

Eimskipafélag Íslands hf.
Condensed Consolidated Interim Financial Statements
1 January to 31 March 2020
EUR

Eimskipafélag Íslands hf.
Korngardar 2
104 Reykjavík
Iceland

Reg. no. 690409-0460



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Endorsement and Statement by the Board of Directors and the CEO

Operations and significant matters

Eimskip is a leading transportation company in the North Atlantic with connections to international markets and is specialized in worldwide freight forwarding services, with the vision of providing excellence in transportation solutions and services. Eimskip specializes in shipping, logistics and supply chain management and offers its customers solutions on land, sea and air with special emphasis on the handling and storing of any type of temperature-controlled cargo, frozen or chilled, and dry cargo.

Net loss for the first three months of the year 2020 amounted to EUR 5.0 million according to the Consolidated Income Statement. Total equity at 31 March 2020 amounted to EUR 217.0 million according to the Statement of Financial Position.

The performance of the first quarter of 2020 was below management's expectations partly due to negative effects of COVID-19. Capacity reduction both in deep-sea and airfreight solutions impacted cargo flow, forwarding prices and rapid slowdown of global economies toward the end of the quarter which all had a negative effect on performance. The Company is incurring some cost directly associated with COVID-19, e.g. cost due to delays in delivery of Dettifoss, challenges and additional cost of delivering Godafoss and Laxfoss to its new owner and to less extend various other measures that the Company has taken to secure the safety and health of employees and to maintain and secure the logistic chain and customer services. The full impact of the COVID-19 pandemic on global economies, including in the North-Atlantic Region which is the Company's core market area, remains to be seen. Please refer to note 4 and 15 on other matters for more information.

Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Eimskipafélag Íslands hf. and its subsidiaries (together referred to as "Eimskip" or the "Group") for the period 1 January to 31 March 2020 are prepared and presented in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Statements (IAS 34) as adopted by the EU and additional requirements for listed Icelandic companies. The Financial Statements are presented in thousands of EUR. The Condensed Consolidated Interim Financial Statements have not been audited or reviewed by the Company's independent auditors.

According to the best of our knowledge, it is our opinion that these Condensed Consolidated Interim Financial Statements give a true and fair view of the consolidated financial performance of Eimskip for the three months ended 31 March 2020, its assets, liabilities and consolidated financial position as at 31 March 2020 and its consolidated cash flows for the three month period ended 31 March 2020.

Further, in our opinion, the Consolidated Financial Statements and the Endorsement by the Board of Directors and the CEO give a fair view of the development and performance of Eimskip's operations and its position and describe the principal risks and uncertainties faced by Eimskip.

The Board of Directors and the CEO have today discussed the Condensed Consolidated Interim Financial Statements of Eimskipafélag Íslands hf. for the period 1 January to 31 March 2020 and confirm them by means of their signatures.

Reykjavik, 19 May 2020

Board of Directors:

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

CEO:

Vilhelm Már Thorsteinsson

Consolidated Income Statement

1 January to 31 March 2020

	Notes	2020 1.1. - 31.3.	2019* 1.1. - 31.3.
Revenue			
Operating revenue	5	161,670	163,988
Expenses			
Operating expenses		122,579	118,046
Salaries and related expenses		29,753	32,720
	5	152,332	150,766
Operating profit, EBITDA		9,338	13,222
Depreciation and amortization		(10,932)	(10,753)
Results from operating activities, EBIT		(1,594)	2,469
Finance income		70	271
Finance expense		(1,930)	(1,408)
Net foreign currency exchange loss		(780)	(174)
Net finance expense	7	(2,640)	(1,311)
Share of loss of equity accounted investees		(317)	(84)
Net (loss) earnings before income tax		(4,551)	1,074
Income tax		(400)	(3,575)
Net loss for the period		(4,951)	(2,501)
Net loss for the period attributable to:			
Equity holders of the Company		(4,874)	(2,567)
Non-controlling interest		(77)	66
		(4,951)	(2,501)
Earnings per share:			
Basic and diluted loss per share (EUR per share)	8	(0.0268)	(0.0138)

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

The notes on pages 9 to 16 are an integral part of these Condensed Consolidated Interim Financial Statements.

