

Eimskipafélag Íslands hf.
Consolidated Financial Statements
for the year ended 31 December 2022
EUR

Eimskipafélag Íslands hf.
Sundabakka 2
104 Reykjavík
Iceland

Reg. no. 690409-0460



Contents

Endorsement and Statement by the Board of Directors and the CEO	3
Independent Auditors' Report	7
Consolidated Income Statement	11
Consolidated Statement of Comprehensive Income	12
Consolidated Statement of Financial Position	13
Consolidated Statement of Changes in Equity	14
Consolidated Statement of Cash Flows	15
Notes to the Consolidated Financial Statements	16
Appendices:	
Quarterly Statements - unaudited	47
Key figures by quarter - unaudited	48
Corporate Governance Statement	49
Non-Financial Reporting	55

Endorsement and Statement by the Board of Directors and the CEO

Eimskip is a leading transportation company in the North Atlantic providing container and reefer liner services with connections to international markets and is specialized in worldwide freight forwarding with focus on frozen and chilled commodities. Eimskip offers its customers a broad range of services related to shipping, logistics and supply chain management solutions on land, sea and air. Eimskip currently operates 56 offices in 20 countries. The Consolidated Financial Statement of the Group includes the financials of the parent company and its subsidiaries. The Group consists of a total of 67 companies in addition to six foreign branches. In addition the Company operates branch offices in Norway, Sweden, Denmark, the UK, Netherlands and Germany.

The Consolidated Financial Statements of Eimskipafélag Íslands hf. and its subsidiaries (together referred to as "Eimskip", "the Group" or "the Company") 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.

Highlights & Operations in 2022

Revenue amounted to EUR 1,070.6 million compared to EUR 882.7 million the year before and have never been higher in a calendar year. EBITDA amounted to EUR 163.1 million, up from a reported EBITDA of EUR 104.1 million in 2021 and EBIT was EUR 101.5 million, an increase from EUR 53.0 million in reported EBIT for the year 2021. Net earnings as reported for the year 2022 are a total of EUR 85.3 million (2021: EUR 40.4 million) according to the Consolidated Income Statement.

Property, vessels and equipment increased by EUR 3.3 million in 2022 and amounted to a total of EUR 233.2 million by year-end. Interest-bearing debt decreased by EUR 13.1 million in the period and amounted to EUR 133.7 million at the end of the year. Total equity at 31 December 2022 amounted to EUR 309.2 million (2021: EUR 261.5 million) according to the Statement of Financial Position. In 2022 the Company paid dividends to its shareholders equal to EUR 17.5 million, and reduced share capital by payment to shareholders of EUR 7.6 million. Please refer to note 17 for further information.

Cash flow from operations increased from previous year and amounted to EUR 148.5 million, an increase of EUR 72.8 million from 2021. Subsequently, the Company's liquidity position is strong, with cash and cash equivalents equal to EUR 69.9 million on 31 December 2022. The capital expenditure amounted to EUR 31.6 million, an increase of EUR 17.9 million from the previous year which was unusually low due to e.g. long delivery times of equipment.

Eimskip had a successful year in 2022, with record financial results, driven by strong performance across all business segments. Despite a decline in forwarding volume due to constraints in international shipping, elevated global freight rates during the first three quarters of the year helped maintain solid results in the company's international freight forwarding business which delivered and EBITDA of EUR 43.6m in 2022, up by EUR 3.7m from previous year. From second half of the third quarter and especially in the fourth quarter, market conditions eased and freight rates in most major trade lanes decreased significantly as a result of recessionary global economy. This contributed to a decrease in EBITDA in forwarding services in Q4 compared to previous year. However, there were signs of an increase in forwarding volume. The company experienced a YoY decrease of 11% in forwarding volume but only a 2.9% decrease in the fourth quarter which was also the largest quarter in terms of forwarding volume in 2022.

A strong performance in the liner services delivered an EBITDA of EUR 119.5m, which is an increase of 45.1m from previous year. The volume in Eimskip's liner services saw an increase of 4.1% year-over-year, growing from 2,142 thousand tons in 2021 to 2,231 thousand tons in 2022. Majority of this increase is attributable to a strong growth in imports to Iceland, supported by the robustness of the Icelandic economy, and high demand for Trans-Atlantic services. Notably, the Trans-Atlantic trade lane was the only major international trade lane that did not experience a drop in freight rates in Q4.

The Company has maintained a strong focus on customer service, reliability and operational efficiency in the liner services to ensure a healthy profitability of this asset-heavy segment, essential in enabling a sustainable level of investment. The Norwegian reefer liner services performed well financially, despite some contraction in volume caused by the discontinuance of calling Murmansk on the reefer liner services following the Russian invasion of Ukraine, and due to the company's decision to redirect one vessel to another trade lane during the summer, resulting in a lower overall capacity.

The war in Ukraine did affect the Company's operations, e.g. in Norway as previously mentioned, as well as in exports from Iceland and the Faroe Islands, with some disruptions to pelagic transportation into the region. Although the direct consequences of the war were not substantial and did not pose a risk to the Company's operations, the macroeconomic impact of the war such as the energy crisis in Europe, increased inflationary pressure, and shifts in the geopolitical landscape are considered a key risk for the Company in the near future.

Endorsement and Statement by the Board of Directors and the CEO

Highlights in 2022, continued

A long-term incentive program for key employees, in form of a share option plan, was approved at the Annual General Meeting on 17 March 2022. The Board of Directors has since allocated share options to certain key employees. The shares allocated under the Share Option Plan amounted to 1,839,600 shares which constitutes 1.05% of the Company's share capital, thereof 1,090,620 shares were allocated to the CEO and Executive Management. Please refer to note 6 for further information.

The Annual General Meeting furthermore approved a dividend payment to shareholders as well as a share capital reduction with a cash payment to shareholders. Please refer to note 17 for further information.

On 30 May 2022 the Board of Directors initiated a share buy-back program in accordance with the approval of Eimskip Annual meeting on 17 March. The number of shares to be acquired under the buy-back program were up to 1,730,000. During the second quarter Eimskip purchased all the shares with a purchase price of ISK 830.7 million or EUR 5.5 million. The share buy-back was completed on 30 June 2022. The main purpose of the share buy-back was to reduce the Company's share capital and to fulfill the Company's obligation in accordance with the stock option plan of the Company.

On 18 August 2022 the Board of Directors initiated a share buy-back program in accordance with the approval of Eimskip Annual meeting on 17 March. The number of shares to be acquired under the buy-back program were up to 1,700,000. During the third quarter Eimskip purchased shares with a purchase price of ISK 934.1 million or EUR 7.1 million. The share buy-back was completed on 11 October 2022. The main purpose of the share buy-back was to reduce the Company's share capital.

The Board of Directors proposes a dividend payment to shareholders in 2023 in the amount of ISK 20.08 per share. The proposed dividend payment is ISK 3.4 billion, or approximately EUR 22.5 million, which represents 26% of net earnings for the year 2022.

Outlook and uncertainties

The outlook in the beginning of the year 2023 is marked by macro-economic uncertainty with rising recessionary pressure in major economies. High inflation and geopolitical tension are contributing to softening demand and a sharp decline in global freight rates, particularly in trade lanes connected to Asia. Eimskip has started to experience some effects of this sharp turnaround in the freight markets through its forwarding operations, with margins trending downward in recent months. However, Eimskip's specialization in reefer logistics provides an advantage as frozen and refrigerated goods are generally more resistant to economic cycles.

In the liner segment, Eimskip is strongly positioned as a shipping line mainly servicing wealthy economies in the North-Atlantic. Eimskip's home market covers Northern Norway, Faroe Islands, Iceland, Greenland, Newfoundland, and the New England area in the United States. This area is rich in natural resources with a strong fishing heritage, a highly skilled labor force, and economies that are heavily reliant on import and export. At the start of 2023, demand for Eimskip's shipping services is strong. However, if the global economic slowdown continues it is likely to soften demand in Eimskip's core trades.

The easing of the global supply chain disruption that characterized the shipping industry from 2020 and through most of 2022, causing various operational difficulties, is one of the factors that is putting pressure on the forwarding rates. At the same time, this alleviation has positively affected operational challenges such as employee retention and service deviations by third party transportation suppliers.

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 of Procedures for the Board of Directors and Board's subcommittee and various company policies, Rules for Issuers of Financial Instruments listed at Nasdaq Iceland and the 6th edition of Corporate Governance Guidelines issued by the Iceland Chamber of Commerce, SA – Confederation of Iceland Enterprise 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. Management has emphasized and increased level of information shared with investors and other stakeholders in quarterly reporting as well as communication with customers on current affairs. 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.

Endorsement and Statement by the Board of Directors and the CEO

Corporate Governance, continued

Active risk management plays an important role at Eimskip ensuring stable operations and earnings. The Company's Treasury Policy aims to minimize potential negative effects on operations and earnings from financial activities and to keep risk at acceptable levels. Information on matters related to financial risk management is disclosed in note 21. Furthermore, the Company has an active risk management program to map and manage the Company's main risk exposure, both operational and financial.

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 Executive Management and the CEO consists of seven males and two females. The Company's gender ratio is 70% males, 30% females and 0% other genders. Further information on the number of full-time equivalents is provided in note 6.

Non-Financial Reporting

The Company is defined as a large Public Interest Entity according to the Icelandic Financial Statement Act. The Act states 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. In November 2020 Eimskip conducted an ESG risk assessment (Environmental, Social, and Governance) and ESG targets for the next three years plans were developed. Eimskip has now published its Sustainability Statement for 2022 that reflects the ESG guidelines issued by Nasdaq Iceland and the Nordic countries in March 2017. Please refer to the Company's website.

Share capital and articles of association

The number of shareholders at year-end 2022 was 984 which was an increase of 133 from the beginning of year. The Company's ten largest shareholders at the year-end are the following:

Shareholder:	2022		2021	
	Number of shares	Shares in %	Number of shares	Shares in %
1. Seley ehf ¹⁾	56,748,532	33.46%	57,453,585	32.80%
2. Gildi - lífeyrissjóður ²⁾	21,781,520	12.84%	19,510,224	11.14%
3. Lífeyrissjóður verzlunarmanna ³⁾	21,244,276	12.53%	21,574,181	12.32%
4. Lífeyrissjóður starfsmanna ríkisins A-deild and B-deild	8,200,000	4.84%	8,800,000	5.02%
5. Birta lífeyrissjóður	8,105,035	4.78%	8,600,839	4.91%
6. Stefmir hf. ⁴⁾	7,379,087	4.35%	8,656,789	4.94%
7. Stapi lífeyrissjóður	6,997,710	4.13%	7,764,310	4.43%
8. Sjóvá-Almennar tryggingar hf.	4,152,687	2.45%	3,466,777	1.98%
9. Landsbréf ⁵⁾	3,120,862	1.84%	3,754,567	2.14%
10. Lífsverk lífeyrissjóður	2,722,551	1.61%	1,234,774	0.70%
Other shareholders	29,136,433	17.18%	34,352,244	19.61%
Total outstanding shares	169,588,693	100.00%	175,168,290	100.00%
Treasury shares	3,461,307		31,710	
Total issued shares	173,050,000		175,200,000	

¹⁾ Seley ehf. is 100% owned by Samherji Holding ehf., which transferred all of their shares to Seley ehf. in December 2022.

²⁾ Gildi lífeyrissjóður, Gildi lífeyrissjóður/Framtíðarsýn 1 and 2 with total shareholding of 12.84%

³⁾ Lífeyrissjóður verzlunarmanna, Lífeyrissjóður verzlunarmanna/Ævileid 1 and 2 with total shareholding of 12.53%

⁴⁾ The shareholders are Stefmir - Innland hlutabréf, Stefmir- ÍS-5, Stefmir - Ardgreidslusjóður and Stefmir Sustainable Artic

⁵⁾ The shareholders are Landsbréf - Úrvalsbréf, Landsbréf - Öndvegisbréf, Landsbréf - Hekla, Landsbréf - LEQ-UCITS ETF and Landsbréf - LEQ150 ETF.

Endorsement and Statement by the Board of Directors and the CEO

Share capital and articles of association, continued

The Company's Board of Directors consists of five Directors and two alternate Directors, all elected at an annual general meeting in March 2022. Those who intend to run for the Board of Directors shall notify the Board of Directors of their candidacy at least ten 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 17. Additional information on shareholders is provided on the Company's website, www.eimskip.is/investors.

Statement by the Board of Directors and the CEO

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 2022, its assets, liabilities and consolidated financial position as at 31 December 2022 and its consolidated cash flows for the year 2022.

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.

In our opinion, the Consolidated Financial Statements of Eimskipafélag Íslands hf. for the year 2022 identified as "549300IUR8Q7Y44KBLO2-2022-12-31-en.zip" are prepared in all material respects, in compliance with the ESEF Regulation.

