directors, the management team and other employees. The purpose of internal control is to build foundation for the company to reach success and efficiency in its operations, reliability of financial information and consistency with laws and regulations.

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

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

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

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

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

The Board of Directors regularly communicates with the CEO regarding the identification of, description of and response to business risks which the Company may be faced with. Risk management within Eimskip is governed by the Board of Directors, while the Audit Committee is responsible for its review on a regular basis. The Executive Management is responsible for identifying material risks and developing the Company's risk management strategy. The Company's risk exposure is discussed at Board meetings and its risk management and risk factors are discussed in the Annual Report.

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

Information on violation of rules determined by the applicable authority

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

Corporate Governance Statement

Corporate Social Responsibility

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

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

CSR Policy

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

Environment

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

Society

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

Governance

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

In 2019, Eimskip will continue working on its Corporate Social Responsibility. The focus will be on further implementing the Company's CSR policy within the group and on CSR measurements and goals. Also on further reduction and publishing of the Company's ecological footprint.

To support global and local environmental initiatives, Eimskip signed the Reykjavík Declaration on Climate Issues in November 2015 and has in 2016 been working systematically on reducing its ecological footprint.

Code of Conduct

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

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

Non-Financial Reporting

About Eimskip

Eimskipafélag Íslands hf. (Eimskip) is a leading transportation company in the North Atlantic with connections to international markets and is specialized in worldwide freight forwarding services, with the vision of providing excellence in transportation solutions and services. 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.

Eimskip was founded in 1914 and is a publicly traded company with its shares listed at Nasdaq Iceland.

Employees

Eimskip has been growing in recent years, both organically and with external growth. It currently runs a network of 65 offices in 20 countries in four continents, operates 22 vessels and has about 1,821 employees. The employee group is diverse, with a variety of backgrounds as regards education and experience, but everyone works together with the aim of providing customers with outstanding services.

Eimskip respects human rights and operates according to its various policies related to employees' rights. The main policies are Human Resource Policy, Salary Policy, Equal Opportunities Policy, Health Policy, Occupational Safety and Security Policy and Prevention Policy.

Surveys regarding general employee engagement, job satisfaction and other human resource indicators are conducted on regular basis. Eimskip aims to maintain its positive results over the years or further improve it by empowering management and provide attractive workplace from various perspectives.

Corporate Social Responsibility

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

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

CSR Policy

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

Environment

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

Society

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

Governance

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

Environment

In 1991, Eimskip became one of the first companies in Iceland to establish an environmental policy as a main driver for actions for improved ecological footprint. Since then, the challenges in this field have developed very fast and the transportation industry, as well as others, realizes how important environmental issues are for the world today.

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

Non-Financial Reporting

The Company respects the environment and recognizes the effects that climate change could have on society and its business activities and the need for a low-carbon economy. Minimization of the environmental load from its operations focuses on achieving full clarity regarding emissions and waste from each of the emitting sources in the supply chain. To make this possible, use of data and analytics has been stepped up in recent years, giving Eimskip a better overview of its ecological footprint and reduction opportunities. The Company uses its own electronic Environmental Management System that is linked to all major assets in the supply chain, streaming reliable and transparent information on its environmental matters. Digitization of emission and waste-registration data from the supply chain enables continuous monitoring of measures and provide reliable and transparent information on the status.

Eimskip defines its ecological footprint as a combination of carbon footprint and waste disposal. The operation of the Company's vessels is the main contributor to its carbon footprint. The calculation of the Company's carbon footprint is presented as carbon intensity per transported unit in kg CO₂ equivalent (e) per ton of transported units.

Eimskip aim is to reduce its footprint in the coming years, with a goal of 19% accumulated reduction in 2022 and 40% reduction in 2030 based on 2015 numbers. This goal of total reduction is comparable with Iceland's decision of joining the European Union and Norway in their common goal of 40% reduction of emission in 2030.

In 2017, Eimskip published an efficient transport calculator that provides the Company's customers with carbon footprint related to their transport.

