

Eimskipafélag Íslands hf.
Consolidated Financial Statements
for the year ended 31 December 2020
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	6
Consolidated Income Statement	9
Consolidated Statement of Comprehensive Income	10
Consolidated Statement of Financial Position	11
Consolidated Statement of Changes in Equity	12
Consolidated Statement of Cash Flows	13
Notes to the Consolidated Financial Statements	14
Appendices:	
Quarterly Statements - unaudited	42
Corporate Governance Statement	43
Non-Financial Reporting	49

Endorsement and Statement by the Board of Directors and the CEO

Operations and significant matters in 2020

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.

Net earnings for the year 2020 amounted to EUR 4.5 million (2019: EUR 1.0 million) according to the Consolidated Income Statement. Total equity at 31 December 2020 amounted to EUR 230.3 million (2019: EUR 230.9 million) according to the Statement of Financial Position.

In April 2020, organizational changes and streamlining measures were introduced which included a 10% reduction in FTE's from year-end 2019. As part of this, a redundancy cost in the amount of EUR 1.0 million was expensed in the second quarter of 2020.

In the beginning of May, Eimskip took delivery of the new vessel, Dettifoss, which arrived to Reykjavik for the first time in July 2020. Dettifoss is the largest vessel and the most environmentally friendly per TEU (twenty-foot container equivalent unit) of the entire Icelandic fleet. In May 2020 the co-operation between Eimskip and Royal Arctic Line commenced, an important milestone in trade between Iceland and Greenland.

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

The Board of Directors proposes a dividend payment to shareholders in 2021 in the amount of ISK 2.47 per share. The proposed dividend payment is ISK 446.7 million, or EUR 2.9 million, which represents 65.0% of net earnings for the year 2020.

Effects of COVID-19

The Company has during the year 2020 strived to secure the safety and health of employees and to maintain and secure the logistic chain and customer services. At the beginning of the second quarter a temporary amended sailing system was introduced to provide efficiency and lower cost during the pandemic. At the end of the third quarter a more permanent sailing system was announced, preserving the cost benefit from the temporary amendments as well as improving the service level and to finalize the implementation of the co-operation with Royal Arctic Line. Impact of the COVID 19 pandemic on global economies, including in the North-Atlantic Region which is the Company's core market area, is still uncertain.

In March 2020 the Company withdrew its EBITDA guidance for the year due to the uncertainty surrounding the COVID-19 pandemic. In December 2020 the Company informed the market of the expected EBITDA for the fourth quarter and the year 2020 since the guidance had not been restated since March. The actual EBITDA is within the guidance published in December.

Corporate Governance

Eimskip's management is of the opinion that practicing good Corporate Governance is vital for Eimskip and is in the best interests of the shareholders, employees and other stakeholders.

The framework for Corporate Governance practices within Eimskip consists of the provisions of law, the parent company's Articles of Association, Rules for Issuers of Financial Instruments listed at Nasdaq Iceland and the 5th edition of Corporate Governance Guidelines issued by the Iceland Chamber of Commerce, SA – 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. 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.

Active risk management plays an important role at Eimskip ensuring stable operations and earnings. The risk management policy aims to minimize potential negative effects on operations and earnings from marketing, operational and financial activities and to keep risk at acceptable levels. Information on matters related to financial risk management is disclosed in note 21.

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 two females and three males. The Executive Management and the CEO consists of six males and one female. The Company's gender ratio is 70% males and 30% females. Further information on the number of full time equivalents can be found in note 7.

Endorsement and Statement by the Board of Directors and the CEO

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 and ESG targets for the next three years were developed. Eimskip has now published its Sustainability Statement for 2020 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 Company's twelve largest shareholders at the year-end are the following:

Shareholder:	2020		2019	
	Number of shares	Shares in %	Number of shares	Shares in %
1. Samherji Holding ehf.*	51.170.175	28,29%	50.600.000	27,67%
2. Lífeyrissjóður verzlunarmanna	27.235.070	15,06%	27.785.070	15,19%
3. Gildi - lífeyrissjóður **	26.643.247	14,73%	23.116.139	12,64%
4. Arion banki hf.	11.706.250	6,47%	425.200	0,23%
5. Birta lífeyrissjóður	10.737.477	5,94%	11.278.215	6,17%
6. Lífeyrissjóður starfsmanna ríkisins A-deild***	9.610.000	5,31%	12.070.000	6,60%
7. Stapi lífeyrissjóður	9.581.897	5,30%	9.331.897	5,10%
8. Eaton Vance Management ****	8.283.665	4,58%	13.656.656	7,47%
9. Almenni lífeyrissjóðurinn	3.611.558	2,00%	3.611.558	1,97%
10. Söfnunarsjóður lífeyrisréttinda	3.302.823	1,83%	3.302.823	1,81%
11. Lífeyrissjóður starfsmanna ríkisins B-deild***	2.615.160	1,45%	4.693.700	2,57%
12. Lífeyrissjóður Vestmannaeyja	1.447.800	0,80%	1.297.800	0,71%
Other shareholders	14.922.121	8,25%	21.709.358	4,63%
Total outstanding shares	180.867.243	100,00%	182.878.416	92,76%
Treasury shares	6.132.757		4.121.584	
Total issued shares	187.000.000		187.000.000	

*) In October 2020 Samherji Holding ehf. increased its share in the Company up to 30.28% of issued shares and subsequently made a takeover bid to shareholders of Eimskipafélag Íslands hf. The 30.28% share included a forward contract for 5,480,000 shares or 2.93%. Shareholders holding a total of 20,175 shares in Eimskipafélag Íslands hf. accepted the takeover bid, equivalent to 0.011% of total issued shares in the Company. Following the takeover bid Samherji Holding ehf. owned a total of 51,170,175 shares in the Company or up to 30.29%. As of today, Samherji Holding ehf. holds a total of 63,246,425 shares or 33.82% of issued shares whereof 12,076,250 shares are held through forward contracts.

**) Gildi lífeyrissjóður, Gildi lífeyrissjóður/Framtíðarsýn 1 and 2 with total shareholding of 14.73%

***) Lífeyrissjóður starfsmanna ríkisins A and B with total shareholding of 6.76%

****) The shareholders are Global Macro Portfolio, Global Opportunities Portfolio and Global Macro Absolute Return Advantage Fund.