The Board of Directors and the CEO have today discussed the Consolidated Financial Statements of Eimskipafélag Íslands hf. for the year 2022 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, 14 February 2023

Board of Directors:

Óskar Magnússon, Chairman

Margrét Guðmundsdóttir, Vice-Chairman

Guðrún Ó. Blöndal, Board Member

Lárus L. Blöndal, Board Member

Ólöf Hildur Pálsdóttir, Board Member

CEO:

Vilhelm Már Thorsteinsson

Independent Auditors' Report

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

Opinion

We have audited the accompanying consolidated financial statements of Eimskipafélag Íslands hf. and its subsidiaries (the group) for the year 2022, excluding the endorsement and statement by the board

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU), and applicable articles in Icelandic law on annual accounts.

Our opinion is consistent with our additional report to the audit committee and the board of directors.

The consolidated financial statements comprise

- Endorsement and statement by the Board of Directors and the CEO.
- Consolidated income statement for the year 2022.
- Consolidated statement of comprehensive income for the year 2022.
- Consolidated statement of financial position as at 31 December 2022.
- Consolidated statement of changes in equity for the year ended December 2022.
- Consolidated statement of cash flows for the year 2022.
- Notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

The endorsement and statement by the board of directors and the CEO and appendices to the financial statements are excluded from the audit, refer to section reporting on other information.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. 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.

Independence

We are independent of the group in accordance with Icelandic laws on auditors and auditing and the code of ethics that apply to auditors in Iceland and relate to our audit of the group's consolidated financial statements. We have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the group and its subsidiaries are in accordance with the applicable law and regulations in Iceland and that we have not provided non-audit services that are prohibited under Article 5.1. of Regulation (EU) No. 537/2014.

The non-audit services that we have provided to the group and its subsidiaries, in the period from January 1, 2022 to December 31, 2022, are disclosed in note 24 to the consolidated financial statements.

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 judgement, 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.

Independent Auditors' Report

Key Audit Matters

Revenue recognition

Operating revenue amounts to EUR 1.070.626 thousand in the year 2022.

Recognition of revenue consists of high volume of transactions and different types of logistic contracts with individually negotiated terms.

We focused on this area due to the significance of amounts involved and because recognition of revenue involves accounting policy decisions and judgements made by management.

Further, the volume of transactions and extent of different contracts require various IT setups to ensure correct revenue recognition.

Reference is made to notes 5 and 28.k. in the consolidated financial statements.

How the matter was addressed in our audit

Our audit procedures included:

- Considering the appropriateness of the revenue recognition accounting policies and assessing compliance with applicable accounting standards.
 - Obtaining understanding of the revenue and accounts receivable accounting process.
 - Testing the accounting treatment and principles applied.
 - Data analytics on selected revenue streams and testing journal entries on revenue.
 - Substantive procedures over invoicing, contracts and other supporting documents.
 - Detailed testing on timing to ensure that the revenue is recognised in the correct financial year.
 - Accounts receivable confirmations.
- Relevant notes have been reviewed.

Reporting on other information, including the endorsement and statement by the board of directors and the CEO

The board of directors and chief executive officer are responsible for other information. The other information comprises of the endorsement and statement by the board of directors and the CEO and appendices to the consolidated financial statements, including quarterly statements, key figures by quarter, corporate governance statement and non-financial reporting, which we obtained prior to the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information, including the endorsement and statement by the board of directors and the CEO.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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. In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in other information that we obtained prior to the date of this auditor's report. We have nothing to report in this respect.

With respect to the endorsement and statement by the board of directors and the CEO we have, in accordance with article 104, of the Icelandic law on annual accounts reviewed that to the best of our knowledge, the endorsement and statement by the board of directors and the CEO accompanying the consolidated financial statements includes applicable information in accordance with Icelandic law on annual accounts if not presented elsewhere in the consolidated financial statements.

Responsibilities of the Board of Directors and the Chief Executive Officer

The board of directors and the chief executive officer are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and applicable articles in Icelandic law on annual accounts, and for such internal control as determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Report

In preparing the consolidated financial statements, management is responsible for assessing the groups' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so. The Group's management must provide appropriate explanations regarding its ability to continue as going concern, if applicable, and why management applies the presumption of going concern in the preparation and presentation of the consolidated financial statements

Those charged with governance 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 International Standards on Auditing 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 International Standards on Auditing, we exercise professional judgement and maintain professional scepticism 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.

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

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 those charged with governance 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 those charged with governance 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.

Independent Auditors' Report

From the matters communicated with those charged with governance, 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

Report on European single electronic format (ESEF Regulation)

As part of our audit of the consolidated financial statements of Eimskipafélag Íslands hf. we performed procedures to be able to issue an opinion on whether the consolidated financial statements of Eimskipafélag Íslands hf. for the year 2022 with the file name 549300IUR8Q7Y44KBL02-2022-12-31-en.zip is prepared, in all material respects, in accordance with law no. 20/2021 Act on securities issuer obligations to issue information and self-report relating to requirements under the European single electronic format regulation EU no. 2019/815, which include requirements concerning preparation of the consolidated financial statements in XHTML format and iXBRL markup.

The board of directors and chief executive officer are responsible for preparing the consolidated financial statements in accordance with law no. 20/2021. This responsibility includes preparing the consolidated financial statements in a XHTML format in accordance to EU regulation no. 2019/815 on the European single electronic format (ESEF regulation).

Our responsibility is to obtain reasonable assurance, based on evidence that we have obtained, on whether the consolidated financial statements are prepared in all material respects, in accordance with the ESEF Regulation, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF regulation, whether due to fraud or error.

In our opinion, the consolidated financial statements of Eimskipafélag Íslands hf. for the year 2022 with the file name 549300IUR8Q7Y44KBL02-2022-12-31-en.zip is prepared, in all material respects, in accordance with the European single electronic format regulation EU no. 2019/815.

Appointment

We were first appointed as auditors at the company's annual general meeting on March 25, 2021. Our appointment has been renewed at the company's annual general meeting representing a total period of uninterrupted engagement appointment of two years.

Reykjavik, 14 February 2023

PricewaterhouseCoopers ehf.

Bryndís Björk Guðjónsdóttir
certified public accountant

Kristinn Freyr Kristinsson
certified public accountant

Consolidated Income Statement for the year 2022

	Notes	2022	2021
Revenue			
Operating revenue		1,070,626	882,717
	5	1,070,626	882,717
Expenses			
Operating expenses		771,570	646,134
Settlement with the Icelandic Competition Authority		0	10,219
Salaries and related expenses	6	135,970	122,305
	5	907,540	778,658
Operating profit, EBITDA		163,086	104,059
Depreciation, amortization and impairment	10-12	(61,618)	(51,010)
Results from operating activities, EBIT		101,468	53,049
Finance income		1,061	634
Finance expense		(8,888)	(7,735)
Net foreign currency exchange loss		(1,073)	(454)
Net finance expense	7	(8,900)	(7,555)
Share of earnings of equity-accounted investees	13	13,150	7,168
Net earnings before income tax		105,718	52,662
Income tax	8	(20,423)	(12,271)
Net earnings for the year		85,295	40,391
Net earnings for the year attributable to:			
Equity holders of the Company		83,397	38,302
Non-controlling interest		1,898	2,089
		85,295	40,391
Earnings per share:			
Basic earnings per share (EUR per share)	9	0.4846	0.2169
Diluted earnings per share (EUR per share)	9	0.4846	0.2169

The notes on pages 16 to 46 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income for the year 2022

	Notes	2022	2021
Net earnings for the year		85,295	40,391
Other comprehensive income:			
Items that are or may subsequently be reclassified to the income statement			
Foreign currency translation difference of foreign operations .....	(	384)	4,918
Effective portion of changes in fair value of cash flow hedges, net of income tax	8,21	2,064	(17)
Fair value changes of minority put option liability .....	(	602)	(137)
Total other comprehensive income for the year		1,078	4,764
Total comprehensive income for the year		86,373	45,155
Total comprehensive income for the year attributable to:			
Equity holders of the Company		84,574	42,755
Non-controlling interest		1,799	2,400
		86,373	45,155

The notes on pages 16 to 46 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

as at 31 December 2022

	Notes	2022	2021
Assets:			
Property, vessels and equipment	10	233,201	229,916
Right-of-use assets	11	102,680	120,514
Intangible assets	12	61,469	61,830
Equity accounted investees	13	31,670	18,187
Finance assets		2,934	3,941
Deferred tax assets	14	2,121	1,331
Total non-current assets		434,075	435,719
Inventories		11,721	8,945
Trade and other receivables	15,21	150,926	152,674
Cash and cash equivalents	16	69,937	36,986
Total current assets		232,584	198,605
Total assets		666,659	634,324
Equity:			
Share capital		1,045	1,085
Share premium		117,046	137,236
Reserves		94,944	38,293
Retained earnings		89,091	78,366
Total equity attributable to equity holders of the parent company	17	302,126	254,980
Non-controlling interest		7,039	6,485
Total equity		309,165	261,465
Liabilities:			
Loans and borrowings	18	120,528	133,230
Lease liabilities	19	74,373	91,768
Other long-term liabilities	25	3,448	2,846
Deferred tax liability	14	7,169	5,410
Total non-current liabilities		205,518	233,254
Loans and borrowings	18	13,213	13,603
Lease liabilities	19	29,789	28,229
Trade and other payables	20	94,954	93,211
Income tax payable		14,020	4,562
Total current liabilities		151,976	139,605
Total liabilities		357,494	372,859
Total equity and liabilities		666,659	634,324

The notes on pages 16 to 46 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2022

	Attributable to equity holders of the Company								
	Reserves						Total	Non-controlling interest	Total equity
	Share capital	Share premium	Trans-lation reserve	Other reserves*	Un-distributed profits	Retained earnings			
Changes in Equity 2021:									
Equity at 1 January 2021	1,123	148,369	(9,413)	(384)	18,858	67,847	226,400	4,257	230,657
Share capital reduction	(38)	(11,133)					(11,171)		(11,171)
Dividend paid (0.0166 EUR per share)						(3,004)	(3,004)		(3,004)
Minority put option exercised				452		(452)	0		0
Other changes in non-controlling interest							0	(172)	(172)
Total comprehensive income for the period			4,607	(154)		38,302	42,755	2,400	45,155
Profit of subsidiaries net of dividend received					24,327	(24,327)	0		0
Equity at 31 December 2021	1,085	137,236	(4,806)	(86)	43,185	78,366	254,980	6,485	261,465
Reserves					38,293				
Changes in Equity 2022:									
Equity at 1 January 2022	1,085	137,236	(4,806)	(86)	43,185	78,366	254,980	6,485	261,465
Share capital reduction	(15)	(7,576)					(7,591)		(7,591)
Dividend paid (0.0998 EUR per share)						(17,477)	(17,477)		(17,477)
Purchased treasury shares	(25)	(12,614)					(12,639)		(12,639)
Changes in share options reserve				279			279		279
Other changes in non-controlling interest							0	(1,245)	(1,245)
Total comprehensive income for the period			(285)	1,462		83,397	84,574	1,799	86,373
Profit of subsidiaries net of dividend received					55,195	(55,195)	0		0
Equity at 31 December 2022	1,045	117,046	(5,091)	1,655	98,380	89,091	302,126	7,039	309,165
Reserves					94,944				

* Other reserves include hedging reserve, share option reserve and reserve for fair value changes of minority put options. Please refer to note 17 for further information.

