

Eimskipafélag Íslands hf.
Condensed Consolidated Interim Financial Statements
1 January to 30 September 2020
EUR

Eimskipafélag Íslands hf.
Sundabakka 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

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.

Net earnings for the first nine months of the year 2020 amounted to EUR 3.7 million according to the Consolidated Income Statement. Total equity at 30 September 2020 amounted to EUR 228.1 million according to the Statement of Financial Position.

After a first quarter below management's expectations and a second quarter in line with last-year, the third quarter was strong despite challenging circumstances due to COVID-19. The Company has during the third quarter continued to secure the safety and health of employees and to maintain and secure the logistic chain and customer services. At the beginning of the second quarter a temporary amended sailing system was introduced to provide efficiency and lower cost during the pandemic. At the end of the third quarter a more permanent sailing system was announced, preserving the cost benefit from the temporary amendments as well as improving the service level and to finalize the implementation of the co-operation with Royal Arctic Line. Impact of the COVID 19 pandemic on global economies, including in the North-Atlantic Region which is the Company's core market area, is still uncertain for the coming quarters. Please refer to notes 4 and 15 on other matters for more information.

In October 2020, Eimskip took delivery of Brúarfoss, the second of Eimskip's two newbuildings, in China. The vessel came into operation in November following its home voyage. With Brúarfoss in service, the co-operation between Eimskip and Royal Arctic Line is fully implemented.

Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Eimskipafélag Íslands hf. and its subsidiaries (together referred to as "Eimskip" or the "Group") for the period 1 January to 30 September 2020 are prepared and presented in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Statements (IAS 34) as adopted by the EU and additional requirements for listed Icelandic companies. The Financial Statements are presented in thousands of EUR. The Condensed Consolidated Interim Financial Statements have not been audited or reviewed by the Company's independent auditors.

According to the best of our knowledge, it is our opinion that these Condensed Consolidated Interim Financial Statements give a true and fair view of the consolidated financial performance of Eimskip for the nine months ended 30 September 2020, its assets, liabilities and consolidated financial position as at 30 September 2020 and its consolidated cash flows for the nine month period ended 30 September 2020.

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 Condensed Consolidated Interim Financial Statements of Eimskipafélag Íslands hf. for the period 1 January to 30 September 2020 and confirm them by means of their signatures.

Reykjavík, 19 November 2020

Board of Directors:

Baldvin Thorsteinsson, Chairman
Hrund Rudolfsdóttir
Guðrún Ó. Blöndal
Lárus L. Blöndal
Vilhjálmur Vilhjálmsson

CEO:

Vilhelm Már Thorsteinsson

Consolidated Income Statement

1 January to 30 September 2020

	Notes	2020 1.7. - 30.9.	2019* 1.7. - 30.9.	2020 1.1. - 30.9.	2019* 1.1. - 30.9.
Revenue					
Operating revenue	5	170,378	172,522	492,663	504,045
Expenses					
Operating expenses		123,686	120,638	361,077	356,563
Salaries and related expenses		25,282	31,572	84,837	98,119
	5	148,968	152,210	445,914	454,682
Operating profit, EBITDA		21,410	20,312	46,749	49,363
Depreciation and amortization		(10,964)	(11,064)	(32,862)	(32,522)
Results from operating activities, EBIT		10,446	9,248	13,887	16,841
Finance income		199	338	515	831
Finance expense		(2,015)	(1,453)	(5,887)	(4,538)
Net foreign currency exchange (loss) gain		(943)	1,144	(2,429)	899
Net finance (expense) income	6	(2,759)	29	(7,801)	(2,808)
Share of profit (loss) of equity accounted investees		201	(84)	357	(83)
Net earnings before income tax		7,888	9,193	6,443	13,950
Income tax	15	(1,724)	(1,990)	(2,775)	(6,494)
Net earnings for the period		6,164	7,203	3,668	7,456
Net earnings for the period attributable to:					
Equity holders of the Company		6,161	7,099	3,655	7,167
Non-controlling interest		3	104	13	289
		6,164	7,203	3,668	7,456
Earnings per share:					
Basic and diluted earnings per share (EUR per share)	7	0.0341	0.0383	0.0202	0.0385

* Comparative figures have been restated, please refer to note 3.