On 1 December 2019 the Board of Directors initiated a share buy-back program in accordance with the approval of Eimskip shareholders' meeting on 24 July 2018. The share buy-back was completed on 24 January 2020 with a total 2,190,465 treasury shares purchased for EUR 3.0 million, thereof EUR 1.5 million in the year 2020. The number of shares purchased during 2020 was 1,106,960. The main purpose of the share-buy back was to reduce the Company's share capital.

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 were met in 2020. Previously, as disclosed on 12 March 2014, A1988 transferred 7,441,950 shares to Eimskipafélag Íslands hf. A1988 hf. no longer holds any shares in Eimskipafélag Íslands hf.

Endorsement and Statement by the Board of Directors and the CEO

The Company's Board of Directors consists of five Directors and two alternate Directors, all elected at an annual general meeting in March 2020. 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. The number of shareholders at year-end 2020 was 693 which was an increase of 26 from the beginning of year.

Statement by the Board of Directors and the CEO

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

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 2020, its assets, liabilities and consolidated financial position as at 31 December 2020 and its consolidated cash flows for the year 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 Consolidated Financial Statements of Eimskipafélag Íslands hf. for the year 2020 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, 25 February 2021

Board of Directors:

Baldvin Thorsteinsson, Chairman

Hrund Rudolfsdóttir

Guðrún Ó. Blöndal

Lárus L. Blöndal

Vilhjálmur Vilhjálmsson

CEO:

Vilhelm Már Thorsteinsson

Independent Auditors' Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Eimskipafélag Íslands hf. (the Group), which comprise the Consolidated Statement of Financial Position as at 31 December 2020, the Consolidated Statements of Income, Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying Consolidated Financial Statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional disclosure requirements for listed companies in Iceland.

Our opinion is consistent with the additional report submitted to the Audit Committee and the Board of Directors.

Basis for Opinion

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

We declare, to the best of our knowledge and belief, that we have not provided any prohibited non-audit services, as referred to in Article 5(1) of the Regulation (EU) 537/2014 and that we remained independent in conducting the audit.

We were first appointed as auditors in 2009. We have been re-appointed by resolutions passed by the annual general meeting uninterrupted since then.

Key Audit Matters

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

Key Audit Matters

Revenue Recognition, timing and accuracy

Reference is made to note 5 and note 29.k.

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

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

How the matter was addressed in our audit

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

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

Independent Auditors' Report

Other Information

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

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

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

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

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

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

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

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

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

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

Independent Auditors' Report

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

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

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

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

Report on Other Legal and Regulatory Requirements

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statement Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors and CEO accompanying the Consolidated Financial Statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the Consolidated Financial Statements.

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

Reykjavík, 25 February 2021

KPMG ehf.

Hrafnhildur Helgadóttir
Sæmundur Valdimarsson

Consolidated Income Statement for the year 2020

	Notes	2020	2019
Revenue			
Operating revenue		667.256	678.965
Other revenue		1.060	629
	5	668.316	679.594
Expenses			
Operating expenses		493.100	487.427
Salaries and related expenses	7	113.538	131.618
	5	606.638	619.045
Operating profit, EBITDA		61.678	60.549
Depreciation, amortization and impairment	11-13	(44.590)	(47.027)
Results from operating activities, EBIT		17.088	13.522
Finance income		705	945
Finance expense		(7.584)	(6.057)
Net foreign currency exchange (loss) gain		(1.695)	325
Net finance expense	8	(8.574)	(4.787)
Share of earnings (loss) of equity-accounted investees	14	262	(377)
Net earnings before income tax		8.776	8.358
Income tax	9	(4.325)	(7.351)
Net earnings for the year		4.451	1.007
Net earnings for the year attributable to:			
Equity holders of the Company		4.465	765
Non-controlling interest		(14)	242
		4.451	1.007
Earnings per share:			
Basic and diluted earnings per share (EUR per share)	10	0,0246	0,0041

The notes on pages 15 to 41 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income for the year 2020

	Notes	2020	2019
Net earnings for the year		4.451	1.007
Other comprehensive income:			
Items that are or may subsequently be reclassified to the income statement			
Foreign currency translation difference of foreign operations	(2.789)	1.014
Effective portion of changes in fair value of cash flow hedges, net of income tax		778	(575)
Fair value changes of minority put option liability	25 (727)	525
Total other comprehensive income for the year	(2.738)	964
Total comprehensive income for the year		1.713	1.971
Total comprehensive income for the year attributable to:			
Equity holders of the Company		1.810	1.579
Non-controlling interest	(97)	392
		1.713	1.971

The notes on pages 15 to 41 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

as at 31 December 2020

	Notes	2020	2019
Assets:			
Property, vessels and equipment	11	247.582	226.243
Right-of-use assets	12,22	67.376	44.486
Intangible assets	13	63.728	66.227
Equity accounted investees	14	11.649	12.224
Finance assets		7.354	3.647
Deferred tax assets	15	2.744	2.885
Total non-current assets		400.433	355.712
Inventories		4.606	5.280
Vessels held for sale		0	14.907
Trade and other receivables	16,21	115.452	127.878
Cash and cash equivalents		15.640	20.737
Total current assets		135.698	168.802
Total assets		536.131	524.514
Equity:			
Share capital		1.123	1.137
Share premium		148.369	149.713
Reserves		9.061	18.151
Retained earnings		67.847	56.947
Total equity attributable to equity holders of the parent company	17	226.400	225.948
Non-controlling interest		4.257	4.920
Total equity		230.657	230.868
Liabilities:			
Loans and borrowings	18	145.781	152.452
Lease liabilities	19	53.292	30.496
Other long-term liabilities	25	5.227	4.500
Deferred tax liability	15	4.186	4.479
Total non-current liabilities		208.486	191.927
Loans and borrowings	18	15.236	10.552
Lease liabilities	19	10.861	10.763
Trade and other payables	20	70.891	80.404
Total current liabilities		96.988	101.719
Total liabilities		305.474	293.646
Total equity and liabilities		536.131	524.514

The notes on pages 15 to 41 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2020