The notes on pages 16 to 46 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows for the year 2022

	Notes	2022	2021
Cash flows from operating activities:			
Net earnings for the year		85,295	40,391
Adjustments for:			
Depreciation, amortization and impairment	10-12	61,618	51,010
Net finance expense	7	8,900	7,555
Share of earnings of equity-accounted investees	13	(13,150)	(7,168)
Change in deferred taxes	8,14	754	2,637
Other changes		(431)	(886)
		142,986	93,539
Changes in current assets and liabilities:			
Inventories, change		(4,382)	(4,123)
Receivables, change		4,093	(32,104)
Payables, change		19,236	27,290
		18,947	(8,937)
Interest received		1,061	619
Interest paid		(8,887)	(7,689)
Taxes paid		(5,652)	(1,963)
		148,455	75,569
Cash flows from investing activities:			
Acquisition of property, vessels and equipment	10	(26,913)	(8,981)
Acquisition of intangible assets	12	(4,284)	(2,440)
Acquisition of right-of-use assets	11	(402)	(732)
Proceeds from the sale of property, vessels and equipment		1,913	3,467
Minority put options exercised		0	(2,519)
Dividend from equity accounted investee		0	1,555
Changes in finance assets		(971)	3,948
		(30,657)	(5,702)
Cash flows from financing activities:			
Share capital reduction		(7,591)	(11,171)
Dividend paid to equity holders of the company		(17,477)	(3,004)
Purchased treasury shares		(12,639)	0
Dividend paid to non-controlling interest and other changes		(1,245)	(704)
Proceeds from non-current loans and borrowings	18	362	18,896
Repayment of non-current loans and borrowings	18	(13,325)	(33,996)
Repayment of lease liabilities	19	(32,238)	(19,057)
Short term borrowings, change		(415)	459
		(84,568)	(48,577)
Changes in cash and cash equivalents		33,230	21,290
Cash and cash equivalents at the beginning of the year		36,986	15,640
Effects of exchange rate fluctuations on cash held		(279)	56
		69,937	36,986
Investing and financing activities not affecting cash flows:			
Acquisition of right-of-use assets	11	(15,254)	(77,706)
New or renewed leases	19	15,254	77,706
Reclassified fixed asset	10	(1,814)	0
Inventory, change		1,814	0

The notes on pages 16 to 46 are an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

General presentation	Page
1 Reporting entity	17
2 Basis of accounting	17
3 Measurement of fair values	17
4 Changes in significant accounting policies	17
28 Significant accounting policies	39
29 Standards issued but not yet effective	46
Notes to the Consolidated Income Statement	
5 Segment reporting	18
6 Salaries and related expenses	20
7 Finance income and expense	20
8 Income tax	21
9 Earnings per share	21
Notes to the Consolidated Statement of Financial Position	
10 Property, vessels and equipment	22
11 Right-of-use assets	23
12 Intangible assets	24
13 Investment in equity-accounted investees	25
14 Deferred tax assets and liabilities	26
15 Trade and other receivables	27
16 Cash and cash equivalents	27
17 Capital and reserves	27
18 Loans and borrowings	29
19 Lease liabilities	30
20 Trade and other payables	30
21 Financial risk management	30
Other information	
22 Leases	35
23 Related parties	35
24 Auditor's fees	36
25 Group entities	37
26 Other matters	37
27 Subsequent events	38

Notes to the Consolidated Financial Statements

1. Reporting entity

Eimskipafélag Íslands hf. (the "Company", the "Group" or the "Parent Company") is a public limited liability company domiciled in Iceland. The address of the Company's registered office is Sundabakki 2, 104 Reykjavík. The Consolidated Financial Statements of the Company for the year ended 31 December 2022 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 14 February 2023.

Details of the Group's accounting policies are included in note 28.

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 and cash flow hedges 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 5 and 28 k - Revenue

Note 11 and 19 - Right-of-use assets and lease liabilities

Note 12 - Intangible assets and impairment testing

Notes 15 and 20 - 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

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 2021. IFRS standards effective as at 1 January 2022 had immaterial effects on the Consolidated Financial Statements.

Notes

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	Un- allocated	Consoli- dated
For the year 2022				
Revenue, external	654,603	416,023	0	1,070,626
Inter-segment revenue	16,802	31,817	0	48,619
Total	671,405	447,840	0	1,119,245
Expenses, external	(520,052)	(387,488)	0	(907,540)
Inter-segment expense	(31,817)	(16,802)	0	(48,619)
EBITDA	119,536	43,550	0	163,086
Depreciation and amortization	(54,258)	(7,360)	0	(61,618)
EBIT	65,278	36,190	0	101,468
Net finance expense	(8,591)	(309)	0	(8,900)
Share of earnings of equity-accounted investees	13,140	10	0	13,150
Income tax	(10,751)	(9,672)	0	(20,423)
Net earnings for the year	59,076	26,219	0	85,295
Segment assets	502,338	164,321	0	666,659
Segment liabilities	269,754	87,740	0	357,494
Non-lease capital expenditure	28,563	2,634	0	31,197
	Liner services	Forwarding services	Un- allocated	Consoli- dated
For the year 2021				
Revenue, external	507,696	375,021	0	882,717
Inter-segment revenue	20,869	34,198	0	55,067
Total	528,565	409,219	0	937,784
Expenses, external	(419,901)	(348,538)	(10,219)	(778,658)
Inter-segment expense	(34,198)	(20,869)	0	(55,067)
EBITDA	74,466	39,812	(10,219)	104,059
Depreciation and amortization	(44,097)	(6,913)	0	(51,010)
EBIT	30,369	32,899	(10,219)	53,049
Net finance expense	(4,883)	(2,672)	0	(7,555)
Share of earnings of equity-accounted investees	7,017	151	0	7,168
Income tax	(4,054)	(8,217)	0	(12,271)
Net (loss) earnings for the year	28,449	22,161	(10,219)	40,391
Segment assets	481,178	153,146	0	634,324
Segment liabilities	277,298	95,561	0	372,859
Non-lease capital expenditure	11,129	1,024	0	12,153

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
For the year 2022			
Revenue, external	948,235	122,391	1,070,626
Segment assets	638,188	28,471	666,659
Non-lease capital expenditure	31,052	145	31,197
For the year 2021			
Revenue, external	750,128	132,589	882,717
Segment assets	603,365	30,959	634,324
Non-lease capital expenditure	12,100	53	12,153

Notes

6. Salaries and related expenses

Salaries and related expenses are specified as follows:

	2022	2021
Salaries	110,257	102,018
Expenses related to equity settled share based payments	279	0
Defined pension contribution plan	12,944	11,209
Other related expenses	12,490	9,078
Salaries and related expenses	<u>135,970</u>	<u>122,305</u>
Average number of full-time equivalents during the year	1,678	1,620
Average number of employees	1,733	1,670
Number of full-time equivalents at year-end	1,723	1,624

Share Option Plan was approved by the Company's Annual General Meeting on 17 March 2022, and the Board of Directors decided on 29 March 2022 to allocate share options to certain key employees of the Company globally, amounting to 1,839,600 shares which constitutes 1.05% of the Company's share capital when the share option plan was approved. Thereof 1,090,620 shares were allocated to the CEO and Executive Management and the respective agreements signed.

The exercise price of the share options is ISK 546 pr. share, i.e. the Company's average share price in ISK for the last 10 business days, as recorded on Nasdaq Iceland prior to the allocation date. The exercise price shall be adjusted (for reduction) for future dividend payments and corresponding capital allocation to the shareholders from the Company's assets on a krona-to-krona basis. The exercise price shall also be adjusted (upwards) with 3% annual interest, added to risk free interest until the first day of each exercise period. Vesting time is three (3) years from the date of allocation and exercise period is immediately upon the conclusion of the minimum vesting period (3 years from the date of allocation), whereas the option holder can exercise 33.33% of total options (period 1), a year thereafter, the option holder can exercise 33.33% of total options (period 2) and a year thereafter, the option holder can exercise 33.33% of total options (period 3).

The total cost according to the Black & Scholes method is estimated EUR 1.4 million (ISK 205 million) during the vesting period as which accrued costs amounting to 278.6 thousand EUR (ISK 39.5 million) were recognized during the year.

7. Finance income and expense

Finance income is specified as follows:

Interest income	782	471
Dividend received	255	163
Gain on sale of shares	24	0
Finance income	<u>1,061</u>	<u>634</u>

Finance expense is specified as follows:

Interest on long-term loans	(3,224)	(2,891)
Interest on lease liabilities	(4,738)	(3,937)
Other finance expense	(926)	(907)
Finance expense	<u>(8,888)</u>	<u>(7,735)</u>
Net foreign currency exchange loss	(1,073)	(454)
Net finance expense	<u>(8,900)</u>	<u>(7,555)</u>

Notes

8. Income tax

(i) Income tax recognized in the income statement:

Current tax expense:

Current year	18,794	9,016
--------------------	--------	-------

Deferred tax:

Origination and reversal of temporary differences	1,606	3,051
Other changes	23	204
	1,629	3,255
Total income tax	20,423	12,271

(ii) Reconciliation of effective income tax rate:

	2022		2021	
Net earnings before income tax		105,718		52,662
Income tax using the Company's domestic tax rate	20.0%	21,144	20.0%	10,532
Effect of tax rates in foreign jurisdictions	(2.1%)	(2,249)	(3.8%)	(1,990)
Non-deductible expenses	0.2%	193	5.7%	3,001
Under or over provided in previous years	0.5%	549	1.5%	791
Income tax reassessment for vessel subsidiaries, see note 25	0.0%	0	0.3%	154
Other changes	0.7%	786	(0.4%)	(217)
Effective income tax rate	19.3%	20,423	23.3%	12,271

Increase in income tax relating to the cash flow hedge in other comprehensive income amounted to EUR 516 thousand (2021: Decrease EUR 4 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. Eimskip has one category of dilutive potential ordinary shares: stock options. The average stock price since the issuance of the stock options is below the exercise price of the options and therefore as at 31 December 2022 diluted earnings per share were equal to earnings per share. Calculations are as follows:

	2022	2021
Net earnings attributable to equity holders of the Company	83,397	38,302
Number of issued shares at 1 January in thousands	175,200	187,000
Effect of treasury shares at 1 January in thousands	(33)	(6,133)
Effect of treasury shares purchased in thousands	(1,432)	0
Effect of share capital reduction	(1,632)	(4,306)
Weighted average number of outstanding shares at 31 December	172,103	176,561
Basic earnings per share (EUR)	0.4846	0.2169
Diluted earnings per share (EUR)	0.4846	0.2169

Notes

10. Property, vessels and equipment

Property, vessels and equipment are specified as follows:

	Land and buildings	Vessels	Containers and equipment	Total
Cost				
Balance at 1 January 2021	111,963	149,491	161,374	422,828
Adjustment 1 January 2021	5,523	(2,540)	9,044	12,027
Corrected Balance 1 January 2021	117,486	146,951	170,418	434,855
Reclassification of assets	630	0	(630)	0
Additions	1,383	789	6,809	8,981
Disposals	(1,342)	0	(16,128)	(17,470)
Currency adjustments	811	773	1,285	2,869
Balance at 31 December 2021	118,968	148,513	161,754	429,235
Balance at 1 January 2022	118,968	148,513	161,754	429,235
Reclassification of assets	559	0	1,255	1,814
Additions	750	5,217	20,946	26,913
Disposals	(331)	0	(9,894)	(10,225)
Currency adjustments	(402)	(691)	(233)	(1,326)
Balance at 31 December 2022	119,544	153,039	173,828	446,411
Depreciation				
Balance at 1 January 2021	35,816	46,623	92,807	175,246
Adjustment 1 January 2021	5,523	(2,540)	9,044	12,027
Corrected Balance 1 January 2021	41,339	44,083	101,851	187,273
Disposals	(819)	0	(14,533)	(15,352)
Depreciation	3,823	8,611	12,930	25,364
Currency adjustments	342	406	1,286	2,034
Balance at 31 December 2021	44,685	53,100	101,534	199,319
Balance at 1 January 2022	44,685	53,100	101,534	199,319
Disposals	(342)	0	(8,887)	(9,229)
Depreciation	3,838	8,134	12,211	24,183
Currency adjustments	(302)	(503)	(258)	(1,063)
Balance at 31 December 2022	47,879	60,731	104,600	213,210
Carrying amounts				
At 1 January 2021	76,147	102,868	68,567	247,582
At 31 December 2021	74,283	95,413	60,220	229,916
At 31 December 2022	71,665	92,308	69,228	233,201
Pledges				
Property, vessels and equipment with a carrying amount of EUR 122.7 million (2021: EUR 117.7 million) have been pledged as security for loans amounting to EUR 133.3 million (2021: EUR 146.0 million) at year-end.				

Notes

11. Right-of-use assets

Right-of-use assets are specified as follows:

	Land	Buildings and Cold storage	Vessels	Vehicles and Equipment	Total	
Cost						
Balance at 1 January 2021	10,339	46,799	9,317	18,872	85,327	
New and amended leases	4,837	6,710	62,149	4,742	78,438	
Expired leases	0 (	1,534) (	5,866) (	531) (	7,931)
Divestments	0 (	4,838) (	3,480) (	2,549) (	10,867)
Currency adjustments	0	1,789	4	125	1,918	
Balance at 31 December 2021	15,176	48,926	62,124	20,659	146,885	
Balance at 1 January 2022	15,176	48,926	62,124	20,659	146,885	
New and amended leases	0	5,155	4,215	6,286	15,656	
Expired leases	(44) (2,157) (1,018) (1,710) (4,929)
Divestments	0 (	69) (	0 (	139) (	208)
Currency adjustments	648 (	1,124) (	1,911 (	136) (	1,299)
Balance at 31 December 2022	15,780	50,731	67,232	24,960	158,703	
Depreciation						
Balance at 1 January 2021	637	6,907	3,911	6,496	17,951	
Depreciation	397	5,479	11,316	3,609	20,801	
Expired leases	0 (	1,534) (	5,866) (	531) (	7,931)
Divestments	0 (	1,007) (	1,898) (	1,774) (	4,679)
Currency adjustments	0	194 (	10) (	45 (	229)
Balance at 31 December 2021	1,034	10,039	7,453	7,845	26,371	
Balance at 1 January 2022	1,034	10,039	7,453	7,845	26,371	
Depreciation	469	5,887	22,995	3,626	32,977	
Expired leases	(44) (2,157) (1,018) (1,710) (4,929)
Divestments	0 (	30) (	0 (	114) (	144)
Currency adjustments	0 (	80) (	1,911 (	83) (	1,748)
Balance at 31 December 2022	1,459	13,659	31,341	9,564	56,023	
Carrying amounts						
1 January 2021	9,702	39,892	5,406	12,376	67,376	
31 December 2021	14,142	38,887	54,671	12,814	120,514	
31 December 2022	14,321	37,072	35,891	15,396	102,680	

Lease categories

Eimskip leases vessels, buildings and cold storages, land, vehicles and equipment under operating leases.