Consolidated Statement of Comprehensive Income

1 January to 31 March 2020

	Notes	2020 1.1. - 31.3.	2019 1.1. - 31.3.*
Net loss for the period		(4,951)	(2,501)
Other comprehensive income:			
Items that are or may subsequently be reclassified the income statement			
Foreign currency translation difference of foreign operations		(3,052)	1,109
Effective portion of changes in fair value of cash flow hedges, net of income tax	16	(4,101)	648
Fair value changes of non-controlling put option liability		(85)	(112)
Other comprehensive (loss) income for the period		(7,238)	1,645
Total comprehensive loss for the period		(12,189)	(856)
Total comprehensive loss for the period attributable to:			
Equity holders of the Company		(11,899)	(1,099)
Non-controlling interest		(290)	243
		(12,189)	(856)

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

The notes on pages 9 to 16 are an integral part of these Condensed Consolidated Interim Financial Statements.

Consolidated Statement of Financial Position

as at 31 March 2020

	Notes	31.3.2020	31.12.2019
Assets:			
Property, vessels and equipment		221,533	226,243
Right-of-use assets	11	66,879	44,486
Intangible assets		65,989	66,227
Equity accounted investees		11,193	12,224
Finance assets		8,393	3,647
Deferred tax assets		4,308	2,885
Total non-current assets		378,295	355,712
Inventories		5,991	5,280
Vessels held for sale		0	14,907
Trade and other receivables	9	121,832	127,878
Cash and cash equivalents		18,563	20,737
Total current assets		146,386	168,802
Total assets		524,681	524,514
Equity:			
Share capital		1,129	1,137
Share premium		148,193	149,713
Reserves		12,198	18,151
Retained earnings		51,001	56,947
Total equity attributable to equity holders of the parent company		212,521	225,948
Non-controlling interest		4,493	4,920
Total equity		217,014	230,868
Liabilities:			
Loans and borrowings	10	148,782	152,452
Lease liabilities	11	50,521	30,496
Other long-term liabilities		4,585	4,500
Deferred tax liability		4,325	4,479
Total non-current liabilities		208,213	191,927
Loans and borrowings	10	10,457	10,552
Lease liabilities	11	12,100	10,763
Trade and other payables	12	76,897	80,404
Total current liabilities		99,454	101,719
Total liabilities		307,667	293,646
Total equity and liabilities		524,681	524,514

The notes on pages 9 to 16 are an integral part of these Condensed Consolidated Interim Financial Statements.

Consolidated Statement of Changes in Equity

1 January to 31 March 2020

Attributable to equity holders of the Company

	Share capital	Share premium	Reserves				Un-distributed profits	Retained earnings*	Total	Non-controlling interest	Total equity
			Trans-lation reserve	Hedging reserve	Fair value changes of minority put options						
Changes in Equity 1 January to 31 March 2019:											
Equity at 1 January 2019	1,165	154,726	(7,571)	(10)	(375)	26,273	59,950	234,158	4,768	238,926	
Dividend declared (0.0255 EUR per share)							(4,748)	(4,748)		(4,748)	
Other changes in non-controlling interest								0	(9)	(9)	
Total comprehensive loss for the period			932	648	(112)		(2,567)	(1,099)	243	(856)	
Profit of subsidiaries net of dividend received						429	(429)	0		0	
Equity at 31 March 2019	1,165	154,726	(6,639)	638	(487)	26,702	52,206	228,311	5,002	233,313	
Reserves						20,214					
Changes in Equity 1 January to 31 March 2020:											
Equity at 1 January 2020	1,137	149,713	(6,707)	(585)	150	25,293	56,947	225,948	4,920	230,868	
Treasury shares purchased	(8)	(1,520)						(1,528)		(1,528)	
Other changes in non-controlling interest								0	(137)	(137)	
Total comprehensive loss for the period			(2,839)	(4,101)	(85)		(4,874)	(11,899)	(290)	(12,189)	
Profit of subsidiaries net of dividend received						1,072	(1,072)	0		0	
Equity at 31 March 2020	1,129	148,193	(9,546)	(4,686)	65	26,365	51,001	212,521	4,493	217,014	
Reserves						12,198					