	Attributable to equity holders of the Company									
	Reserves							Total	Non-controlling interest	Total equity
	Share capital	Share premium	Trans-lation reserve	Hedging reserve	Fair value changes of minority put options	Un-distributed profits	Retained earnings			
Changes in Equity 2019:										
Equity at 1 January 2019	1.165	154.726	(7.571)	(10)	(375)	26.273	59.950	234.158	4.768	238.926
Dividend paid (0.0255 EUR per share)							(4.748)	(4.748)		(4.748)
Purchased treasury shares	(28)	(5.013)						(5.041)		(5.041)
Other changes in non-controlling interest								0	(240)	(240)
Total comprehensive income for the year			864	(575)	525		765	1.579	392	1.971
Profit of subsidiaries net of dividend received						(980)	980	0		0
Equity at 31 December 2019	1.137	149.713	(6.707)	(585)	150	25.293	56.947	225.948	4.920	230.868
Reserves						18.151				
Changes in Equity 2020:										
Equity at 1 January 2020	1.137	149.713	(6.707)	(585)	150	25.293	56.947	225.948	4.920	230.868
Treasury shares purchased	(8)	(1.520)						(1.528)		(1.528)
Treasury shares received (note 17)	(6)	6						0		0
Reversal of prior year dividend of treasury shares received (note 17)		170						170		170
Other changes in non-controlling interest								0	(566)	(566)
Total comprehensive income for the period			(2.706)	778	(727)		4.465	1.810	(97)	1.713
Profit of subsidiaries net of dividend received						(6.435)	6.435	0		0
Equity at 31 December 2020	1.123	148.369	(9.413)	193	(577)	18.858	67.847	226.400	4.257	230.657
Reserves						9.061				

The notes on pages 15 to 41 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows for the year 2020

	Notes	2020	2019
Cash flows from operating activities:			
Net earnings for the year		4.451	1.007
Adjustments for:			
Depreciation, amortization and impairment	11-13	44.590	47.027
Net finance expense	8	8.574	4.787
Share of loss of equity-accounted investees	14	(262)	377
Change in deferred taxes	9,15	(139)	2.501
Other changes		69	(253)
		57.283	55.446
Changes in current assets and liabilities:			
Inventories		511	(186)
Trade and other receivables		6.752	(1.973)
Trade and other payables		(4.425)	5.970
Change in current assets and liabilities		2.838	3.811
Interest received		652	844
Interest paid		(7.533)	(5.954)
Taxes paid		(2.057)	(2.845)
Net cash from operating activities		51.183	51.302
Cash flows from investing activities:			
Acquisition of property, vessels and equipment	11	(45.807)	(33.786)
Acquisition of intangible assets	13	(2.878)	(2.983)
Acquisition of right-of-use assets		(1.903)	0
Proceeds from the sale of property, vessels and equipment		11.221	1.597
Proceeds from the sale of equity accounted investees		588	0
Investment in equity accounted investees		0	(894)
Changes in finance assets		121	(485)
Net cash used in investing activities		(38.658)	(36.551)
Cash flows from financing activities:			
Dividend paid to equity holders of the company		0	(4.748)
Purchased treasury shares		(1.528)	(5.041)
Dividend paid to non-controlling interest and other changes		(1.052)	(502)
Proceeds from non-current loans and borrowings	18	47.287	16.423
Repayment of non-current loans and borrowings	18	(46.534)	(8.704)
Repayment of lease liabilities	19,22	(15.691)	(13.076)
Short term borrowings, change		46	49
Net cash used in financing activities		(17.472)	(15.599)
Changes in cash and cash equivalents		(4.947)	(848)
Cash and cash equivalents at the beginning of the year		20.737	21.941
Effects of exchange rate fluctuations on cash held		(150)	(356)
Cash and cash equivalents at year-end		15.640	20.737
Investing and financing activities not affecting cash flows:			
Acquisition of right-of-use assets	12	(39.548)	(16.830)
New or renewed leases	12	39.548	16.830
Investment in finance assets		(5.409)	0
Proceeds from the sale of property, vessels and equipment		5.409	0
Reversal of prior year dividend of treasury shares received		170	0
Payables, change		(170)	0
Trade and other receivables		0	(3.043)
Proceeds from non-current loans and borrowings		0	3.043

The notes on pages 15 to 41 are an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

General presentation	Page
1 Reporting entity	15
2 Basis of accounting	15
3 Measurement of fair values	15
4 Changes in significant accounting policies	15
29 Significant accounting policies	35
30 Standards issued but not yet effective	41
Notes to the Consolidated Income Statement	
5 Segment reporting	16
6 Non-IFRS measurement	17
7 Salaries and related expenses	19
8 Finance income and expense	19
9 Income tax	19
10 Earnings per share	20
Notes to the Consolidated Statement of Financial Position	
11 Property, vessels and equipment	20
12 Right-of-use assets	21
13 Intangible assets	22
14 Investment in equity-accounted investees	23
15 Deferred tax assets and liabilities	24
16 Trade and other receivables	25
17 Capital and reserves	25
18 Loans and borrowings	26
19 Lease liabilities	27
20 Trade and other payables	28
21 Financial risk management	28
Other information	
22 Leases	32
23 Related parties	32
24 Auditor's fees	33
25 Group entities	33
26 Other matters	33
27 Impact of COVID-19	34
28 Subsequent events	34

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 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 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 25 February 2021.

Details of the Group's accounting policies are included in Note 29.

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.

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, still remains to be fully seen. As to date, the pandemic could have a significant impact on the estimates and assumptions within the next financial year and risk of causing a material adjustments to the carrying amounts of assets and liabilities. Please refer to note 27.