The notes on pages 10 to 16 are an integral part of these Condensed Consolidated Interim Financial Statements.

Consolidated Statement of Comprehensive Income

1 January to 30 September 2020

	Notes	2020 1.7. - 30.9.	2019 1.7. - 30.9.	2020 1.1. - 30.9.	2019 1.1. - 30.9.			
Net earnings for the period		6,164	7,203	3,668	7,456			
Other comprehensive income:								
Items that are or may subsequently be reclassified to the income statement								
Foreign currency translation difference of foreign operations .....	(	1,202)	574	(	3,470)	753
Effective portion of changes in fair value of cash flow hedges, net of income tax		1,057	(1,879)	(792)	(1,355)
Fair value changes of non-controlling put option liability	(75)	111	(223)	(105)	
Total other comprehensive loss for the period	(220)	(1,194)	(4,485)	(707)
Total comprehensive income for the period		5,944	6,009	(	817)	6,749	
Total comprehensive income for the period attributable to:								
Equity holders of the Company		5,997	5,853	(	588)	6,292	
Non-controlling interest .....	(	53)	156	(	229)	457
		5,944	6,009	(	817)	6,749	

The notes on pages 10 to 16 are an integral part of these Condensed Consolidated Interim Financial Statements.

Consolidated Statement of Financial Position

as at 30 September 2020

	Notes	30.9.2020	31.12.2019
Assets:			
Property, vessels and equipment		233,419	226,243
Right-of-use assets		65,556	44,486
Intangible assets		64,166	66,227
Equity accounted investees		11,552	12,224
Finance assets		7,990	3,647
Deferred tax assets	15	2,784	2,885
Total non-current assets		385,467	355,712
Inventories		4,060	5,280
Vessels held for sale		0	14,907
Trade and other receivables	9	124,358	127,878
Cash and cash equivalents		21,895	20,737
Total current assets		150,313	168,802
Total assets		535,780	524,514
Equity:			
Share capital		1,123	1,137
Share premium		148,369	149,713
Reserves		18,605	18,151
Retained earnings		55,905	56,947
Total equity attributable to equity holders of the parent company		224,002	225,948
Non-controlling interest		4,124	4,920
Total equity		228,126	230,868
Liabilities:			
Loans and borrowings	10	134,937	152,452
Lease liabilities	11	51,264	30,496
Other long-term liabilities		4,723	4,500
Deferred tax liability		3,922	4,479
Total non-current liabilities		194,846	191,927
Loans and borrowings	10	21,838	10,552
Lease liabilities	11	9,838	10,763
Trade and other payables	12	81,132	80,404
Total current liabilities		112,808	101,719
Total liabilities		307,654	293,646
Total equity and liabilities		535,780	524,514

The notes on pages 10 to 16 are an integral part of these Condensed Consolidated Interim Financial Statements.