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

The notes on pages 9 to 16 are an integral part of these Condensed Consolidated Interim Financial Statements.

Consolidated Statement of Cash Flows

1 January to 31 March 2020

	Notes	2020 1.1. - 31.3.	2019* 1.1. - 31.3.
Cash flows from operating activities:			
Net loss for the period		(4,951)	(2,501)
Adjustments for:			
Depreciation and amortization		10,932	10,753
Net finance expense	6	2,640	1,311
Share of loss of equity accounted investees		317	84
Change in deferred taxes		(1,309)	1,882
Other changes		(319)	(102)
		7,310	11,427
Changes in current assets and liabilities:			
Inventories, change		(784)	(175)
Trade and other receivables, change		3,165	4,532
Trade and other payables, change		(5,920)	(996)
Change in current assets and liabilities		(3,539)	3,361
Interest paid		(1,882)	(1,406)
Interest received		69	278
Taxes paid		(709)	(539)
Net cash from operating activities		1,249	13,121
Cash flows used in investing activities:			
Acquisition of property, vessels and equipment		(4,072)	(7,607)
Acquisition of intangible assets		(861)	(662)
Proceeds from the sale of property, vessels and equipment		9,231	294
Proceeds from the sale of equity accounted investees		588	0
Investment in subsidiaries net of cash acquired		(67)	0
Changes in finance assets		(82)	110
Net cash provided by (used in) investing activities		4,737	(7,865)
Cash flows from financing activities:			
Purchased treasury shares		(1,528)	0
Dividend paid to non-controlling interest and other changes		(596)	(195)
Proceeds from non-current loans and borrowings		235	4,183
Repayment of non-current loans and borrowings		(2,196)	(2,793)
Repayment of lease liabilities		(4,567)	(2,086)
Short term borrowings, change		146	(25)
Net cash used in financing activities		(8,506)	(916)
Changes in cash and cash equivalents		(2,520)	4,340
Cash and cash equivalents at the beginning of the year		20,737	21,941
Effects of exchange rate fluctuations on cash held		346	403
Cash and cash equivalents at the end of the period		18,563	26,684
Investing and financing activities not affecting cash flows:			
Investment in finance assets		(5,409)	0
Proceeds from the sale of property, vessels and equipment		5,409	0
Acquisition of right-of-use assets		(28,150)	(528)
New or renewed leases	11	28,150	528
Dividend declared		0	4,748
Payables, change		0	(4,748)

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

The notes on pages 9 to 16 are an integral part of these Condensed Consolidated Interim Financial Statements.

Notes to the Consolidated Financial Statements

1. Reporting entity

Eimskipafélag Íslands hf. (the "Company" or the "Parent Company") is a public limited liability company domiciled in Iceland. The address of the Company's registered office is Korngardar 2, 104 Reykjavík. The Condensed Consolidated Interim Financial Statements of the Company for the period 1 January to 31 March 2020 comprise the Company and its subsidiaries (together referred to as "Eimskip" or the "Group"). The Parent Company is an investment company focused on investments in shipping and logistics services. The Company's shares are listed at Nasdaq Iceland.