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 29 k - Revenue

Note 13 - Intangible assets and impairment testing

Note 15 - Measure of the recoverable amounts of deferred tax assets

Notes 16 and 21 - 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 2019. IFRS standards effective as at 1 January 2020 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	Consoli- dated
For the year 2020			
Revenue, external	402.841	265.475	668.316
Inter-segment revenue	15.474	29.025	44.499
Total	418.315	294.500	712.815
Expenses, external	(350.698)	(255.940)	(606.638)
Inter-segment expense	(29.025)	(15.474)	(44.499)
EBITDA	38.592	23.086	61.678
Depreciation and amortization	(37.744)	(6.846)	(44.590)
EBIT	848	16.240	17.088
Net finance expense	(5.282)	(3.292)	(8.574)
Share of earnings of equity-accounted investees	176	86	262
Income tax	(308)	(4.017)	(4.325)
Net (loss) earnings for the year	(4.566)	9.017	4.451
Segment assets	410.675	125.456	536.131
Segment liabilities	225.130	80.344	305.474
Non-lease capital expenditure	48.033	652	48.685
	Liner services	Forwarding services	Consoli- dated
For the year 2019			
Revenue, external	432.665	246.929	679.594
Inter-segment revenue*	16.408	35.490	51.898
Total	470.565	303.911	731.492
Expenses, external	(373.914)	(245.131)	(619.045)
Inter-segment expense*	(35.490)	(16.408)	(51.898)
EBITDA	39.669	20.880	(670.943)
Depreciation, amortization and impairment	(40.467)	(6.560)	(47.027)
EBIT	(798)	14.320	13.522
Net finance (expense) income	(4.876)	89	(4.787)
Share of (loss) earnings of equity-accounted investees	(414)	37	(377)
Income tax	(3.437)	(3.914)	(7.351)
Net (loss) earnings for the year	(9.525)	10.532	1.007
Segment assets	429.686	94.828	524.514
Segment liabilities	235.688	57.958	293.646
Non-lease capital expenditure	35.184	1.585	36.769

*Inter-segment revenue and expenses have been restated for 2019.

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 2020			
Revenue, external	611.668	56.648	668.316
Segment assets	520.482	15.649	536.131
Non-lease capital expenditure	48.609	76	48.685
For the year 2019			
Revenue, external	635.281	44.313	679.594
Segment assets	510.402	14.112	524.514
Non-lease capital expenditure	36.730	39	36.769

6. Non-IFRS measurement

In this note to the Consolidated 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.

Effects on the Consolidated Income Statements

	2020		
	As reported	Impact of IFRS 16	Excluding IFRS 16
Revenue			
Revenue	668.316	0	668.316
Expenses			
Operating expenses	493.100	15.352	508.452
Salaries and related expenses	113.538	0	113.538
	606.638	15.352	621.990
Operating profit, EBITDA	61.678	(15.352)	46.326
Depreciation and amortization	(44.590)	13.165	(31.425)
Results from operating activities, EBIT	17.088	(2.187)	14.901
Finance income	705	0	705
Finance expense	(7.584)	3.539	(4.045)
Net foreign currency exchange gain (loss)	(1.695)	(674)	(2.369)
Net finance (expense) income	(8.574)	2.865	(5.709)
Share of earnings of equity accounted investees	262	0	262
Net earnings before income tax	8.776	678	9.454
Income tax	(4.325)	(136)	(4.461)
Net earnings for the year	4.451	542	4.993

Notes

6. Non-IFRS measurement, continued

Effects on the Consolidated Income Statements, continued

	2019		
	As reported	Impact of IFRS 16	Excluding IFRS 16
Revenue			
Revenue	679.594	0	679.594
Expenses			
Operating expenses	487.427	11.197	498.624
Salaries and related expenses	131.618	0	131.618
	619.045	11.197	630.242
Operating profit, EBITDA	60.549	(11.197)	49.352
Depreciation, amortization and impairment	(47.027)	10.151	(36.876)
Results from operating activities, EBIT	13.522	(1.046)	12.476
Finance income	945	0	945
Finance expense	(6.057)	1.398	(4.659)
Net foreign currency exchange gain (loss)	325	(940)	(615)
Net finance (expense) income	(4.787)	458	(4.329)
Share of loss of equity accounted investees	(377)	0	(377)
Net earnings before income tax	8.358	(588)	7.770
Income tax	(7.351)	118	(7.233)
Net earnings for the year	1.007	(470)	537

Notes

7. Salaries and related expenses

Salaries and related expenses are specified as follows:

	2020	2019
Salaries	94.556	106.738
Defined pension contribution plan	10.277	11.746
Other related expenses	8.705	13.134
Salaries and related expenses	113.538	131.618
Average number of full-time equivalents during the year	1.637	1.778
Average number of employees	1.678	1.823
Number of full-time equivalents at year-end	1.611	1.785

8. Finance income and expense

Finance income is specified as follows:

Interest income	655	708
Dividend received	50	100
Gain on sale of shares	0	137
Finance income	705	945

Finance expense is specified as follows:

Interest on long-term loans	(3.086)	(3.126)
Interest on lease liabilities	(3.741)	(1.873)
Other finance expense	(752)	(1.058)
Loss on sale of shares	(5)	0
Finance expense	(7.584)	(6.057)
Net foreign currency exchange (loss) income	(1.695)	325
Net finance expense	(8.574)	(4.787)

9. Income tax

(i) Income tax recognized in the income statement:

Current tax expense:

Current year	4.741	4.709
--------------------	-------	-------

Deferred tax:

Origination and reversal of temporary differences	(223)	2.272
Other changes	(193)	370
	(416)	2.642
Total income tax	4.325	7.351

(ii) Reconciliation of effective income tax rate:

	2020		2019	
Net earnings before income tax		8.776		8.358
Income tax using the Company's domestic tax rate	20,0%	1.755	20,0%	1.672
Effect of tax rates in foreign jurisdictions	(8,5%)	(746)	10,5%	876
Non-deductable expenses	18,7%	1.644	0,7%	60
Under or over provided in previous years	5,7%	496	0,0%	0
Income tax reassessment for vessel subsidiaries, see note 26	10,4%	915	40,7%	3.400
Tax benefit (recognized) derecognized	2,2%	195	7,3%	614
Other changes	0,8%	66	8,7%	729
Effective income tax rate	49,3%	4.325	88,0%	7.351

Decrease in income tax relating to the cash flow hedge in other comprehensive income amounted to EUR 195 thousand (2019: Decrease EUR 144 thousand).