Consolidated Statement of Changes in Equity

1 January to 30 September 2020

	Attributable to equity holders of the Company										
			Reserves					Retained earnings	Total	Non-controlling interest	Total equity
	Share capital	Share premium	Translation reserve	Hedging reserve	Fair value changes of minority put options	Un-distributed profits					
Changes in Equity 1 January to 30 September 2019:											
Equity at 1 January 2019	1,165	154,726	(7,571)	(10)	(375)	26,273	59,950	234,158	4,768	238,926	
Dividend paid (0.0255 EUR per share)							(4,748)	(4,748)		(4,748)	
Acquisition of subsidiaries with non-controlling interest											
Purchased treasury shares	(20)	(3,539)						(3,559)		(3,559)	
Changes in non-controlling interest								0	(3)	(3)	
Total comprehensive income for the period			585	(1,355)	(105)		7,167	6,292	457	6,749	
Profit of subsidiaries net of dividend received						6,912	(6,912)	0		0	
Equity at 30 September 2019	1,145	151,187	(6,986)	(1,365)	(480)	33,185	55,457	232,143	5,222	237,365	
Reserves						24,354					
Changes in Equity 1 January to 30 September 2020:											
Equity at 1 January 2020	1,137	149,713	(6,707)	(585)	150	25,293	56,947	225,948	4,920	230,868	
Treasury shares purchased	(8)	(1,520)						(1,528)		(1,528)	
Treasury shares received (note 15)	(6)	6						0		0	
Reversal of prior year dividend of treasury shares received (note 15)		170						170		170	
Other changes in non-controlling interest								0	(567)	(567)	
Total comprehensive loss for the period			(3,228)	(792)	(223)		3,655	(588)	(229)	(817)	
Profit of subsidiaries net of dividend received						4,697	(4,697)	0		0	
Equity at 30 September 2020	1,123	148,369	(9,935)	(1,377)	(73)	29,990	55,905	224,002	4,124	228,126	
Reserves						18,605					

The notes on pages 10 to 16 are an integral part of these Condensed Consolidated Interim Financial Statements.

Consolidated Statement of Cash Flows

1 January to 30 September 2020

	Notes	2020 1.7. - 30.9.	2019* 1.7. - 30.9.	2020 1.1. - 30.9.	2019* 1.1. - 30.9.
Cash flows from operating activities:					
Net earnings for the period		6,164	7,203	3,668	7,456
Adjustments for:					
Depreciation and amortization		10,964	11,064	32,862	32,522
Net finance expense (income)	6	2,759	(29)	7,801	2,808
Share of (profit) loss of equity accounted investees .....	(	201)	84	(357)	83
Change in deferred taxes		1,101	794	(167)	2,646
Other changes		124	(337)	(124)	(829)
		20,911	18,779	43,683	44,686
Changes in current assets and liabilities:					
Inventories, change		177	195	1,096	(397)
Receivables, change .....	(	8,053)	(5,138)	(2,640)	(4,730)
Payables, change		3,893	(10,332)	2,426	536
Change in current assets and liabilities	(	3,983)	(15,275)	882	(4,591)
Interest paid .....	(	1,367)	(1,437)	(5,145)	(4,658)
Interest received		426	244	944	766
Taxes paid .....	(	500)	(783)	(1,730)	(1,680)
Net cash from operating activities		15,487	1,528	38,634	34,523
Cash flows used in investing activities:					
Acquisition of property, vessels and equipment .....	(	5,164)	(10,047)	(29,267)	(29,732)
Acquisition of intangible assets .....	(	483)	(619)	(2,131)	(2,090)
Proceeds from the sale of property, vessels and equipment		2,189	328	11,973	1,210
Proceeds from sale of equity accounted investees		0	131	588	105
Changes in finance assets		6	(362)	(281)	(217)
Net cash used in investing activities	(	3,452)	(10,569)	(19,118)	(30,724)
Cash flows used in financing activities:					
Dividend paid to equity holders of the Company		0	0	0	(4,748)
Treasury shares purchased		0	(1,944)	(1,528)	(3,559)
Dividend paid to non-controlling interest .....	(	213)	(35)	(1,010)	(268)
Proceeds from non-current loans and borrowings		777	5,740	25,489	15,421
Repayment of non-current loans and borrowings .....	(	9,160)	(2,754)	(27,902)	(8,274)
Repayment of lease liabilities .....	(	4,809)	(3,257)	(12,881)	(7,780)
Short term borrowings, change .....	(	26)	2,439	(72)	2,388
Net cash provided by (used in) financing activities	(	13,431)	189	(17,904)	(6,820)
Changes in cash and cash equivalents .....	(	1,396)	(8,852)	1,612	(3,021)
Cash and cash equivalents at the beginning of the year		23,904	26,973	20,737	21,941
Effects of exchange rate fluctuations on cash held .....	(	613)	552	(454)	(247)
Cash and cash equivalents at the end of the period		21,895	18,673	21,895	18,673
Investing and financing activities not affecting cash flows:					
Acquisition of right-of-use assets .....	(	1,808)	(3,311)	(33,144)	(10,451)
New or renewed leases		1,808	3,311	33,144	10,451
Reversal of prior year dividend of treasury shares received		0	0	170	0
Payables, change		0	0	(170)	0
Investment in finance assets		0	0	(5,409)	0
Proceeds from the sale of property, vessels and equipment		0	0	5,409	0