2. Basis of preparation

a. Statement of compliance

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

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

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

b. Functional and presentation currency

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

3. Significant accounting policies

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

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

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

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

4. Use of estimates and judgements

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

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

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

Notes

4. Use of estimates and judgements, continued

Intangible assets

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

Impairment loss on trade receivables and finance assets

Eimskip establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and finance assets. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. As to date, there has not been any development indicating increase in payment defaults and therefore there have not been made any specific loss provisions on credit losses due to COVID-19 but management closely monitors collections.

5. Segment reporting

Business segments

	Liner services	Forwarding services	Consoli- dated
1 January to 31 March 2020			
Revenue, external	97,160	64,510	161,670
Inter-segment revenue	8,301	11,921	20,222
Total	105,461	76,431	181,892
Expenses, external	(89,146)	(63,186)	(152,332)
Inter-segment expense	(11,921)	(8,301)	(20,222)
EBITDA	4,394	4,944	9,338
Depreciation and amortization	(9,223)	(1,709)	(10,932)
EBIT	(4,829)	3,235	(1,594)
Net finance expense	(2,564)	(76)	(2,640)
Share of (loss) earnings of equity accounted investees	(327)	10	(317)
Income tax	473	(873)	(400)
Net (loss) earnings for the period	(7,247)	2,296	(4,951)
1 January to 31 March 2019			
Revenue, external	105,712	58,276	163,988
Inter-segment revenue	9,284	13,710	22,994
Total	114,996	71,986	186,982
Expenses, external	(92,891)	(57,875)	(150,766)
Inter-segment expense	(13,710)	(9,284)	(22,994)
EBITDA	8,395	4,827	13,222
Depreciation and amortization	(9,173)	(1,580)	(10,753)
EBIT	(778)	3,247	2,469
Net finance expense	(1,267)	(44)	(1,311)
Share of (loss) earnings of equity accounted investees	(123)	39	(84)
Income tax	(2,752)	(823)	(3,575)
Net (loss) earnings for the period	(4,920)	2,419	(2,501)
Information on assets and liabilities			
Segment assets as at 31 March 2020	412,978	111,703	524,681
Segment assets as at 31 December 2019	429,686	94,828	524,514
Segment liabilities as at 31 March 2020	228,452	79,215	307,667
Segment liabilities as at 31 December 2019	235,688	57,958	293,646
Non-lease capital expenditure for the period 1 January to 31 March 2020	4,669	264	4,933
Non-lease capital expenditure for the period 1 January to 31 March 2019	8,019	250	8,269

Notes

5. Segment reporting, continued

Geographical segments

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

	North Atlantic	Other territories	Consoli- dated
Revenue, external for the period 1 January to 31 March 2020	149,281	12,389	161,670
Revenue, external for the period 1 January to 31 March 2019	154,377	9,611	163,988
Geographical location of assets as at 31 March 2020	510,538	14,143	524,681
Geographical location of assets as at 31 December 2019	510,402	14,112	524,514
Non-lease capital expenditure for the period 1 January to 31 March 2020	4,929	4	4,933
Non-lease capital expenditure for the period 1 January to 31 March 2019	8,253	16	8,269

6. Non-IFRS measurement

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

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

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

	2020			2019
	As reported	1.1. - 31.3. Impact of IFRS 16	Excluding IFRS 16	1.1. - 31.3. Excluding IFRS 16
Revenue				
Operating revenue	161,670		161,670	163,988
Expenses				
Operating expenses	122,579	3,989	126,568	120,636
Salaries and related expenses	29,753		29,753	32,720
	152,332	3,989	156,321	153,356
Operating profit, EBITDA	9,338	(3,989)	5,349	10,632
Depreciation and amortization	(10,932)	3,372	(7,560)	(8,387)
Results from operating activities, EBIT	(1,594)	(617)	(2,211)	2,245
Finance income	70		70	271
Finance expenses	(1,930)	883	(1,047)	(1,082)
Net foreign currency exchange loss	(780)	(223)	(1,003)	(300)
Net finance expense	(2,640)	660	(1,980)	(1,111)
Share of loss of equity accounted investees	(317)		(317)	(84)
Net (loss) earnings before income tax	(4,551)	43	(4,508)	1,050
Income tax	(400)	(9)	(409)	(3,573)
Net loss for the period	(4,951)	34	(4,917)	(2,523)