Notes

10. Earnings per share

Basic and diluted earnings per share

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

	2020	2019
Net earnings attributable to equity holders of the Company	4.465	765
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	(1.056)	(1.396)
Effect of treasury shares from A1988 hf. received in thousands, see note 17	(666)	0
Weighted average number of outstanding shares at 31 December	181.156	185.243
Basic and diluted earnings per share (EUR)	0,0246	0,0041

11. Property, vessels and equipment

Property, vessels and equipment are specified as follows:

	Land and buildings	Vessels under construction	Vessels under equipment	Containers and equipment	Total
Cost					
Balance at 1 January 2019	101.457	109.893	18.890	166.173	396.413
Reclassified to right-of-use assets	0	0	0	(10.474)	(10.474)
Reclassification of assets	342	0	0	(882)	(540)
Reclassified to vessels held for sale	0	(30.848)	0	0	(30.848)
Additions	1.629	5.100	7.490	19.567	33.786
Disposals	0	0	0	(4.326)	(4.326)
Currency adjustments	227	7	0	283	517
Balance at 31 December 2019	103.655	84.152	26.380	170.341	384.528
Balance at 1 January 2020	103.655	84.152	26.380	170.341	384.528
Reclassification of assets	6.542	63.277	(63.277)	(8.159)	(1.617)
Additions	2.797	2.605	36.897	3.508	45.807
Disposals	(292)	0	0	(3.732)	(4.024)
Currency adjustments	(739)	(543)	0	(584)	(1.866)
Balance at 31 December 2020	111.963	149.491	0	161.374	422.828
Depreciation					
Balance at 1 January 2019	28.611	44.191	0	77.716	150.518
Reclassified to right-of-use assets	0	0	0	(2.708)	(2.708)
Reclassified to vessels held for sale	0	(15.941)	0	0	(15.941)
Disposals	0	0	0	(3.649)	(3.649)
Depreciation	3.966	8.919	0	14.161	27.046
Impairment	0	2.620	0	0	2.620
Currency adjustments	197	0	0	202	399
Balance at 31 December 2019	32.774	39.789	0	85.722	158.285
Balance at 1 January 2020	32.774	39.789	0	85.722	158.285
Disposals	(241)	0	0	(4.721)	(4.962)
Depreciation	3.883	6.646	0	13.699	24.228
Currency adjustments	(600)	188	0	(1.893)	(2.305)
Balance at 31 December 2020	35.816	46.623	0	92.807	175.246

Notes

11. Property, vessels and equipment, continued	Land and buildings	Vessels under construction	Vessels under construction	Containers and equipment	Total
Carrying amounts					
At 1 January 2019	72.846	65.702	18.890	88.457	245.895
At 31 December 2019	70.881	44.363	26.380	84.619	226.243
At 31 December 2020	76.147	102.868	0	68.567	247.582

Pledges

Property, vessels and equipment with a carrying amount of EUR 123.6 million (2019: EUR 59.1 million) have been pledged as security for loans amounting to EUR 160.8 million (2019: EUR 163.3 million) at year-end.

Borrowing costs

Borrowing costs amounting to EUR 0.3 million (2019: EUR 0.4 million) with an interest rate of 1,69% (2019: 1,74%) have been capitalized due to vessels under construction.

Assets reclassified to right-of-use assets in the implementation of IFRS 16

In the implementation of IFRS 16 as at 1 January 2019, assets with a book value of EUR 7.8 million were reclassified from property, vessels and equipment to right-of-use assets. The lease liability according to the lease agreements at the same time amounted to EUR 6.1 million.

12. Right-of-use assets

Right-of-use assets are specified as follows:

Cost	Buildings and Land Cold storage		Vessels	Vehicles and Equipment	Total
As at 1 January 2019	9.900	17.248	3.422	1.922	32.492
Reclassified from property, vessels and equipment	0	0	0	10.474	10.474
New and amended leases	0	2.705	7.189	6.936	16.830
Expired leases	0	(289)	(1.618)	(87)	(1.994)
Divestments	0	0	(1.874)	(297)	(2.171)
Currency adjustments	0	54	0	5	59
Balance at 31 December 2019	9.900	19.718	7.119	18.953	55.690
Balance at 1 January 2020	9.900	19.718	7.119	18.953	55.690
New and amended leases	439	29.119	6.062	5.831	41.451
Expired leases	0	(1.636)	(3.224)	(485)	(5.345)
Divestments	0	(388)	(640)	(5.288)	(6.316)
Currency adjustments	0	(14)	0	(139)	(153)
Balance at 31 December 2020	10.339	46.799	9.317	18.872	85.327
Depreciation					
Depreciation	318	4.296	4.214	3.042	11.870
Reclassified to right-of-use assets	0	0	0	2.708	2.708
Expired leases	0	(289)	(1.618)	(87)	(1.994)
Divestments	0	0	(1.291)	(82)	(1.373)
Currency adjustments	0	(8)	0	1	(7)
Balance at 31 December 2019	318	3.999	1.305	5.582	11.204
Balance at 1 January 2020	318	3.999	1.305	5.582	11.204
Depreciation	319	4.922	6.190	3.851	15.282
Expired leases	0	(1.636)	(3.225)	(485)	(5.346)
Divestments	0	(244)	(385)	(2.431)	(3.060)
Currency adjustments	0	(134)	26	(21)	(129)
Balance at 31 December 2019	637	6.907	3.911	6.496	17.951

Notes

12. Right of use assets, continued	Buildings and		Vessels	Vehicles and	Total
	Land	Cold storage		Equipment	
Carrying amounts					
1 January 2019	9.900	17.248	3.422	1.922	32.492
31 December 2019	9.582	15.719	5.814	13.371	44.486
31 December 2020	9.702	39.892	5.406	12.376	67.376

Lease categories

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

Vessels: Eimskip charts vessels for use in the sailing system. The lease terms and the remaining lease terms on the date of the initial application, varies between 4 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 20 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. In 2019 the commitment amounted to EUR 23.6 million.