* Comparative figures have been restated, please refer to note 3

The notes on pages 10 to 16 are an integral part of these Condensed Consolidated Interim Financial Statements.

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 Condensed Consolidated Interim Financial Statements of the Company for the period 1 January to 30 September 2020 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 logistics services. The Company's shares are listed at Nasdaq Iceland.

2. Basis of preparation

a. Statement of compliance

The Condensed Consolidated Interim 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 Statements Act No. 3/2006 and rules for issuers of financial instruments on Nasdaq Iceland.

The Condensed Consolidated Interim Financial Statements do not include all of the information required for a complete set of consolidated annual financial statements and should be read in conjunction with the Consolidated Financial Statements of the Company as at and for the year ended 31 December 2019, which is available on the Company's website, www.eimskip.com, and in the company news release distribution network of Nasdaq Nordic.

The Condensed Consolidated Interim Financial Statements were approved and authorized for issue by the Company's Board of Directors on 19 November 2020.

b. Functional and presentation currency

These Condensed Consolidated Interim Financial Statements are presented in Euro (EUR), which is the Company's functional currency. All financial information presented in EUR has been rounded to the nearest thousand.

3. Significant accounting policies

The accounting policies applied in these Condensed Consolidated Interim Financial Statements are the same as those applied in the Group's Consolidated Financial Statements as at and for the year ended 31 December 2019.

When preparing the financial statements of Eimskip for the year 2019, a decision was made to change the accounting policy for the recognition of the right-of-use assets and the corresponding lease liabilities on vessels, as reported in the interim financial statements, both in the implementation and all subsequent additions during the year 2019. The changed accounting policy has the effect that an adjustment was made to the implementation of IFRS 16 as at 1 January 2019 and the subsequent interim financial statements of 2019.

The adjustment relates to vessels, that are or were time chartered, and included operating costs of crewing, insurance, maintenance and other operating costs. These costs have now been separated into components where the components of the lease of the vessels themselves are accounted for as right-of-use assets and corresponding lease liabilities. The separated operating costs are expensed as incurred, as the vessels had been bareboat chartered instead of time chartered. Eimskip has estimated the stand-alone price of the cost, maximising the use of observable information. The adjustment also incorporates the revised terms of one land lease.

The adjustment has immaterial effect on equity. Operating expenses, depreciation and finance expenses have been restated in Q1 2019, Q2 2019 and Q3 2019 with immaterial effect on net loss or earnings. More information regarding the effect of the adjustment can be found in the quarterly statements in the Consolidated Financial Statements of 2019.

4. Use of estimates and judgements

The preparation of the Condensed Consolidated Interim 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.

In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those described in the last annual Consolidated Financial Statements as at and for the year ended 31 December 2019.

The full impact of the COVID-19 pandemic on global economies, including in the North-Atlantic Region which is the Company's core market area, remains to be seen. The pandemic could have a significant impact on the estimates and assumptions within the current financial year and risk of causing a material adjustments to the carrying amounts of assets and liabilities as discussed below. As to date, it is management's assessment that assumptions applied in the 2019 financial statements remain unchanged but would like to emphasize the following:

Notes

4. Use of estimates and judgements, continued

Intangible assets

Eimskip annually tests whether the carrying amount of intangible assets is impaired. At the end of each quarter, the Company assesses whether there is any indication of impairment. Management has reviewed the impairment tests performed at year-end 2019. Please refer to note 12 in the Financial Statements of 2019. To date, there is no indication of impairment but management would like to point out the increased uncertainty due to COVID-19 which may affect future valuation of intangible assets.