Vessels: Eimskip charters vessels for use in the sailing system. The lease terms and the remaining lease terms on the date of the initial application, varies between 3 months and 5 years.

Buildings and cold storages: Eimskip leases buildings for regional offices and cold storages for use in logistics. The lease terms and the remaining lease terms on the date of the initial application, varies between 1 and 40 years.

Land: Eimskip leases land for operations of terminal areas. The lease terms and the remaining lease terms on the date of the initial application, varies between 1 and 50 years.

Vehicles and equipment: Eimskip leases vehicles and containers for use in its logistics and terminal operations. The lease terms and the remaining lease terms on the date of the initial application, varies between 1 and 8 years.

Leases not yet commenced

Eimskip has not committed to material leases that have not yet commenced which will lead to a right-of-use asset and a lease liability.

Notes

12. Intangible assets

Intangible assets and amortization are specified as follows:

	Goodwill	Brand name	Software	Market and customer related	Total
Cost					
Balance at 1 January 2021	27,345	15,106	28,702	25,383	96,536
Additions	0	0	2,440	0	2,440
Currency adjustments	309	41	3	288	641
Balance at 31 December 2021	27,654	15,147	31,145	25,671	99,617
Balance at 1 January 2022	27,654	15,147	31,145	25,671	99,617
Additions	0	0	4,284	0	4,284
Disposal	0	0	(1,833)	(1,151)	(2,984)
Currency adjustments	(158)	(5)	2	(51)	(212)
Balance at 31 December 2022	27,496	15,142	33,598	24,469	100,705
Amortization and Impairment					
Balance at 1 January 2021	0	0	22,914	9,894	32,808
Amortization	0	0	3,187	1,658	4,845
Currency adjustments	0	0	3	131	134
Balance at 31 December 2021	0	0	26,104	11,683	37,787
Balance at 1 January 2022	0	0	26,104	11,683	37,787
Amortization	0	0	2,886	1,473	4,359
Impairment	98	0	0	0	98
Disposal	0	0	(1,833)	(1,151)	(2,984)
Currency adjustments	0	0	1	(25)	(24)
Balance at 31 December 2022	98	0	27,158	11,980	39,236
Carrying amounts					
At 1 January 2021	27,345	15,106	5,788	15,489	63,728
At 31 December 2021	27,654	15,147	5,041	13,988	61,830
At 31 December 2022	27,398	15,142	6,440	12,489	61,469

Impairment testing

Intangible assets other than goodwill and brand names are stated at cost less any accumulated amortization. Goodwill and brand name were assessed to have an indefinite useful life since there was no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The carrying amount of goodwill and brand name are tested annually for impairment. An impairment amounting EUR 0.1 million was recognized for one CGU.

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 3.9 million is related to acquisition of SHIP-LOG A/S that was merged with Eimskip Denmark A/S in the year 2022, EUR 7.6 million related to Extraco Internationale Expeditie B.V and EUR 3.3 million related to Tromsøterminalen AS. These CGU's are all part of forwarding services.

The impairment tests were performed in the fourth quarter of 2022 and were based on the results of 31 December 2022 as well as the board approved budget for the year 2023. The impairment tests are in the form of discounted cash-flow analysis. The periods projected are the years 2023-2027 with a fixed growth rate after the projected period when estimating the terminal value. The material variables in the test are revenue growth, EBITDA margin, investments and growth rate after the five year forecasted period. The projected variables are based on past experience and market research. The growth in EBITDA margins used to estimate future cash flows are based on management best estimates that take into account past performance and experience, external market growth assumptions and any uncertainties in the market the CGU operates or depends on.

Notes

12. Intangible assets, continued.

	2022	2021
Future growth rate	1.0-2.5%	1.0-2.5%
Weighted-average cost of capital	7.37-12.86%	6.29 -10.94%
Sector debt-ratio	33%-58%	30%-71%

Five individual CGU's are sensitive for impairment. A sensitivity analysis is performed where future growth rate increases or decrease by 0 - 1%, EBITDA increases or decreases by 0- 10% or WACC increases by 0 - 1%. If one or more of the variables change it leads, for each CGU, to a maximum impairment in the range EUR 0.4 - 3.7 million or a maximum of EUR 9.2 million accumulated for all the CGU's.

13. Investments in equity-accounted investees

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

Shares in associated companies	Ownership	Share of	Share of	Book value	Book value
		earnings	earnings	2022	2021
		2022	2021		
Shares in associated companies					
Qingdao Port Eimskip					
Coldchain Log. Co. Ltd., China	30.0%	(105)	141	798	948
TLR Europe Asp	36.0%	114	10	133	38
Tromsøterminalen Eiendom AS, Norway	49.0%	52	57	2,808	2,888
		61	208	3,739	3,874
Joint ventures					
ElbFeeder Inc., The Marshall Islands*	49.9%	12,943	6,703	25,718	12,247
Feederstar Verwaltung GmbH	49.0%	0	0	12	12
Feederstar GmbH & Co. KG, Germany	49.0%	0	212	599	599
P/F í Ánunum, The Faroe Islands	50.0%	75	26	1,020	945
P/F Gervi, The Faroe Islands	51.0%	71	19	582	510
		13,089	6,960	27,931	14,313
Total equity accounted investees and joint ventures		13,150	7,168	31,670	18,187

The Group has long term receivables on one of it's equity-accounted investees amounting to EUR 0.5 million at year-end 2022 (2021: EUR 0.6 million)

*The joint venture ElbFeeder Inc. chooses to value its vessel fleet at fair value which the Group reverses before applying the equity method. Please see summarized financial information here below:

Summarised financial information for ElbFeeder Inc.

Income Statement:	2022	2021
Operating results	29,609	12,876
Administration costs	(944)	(743)
Gain on sale of vessel	0	5,265
Net finance expenses	(323)	(927)
Depreciation and amortization	(9,411)	(3,059)
Vessels revaluation	2,203	65,389
Profit for the period	21,134	78,801
Profit for the period	21,134	78,801
Eimskip adjustment to ElbFeeders' fair value accounting	5,887	(64,808)
Adjusted profit	27,021	13,993
Eimskip's share in results (47.9%)	12,943	6,703

Notes

13. Investments in equity-accounted investees, continued

Financial Position:

Vessels	106,222	106,229
Working capital	4,254	1,863
Cash and cash equivalents	22,165	7,586
Bank loans	0	(12,507)
Trade and other payables	(4,546)	(2,114)
Net assets	128,095	101,057

Reconciliations to carrying amounts:

	2022	2021
Opening net assets 1 January	101,057	20,920
Profit for the period	21,134	78,801
Dividends paid	0	(3,238)
Translation difference	5,904	4,574
Closing net assets	128,095	101,057

14. Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

2022

	Assets	Liabilities	Net
Property, vessels and equipment	598	(6,762)	(6,164)
Intangible assets	97	(83)	14
Right-of-use assets	423	(11,031)	(10,608)
Current assets	575	(99)	476
Current liabilities	18	(7)	11
Lease liabilities	11,435	0	11,435
Other	941	(1,153)	(212)
Total tax assets (liabilities)	14,087	(19,135)	(5,048)
Set off tax	(11,966)	11,966	0
Net tax assets (liabilities)	2,121	(7,169)	(5,048)

2021

	Assets	Liabilities	Net
Property, vessels and equipment	655	(2,286)	(1,631)
Intangible assets	128	(257)	(129)
Right-of-use assets	311	(14,331)	(14,020)
Current assets	831	(17)	814
Current liabilities	73	0	73
Lease liabilities	14,407	0	14,407
Other	54	(3,694)	(3,640)
Tax loss carried-forward	47	0	47
Total tax assets (liabilities)	16,506	(20,585)	(4,079)
Set off tax	(15,175)	15,175	0
Net tax assets (liabilities)	1,331	(5,410)	(4,079)

In the year-end 2022 unrecognized tax-losses carried forward were immaterial.

Notes

15. Trade and other receivables

Trade and other receivables are specified as follows:

	2022	2021
Trade receivables	134,607	135,107
Restricted cash	706	1,485
Other receivables	15,613	16,082
Trade and other receivables total	150,926	152,674

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:

	2022	2021
Balance at beginning of year	(8,144)	(6,496)
Write-offs	946	528
Changes in allowance for impairment losses	(2,007)	(2,176)
Balance at year-end	(9,205)	(8,144)

Due to the insignificant amount of write-offs, these are not shown separately in the Consolidated Income Statement. For more information regarding trade and other receivables see note 21.

16. Cash and cash equivalents

Cash and cash equivalents are specified as follows:

Money market	15,998	6,095
Bank deposits	53,707	29,958
Cash on hand	232	933
Cash and cash equivalents total	69,937	36,986

17. 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 175,200,000 at the beginning and 173,050,000 at the end of the year. The shares are listed on the Icelandic Stock Exchange (Nasdaq Iceland) under the ticker symbol EIM. The shares are in a single class bearing equal rights.

Total outstanding shares were 175,168,290 at the beginning of the year and 169,588,693 at the end of the year. They decreased by 2,150,000 due to a share capital reduction. The share capital of the Company is now ISK 173.05 million and the number of Company's treasury shares is ISK 3,461,307, or 2.0% of the total share capital of the Company. The EUR amount of share capital was 1.0 million at year-end 2022.

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 reserves

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

Other reserves

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.

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

The *share option reserve* comprises the cumulative increase in equity recognized in connection with a share-based payment reserve.

Notes

17. Capital and reserves, continued.

	Hedge reserve	Fair value reserve	Share option reserve	Total
2021				
Balance at beginning of year	193	(577)	(	384)
Minority put option exercised		452		452
Total comprehensive income for the period	(17)	(137)	(	154)
Balance at year-end	176	(262)	0	(86)
2022				
Balance at beginning of year	176	(262)		(86)
Changes in share options reserve			279	279
Total comprehensive income for the period	2,064	(602)		1,462
Balance at year-end	2,240	(864)	279	1,655

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.

Reduction of treasury shares in relation to previous share buy back programs

The reduction of treasury shares was executed on March 29th. The Company's treasury shares were reduced by ISK 2,150,000, or from ISK 175,200,000 to ISK 173,050,000 nominal value.

Reduction of share capital with a payment to shareholders

The share capital reduction with a payment to shareholders consisted of a share capital reduction of 2,150,000 million shares or from 175,200,000 to 173,050,000 issued shares with a payment to shareholders in the amount of ISK 1,075.0 million or EUR 7.6 million. The payment date was 27 April 2022.

Subsequent to the shareholder distributions above share capital is ISK 173,050,000 and each share is divided into one ISK.

Treasury shares are ISK 3,461,307 they increased by 3,429,597 due to share buy-back programs and outstanding shares are ISK 169,986,276.

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."

The Annual General Meeting of Eimskip approved on 17 March 2022 a dividend payment of ISK 14.27 per share to shareholders. The dividend payment amounted to ISK 2,499,6 million or EUR 17.5 million. The payment date was 20 April 2022. According to resolution made on the Company's 2021 Annual General Meeting, dividend in the amount of EUR 3.0 million or ISK 2.47 per share, was paid to shareholders.

The Board of Directors proposes a dividend payment to shareholders in 2023 in the amount of ISK 20.08 per share. The proposed dividend payment is ISK 3.4 billion or approximately EUR 22.5 million, which represents 26% of net earnings for the year 2022. Treasury shares are not entitled to receive dividend.

Notes

18. 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 21:

Loans and borrowings consist of the following:	2022	2021
Secured bank loans	133,586	146,264
Bank overdraft and short term borrowings	155	569
Total loans and borrowings	133,741	146,833
Current maturities of secured bank loans	(13,058)	(13,034)
Bank overdraft and short term borrowings	(155)	(569)
	(13,213)	(13,603)
Non-current loans and borrowings	120,528	133,230

The loan agreements of Eimskip contain restrictive covenants. At year-end 2022 and 2021 Eimskip complied with all restrictive covenants.