13. Intangible assets

Intangible assets and amortization are specified as follows:

	Goodwill	Brand name	Market and customer related		Total
			Software		
Cost					
Balance at 1 January 2019	27.771	15.103	23.606	25.049	91.529
Reclassification of assets	(404)	0	540	525	661
Additions	0	0	2.983	0	2.983
Currency adjustments	44	37	(16)	182	247
Balance at 31 December 2019	27.411	15.140	27.113	25.756	95.420
Balance at 1 January 2020	27.411	15.140	27.113	25.756	95.420
Reclassification of assets	0	0	44	0	44
Additions	0	0	2.878	0	2.878
Disposal	0	0	(9)	0	(9)
Sales during the year	0	0	(1.317)	0	(1.317)
Currency adjustments	(66)	(34)	(7)	(373)	(480)
Balance at 31 December 2020	27.345	15.106	28.702	25.383	96.536
Amortization					
Balance at 1 January 2019	0	0	17.274	6.385	23.659
Amortization	0	0	3.525	1.966	5.491
Currency adjustments	0	0	(10)	53	43
Balance at 31 December 2019	0	0	20.789	8.404	29.193
Balance at 1 January 2020	0	0	20.789	8.404	29.193
Amortization	0	0	3.420	1.660	5.080
Disposal	0	0	(9)	0	(9)
Sales during the year	0	0	(1.279)	0	(1.279)
Currency adjustments	0	0	(7)	(170)	(177)
Balance at 31 December 2020	0	0	22.914	9.894	32.808

Notes

13. Intangible assets, continued

	Goodwill	Brand name	Software	Market and customer related	Total
Carrying amounts					
At 1 January 2019	27.771	15.103	6.332	18.664	67.870
At 31 December 2019	27.411	15.140	6.324	17.352	66.227
At 31 December 2020	27.345	15.106	5.788	15.489	63.728

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. No impairment has been recognized.

The Company has acquired several subsidiaries. Each acquired company is considered to be one Cash Generating Unit ("CGU") for the purpose of impairment testing. The carrying amounts of goodwill related to the acquisition of Mareco N.V. is EUR 9.8 million, EUR 3.9 million is related to SHIP-LOG A/S and EUR 7.6 million related to Extraco Internationale Expeditie B.V. These CGU's are all part of forwarding services.

The impairment tests were performed in the fourth quarter of 2020 and were based on the results of 31 December 2020 as well as the board approved budget for the year 2021. The impairment tests are in the form of discounted cash-flow analysis. The periods projected are the years 2022-2026 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.

	2020	2019
Future growth rate	1.0% - 2.5%	1.0% - 3.5%
Weighted-average cost of capital	5.9% - 9.0%	7.0% - 9.6%
Sector debt-ratio*	26% - 70%	20% - 52%

Some of the CGU's have faced business challenges related the COVID-19 pandemic. The business challenges and underlying assumptions have however not indicated impairment of intangible assets.

One individual CGU is sensitive for impairment. The individual CGU has been experiencing adverse market conditions which management assesses as temporary. If market conditions will not improve it could lead to impairment of the CGU's goodwill. If the future growth rate decreases by 1%, EBITDA decreases by 5% or WACC increases by 1% of the following variables changes without a change in the other it does not lead to impairment. If two of these variables change it leads to a an impairment of EUR 0.9 - 1.7 million.

*The variation of the sector debt ratio from the previous years is explained by IFRS 16 now being a part of the impairment testing.

14. Investments in equity-accounted investees

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

Shares in associated companies	Ownership	Share of earnings	Share of earnings	Book value	Book value
		2020	2019	2020	2019
Qingdao Port Eimskip					
Coldchain Log. Co. Ltd., China	30.0%	86	37	725	653
Discover Truenorth ehf., Iceland	20.0%	0	(73)	0	0
Hammerfest Fryseterminal AS, Norway	20.5%	375	3	0	194
Tromsøterminalen Eiendom AS, Norway	49.0%	177	(143)	2.705	2.682
Krít eignarhaldssjóður, Iceland	40.0%	(25)	(108)	0	24
		613	(284)	3.430	3.553

Notes

14. Investments in equity-accounted investees, continued

	Ownership	Share of earnings 2020	Share of earnings 2019	Book value 2020	Book value 2019
Joint ventures					
ElbFeeder Inc., The Marshall Islands*	47.9%	(625)	(192)	6.412	7.142
Feederstar Verwaltung GmbH	49,0%	0	0	12	12
Feederstar GmbH & Co. KG, Germany	49,0%	42	(15)	386	343
P/F í Ánunum, The Faroe Islands	50.0%	30	62	918	886
P/F Gervi, The Faroe Islands	51.0%	202	52	491	288
		(351)	(93)	8.219	8.671
Total equity accounted investees and joint ventures		262	(377)	11.649	12.224

The Group has long term receivables on one of its equity-accounted investees amounting to EUR 3.4 million at year-end 2020 (2019: EUR 2.6 million) and a short term receivable on another equity-accounted investee amounting to EUR 0.0 million (2019: EUR 3.0 million).

*The joint venture ElbFeeder Inc. chooses to value its vessel fleet at fair value which the Group reverses before applying the equity method. The equity of ElbFeeder as at the year-end including the vessel revaluation amounted to USD 25.5 million or EUR 20.9 million.

15. Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

	Assets	Liabilities	Net
2020			
Property, vessels and equipment	489	(1.703)	(1.214)
Intangible assets	142	(239)	(97)
Right-of-use assets	187	(3.712)	(3.525)
Current assets	1.196	(4.128)	(2.932)
Current liabilities	62	0	62
Lease liabilities	3.425	0	3.425
Other	443	(406)	37
Tax loss carried-forward	2.802	0	2.802
Total tax assets (liabilities)	8.746	(10.188)	(1.442)
Set off tax	(6.002)	6.002	0
Net tax assets	2.744	(4.186)	(1.442)
2019			
Property, vessels and equipment	325	(1.043)	(718)
Intangible assets	184	(230)	(46)
Right-of-use assets	31	(5.968)	(5.937)
Current assets	1.073	(4.160)	(3.087)
Current liabilities	113	0	113
Lease liabilities	5.763	0	5.763
Other	34	(274)	(240)
Tax loss carried-forward	2.558	0	2.558
Total tax assets (liabilities)	10.081	(11.675)	(1.594)
Set off tax	(7.196)	7.196	0
Net tax assets	2.885	(4.479)	(1.594)

The Group has tax losses carried-forward that have not been recognized. If those tax losses carried-forward would be recognized, deferred tax asset would increase by 1.2 million EUR (2019: EUR 1.4 million).

The losses carried-forward expire through the years 2026 - 2030.