Impairment loss on trade receivables and finance assets

Eimskip establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and finance assets. 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. As to date, there has not been any development indicating increase in payment defaults and therefore there have not been made any specific loss provisions on credit losses due to COVID-19 but management closely monitors collections.

5. Segment reporting

Business segments

	Liner services	Forwarding services	Consoli- dated
1 January to 30 September 2020			
Revenue, external	297,908	194,755	492,663
Inter-segment revenue	26,021	36,646	62,667
Total	323,929	231,401	555,330
Expenses, external	(258,372)	(187,542)	(445,914)
Inter-segment expense	(36,646)	(26,021)	(62,667)
EBITDA	28,911	17,838	46,749
Depreciation and amortization	(27,737)	(5,125)	(32,862)
EBIT	1,174	12,713	13,887
Net finance expense	(5,812)	(1,989)	(7,801)
Share of profit of equity accounted investees	270	87	357
Income tax	19	(2,794)	(2,775)
Net (loss) earnings for the period	(4,349)	8,017	3,668
1 January to 30 September 2019			
Revenue, external	323,465	180,580	504,045
Inter-segment revenue	28,375	42,496	70,871
Total	351,840	223,076	574,916
Expenses, external	(276,811)	(177,871)	(454,682)
Inter-segment expense	(42,496)	(28,375)	(70,871)
EBITDA	32,533	16,830	49,363
Depreciation and amortization	(27,609)	(4,913)	(32,522)
EBIT	4,924	11,917	16,841
Net finance expense	(3,364)	556	(2,808)
Share of (loss) profit of equity accounted investees	(213)	130	(83)
Income tax	(3,289)	(3,205)	(6,494)
Net (loss) earnings for the period	(1,942)	9,398	7,456
Information on assets and liabilities			
Segment assets as at 30 September 2020	417,915	117,865	535,780
Segment assets as at 31 December 2019	429,686	94,828	524,514
Segment liabilities as at 30 September 2020	230,235	77,419	307,654
Segment liabilities as at 31 December 2019	235,688	57,958	293,646
Non-lease capital expenditure for the period 1 January to 30 September 2020	30,948	450	31,398
Non-lease capital expenditure for the period 1 January to 30 September 2019	30,699	1,123	31,822

Notes

5. Segment reporting, continued

Geographical segments

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

	North Atlantic	Other territories	Consoli- dated
Revenue, external for the period 1 January to 30 September 2020	456,155	36,508	492,663
Revenue, external for the period 1 January to 30 September 2019	474,167	29,878	504,045
Geographical location of assets as at 30 September 2020	521,866	13,914	535,780
Geographical location of assets as at 31 December 2019	510,402	14,112	524,514
Non-lease capital expenditure for the period 1 January to 30 September 2020	31,358	40	31,398
Non-lease capital expenditure for the period 1 January to 30 September 2019	32,734	12	32,746

6. Non-IFRS measurement

In this note to the Condensed Consolidated Interim Financial Statements Eimskip presents certain financial measures when discussing Eimskip's performance that are not measures of financial performance or liquidity under IFRS ("non-IFRS"). Non-IFRS measures do not have standardized meanings under IFRS and not all companies calculate non-IFRS measures in the same manner or on a consistent basis. As a result, these measures may not be comparable to measures used by other companies that have the same or similar names.

Management presents IFRS 16 adjusted result from operations as a performance measure because it monitors this performance measure at a consolidated level and believes that this measure is relevant to an understanding of the Group's financial performance. No other adjustments are included in adjusted result from operations.

The reconciliation of adjusted result from operations to the most directly comparable IFRS measure, result from operations, is included in the following table.