Secured bank loans

Secured bank loans are as follows:

	2022		2021	
	Nominal interest	Carrying amount	Nominal interest	Carrying amount
Loans in EUR	2.6%	130,359	1.4%	141,568
Loans in USD	5.4%	1,822	4.5%	2,858
Loans in ISK	4.8%	1,041	2.0%	1,426
Loans in other currencies	-	364	-	412
Total secured bank loans		133,586		146,264

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

	2022	2021
On demand or within 12 months	13,058	13,034
12 - 24 months	12,170	13,387
24 - 36 months	11,350	11,451
36 - 48 months	11,225	11,363
48 - 60 months	11,217	11,239
After 60 months	74,566	85,790
Total secured bank loans	133,586	146,264

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

	2022	2021
Balance of loans and borrowings as at 1 January	146,833	161,017
<i>Changes from financing cash flows:</i>		
Proceeds from non-current loans and borrowings with cash effects	362	18,896
Repayment of non-current loans and borrowings	(13,325)	(33,996)
Changes in short-term borrowings	(414)	459
Total changes from financing cash flows	(13,377)	(14,641)
<i>Non-cash changes of loans and borrowings:</i>		
Currency adjustments	285	457
Total non-cash changes of loans and borrowings	285	457
Loans and borrowings at 31 December 2022	133,741	146,833

Notes

19. Lease liabilities

Lease liabilities are as follows:

	2022	2021
Lease liabilities in EUR	7,036	11,310
Lease liabilities in USD	47,375	53,786
Lease liabilities in ISK	16,136	18,340
Lease liabilities in NOK	25,886	27,520
Lease liabilities in other currencies	7,729	9,041
Total	104,162	119,997
Current maturities	(29,789)	(28,229)
Non-current maturities	74,373	91,768

Maturity analysis:

Within 12 months	29,789	28,229
12 - 24 months	18,885	25,992
24 - 36 months	9,936	15,601
36 - 48 months	3,179	7,850
48 - 60 months	2,517	2,219
After 60 months	39,856	40,106
Total	104,162	119,997

Reconciliation of movements of lease liabilities

	2022	2021
Balance of lease liabilities as at 1 January	119,997	64,153
<i>Changes from financing cash flows:</i>		
Repayment of lease liabilities	(32,238)	(19,057)
<i>Total changes from financing cash flows</i>	(32,238)	(19,057)
<i>Non-cash changes of loans and borrowings:</i>		
New or renewed leases	15,254	77,706
Divested leases	(53)	(5,793)
Currency adjustments	1,202	2,988
<i>Total non-cash changes of loans and borrowings</i>	16,403	74,901
Lease liabilities at year end	104,162	119,997

20. Trade and other payables

Trade and other payables are attributable to the following:

	2022	2021
Trade payables	62,883	55,644
Other payables	32,071	37,567
Total	94,954	93,211

21. 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

21. 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.

	2022	2021
Impairment loss on trade and other receivables (note 15)	946	528

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.

The fair value of financial assets and liabilities equals their carrying amount, as the impact of discounting is not significant.

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:

Notes

21. Financial risk management, continued

	Note	2022 Carrying amount	2021 Carrying amount
Finance assets		2,934	3,941
Trade and other receivables	15	150,926	152,674
Cash and cash equivalents	16	69,937	36,986
Total		223,797	193,601

At year-end 2022 and 2021 there were no significant concentration of credit risk for trade and other receivables by individual counterparties or individual countries.

Impairment risk

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

	Gross 2022	Impairment 2022	Gross 2021	Impairment 2021
Not past due	96,505	(1,800)	100,225	(440)
Past due 1 - 90 days	33,449	(2,278)	28,547	(225)
Past due 91 - 180 days	6,392	(750)	4,818	(104)
More than 180 days	7,466	(4,377)	9,661	(7,375)
Total	143,812	(9,205)	143,251	(8,144)

(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 36.6 million at year-end 2022 (2021: EUR 36.9 million).

(ii) Liquidity risk, continued

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
31.12.2022						
Secured bank loans	133,741	161,897	19,106	16,401	65,987	60,404
Lease liabilities	104,162	180,751	35,983	27,296	32,677	84,795
Trade and other payables	94,954	94,954	94,954	0	0	0
Income tax payable	14,020	14,020	14,020	0	0	0
Total	346,877	451,622	164,063	43,697	98,664	145,199
31.12.2021						
Secured bank loans	146,833	159,428	15,940	15,439	65,131	62,918
Lease liabilities	119,997	188,491	33,319	30,062	35,176	89,934
Trade and other payables	93,211	93,211	93,211	0	0	0
Income tax payable	4,562	4,562	4,562	0	0	0
Total	364,603	445,692	147,032	45,501	100,307	152,852

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 commodity prices, such as bunkers. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

Notes

21. Financial risk management, continued

The Group uses cash flow hedges to hedge its exposure to currency risk for salaries in Icelandic kronur (ISK) and other add-hoc material foreseeable payments, e.g. dividend and investments. The Group evaluates its exposure to currency risk on a regular basis and uses hedge instruments to limit the effect of fluctuations in currency rates. The hedge reserve which is a part of equity due to currency hedges was negative by EUR 0.4 million at year-end 2022.

Exposure to currency risk

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 2022 the primary risks are attached to the US Dollar (USD), the Icelandic krona (ISK), the Euro (EUR) but also the British pound (GBP) as can be seen in the table below.

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

31 December 2022	USD	ISK	EUR	GBP	Other
Finance assets	2,123	122	0	0	0
Trade and other receivables	40,805	21,658	3,896	422	3,726
Cash and cash equivalents	19,454	15,978	1,782	78	2,316
Loans and borrowings	(1,822)	(477)	(581)	0	0
Lease liabilities	(43,048)	(15,439)	0	0	0
Trade and other payables	(19,563)	(12,233)	(657)	(2,723)	(1,872)
Income tax payable	(32)	(8,145)	0	0	(27)
Net balance sheet exposure	(2,083)	1,464	4,440	(2,223)	4,143

Exposure to currency risk

31 December 2021	USD	ISK	EUR	DKK	Other
Finance assets	2,888	83	0	955	26
Trade and other receivables	48,257	24,936	3,495	2,243	7,539
Cash and cash equivalents	13,722	6,442	855	684	2,608
Loans and borrowings	(2,858)	(815)	(650)	0	(108)
Lease liabilities	(51,348)	(17,255)	0	(27)	(1,632)
Trade and other payables	(18,407)	(16,202)	(441)	(1,021)	(6,031)
Income tax payable	0	(1,267)	0	0	0
Net balance sheet exposure	(7,746)	(4,077)	3,260	2,833	2,402

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.

	2022	2021
EUR	(359)	(259)
USD	285	768
GBP	188	69
CAD	(131)	(46)
ISK	(117)	335
DKK	(81)	(223)
JPY	(80)	(49)

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:

Notes

21. Financial risk management, continued

EUR:	Average rate		Reporting date spot rate	
	2022	2021	2022	2021
USD	1.0510	1.1824	1.0704	1.1370
JPY	137.8971	129.8118	140.3550	130.8600
GBP	0.8525	0.8597	0.8847	0.8403
ISK	142.2588	150.1235	151.4950	147.5750
RMB	7.0777	7.6267	7.3843	7.2269
DKK	7.4392	7.4369	7.4363	7.4371
PLN	4.6831	4.5641	4.6897	4.5891

Interest rate risk

The Group uses interest rate swaps to fix interest rates on its long term borrowings, where a certain proportion of interest rates are to be fixed according to the Group's Treasury Policy. The hedge reserve which is a part of equity due to interest swaps was positive by EUR 2.6 million at year-end 2022.

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

Variable rate instruments	Carrying amount	
	2022	2021
Cash and cash equivalents	69,937	36,986
Financial liabilities	(133,741)	(146,833)
Net exposure	(63,804)	(109,847)

An increase of 100 basis points in interest rates at the reporting date would decrease result after income tax by EUR 384 thousand (2021: EUR 63 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 2021. A decrease of 100 basis points in interest rates would have had equal but opposite effect on the result. 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.

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.

The Board of Directors of Eimskip has approved a long-term target capital structure. The objective is to maintain an equity ratio near 40%, a benchmark leverage in the range of 2-3 for net debt against EBITDA. This is a long-term objective through the business cycle that can vary from quarter to quarter based on general economic and business conditions as well as strategic initiatives.

Notes

21. Financial risk management, continued

(i) Equity ratio

	2022	2021
Total equity	309,165	261,465
Total assets	666,659	634,324
Equity ratio	46.38%	41.22%

(ii) Net debt to EBITDA ratio (benchmark leverage)

	2022	2021
Total interest-bearing debt and lease liabilities	237,903	266,830
Finance assets	(2,934)	(3,941)
Cash and cash equivalents	(69,937)	(36,986)
Net debt	165,032	225,903
EBITDA	163,086	104,059
Net debt / EBITDA	1.01	2.17

22. Leases

Lease expenses in the Income Statement

Depreciation of right-of-use assets	32,977	20,801
Interest on lease liabilities	4,331	3,728
Expenses related to low-value leases	1,862	1,490
Expenses related to short-term leases	46	227
Total expenses due to leases in the Income Statement	39,216	26,246

Cash outflow for leases

Repayment of leases in the cash-flow statement	(32,238)	(19,057)
Lease payments of low-value and short-term leases	(1,908)	(1,717)
Total cash outflow for leases	(34,146)	(20,774)

23. Related parties

The Company's largest shareholder Seley ehf., with 33.46% shareholding of outstanding shares, the parent company of Seley ehf. which is Samherji Holding ehf. and related companies are considered a related parties. Other related parties are Eimskip's subsidiaries, material equity accounted investees and key management personnel. Intercompany transactions with subsidiaries are eliminated in the consolidation.

Transactions with the largest shareholder Seley ehf., Samherji Holding ehf. and related companies during the year amounted to EUR 14.6 million (2021: EUR 13.1 million) and receivables at year-end amounted to EUR 2.3 million (2021: EUR 2.8 million). Transactions with material equity accounted investees amounted to EUR 7.7 million and year-end payables amounted to EUR 0.2 million and receivables amounted to EUR 0.1 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 key management personnel.

Notes

23. Related parties, continued.

Fee paid to the Board of Directors

	Fee in ISK		Fee in EUR		Shares at year-end*
	2022	2021	2022	2021	2022
Óskar Magnússon, Chairman	14,392	2,681	101	18	14,349
Margrét Guðmundsdóttir, Vice-Chairman	11,230	4,888	79	33	13,038
Lárus L. Blöndal, Board Member	8,981	7,802	63	52	3,051
Guðrún Ó. Blöndal, Board Member	9,055	6,369	64	42	0
Ólöf Hildur Pálsdóttir, Board Member	7,062	4,888	50	33	29,632
Baldvin Thorsteinsson, Alternate of the Board	3,894	8,286	27	55	232,076
Hrund Rudolfsdóttir, former Vice-Chairman	0	2,378	0	16	0
Vilhjalmur Vilhjálmsón, former Board Member	0	1,455	0	10	0

Salaries and benefits paid to Executive Management

2022	In ISK		In EUR		Shares at year-end*	Options granted
	Base salary	Other **	Base salary	Other		
Vilhjalm Már Thorsteinsson, CEO	41,593	38,677	292	272	237,226	197,100
Executive Management***	258,913	124,277	1,820	874	374,192	897,520

2021	In ISK		In EUR		Shares at year-end*	Options granted
	Base salary	Other **	Base salary	Other		
Vilhjalm Már Thorsteinsson, CEO	41,302	9,541	275	64	240,173	0
Executive Management***	293,366	69,995	1,954	466	378,841	0

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

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

***The Executive Management consists of Björn Einarsson EVP of Sales and Business Management, Bragi Thór Marinósson EVP of International Operations, Böðvar Örn Kristinsson EVP of Iceland Domestic Operations, David Ingi Jónsson General Counsel, Edda Rut Björnsdóttir EVP of Human Resources and Communication, Hilmar Karlsson CIO, Hilmar Pétur Valgardsson COO of Operations and María Björk Einarsdóttir CFO. The figures for 2021 also include Egill Örn Petersen former CFO, Guðmundur Nikulásson former EVP of Iceland Domestic Operations as well as Elín Hjálmsdóttir former EVP of Human Resources and Matthías Matthíasson former EVP of Sales.

24. Auditor's fees

	2022	2021
Audit fee to the auditor of the Parent Company	420	354
Audit fee to other auditors	457	572
Total Auditor's fees for audit for the relevant fiscal year	877	926
Other services fees to the auditor of the Parent Company	15	3
Other services fees to other auditors	142	223
	157	226
Total audit fees	1,034	1,152

Notes

25. Group entities

At year-end the Company owned directly nine subsidiaries that are all included in the consolidation. The direct subsidiaries owned 58 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	Ownership Interest
		2022	2021
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%
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 3.4 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.

26. Other matters

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 disagreed with the ruling of the Internal Revenue Board and referred the case to Reykjavik District Court which ruled against claims made by the Company on April 8th 2021 which had no effect on the Company's financial statements. The Company decided on April 29th 2021 to refer the case to the Court of Appeal and the oral proceedings were held last June.