Notes

16. Trade and other receivables

Trade and other receivables are specified as follows:

	2020	2019
Trade receivables	102.534	109.836
Restricted cash	442	423
Other receivables	12.476	17.619
Trade and other receivables total	115.452	127.878

Restricted cash consists of deposits for guarantees issued towards tax authorities, customs, port authorities and leases of office buildings.

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

Balance at beginning of year	(6.058)	(8.151)
Write-offs	258	1.679
Changes in allowance for impairment losses	(696)	414
Balance at year-end	(6.496)	(6.058)

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.

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 187,000,000 both at the beginning and 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 182,878,416 at the beginning of the year and 180,867,243 at the end of the year. They decreased by 2,011,173 due to share-buy back programs and shares received from A1988 hf. The share capital of the Company is now ISK 187.0 million and the number of Company's treasury shares is ISK 6,132,757, or 3.28% of the total share capital of the Company. The EUR amount of capital stock was 1.1 million at year-end 2020.

Shares issued to A1988 hf.

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

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 were met in 2020. Previously, as disclosed on 12 March 2014, A1988 transferred 7,441,950 shares to Eimskipafélag Íslands hf. A1988 hf. no longer holds any shares in Eimskipafélag Íslands hf.

Share premium

Share premium represents excess of payment above nominal value that shareholders have paid for shares sold by the Company. The balance of the share premium account can be used to offset losses not covered by other reserves or to offset stock splits.

Translation reserve

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

Hedging reserve

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

Fair value reserve of minority put option

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

Notes

17. Capital and reserves, continued

Undistributed profits

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

Dividend

The Board of Directors has approved the following dividend policy: "The policy of Eimskipafélag Íslands hf. is to pay annual dividend that equals an amount in the range of 10-65% of net profit after taxes. Decisions on dividend payment, and the exact amount, are subject to the Company's future investment plans, market outlook and satisfactory capital structure at any given time."

According to a resolution made on the Company's 2020 annual General Meeting, no dividend was paid to shareholders in 2020 for the year 2019. According to a resolution made on the Company's 2019 Annual General Meeting, dividend in the amount of EUR 4.8 million or ISK 3.50 per share, was paid to shareholders, which represented 64.8% of the Company's profits for the year 2018.

Treasury shares are not entitled to receive dividend. The Board of Directors proposes a dividend payment to shareholders in 2021 in the amount of ISK 2.47 per share. The proposed dividend payment is ISK 446.7 million, or EUR 2.9 million, which represents 65.0% of net earnings for the year 2020.

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:

	2020	2019
Secured bank loans	160.906	162.939
Bank overdraft and short term borrowings	111	65
Total loans and borrowings	161.017	163.004
Current maturities of secured bank loans	(15.125)	(10.487)
Bank overdraft and short term borrowings	(111)	(65)
	(15.236)	(10.552)
Non-current loans and borrowings	145.781	152.452

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

Secured bank loans

Secured bank loans are as follows:

	2020		2019	
	Nominal interest	Carrying amount	Nominal interest	Carrying amount
Loans in EUR	1,6%	154.369	1,8%	146.651
Loans in USD	5,4%	3.725	5,4%	5.218
Loans in ISK	1,6%	1.809	3,9%	9.962
Loans in other currencies	-	1.003	-	1.108
Total secured bank loans		160.906		162.939

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

	2020	2019
On demand or within 12 months	15.125	10.487
12 - 24 months	13.337	48.565
24 - 36 months	13.123	9.680
36 - 48 months	11.380	9.612
48 - 60 months	11.275	9.013
After 60 months	96.666	75.582
Total secured bank loans	160.906	162.939

Notes

18. Loans and borrowings, continued

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

	2020	2019
Balance of loans and borrowings as at 1 January	163.004	159.593
<i>Changes from financing cash flows:</i>		
Proceeds from non-current loans and borrowings with cash effects	47.287	16.423
Repayment of non-current loans and borrowings	(46.534)	(8.704)
Changes in short-term borrowings	46	49
<i>Total changes from financing cash flows</i>	799	7.719
<i>Non-cash changes of loans and borrowings:</i>		
Finance lease liabilities reclassified to lease liabilities	0	(6.048)
Non-cash proceeds from non-current loans and borrowings	0	3.043
Currency adjustments	(2.786)	(1.303)
<i>Total non-cash changes of loans and borrowings</i>	(2.786)	(4.308)
Loans and borrowings at 31 December 2020	161.017	163.004

The proceeds from the financing of the two vessels, Brúarfoss and Dettifoss were used to repay other long-term loans and revolving credit facilities.

19. Lease liabilities

Lease liabilities are as follows:

Lease liabilities in EUR	7.236	7.514
Lease liabilities in USD	10.778	9.761
Lease liabilities in ISK	10.526	12.345
Lease liabilities in NOK	26.666	1.624
Lease liabilities in other currencies	8.947	10.015
Total	64.153	41.259
Current maturities	(10.861)	(10.763)
Non-current maturities	53.292	30.496
<i>Maturity analysis:</i>		
Within 12 months	10.861	10.763
12 - 24 months	6.863	6.887
24 - 36 months	5.419	5.421
36 - 48 months	3.811	3.761
48 - 60 months	1.953	2.428
After 60 months	35.246	11.999
Total	64.153	41.259

Reconciliation of movements of lease liabilities

Balance of lease liabilities as at 1 January	41.259	32.492
<i>Changes from financing cash flows:</i>		
Repayment of lease liabilities	(15.691)	(13.076)
<i>Total changes from financing cash flows</i>	(15.691)	(13.076)
<i>Non-cash changes of loans and borrowings:</i>		
Finance lease liabilities reclassified to lease liabilities	0	5.465
New or renewed leases	39.548	16.830
Divested leases	(963)	(452)
<i>Total non-cash changes of loans and borrowings</i>	38.585	21.843
Lease liabilities at 31 December 2020	64.153	41.259

Notes

20. Trade and other payables

Trade and other payables are attributable to the following:

	2020	2019
Trade payables	43.003	49.605
Income tax payable	1.763	1.260
Other payables	26.125	29.539
Total	70.891	80.404

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.

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.

	2020	2019
Impairment loss on trade and other receivables (note 16)	258	1.679

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.