	2020			2019
	1.1. - 30.9	1.1. - 30.9	1.1. - 30.9	1.1. - 30.9
	As reported	Impact of IFRS 16	Excluding IFRS 16	Excluding IFRS 16
Revenue				
Operating revenue	492,663		492,663	504,045
Expenses				
Operating expenses	361,077	11,470	372,547	364,492
Salaries and related expenses	84,837		84,837	98,119
	445,914	11,470	457,384	462,611
Operating profit, EBITDA	46,749	(11,470)	35,279	41,434
Depreciation and amortization	(32,862)	9,966	(22,896)	(25,123)
Results from operating activities, EBIT	13,887	(1,504)	12,383	16,311
Finance income	515		515	831
Finance expenses	(5,887)	2,749	(3,138)	(3,583)
Net foreign currency exchange (loss) gain	(2,429)	(794)	(3,223)	169
Net finance (expense) income	(7,801)	1,955	(5,846)	(2,583)
Share of profit of equity accounted investees	357	0	357	(83)
Net earnings before income tax	6,443	451	6,894	13,645
Income tax	(2,775)	(90)	(2,865)	(6,486)
Net profit for the period	3,668	361	4,029	7,159

Notes

	2020	2019	2020	2019
	1.7. - 30.9.	1.7. - 30.9.	1.1. - 30.9.	1.1. - 30.9.
7. Finance income and expense				
Finance income is specified as follows:				
Interest income	199	194	475	585
Dividend received	0	0	45	102
Gain (loss) on sale of shares	0	144	(5)	144
Finance income	199	338	515	831
Finance expense is specified as follows:				
Interest on long-term loans	(662)	(802)	(2,140)	(2,743)
Interest on lease liabilities	(921)	(432)	(2,902)	(955)
Other finance expense	(432)	(219)	(845)	(840)
Finance expense	(2,015)	(1,453)	(5,887)	(4,538)
Net foreign currency exchange loss	(943)	1,144	(2,429)	899
Net finance expense	(2,759)	29	(7,801)	(2,808)

8. 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 period. 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:

	2020	2019	2020	2019
	1.7. - 30.9.	1.7. - 30.9.	1.1. - 30.9.	1.1. - 30.9.
Net profit attributable to equity holders of the Company	6,161	7,099	3,655	7,167
Number of issued shares at 1 January in thousands	187,000	187,000	187,000	187,000
Effect of treasury shares at 1 January in thousands	(4,122)	(361)	(4,122)	(361)
Effect of treasury shares purchased in thousands	(2,011)	(1,441)	(1,620)	(538)
Weighted average number of outstanding shares in thousands	180,867	185,198	181,258	186,101
Basic and diluted earnings per share (EUR)	0.0341	0.0383	0.0202	0.0385

Notes

9. Trade and other receivables

Trade and other receivables are specified as follows:

	30.9.2020	31.12.2019
Trade receivables	109,948	109,836
Restricted cash	1,198	423
Other receivables	13,212	17,619
Trade and other receivables total	124,358	127,878

10. Loans and borrowings

This note provides information on the contractual terms of Eimskip's interest bearing loans and borrowings.

Loans and borrowings consist of the following:

	30.9.2020	31.12.2019
Secured bank loans	156,775	162,939
Bank overdraft and short term borrowing	0	65
Total loans and borrowings	156,775	163,004
Current maturities of secured bank loans	(21,838)	(10,487)
Bank overdraft and short term borrowing	0	(65)
Current loans and borrowings	(21,838)	(10,552)
Non-current loans and borrowings	134,937	152,452

The loan agreements of Eimskip contain restrictive covenants. At the end of September 2020 and at the year-end 2019 Eimskip complied with all restrictive covenants.