On 24 June 2022 Eimskip received a judgement of the Court of Appeal on the matter which ruled against claims made by the Company. Eimskip, as a shipping operator in international markets, disagrees with this judgement and did refer this case to the Supreme Court of Iceland.

On 5 September 2022 Eimskip received the decision of the Supreme Court which rejected the Company's request to appeal the case to the court, which was the end of the matter.

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. On 20 June 2022 the COO of Eimskipafélag Íslands hf. received a status of a defendant from the Icelandic District Prosecutor in the investigation regarding the sale and went to the District Prosecutor for formal questioning. The CEO of the Company also went to the District Prosecutor for formal questioning in the investigation as a representative of the Company itself. The Company believes that it complied with laws and regulations in the sales process and sold the vessels for further trading but not to recycling. Eimskip will diligently provide all the information requested by the Icelandic District Prosecutor.

Notes

26. Other matters, continued.

Investigation of the Danish Competition Authority

On 20 June 2022, the Danish competition authorities conducted a house arrest in Aalborg at a Danish subsidiary of Eimskip Holding B.V., which is owned by Eimskipafélag Íslands hf. This was done according to court ruling. The object of the dawn raid was to examine whether Atlantic Trucking, which is a part of Eimskip Denmark A/S, has been a party to actions in violation of Danish competition law. The dawn raid was a part of an investigation in the domestic trucking market in Denmark and concerns more companies in that market. Atlantic trucking is assisting the competition authorities in their investigation, granting them access to the requested information.

Any elaboration on the potential outcome of the investigations above is premature, and no information is available on potential fines, or if they will materialize. The investigation have had immaterial effect on the Company's Financial Statements.

27. Subsequent events

There are no subsequent events to report.

Notes

28. 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.

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 an 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

28. 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 currency and interest rates.

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

28. Significant accounting policies, 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 - 13 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 - 7 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. Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Eimskip is not a third-party lessor in any material instances.

Notes

28. Significant accounting policies, continued

(i) Leases in which the Group is a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position.

(ii) Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases that have a lease term of 12 months or less, with the exception of vessel leases that have a lease term that varies between 3 months and 5 years. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

g. Inventories

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

Notes

28. Significant accounting policies, continued

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.

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.

Notes

28. Significant accounting policies, continued

i. Employee defined contribution plans

- (i) A defined contribution plan is a post-employment benefit plan under which an entity pays contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.
- (ii) The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (stock options) of the Group. The fair value of the employee services received in exchange for the grant of the stock options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the stock options granted, excluding the impact of any non-market service and performance vesting conditions. Non market vesting conditions, e.g. remaining an employee of the entity over specified time period, are included in assumptions about the number of stock options that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At reporting date, the entity revises its estimates of the number of stock options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the Consolidated Statement of Income, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the stock options will be exercised. The fair value of the employee stock options granted is measured using the Black-Scholes formula.

Measurement inputs include share price on measurement date, exercise price of the stock options, expected volatility based on weighted average historic volatility adjusted for changes expected due to publicly available information, weighted average expected life of the instruments based on historical experience and general stock option holder behavior, expected dividends, and the risk-free interest rate based on government bonds. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

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. 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

(iii) Payment terms and warranties

Customers are invoiced on a monthly basis and consideration is payable when invoiced. Payment terms varies but is usually around 30 days and penal interest collected for overdue invoices. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds 12 months. The transaction price is therefore not adjusted for the effects of a significant financing component. All goods in transports are insured by the cargo owners and they have no claims on the company for damages or delays.

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

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

29. Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, Eimskip has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on Eimskip's accounting policies.

- *Definition of Accounting estimates - Amendments to IAS 8. Effective 1/1 2023*
- *Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction. Effective 1/1 2023*
- *Disclosure of Accounting Policies. Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8. Effective 1/1 2023*
- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1). Effective 1/1 2024*
- *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts. Effective 1/1 2023*

Quarterly statements - unaudited

Year 2022	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2022
Revenue	239,684	283,115	292,173	255,654	1,070,626
Expenses	209,298	238,362	242,595	217,285	907,540
Operating profit, EBITDA	30,386	44,753	49,578	38,369	163,086
Depreciation, amortization and impairment	(15,298)	(14,928)	(15,501)	(15,891)	(61,618)
Results from operating activities, EBIT	15,088	29,825	34,077	22,478	101,468
Net finance expense	(2,060)	(2,376)	(2,664)	(1,800)	(8,900)
Share of profit of equity accounted investees	803	3,658	3,866	4,823	13,150
Net earnings before income tax	13,831	31,107	35,279	25,501	105,718
Income tax	(3,376)	(6,203)	(7,142)	(3,702)	(20,423)
Net earnings	10,455	24,904	28,137	21,799	85,295
Year 2021	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2021
Revenue	180,228	211,134	236,607	254,748	882,717
Expenses*	163,919	191,639	199,831	223,269	778,658
Operating profit, EBITDA	16,309	19,495	36,776	31,479	104,059
Depreciation and amortization	(11,797)	(12,243)	(12,962)	(14,008)	(51,010)
Results from operating activities, EBIT	4,512	7,252	23,814	17,471	53,049
Net finance expense	(1,196)	(2,060)	(2,909)	(1,390)	(7,555)
Share of loss of equity accounted investees	221	957	4,071	1,919	7,168
Net earnings before income tax	3,537	6,149	24,976	18,000	52,662
Income tax	(703)	(3,031)	(4,256)	(4,281)	(12,271)
Net earnings	2,834	3,118	20,720	13,719	40,391

* Expenses in Q2 2021 included settlement with the Icelandic Competition Authority in the amount of EUR 10.2 million.

Key figures by quarter - unaudited

Amounts are in thousands of EUR

OPERATING RESULTS	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Revenue	255,654	292,173	283,115	239,684	254,748	236,607	211,134	180,228
Expenses	217,285	242,595	238,362	209,298	223,269	199,831	191,639	163,919
<i>Salaries and related expense</i>	35,296	33,425	34,943	32,306	32,850	29,611	30,613	29,231
<i>Settlement with ICA</i>			-	-	-	-	10,219	0
EBITDA	38,369	49,578	44,753	30,386	31,479	36,776	19,495	16,309
EBIT	22,478	34,077	29,825	15,088	17,471	23,814	7,252	4,512
Net earnings for the period	21,799	28,137	24,904	10,455	13,719	20,720	3,118	2,834
EBITDA ratio	15.0%	17.0%	15.8%	12.7%	12.4%	15.5%	9.2%	9.0%
EBIT ratio	8.8%	11.7%	10.5%	6.3%	6.9%	10.1%	3.4%	2.5%
Profit ratio	8.5%	9.6%	8.8%	4.4%	5.4%	8.8%	1.5%	1.6%
Basic earning per share (in EUR)	0.1275	0.1622	0.1395	0.0567	0.0731	0.1148	0.0157	0.0143
Diluted earning per share (in EUR)	0.1275	0.1622	0.1395	0.0567	0.0731	0.1148	0.0157	0.0143
Average FTE's	1,717	1,681	1,660	1,634	1,624	1,623	1,623	1,607
BALANCE SHEET	31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2021	30.09.2021	30.6.2021	31.3.2021
Assets	666,659	677,125	663,618	655,891	634,324	597,976	567,930	552,539
Equity	309,165	296,189	270,090	251,032	261,465	246,874	225,669	222,022
Liabilities	357,494	380,936	393,528	404,859	372,859	351,102	342,261	330,517
Interest-bearing debt	237,903	243,932	252,790	260,767	266,830	242,314	234,644	225,176
<i>Loans and borrowings</i>	133,741	138,164	140,608	144,061	146,833	150,645	164,442	159,003
<i>Lease liabilities</i>	104,162	105,768	112,182	116,706	119,997	91,669	70,202	66,173
Net debt	164,900	192,436	212,325	205,891	225,994	213,234	215,253	203,649
Equity ratio	46.4%	43.7%	40.7%	38.3%	41.2%	41.3%	39.7%	40.2%
Leverage ratio	1.01	1.23	1.48	1.60	1.98	2.18	2.98	2.97
Current ratio	1.53	1.48	1.38	1.27	1.42	1.45	1.39	1.28
CASH FLOW	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Net cash from operating activities	51,174	37,204	31,298	28,779	28,835	27,042	12,336	7,770
Net cash used in investing activities	(11,873)	(10,996)	(4,528)	(3,260)	(6,581)	3,149	(2,522)	(162)
Net cash used in financing activities	(14,412)	(17,432)	(41,570)	(11,154)	(10,405)	(20,239)	(11,709)	(6,224)
Cash and cash equivalents at the end of the period	69,937	46,554	36,852	51,234	36,986	25,081	15,385	17,212
New investments	2,873	6,103	498	255	1,587	84	593	(13)
Maintenance capex	10,465	5,016	4,616	4,100	4,409	3,861	3,292	1,568
Distribution to shareholders	0	0	25,068	0	0	0	14,175	0
Share buy back	1,417	5,674	5,548	0	0	0	0	0

Corporate Governance Statement

About Eimskip

Eimskipafélag Íslands hf. (Eimskip) is a leading transportation company in the North Atlantic providing container and reefer liner services with connections to international markets and is specialized in worldwide freight forwarding services with focus on frozen and chilled commodities.

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 6th 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.com/investors, and is published in a special chapter in the Company's Financial Statements.

The Corporate Governance Guidelines are accessible on <https://leidbeiningar.is/english/>

Laws and regulations

Eimskip is a limited liability company and has its shares listed on Nasdaq Iceland and is therefore governed by Act no. 2/1995 on Limited Liability Companies (Company Act), Act no. 3/2006 on Annual Accounts, laws and regulations that apply to listed companies, along with its Articles of Association, Rules of Procedures for the Board of Directors and Board's subcommittees and various Company policies. Acts are accessible on the Parliament's website, www.althingi.is and rules and policies on the Company's investor website.

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.com.

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 Iceland and on the Company's IR website, www.eimskip.com/investors. Other news is published on the Company's website, www.eimskip.com.

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

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. The General Counsel serves as secretary to the Board. In 2022, the total number of Board meetings was 15 and the Board was competent to make decisions in all meetings.

The Board consists of five Directors and two alternate Directors and they are all elected annually at the Annual General Meeting. Those who intend to run for the Board of Directors shall notify the Board of Directors of their candidacy at least ten 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 members of the Board are either independent or 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.

Corporate Governance Statement

Annually, the Board of Directors conducts an assessment of its work, size, composition and procedures and also evaluates the work of the Company's 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 enough 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 2022 was concluded in the first quarter of 2023.

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 26 April 2019. A copy can be obtained from the Company's investors website, www.eimskip.com.

The Board of Directors has appointed three subcommittees, Audit Committee, Remuneration Committee and Nomination 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 Lárus L. Blöndal, Chairman, Ólöf Pálsdóttir and Alexander G. Edvardsson. In 2022, the Audit Committee held a total of eight meetings and was competent to make decisions in all 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, Óskar Magnússon, Chairman, Guðrún Blöndal and Baldvin Thorsteinsson. In 2022, the Remuneration Committee held a total of three meetings and was competent to make decisions in all meetings.

The role of the Nomination Committee is to assist the Board with the process and oversight of Board succession planning and identification and nomination of Board candidates as well as member of the Board's committees. The Board is responsible for the appointment and activities of the Nomination Committee and it operates under the Board's authority. The role and main responsibilities of the Nomination Committee are set out in its rules of procedure.

Members of the Nomination Committee are Margrét Guðmundsdóttir, Chairman, Lárus L. Blöndal and Óskar Magnússon. In 2022, the Nomination Committee held a total of three meetings.

Corporate Governance Statement

The Board of Directors

Óskar Magnússon, Chairman of the Board

Óskar was born in 1954 and lives in Iceland. He is a well-known writer and has published two collections, short stories and four 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 has been a board member of Samherji hf. since 1998 and is currently the vice-chairman of the board, as well as a board member of Seley ehf. and board member of several other companies within the Samherji group. He is the chairman of the Icelandic landowners Association. He has previously been a vice-chairman of the Icelandic Bar Association and served on various boards of retail companies. Óskar was Publisher/CEO and a 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 2004, 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 served on the city council in his community as well as being the parish chairman since 2004. 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 14,349 shares in the Company, but no share options. Óskar was a board member in 2019, an alternate member of the Board from 2020 to 2022 and is currently the Chairman of the Board of Eimskipafélag Íslands, Chairman of the Remuneration Committee and a member of the Nomination Committee. Óskar is not independent of Seley ehf., which holds, in total, 56.7 million shares in the Company, at the year-end 2022.