Notes

	2020	2019
	1.1. - 31.3.	1.1. - 31.3.
7. Finance income and expense		
Finance income is specified as follows:		
Interest income	63	271
Dividend received	7	0
Finance income	<u>70</u>	<u>271</u>
Finance expense is specified as follows:		
Interest on long-term loans	(725)	(890)
Interest on lease liabilities	(948)	(326)
Other finance expense	(257)	(192)
Finance expense	<u>(1,930)</u>	<u>(1,408)</u>
Net foreign currency exchange loss	(780)	(174)
Net finance expense	<u>(2,640)</u>	<u>(1,311)</u>

8. Earnings per share

Basic and diluted earnings per share

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

	2020	2019
	1.1. - 31.3.	1.1. - 31.3.
Net loss attributable to equity holders of the Company	(4,874)	(2,567)
Number of issued shares at 1 January in thousands	187,000	187,000
Effect of treasury shares at 1 January in thousands	(4,122)	(361)
Effect of treasury shares purchased in thousands	(902)	0
Weighted average number of outstanding shares in thousands	<u>181,976</u>	<u>186,639</u>
Basic and diluted loss per share (EUR)	<u>(0.0268)</u>	<u>(0.0138)</u>

Notes

9. Trade and other receivables

Trade and other receivables are specified as follows:

	31.3.2020	31.12.2019
Trade receivables	107,720	109,836
Restricted cash	2,575	423
Other receivables	11,537	17,619
Trade and other receivables total	121,832	127,878

10. Loans and borrowings

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

Loans and borrowings consist of the following:

	31.3.2020	31.12.2019
Secured bank loans	159,131	162,939
Bank overdraft and short term borrowing	108	65
Total loans and borrowings	159,239	163,004
Current maturities of secured bank loans	(10,349)	(10,487)
Bank overdraft and short term borrowing	(108)	(65)
Current loans and borrowings	(10,457)	(10,552)
Non-current loans and borrowings	148,782	152,452

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

Secured bank loans

Secured bank loans are as follows:

	31.3.2020		31.12.2019	
	Nominal interest	Carrying amount	Nominal interest	Carrying amount
Loans in EUR	1.8%	144,538	1.8%	146,651
Loans in USD	5.4%	5,009	5.4%	5,218
Loans in ISK	4.1%	8,592	3.9%	9,962
Loans in other currencies	-	992	-	1,108
Total secured bank loans		159,131		162,939

Aggregated annual maturities of secured bank loans are as follows:

	31.3.2020	31.12.2019
On demand or within 12 months	10,349	10,487
12 - 24 months	46,198	48,565
24 - 36 months	8,458	9,680
36 - 48 months	8,413	9,612
48 - 60 months	8,394	9,013
After 60 months	77,319	75,582
Total secured bank loans	159,131	162,939

Notes

11. Lease liabilities

Lease liabilities are as follows:

	31.3.2020	31.12.2019
Lease Liabilities in NOK*	22,497	1,624
Lease Liabilities in ISK	11,455	12,345
Lease Liabilities in USD	11,193	9,761
Lease Liabilities in EUR	7,799	7,514
Lease Liabilities in other currencies	9,677	10,015
Total	62,621	41,259
Current maturities	(12,100)	(10,763)
Non-current maturities	50,521	30,496

Maturity analysis:

	31.3.2020	31.12.2019
Within 12 months	12,100	10,763
12 - 24 months	7,552	6,887
24 - 36 months	5,007	5,421
36 - 48 months	3,767	3,761
48 - 60 months	2,189	2,428
After 60 months	32,006	11,999
Total	62,621	41,259

* The commencement date for a new lease contract for a new logistics center in Norway was in January 2020, for a 40 year term, in the amount of NOK 234,3 million or EUR 22,5 million.