Secured bank loans

Secured bank loans are as follows:

	30.9.2020		31.12.2019	
	Nominal interest	Carrying amount	Nominal interest	Carrying amount
Loans in EUR	1.7%	142,881	1.8%	146,651
Loans in USD	5.4%	4,160	5.4%	5,218
Loans in ISK	2.0%	8,629	3.9%	9,962
Loans in other currencies	-	1,105	-	1,108
Total secured bank loans		156,775		162,939

Aggregated annual maturities of secured bank loans are as follows:

	30.9.2020	31.12.2019
On demand or within 12 months	21,838	10,487
12 - 24 months	18,838	48,565
24 - 36 months	11,268	9,680
36 - 48 months	10,689	9,612
48 - 60 months	9,896	9,013
After 60 months	84,246	75,582
Total secured bank loans	156,775	162,939

Notes

11. Lease liabilities

Lease liabilities are as follows:

	30.9.2020	31.12.2019
Lease Liabilities in NOK*	25,105	1,624
Lease Liabilities in ISK	13,118	12,345
Lease Liabilities in USD	7,139	9,761
Lease Liabilities in EUR	7,028	7,514
Lease Liabilities in other currencies	8,712	10,015
Total	61,102	41,259
Current maturities	(9,838)	(10,763)
Non-current maturities	51,264	30,496

Maturity analysis:

	30.9.2020	31.12.2019
Within 12 months	9,838	10,763
12 - 24 months	6,779	6,887
24 - 36 months	5,212	5,421
36 - 48 months	3,861	3,761
48 - 60 months	2,297	2,428
After 60 months	33,115	11,999
Total	61,102	41,259

* The commencement date for a lease contract for a new logistics center in Norway was in January 2020, for a 40 year term, in the amount of NOK 250.6 million or EUR 21.4 million.

12. Trade and other payables

Trade and other payables are attributable to the following:

	30.9.2020	31.12.2019
Trade payables	47,351	49,605
Income tax payable	1,352	1,260
Other payables	32,429	29,539
Total	81,132	80,404

13. Capital commitments

In January 2017, Eimskip signed a shipbuilding contract with a Chinese shipbuilding company for the building of two new 2,150 TEUS container vessels named Bruarfoss and Dettifoss.

The first vessel, Dettifoss, was delivered in the beginning of May 2020. The second vessel, Bruarfoss, was delivered in October 2020. The payment profile of the vessels is that 40% of the contract price is paid during the building period and 60% upon delivery. The remaining obligation amount as at the end of September 2020 amounted to USD 17.8 million or EUR 15.2 million which was paid on delivery of Brúarfoss.

In April 2017, Eimskip secured the financing of the vessel building with a German bank, KfW IPEX Bank GmbH, for 80% of the contract price with a 15 year term. Parallel to the delivery of Dettifoss in May 2020 Eimskip proceeded a EUR 23.4 million loan from KfW IPEX Bank GmbH of which EUR 15.3 million was paid as a final payment to the shipyard and capitalized among property, vessels and equipment and EUR 0.7 million was a bank guarantee.

Notes

14. Group entities

At period-end the Company owned directly ten subsidiaries that are all included in the consolidation. The direct subsidiaries owned 65 subsidiaries at period-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 30.9.2020	Ownership Interest 31.12.2019
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%

15. Other matters

Investigation of the Icelandic Competition Authority

Eimskipafélag Íslands hf. and its subsidiaries, Eimskip Ísland ehf. and TVG-Zimsen ehf., have been under investigation of the Icelandic Competition Authority (ICA) for nearly a decade.

On 13 December 2019 Eimskip received second statement of objections from ICA, which granted the Company a continuance until 15 March 2020 to submit its objections to statement of objections I, and a continuance to submit objections to statement of objections II until 15 June 2020. Eimskip submitted its objections on both 15 March 2020 and 15 June 2020. 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 immaterial effect on the Company's Financial Statements. Further information can be found in the financial statements of 2019 and in the interim financial statements of Q1 2020.

The Environment Agency of Iceland

The Environment Agency of Iceland reported the Company to the District Prosecutors for alleged violation of the Icelandic Waste Management Act due to the vessels Godafoss and Laxfoss being recycled in India. The Company rejects these allegations as the Company complied with all laws and regulations in the sale process.