Margrét Guðmundsdóttir, Vice-Chairman of the Board

Margrét was born in 1954 and lives in Iceland. She is a member of the board of Festi, board member of Eignarhaldsfélagið Lyng ehf, Hekla hf., Hekla Fasteignir ehf. and Paradís ehf. Margrét was the Chairman of the European Surgical Trade Association from 2011 to 2013 and a member of its Board from 2009 to 2015. She was the Chairman of Félag atvinnurekenda from 2009 to 2013, a member of the Board of Reiknistofa bankanna from 2010 to 2011 and 2016 to 2018, the Board of Isavia from 2017 to 2018 and the Board of SPRON from 2008 to 2009. Margrét was the CEO of Austurbakki, later Icepharma hf., from 2005 to 2016. Prior to that she was the Retail Manager of Skeljungur from 1995 to 2005, Director of various business segments of Kuwait Petroleum (Denmark) A/S from 1986 to 1995 and HR Development Manager at Dansk ESSO (later Statoil) from 1982 to 1986. Margrét was Assistant Secretary General of AIESEC International in Brussels from 1978 to 1979. Margrét holds a Cand. oecon. degree in economics and business administration from the University of Iceland, a Cand. merc. degree from the Copenhagen Business School and Executive education from CEDEP/Insead in France. Margrét owns 13,038 shares in the Company but no share options. Margrét has been a member of the Board since 25 March 2021 and is currently the Vice-Chairman of the Board of Eimskipafélag Íslands hf. and a member of the Nomination Committee. She has no interest links with the Company's main clients, competitors, or major shareholders.

Guðrún Ó. Blöndal

Guðrún was born in 1960 and lives in Iceland. Guðrún is a Board Member of Landsbankinn hf. and a member of the bank's Audit Committee and Remuneration Committee. From 2013 to 2018 Guðrún was CEO of Nasdaq CSD Iceland (Nasdaq Central Securities Depository Iceland). In 2012 and 2013 she was a Board Member of The Enterprise Investment Fund slhf., Reginn hf., Míla ehf., Vörður Insurance Company and Vörður Life Insurance. Previously from 2002 to 2012 Guðrún was CEO of Arion Custody Services, a leading provider in the Icelandic market of fund services, clearing, settlement, local and global custody services to domestic and foreign financial institution. Prior to this Guðrún held various positions at Kaupthing hf. from 1984 to 2002 such as Executive Director, Corporate Director of Human Resources, Director of Marketing and Director in Asset Management. Guðrún holds a Cand. Oecon degree from the University of Iceland. She is an independent Board member and does neither own shares nor share options in the Company. Guðrún has been a member of the Board of Directors since 6 September 2018 and is a member of the Remuneration Committee. Apart from being a Board Member of Landsbankinn hf. she has no interest links with the Company's main clients, competitors or major shareholders.

Corporate Governance Statement

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 the Chairman of the Audit Committee and a member of the Nomination Committee. He is an independent Board member and owns 3,051 shares in the Company but no share options. He has no interest links with the Company's main clients, competitors or major shareholders.

Ólöf Hildur Pálsdóttir

Ólöf was born in 1977 and lives in Iceland and is an independent financial advisor. She was the CFO of atNorth ehf., the largest data center in Iceland, from 2019-2021. Prior to that she worked as an independent Financial Advisor and was a board member of Reginn hf. and alternate board member of VÍS hf. Ólöf worked at Arion bank and its predecessors from 1997 to 2017 in various roles e.g. as Head of Credit Structuring and Analysis, Deputy Head of IR, Investment strategist and in Asset Management as a fund manager. Ólöf was also member of the bank's credit committees and asset and liability committee (ALCO). Ólöf holds a Cand. Oecon degree in economics and business administration (finance) from the University of Iceland. Ólöf Hildur owns 29,632 shares in the Company through her holding company, Skaftafell Invest ehf., but no share options. Ólöf Hildur has been a member of the Board since 25 March 2021 and is currently a member of the Audit Committee. She has no interest links with the Company's main clients, competitors, or major shareholders.

Baldvin Thorsteinsson, Alternate Member of the Board

Baldvin was born in 1983 and lives in the Netherlands. Baldvin is the CEO of Alda Seafood Holding. Baldvin was the Chairman of the Board of Eimskipafélag Íslands hf. from 2018 to 2022. Previously he was the 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 the University of Iceland in 2007. Baldvin has been an alternate member of the Board since 17 March 2022 and is currently a member of the Remuneration Committee. Baldvin owns 232,076 shares in the Company but does not have a share options agreement. He is not independent of Seley ehf., which holds 56.7 million shares in the Company at the year-end of 2022.

Jóhanna á Bergi, Alternate Member of the Board

Jóhanna was born in 1970 and lives in the Faroe Islands. Jóhanna is the CEO of Atlantic Airways Ltd. and has been since 2015. 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, House of Industry 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.

Corporate Governance Statement

The Chief Executive Officer and the Executive Management

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. He was appointed CEO in January 2019. Prior to his current role at Eimskip, he held various positions at Íslandsbanki for 20 years, most recently as Managing Director of Corporate & Investment Banking (2017-2019) and Managing Director of Corporate Banking (2008-2017). Vilhelm furthermore has a background in both treasury and capital markets activities. He is a Board Member of the Chamber of Commerce in Iceland and a Board Member of various subsidiaries of Eimskipafélag Íslands hf.

Vilhelm earned an MBA Degree from Pace University in New York; a B.Sc. degree in Business Administration, Majoring in Logistics, from Reykjavík University; and is a licensed Securities broker.

The Executive Management of Eimskip consists of the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Information Officer and the Executive Vice Presidents of International Operations, Human Resources and Communication, Iceland Sales and Business Management, Iceland Domestic Operations and the General Counsel.

María Björk Einarsdóttir is the Chief Financial Officer, Hilmar Pétur Valgardsson is the Chief Operating Officer, Hilmar Karlsson is the Chief Information Officer, Bragi Thór Marinósson is the Executive Vice President of International Operations, Edda Rut Björnsdóttir is the Executive Vice President of Human Resources and Communication, Björn Einarsson is the Executive Vice President of Sales and Business Management, Böðvar Örn Kristinsson is the Executive Vice President of Iceland Domestic Operations and David Ingi Jónsson is the General Counsel.

Further information on the Executive Management is on the Company's website, <https://www.eimskip.com/about-eimskip/key-executives/>.

Diversity

The Company issued a policy on diversity in connection with the Board of Directors, Executive Management and Senior Management on 27 January 2022. The policy can be found on the Company's website, www.eimskip.com

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.

Corporate Governance Statement

An independent auditing firm is elected at the Annual General Meeting each year. The auditors are to review the Company's accounting records and material related to the Company's operations and financial position and they are always to have access to the Company's books and documents. 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 are 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 program 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 the Board of Directors has approved a Treasury policy 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

Please find information on main legal cases that relate to Eimskip under other matters in the notes to the annual financial statement.

Sustainability

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 managing 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.

Eimskip's Sustainability Policy is based on the Nasdaq ESG Reporting Guide, published in March 2017. The Nasdaq voluntary reporting guide focuses on 30 environmental, social and governance (ESG) performance indicators. Further information on Sustainability at Eimskip can be found in the Non-Financial information in the annual financial statement and on the Company's website, <https://www.eimskip.com/about-eimskip/sustainability>.

Code of Conduct

The Board of Directors approved a revision of the Company's Code of Conduct in February 2023. 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.

The purpose of this Code of Conduct is to support Eimskip's mission and vision. It applies to the Board of Directors and all employees of Eimskip and its subsidiaries and guides them in conducting the Company's daily activities in an honest, responsible, and ethical way, based on its values, and generally accepted professional standards of conduct. Suppliers and subcontractors are also required to conform to high standards. The Code of Conduct is accessible on the Company's website, www.eimskip.com.

Non-Financial Reporting

About Eimskip

Eimskipafélag Íslands hf. (Eimskip) is a leading transportation company in the North Atlantic providing container and reefer liner services with connections to international markets and specializing in worldwide freight forwarding services focusing on frozen and chilled commodities.

Eimskip was founded in 1914 and is a publicly traded company with its shares listed at Nasdaq Iceland. Eimskip runs a network of 56 offices in 20 countries on four continents, operates 17 vessels, and has around 1,700 employees.

Sustainability

Eimskip strives to provide its customers with the most efficient and sustainable transportation solutions combined with outstanding services while securing a good return for its shareholders and being responsible for its employees, society, and the environment. As a company, Eimskip aims to contribute to a better and safer society wherever it operates, and responsibility towards the community is an integral part of the Company's sustainability policy. The sustainability policy is reflected in Eimskip's global policies that apply to the Eimskip group.

Sustainability 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 an open and transparent relationship between the Company's management, its Board of Directors, its shareholders, and other stakeholders.

Eimskip's Sustainability Policy is based on the Nasdaq ESG Reporting Guide, focusing on 30 environmental, social, and governance performance indicators. Eimskip's ESG sustainability statement is published on the Company's website www.eimskip.com.

Sustainability Structure

The Company has a governance structure for sustainability-related matters where the CEO is responsible for a strategic sustainability framework. Executive Vice Presidents are responsible for specific categories within the sustainability framework, environment (E), social (S), and governance (G), and the Sustainability Manager holds the day-to-day responsibility.

In 2020 Eimskip collaborated with the consulting company Circular Solutions (now a part of KPMG) on a risk assessment of The Company's ESG and established a three-year action plan. Eimskip continues to work by that action plan. The focus in 2022 was on projects linked to the UN Sustainability Development Goals Climate action (goal 13), Good health and Well-Being (goal 3), Responsible Consumption and Production (goal 12), and Peace, Justice and Strong Institution (goal 16).

Example of projects:

- The Company announced that it has started to analyze and evaluate its options in renewing the container vessel fleet, focusing on the next generation of vessels using alternative greener fuel.
- In December, Eimskip implemented an electric shore power connection system for container vessels in Sundahöfn in Reykjavik. Eimskip is now able to operate its largest vessels on electricity instead of oil-powered auxiliary engines during its port time in Sundahöfn. The benefit is a reduction in emissions and improved air quality and acoustics in the area. At the same time, the shore power connection reduces oil consumption by up to 240 tons per year, which equals 750 tCO₂ emissions.

Non-Financial Reporting

- The Company has signed LOI with Landsvirkjun concerning Eimskip's energy transition for its shipping- and ground transport fleet. The Companies will jointly analyze market conditions and technology development regarding the usage of hydrogen or e-fuel instead of fossil fuels in transportation, resulting in significantly reduced greenhouse gas emissions. Based on these analyses, the Companies will discuss potential future procurement and sales of hydrogen or e-fuel produced by Landsvirkjun or its partners.
- The Company invested in 2 methane trucks and 2 electric trucks in Iceland that will be delivered in 2023.
- Eimskip is supporting Running Tide, a global ocean health company building technology to amplify and scale the natural restorative benefits of the ocean. Running Tide is capturing carbon and fighting ocean acidification by creating and sinking buoys made e.g. of carbon-grabbing macroalgae, such as kelp. Running Tide and Eimskip cooperate, whereas Running Tide utilizes Eimskip's land at Grundartangi in return for carbon credits. Eimskip also supports Running Tide by transporting ocean observation platforms into the Atlantic Ocean.
- Employees participated in the internal project "Look up and around," where they looked for green improvement opportunities in their work environment.
- Health and wellness package was introduced for employees in Iceland.
- The Company established a new international leadership program to develop leaders within Eimskip and ensure that the Company always has ready successors for leadership roles. Focus was on diversity and ensuring gender balance.
- The Code of Conduct guides the Board of Directors as well as all employees in conducting daily activities in an honest, responsible, and ethical way. From spring of 2022 all employees are asked to confirm that they have read and understood the Company's Code of Conduct.
- Supplier Code of Conduct and supplier self-assessment was sent to larger vendors in Iceland. The goal is to reach the largest suppliers globally with 80% of the spend in 2023.
- Eimskip's sustainability status was evaluated by Reitun, a Credit Rating Agency in Iceland. The total score is 73 points or B2 which is above average for their database.
- Eimskip monitors changes in legislation, that could affect the Company, regularly and has considered legislation changes in its risk management.

Environment

In 1991, Eimskip became one of the first companies in Iceland to establish an environmental policy as the main driver for an improved ecological footprint.

For Iceland, which bases a large part of its economic foundation on harvesting natural resources from the ocean in a sustainable way, the changes associated with global warming and pollution of the ocean leave all the critical 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 Reykjavik Declaration on Climate Issues in November 2015. The agreement includes reducing greenhouse gas emissions, reducing waste, monitoring the measured results, and regularly publicizing the information.

Climate change is one of the main ESG risks in the Company's operation. The Company respects the environment and recognizes the effects of climate change on society, its business activities, and the need for a low-carbon economy. Minimizing the environmental impact of the Company's operations is crucial. The focus is on achieving complete clarity regarding emissions and waste from each of the emitting sources in the supply chain. Development in data and analytics gives Eimskip a better overview of its ecological footprint and reduction opportunities.