Code of Conduct

The Board of Directors approved a revision of the Company's Code of Conduct in February 2019. The Code of Conduct closely links to the Company's values: Achievement, Cooperation and Trust. The Code is also based on Eimskip's aim to secure good return for shareholders with profitable growth, create value for customers with outstanding solutions and services, be an outstanding workplace for employees with great team spirit and ambition and show concern for society with social responsibility and reduced ecological footprint.

Eimskip's Code of Conduct focuses on the Workplace, the Market and on Corporate Social Responsibility. It includes the Company's Human Rights Policy and its Anti-Corruption and Bribery Policy.

Human Rights Policy

Eimskip respects human rights. The objective of the policy is twofold:

1. To secure the human rights of Eimskip's employees
2. To ensure that Eimskip complies with laws and regulations on human rights

Eimskip commits itself to complying with all applicable laws and regulations on human rights concerning freedom of association, forced and compulsory labor, child labor and discrimination in respect of employment and occupation.

Eimskip encourages all its employees to report any suspected human rights violation with the Company.

The Company requires its suppliers and subcontractors to respect human rights.

Anti-Corruption and Bribery

The Board of Directors approved a revision of the Company's Code of Conduct in February 2019. The Code of Conduct closely links to the Company's values: Achievement, Cooperation and Trust. The Code is also based on Eimskip's aim to secure good return for shareholders with profitable growth, create value for customers with outstanding solutions and services, be an outstanding workplace for employees with great team spirit and ambition and show concern for society with social responsibility and reduced ecological footprint.

Non-Financial Reporting

Due Diligence

Eimskip and its vessels must comply with the International Safety Management (ISM) Code. The Code is an intrinsic part of the International Maritime Organization's (IMO) SOLAS Convention in its efforts to ensure, maintain and effectuate safety for the seafarers as well as simultaneously providing an accidental pollution free zone for the sector entirely. External audits are performed to verify the ISM Code compliance.

The company Klappir Green Solutions hf. works with Eimskip on environmental management and certifies the Company's environmental management solution. This is a digital data collection and environmental compliance solution, covering energy and waste management of vessel fleet, truck fleet, terminal assets, warehouses and office space. The assessment covers:

- Energy management compliant to MARPOL Annex I, Annex VI, EU MRV and local law including data transparency, accuracy and accountability on fuel receiving and consumption of vessel fleet, truck fleet and terminal assets and data transparency, accuracy and accountability on electricity use and use of district heating for terminal assets, warehouses and offices.
- Waste management compliant to MARPOL Annex V and local law including data transparency, accuracy and accountability on waste sorting and disposal of vessel fleet and data transparency, accuracy and accountability on waste sorting, recycling and disposal of terminals, warehouses and offices.
- Water management compliant to local law including data on cold water consumption based on manual readings.

Eimskip has a First Response Team, which duty is to respond to various accidents on sea and land. The team's purpose is to ensure and assist on proper first response and limit accidents to people and damages to properties and the environment. Also it is the teams responsibility to respond to cyber incidents.

The Company's Loss Prevention Team meets regularly to investigate losses, damages and accidents and follow up on necessary changes and/or improvements.

Eimskip is a registered participant of the United Nations Global Compact and has committed to communicate annually on the implementation efforts of the UN Global Compact's Ten Principles.

The Company's CSR Policy is based on the Nasdaq ESG Reporting Guide, which focuses on 33 environmental, social and governance (ESG) performance indicators.

Eimskipafélag Íslands hf.

Annual General Meeting 2019

The information below is provided in accordance with Act. no. 2/1995 on Public Limited Companies.