Tax related matters

The Icelandic Directorate of Internal Revenue ruled in December 2017 regarding the taxation of the operation of foreign vessel subsidiaries of Eimskip. The Internal Revenue Board confirmed the ruling in March 2019. Due to this ruling Eimskip expensed EUR 3.4 million in the Income Statement in the first quarter of 2019 and has paid EUR 0.7 million as well as utilized EUR 2.7 million of tax-losses carried forward. Eimskip disagrees with the ruling of the Internal Revenue Board and has referred the case to the Icelandic courts.

Impact of COVID-19

Under current funding structure, current financial position and assuming no major disruptions or significant decrease in demand for cargo flow, there is insignificant risk that Eimskip's loan covenants will be breached. Eimskip has good liquidity headroom with positive short-term outlook. Currently, Eimskip is not fully utilizing its revolving credit facilities and has further secured increase in such facilities to be able to meet any future setbacks in its operations due to COVID-19.

Notes

15. Other matters, continued

Impact of COVID-19, continued

Eimskip uses forward contracts to hedge its own exposure to fluctuations in bunker prices. The exposure is net of bunker adjustment factor (BAF) which is charged to customers to mitigate the price fluctuations in bunkers. World demand of oil decreased significantly in the first half of the year due to COVID-19 which resulted in price decreases of bunkers. This negatively affected the forward contracts which is reflected in the hedging reserve in equity. In past months, bunker prices have increased again with positive effect on the contracts. The hedge is still effective as the future purchases of bunkers that are being hedged are still appropriate.

Shares received from A1988 hf.

In April 2020, Eimskip received 904,213 shares in Eimskipafélag Íslands hf. from A1988 hf., formerly known as HF. Eimskipafélag Íslands. As described in Eimskip's Prospectus dated 22 October 2012, A1988 did hold shares in Eimskipafélag Íslands hf. which were to be returned to Eimskipafélag Íslands hf. upon certain conditions being met. These conditions have now been met. Previously, as disclosed on 12 March 2014, A1988 transferred 7,441,950 shares to Eimskipafélag Íslands hf. After the receipt of the 904,213 shares Eimskip holds a total of 6,132,757 shares in treasury, corresponding to 3.28% of the total share capital of the Company. Following the transfer A1988 hf. no longer holds any shares in Eimskipafélag Íslands hf.

16. Subsequent events

In October 2020, Eimskip took delivery of the new vessel Bruarfoss which will be in operation late November 2020. Please refer to note 13 for more information.

Quarterly statements

Year 2020	Q1 2020	Q2 2020	Q3 2020		
Revenue	161,670	160,615	170,378		
Expenses	152,332	144,614	148,968		
Operating profit, EBITDA	9,338	16,001	21,410		
Depreciation and amortization	(10,932)	(10,966)	(10,964)		
Results from operating activities, EBIT	(1,594)	5,035	10,446		
Net finance expense	(2,640)	(2,402)	(2,759)		
Share of (loss) profit of equity accounted investees	(317)	473	201		
Net (loss) earnings before income tax	(4,551)	3,106	7,888		
Income tax	(400)	(651)	(1,724)		
Net (loss) earnings	(4,951)	2,455	6,164		
Year 2019	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019
Revenue	163,988	167,535	172,522	175,549	679,594
Expenses	150,766	151,706	152,210	164,363	619,045
Operating profit, EBITDA	13,222	15,829	20,312	11,186	60,549
Depreciation and amortization	(10,753)	(10,705)	(11,064)	(14,505)	(47,027)
Results from operating activities, EBIT	2,469	5,124	9,248	(3,319)	13,522
Net finance (expense) income	(1,311)	(1,526)	29	(1,979)	(4,787)
Share of (loss) profit of equity accounted investees	(84)	85	(84)	(294)	(377)
Net earnings (loss) before income tax	1,074	3,683	9,193	(5,592)	8,358
Income tax	(3,575)	(929)	(1,990)	(857)	(7,351)
Net (loss) earnings	(2,501)	2,754	7,203	(6,449)	1,007