The Company manages and monitors the environmental impact of the operation. The Company uses an Environmental Management System linked to all significant assets in the supply chain, streaming reliable and transparent information on its environmental matters into the system. Digitization of emission and waste-registration data from the supply chain enables continuous measurements and provides reliable and transparent communication. The data is regularly reviewed and evaluated. The environmental statement is published quarterly and is presented to the executive team for review and discussion.

In the environmental statement for 2022, the Company has registered scopes 1&2 for all vessels and offices in Iceland. From 2022 all countries except three are sharing environmental data for scope 1&2. It is expected that the remaining countries will start to contribute in Q1 2023.

The Company's energy mix is 96% fossil fuel, with most of the emission coming from the vessels. Development in the vessel fleet is needed to reach the goal of a 40% reduction in emissions before the year 2030.

Non-Financial Reporting

Eimskip looks to the future and recognizes the need for greener investments to lower emissions. The Company announced that it has started to analyze and evaluate its options in renewing the container vessel fleet with focus on next generation of vessels using alternative greener fuel.

There is a high focus within the Company on future energy possibilities. Several important steps have been taken to reduce GHG emission. In December electric shore connection for vessels in Sundahöfn was activated when Dettifoss was connected to electricity when in Sundahöfn. Eimskip can now operate its largest vessels on electricity instead of oil-powered auxiliary engines when in Sundahöfn. These changes strengthen Eimskip's journey to reduce the emission of greenhouse gases in its operations, but all harbor cranes that the Company operates in Sundahöfn are already powered by electricity.

In addition, the Company has been investing in more environmentally friendly equipment like electric and methane trucks for inland transportation, but Eimskip has a wide net of trucking services in Iceland and Faroe Islands.

Eimskip is developing a new facility in the Netherlands where the office, warehouse and trucking will be operated. The building will be equipped with solar panels on the roof as part of the energy system and other environmental improvements will be implemented e.g. in terms of isolation and lighting.

In 2022 the Company introduced an "organic spill kit" solution to the employees in the operations. Spill kits contain 100% natural fiber without any additives and are completely biodegradable. These spill kits are to be used to prevent spillage from having an impact when they occur and thereby protect the ecosystem.

Emission

Eimskip's total emissions were 303.197 tCO₂e in 2022. Scope 1 is 301.250 tCO₂, where the vessel fleet is responsible for most emissions. Eimskip has been extending the scope of data by involving all international offices in the environmental report. In 2022 17 of 20 countries are providing data. This significantly affects scope 2, where the emission is 1,567 tCO₂. Scope 3 is partly mapped and is 379 tCO₂ in 2022.

The Company aims to reduce emissions by 40% before 2030. Eimskip's official emission KPI was set in 2015 and is used to measure the emission development per transported ton. The KPI was redefined based on additional data collected over time. The goal was to maintain a reliable and valid comparison between 2015 and now. The KPI represents all Scope 1 emissions of vessels in Iceland, Norway, and the Faroe Islands and trucks/equipment in Iceland per tonne of a transported unit. The KPI is adjusted to a vessel-sharing agreement with Royal Arctic Line (RAL) regarding transportation to and from Greenland.

By the end of 2022, the accumulated reduction of Eimskip's carbon footprint per ton of transported unit is 23,5% compared to the base year 2015. The main reason for the lower emissions factor in 2022 is the system's increased volume and efficiency due to the new vessels Brúarfoss and Dettifoss.

Social

Eimskip recognizes its responsibility to work in partnership with the communities it operates in. This partnership is connected to all stakeholders from employees, customers, and society, with the Company's values of achievement, cooperation, and trust always in mind.

Employees

The Company employs around 1.700 people across four continents and 20 countries. Eimskip's employee group consists of diverse individuals from different backgrounds, experiences, and perspectives. These employees bring a wide range of talents, ideas, and views to the table, which inspires creativity and innovation within the Company. They bring energy and a positive attitude to the workplace, which fosters a dynamic work culture characterized by collaboration, communication, and ambition.

The Company's values of achievement, cooperation, and trust serve as guiding principles for The Company's actions and decisions and shape the Company's culture and reputation, both internally and externally.

Employee rights and welfare policies are part of Eimskip's commitment to respecting the dignity and rights of all employees. The Company's principal policies are the Code of Conduct, Human Resource Policy, Salary Policy, Equal Opportunities Policy, Policy against Bullying and Harassment, Health Policy, Occupational Safety, and Security and Prevention Policy. The Company's principal policies apply to all employees of Eimskip and its subsidiaries.

Non-Financial Reporting

Eimskip actively seeks to ensure that women have a voice at all levels in the Company to ensure dynamic conversations and broad perspectives. A powerful tool in driving diversity and gender equality in Eimskip's Executive management team is its Succession Planning process. Furthermore, the Company aspires to develop a diverse group of prospective leaders through the Company's International Leadership Program. The program aims to encourage and facilitate individual growth so that they can excel in their leadership roles and take on new responsibilities. A total of 75 employees from 14 countries graduated from the program in 2022, with 53% of the participants being women. The training has resulted in better communication and cooperation across teams and countries, and increased motivation, and satisfaction among the participants. A year after the project began, nine participants, including five women, have been promoted to new roles and have taken on new responsibilities.

The Company hosted workplace bullying, harassment, and discrimination training for all employees. The training covered topics such as identifying different types of harmful behavior, understanding the impact of such behavior, and developing strategies to address and prevent it. The benefits of the training are a greater understanding of how to create a safe and respectful work environment and improved relationships among colleagues. Furthermore, it promotes a positive and inclusive culture at the company.

As a part of its efforts to support non-sexist male perspectives and behaviors between men, Eimskip recently hosted "Barbershop" events with a diverse group of male leaders and employees. As part of the Barbershop concept, men are motivated by innovative ways to address discriminatory male stereotypes and provided with ways of discussing gender equality comfortably and in a safe environment.

Eimskip continues to put significant efforts into securing the health and safety of employees by implementing various safety precautions and focusing on employee well-being and work-life balance. This was done through training and workshops.

Eimskip emphasizes fostering employee satisfaction and a culture of engagement, productivity, and motivation. And the Company continuously looks for new ways to build a positive and inclusive work environment.

The employee engagement survey measures employee satisfaction, one of Eimskip's most important KPIs, and provides valuable feedback about their experiences and perceptions. By better understanding employees' needs, the Company can address topics of importance to increase well-being, engagement, and retention, ultimately leading to better performance. Two surveys were performed in 2022, in April (Satisfaction = 8.0) and October (Satisfaction = 8.0). In keeping with previous trends, the company continue to score the highest in the Work environment (8.6), Equality (8.5), and Meaningful work (8.4).

Safety

A safe and healthy work environment is one of Eimskip's top priorities. The objective is that everyone can work safely at Eimskip. To achieve this objective, the Company emphasizes prevention and training. Employees undergo routine safety training, and continuous advancements to create a safe work environment.

The safety suggestion button was introduced. Employees, contractors and others can send in information regarding near misses and dangerous situations. The Safety and Security Department then processes this information and acts on this suggestion to prevent accidents, and damages with the goal in mind to improve overall safety in the operations.

In May the IMO Desk was introduced for employees in the Company's offices worldwide. The IMO Desk is the central hub providing information regarding proper documentation, loading, and securing of dangerous goods transported by sea in the operations.

The Company updated the Information security policy, the Company is fully aware of the potential global cyber security risk. Several processes were reevaluated e.g., suppliers of high importance for IT security, now receive self-assessments.

Eimskip has a First Response Team, whose duty is to respond to various incidents 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, cargo, and the environment. Also, it is the team's responsibility to respond to cyber incidents.

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

Non-Financial Reporting

Human Rights

Eimskip has a clear human rights policy that states everyone should enjoy equal rights. The policy is accessible on the Company's website. Eimskip is a registered participant of the UN Global Compact, the United Nation's initiative for social responsibility for human rights, labor, environment, and anti-corruption. With its participation, the Company has committed to managing its business operations so that the UN Global Compact and its Ten Principles are a part of the Company's strategy, culture, and day-to-day operations. In 2022, the Company addressed the ten principles of the UN Global Compact with its most significant suppliers in Iceland. In 2023, Eimskip will continue to drive this project globally.

The Company hosted workplace bullying, harassment, and discrimination training for all employees. Eimskip also hosted courses with emphasis on anti-corruption and competition law. Human rights are also addressed in the value chain through supplier assessment.

Customer

Eimskip is renowned for its excellent service. The Company has a broad customer base and provides a wide range of solutions to meet diverse requirements. A global team with local expertise provides customers with holistic services, designed specifically for their needs.

The Company has a Global Service Policy. The goal of the Global Service Policy is to align the service approach, goal setting, and measurements between different units within Eimskip to ensure that the Company is offering excellent customer service. The Global Service Policy contains three pillars: Global Team, Proactive, and Simplify. To measure and monitor customer satisfaction for customers globally, Eimskip sends out a Net Promoter Score (NPS) customer survey each year. The NPS continues to be strong. In Gallup research in Iceland, the positivity towards the brand is increasing from 2021.

In 2022 the sailing schedule on eimskip.com got a new appearance with new features and more reliability. The main goal was to simplify the schedule and make it more user-friendly for customers and employees.

Eimskip added the fourth vessel to the North American route in November to meet continued strong demand Westbound. The fourth vessel is 700 TEUs. Before, the Company operated three vessels on the route on weekly service, two 900 TEUs and one 700 TEUs. Eimskip offers an outstanding environmentally friendly product for transporting fresh products by sea to North America. Which in turn allows customers to lower their carbon footprint.

The digitalization and automation of processes are key elements in the continued development of Eimskip's services. The Company is determined to adapt to customers' needs in a fast-changing technical environment where elements of self-service are increasingly important. A strong focus on information technology, and potential synergies between systems and teams, is playing a vital role in Eimskip's proactive commitment to service excellence.

Eimskip continues to strategically invest in technology platforms to better support customer service. This includes Microsoft Customer Engagement solution, new systems for liner and forwarding operation, container management system, global financial reporting and planning platform and more.

Projects for the society

As a company, Eimskip wants to contribute to a better and safer society wherever it operates, and responsibility towards the community is an integral part of the sustainability policy.

The Company supports various projects, charities, sports activities, culture, innovation and finally, projects centered on preventive measures for children and young adults. The Company is incredibly proud of the bicycle helmet project, which began in 2004 in cooperation with Kiwanis in Eimskip has given all six-year-old children in Iceland bicycle helmets and safety reflectors to contribute to youth safety. Eimskip has given helmets to about 78,600 children.

Eimskip Denmark has for the last 6 years cooperated with the Youth Center, a part of the job center in Aarhus municipality by offering internships to young people who have been on the edge of the labor market. The target group is made up of activity-ready young people that are furthest away from the labor market. The interns have their own mentors in the warehouse and follow an individual career plan. With the partnership with Aarhus municipality, Eimskip supports the important personal development of these young people in this untraditional program.

Governance

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

Non-Financial Reporting

Anti-corruption and bribery

Eimskip's policy is to fight against corruption and bribery. The Company's management and its employees strive to always comply with applicable laws and regulations and with rules and general standards of business ethics and corporate governance to avoid conflict of interests and maintain confidentiality. The Company's internal control and risk management are intended to spot abnormalities, including the risk of corruption and bribery. Eimskip's policy on Anti-corruption and bribery can be found in the Company's Code of Conduct which can be found on www.eimskip.com.

Action was taken to send the Code of Conduct to employees with the aim of introducing the Code of Conduct more formally and seeking confirmation from employees that they understood it. The process is ongoing but 50% of employees have signed the Code of Conduct in 2022.

Eimskip has in place a global Whistleblower procedure for handling reports of alleged misconduct concerning the Company's operations and the protection of whistleblowers. Furthermore, Eimskip's Anti-Money Laundering & Sanction Policy prohibits anyone employed by Eimskip from participating in money laundering, terrorist financing, and sanction breaches.

Global training was conducted in 2022 with employees that have direct contact with customers and suppliers. The focus was on Governance issues and policies e.g., anti-corruption and competition laws.

Supplier code of conduct

Good partnership with suppliers is beneficial and risk management of the supply chain is highly important. The Company published a Supplier Code of Conduct and Procurement Policy in 2021. In 2022 the Supplier Code of Conduct was introduced to vendors and in May top Icelandic Suppliers with 80% turnover signed the Supplier Code of Conduct. Furthermore, a suppliers assessment tool based on ESG has been implemented and this tool can be used at a global level. A questionnaire has been sent to the largest supplier of Eimskip Iceland. The project will continue in the year 2023 to assess suppliers across the Company globally.

Data privacy

Eimskip is committed to processing personal data of customers, employees, business partners, and other stakeholders in a lawful, fair and secure way. Eimskip strives to comply with applicable data protection laws, and all personal data used in business operation must be handled following global privacy and internal policies. The Company has identified suppliers that process data on behalf of Eimskip and the first group of suppliers have been sent self-assessments This journey will be continued in 2023.

See further information in ESG statement 2022, www.eimskip.com.