12. Trade and other payables

Trade and other payables are attributable to the following:

	31.3.2020	31.12.2019
Trade payables	43,281	49,605
Income tax payable	1,104	1,260
Other payables	32,512	29,539
Total	76,897	80,404

13. Capital commitments

In January 2017, Eimskip signed a shipbuilding contract with a Chinese shipbuilding company for the building of two new 2,150 TEUS container vessels that will be named Bruarfoss and Dettifoss. The contract price of each vessel is approximately USD 32.0 million or EUR 29.0 million.

The first vessel, Dettifoss, was delivered in May 2020. The second vessel, Bruarfoss, is expected to be delivered in the third quarter of 2020. The payment profile of the vessels is that 40% of the contract price is paid during the building period and 60% upon delivery. As of the end of March 2020, USD 25.6 million or EUR 23.2 million had been paid towards the agreements and capitalized as property, vessels and equipment.

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

Notes

14. Group entities

At period-end the Company owned directly ten subsidiaries that are all included in the consolidation. The direct subsidiaries owned 65 subsidiaries at period-end. The Company holds the majority of voting power in all of its subsidiaries. Assets, liabilities, revenues and expenses in Consolidated Financial Statements that include a non-controlling interest are immaterial to the Group.

The Group's direct subsidiaries are as follows:

	Country of incorporation	Ownership Interest 31.3.2020	Ownership Interest 31.12.2019
Eimskip Ísland ehf.	Iceland	100%	100%
TVG-Zimsen ehf.	Iceland	100%	100%
Eimskip USA, Inc.	USA	100%	100%
Eimskip UK Ltd.	England	100%	100%
Eimskip Holding B.V.	The Netherlands	100%	100%
Eimskip Asia B.V.	The Netherlands	80%	80%
P/f Skipafélagid Føroyar	Faroe Islands	100%	100%
Harbour Grace CS Inc.	Canada	51%	51%
Eimskip REIT ehf.	Iceland	100%	100%
Sæferdir ehf.	Iceland	100%	100%

15. Other matters

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

On 1 July 2019 the Company filed a court case based on Article 102 of the Icelandic criminal procedure act, claiming that the ICA's investigation is illegal and should be ceased. The claims in this case are twofold. Firstly, that ICA's investigation in its entirety is deemed illegal and should be ceased. Secondly, that seized documents from two dawn raids should be returned and all copies destroyed. On 25 October 2019 the Court of Appeal confirmed the ruling of Reykjavik District Court of dismissal of the first claim, and on 30 January 2020 the Court of Appeal rejected the Company's second claim. The civil action that was decided on 4 November 2019 to file against ICA is being heard by Reykjavik District Court. In April 2020, a decision was made to dismiss the civil action.

On 13 December 2019 Eimskip received second statement of objections from ICA, which has granted the Company a continuance until 15 March 2020 to submit its objections to statement of objections I, and a continuance to submit objections to statement of objections II until 15 June 2020. Any elaboration on the potential outcome of the investigation is premature, and no information is available on potential fines, or if they will materialize. The investigation has had immaterial effect on the Company's Financial Statements.

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

Tax related matters

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

Notes

15. Other matters, continued

Impact of COVID-19

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

Eimskip uses forward contracts to hedge its own exposure to fluctuations in bunker prices. The exposure is net of bunker adjustment factor (BAF) which is charged to customers to mitigate the price fluctuations in bunkers. World demand of oil has decreased significantly due to COVID-19 which has resulted in price decreases of bunkers. This negatively affects the forward contracts which is reflected in the hedging reserve in equity. However, the hedge is still effective as the future purchases of bunkers that are hedged are still appropriate.

16. Subsequent events

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

In May 2020, Eimskip took delivery of the new Dettifoss which is expected to arrive Reykjavik in the middle of June. Please refer to note 13 for more information.

Quarterly statements

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