Ownership of shares

5 March 2019				28 February 2018			
Shareholders	Shares	%	Voting right	Shareholders	Shares	%	Voting right
1. Samherji Holding ehf.	50.600.000	27,1%	27,1%	1. Yucaipa American Alliance Fund II, LP	30.504.030	15,3%	16,3%
2. Lífeyrissjóður verslunarmanna	27.785.070	14,9%	14,9%	2. Lífeyrissjóður verzlunarmanna	27.785.070	13,9%	14,9%
3. Gildi lífeyrissjóður	23.116.139	12,4%	12,4%	3. Yucaipa American Alliance (Parallel)	20.095.970	10,0%	10,8%
4. Lífeyrissj.starfsm.rikisins*	17.000.000	9,1%	9,1%	4. Gildi lífeyrissjóður	18.846.139	9,4%	10,1%
5. Eaton Vance Management**	16.078.581	8,6%	8,6%	5. Lífeyrissj.starfsm.rikisins*	17.000.000	8,5%	9,1%
				6. Eimskipafélag Íslands hf.	13.360.770	6,7%	0,0%
				7. Eaton Vance Management**	12.605.781	6,3%	6,8%
				8. Stapi lífeyrissjóður	9.442.555	4,7%	5,1%
Ownership over 5% total	134.579.790	72,0%	72,1%	Ownership over 5% total	149.640.315	74,8%	73,0%
Other shareholders total	52.420.210	28,0%	27,9%	Other shareholders total	50.359.685	26,9%	27,0%
Total	187.000.000	100,0%	100,0%	Total	200.000.000	101,8%	100,0%

Group Entities

At year-end 2018 the Company, Eimskipafélag Íslands hf., owned directly ten subsidiaries which further owned sixty one subsidiaries. Information on the Company's ten direct subsidiaries is available in note 22 on page 29 in the Company's Consolidated Financial Statements for the year ended 31 December 2018.

UMBOÐ

Aðalfundur Eimskipafélags Íslands hf. 2019

Ég undirrituð/aður veiti hér með

Nafn umboðsmanns

Kennitala

fullt og ótakmarkað umboð til að mæta á aðalfund Eimskipafélags Íslands hf. þann 28. mars 2019 og fara þar með atkvæði fyrir allt mitt hlutafé og önnur réttindi sem því fylgja.

Í umboðinu felst m.a. heimild til að greiða atkvæði fyrir mína hönd um þær tillögur sem lagðar verða fram á fundinum, s.s. um stjórn félagsins, sem og önnur mál sem eru á dagskrá fundarins og fjallað verður um.

Upplýsingar um umbjóðanda/hluthafa:

Nafn:
Kennitala:
Fjöldi eignarhluta:
Netfang:
Farsímanúmer:

Umboðið skal vera dagsett og undirritað. Ef umbjóðandi/hluthafi er lögaðili skal umboðið undirritað af þar til bærum aðilum.

Umboðið verður að berast Eimskipafélagi Íslands hf. áður en aðalfundur hefst, annað hvort í hefðbundnum pósti, með tölvupósti eða við skráningu á fundarstað.

Eimskipafélag Íslands hf. getur aldrei orðið ábyrgt fyrir tögum sem verða á sendingu umboða.

Staður og dagsetning

Undirskrift

Kennitala

Vottar að réttri dagsetningu og undirritun aðila:

Nafn og kennitala

Nafn og kennitala

POWER OF ATTORNEY

Annual General Meeting of Eimskipafélag Íslands hf. 2019

I the undersigned, hereby appoint,

Name

ID number

as my lawful attorney to attend Annual General Meeting of Eimskipafélag Íslands hf. to be held on 28 March 2019, to use all my voting shares and other rights attached thereto, at the meeting.

This power of attorney gives the attorney the right to vote on my behalf in respect of all proposals represented at the meeting, regarding the Board of Directors of the Company and any other matters considered at the meeting.

Information on the shareholder granting the power of attorney:

Name:
ID number / Registration number:
Number of shares:
e-mail address:
Mobile number:

The power of attorney must be dated and signed. If the shareholder is a legal entity this power of attorney must be signed by an authorized signatory.

Written powers of attorney must be received by the company prior to the Annual General Meeting, via ordinary mail or e-mail or when registering for the meeting.

Eimskipafélag Íslands hf. will not be held responsible for any delay which might occur.

Place and date

Signature

ID number

Witness to the correct date and signature of the signatory:

Name and ID number

Name and ID number