As to date, due to the COVID-19 pandemic, there has not been any development indicating increase in payment defaults and therefore there have not been made any specific loss provision on credit losses due to COVID-19 but management closely monitors collections.

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

Notes

21. Financial risk management, continued

Exposure to credit risk

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

	Note	2020 Carrying amount	2019 Carrying amount
Trade and other receivables	16	115.452	127.878
Cash and cash equivalents		15.640	20.737
Total		131.092	148.615

At year-end 2020 and 2019 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 2020	Impairment 2020	Gross 2019	Impairment 2019
Not past due	85.797	(580)	91.555	(885)
Past due 1 - 90 days	21.610	(252)	25.912	(196)
Past due 91 - 180 days	2.694	(69)	5.081	(129)
More than 180 days	11.847	(5.595)	11.388	(4.848)
Total	121.948	(6.496)	133.936	(6.058)

(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 51.3 million at year-end 2020 (2019: EUR 6.6 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
31.12.2020						
Secured bank loans	161.017	167.796	18.588	15.002	71.389	62.817
Lease liabilities	64.153	140.086	14.628	9.936	19.470	96.052
Trade and other payables	70.891	70.891	70.891	0	0	0
Total	296.061	378.773	104.107	24.938	90.859	158.869
31.12.2019						
Secured bank loans	163.004	177.961	13.552	51.040	33.382	79.987
Lease liabilities	41.259	58.358	11.949	8.149	11.999	26.261
Trade and other payables	80.404	80.404	80.404	0	0	0
Total	284.667	316.723	105.905	59.189	45.381	106.248

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

(iii) Market risk

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

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of the Group entities. At year-end 2020 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.

Notes

21. Financial risk management, continued

Exposure to currency risk

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

31 December 2020	USD	ISK	EUR	GBP	Other
Finance assets	7.930	64	0	0	0
Trade and other receivables	34.744	19.056	2.649	736	5.751
Cash and cash equivalents	3.873	200	805	(184)	949
Loans and borrowings	(3.725)	(1.170)	(718)	0	391
Lease liabilities	(7.464)	(9.077)	0	0	0
Trade and other payables	(10.759)	(17.637)	(667)	(2.326)	(1.521)
Net balance sheet exposure	24.599	(8.564)	2.069	(1.774)	5.570

31 December 2019	USD	ISK	EUR	JPY	Other
Finance assets	2.007	665	0	0	0
Trade and other receivables	29.225	26.551	2.327	1.606	5.127
Cash and cash equivalents	5.264	583	973	15	1.185
Loans and borrowings	(5.218)	(9.157)	(787)	0	(85)
Lease liabilities	(3.619)	(17.618)	0	0	0
Trade and other payables	(13.938)	(15.845)	(764)	(4)	(5.093)
Net balance sheet exposure	13.721	(14.821)	1.749	1.617	1.134

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.

	2020	2019
USD	(1.914)	(1.059)
ISK	690	802
EUR	(156)	(119)
GBP	142	68
RMB	(120)	0
DKK	(394)	(96)

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

The following significant exchange rates were applied during the year:

EUR:	Average rate		Reporting date spot rate	
	2020	2019	2020	2019
USD	1,1418	1,1193	1,2215	1,1212
JPY	121,8166	122,0004	126,1250	121,7900
GBP	0,8900	0,8770	0,8932	0,8450
ISK	154,5572	137,2431	156,0900	135,8000
RMB	7,8758	7,7328	7,9724	7,8072
DKK	7,4537	7,4666	7,4425	7,4706
PLN	4,4463	4,2967	4,5601	4,2530

Notes

21. Financial risk management, continued

Interest rate risk

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

	Carrying amount	
	2020	2019
Variable rate instruments		
Cash and cash equivalents	15.640	20.737
Financial liabilities	(161.017)	(163.004)
Net exposure	<u>(145.377)</u>	<u>(142.267)</u>

A change of 100 basis points in interest rates at the reporting date would increase (decrease) result after income tax by EUR 406 thousand (2019: EUR 682 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 2019. 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.

Capital management, continued

(i) Equity ratio

	2020	2019
Total equity	230.657	230.868
Total assets	536.131	524.514
Equity ratio	<u>43,02%</u>	<u>44,02%</u>

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

Total interest-bearing debt	161.017	163.004
Cash and cash equivalents	(15.640)	(20.737)
Net debt	<u>145.377</u>	<u>142.267</u>
 EBITDA	 61.678	 60.549
Net debt / EBITDA	<u>2,36</u>	<u>2,35</u>
Net debt / EBITDA adjusted for the effects of IFRS 16	<u>3,14</u>	<u>2,88</u>

Notes

22. Leases

Lease expenses in the Income Statement

	2020	2019
Depreciation of right-of-use assets	15.282	11.870
Interest on lease liabilities	3.539	1.873
Expenses related to low-value leases	759	2.297
Expenses related to short-term leases	2.532	1.662
Total expenses due to leases in the Income Statement	22.112	17.702

Cash outflow for leases

Repayment of leases in the cash-flow statement	(15.691)	(13.076)
Lease payments of low-value and short-term leases	(3.291)	(3.959)
Total cash outflow for leases	(18.982)	(17.035)

23. Related parties

The Company's largest shareholders Samherji Holding ehf. with 28.29% shareholding and Lífeyrissjóður verzlunarmanna with 15.06% shareholding of outstanding shares are considered related parties, as well as subsidiaries, material equity accounted investees and key management personnel. Intercompany transactions with subsidiaries are eliminated in the consolidation.

Transactions with the largest shareholder Samherji Holding ehf. and related companies during the year amounted to EUR 8.7 million (2019: EUR 10.4 million) and receivables at year-end amounted to EUR 1.4 million (2019: EUR 2.1 million). Transactions with material equity accounted investees amounted to EUR 5.6 million and payables at year-end amounted to EUR 0.2 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.

Fee paid to the Board of Directors

	Fee in ISK		Fee in EUR		Shares at year-end*
	2020	2019	2020	2019	2020
Baldvin Thorsteinsson, Chairman	6.543	7.338	42	53	160.000
Hrund Rudolfsdóttir, Vice-Chairman	7.832	7.900	51	58	0
Gudrún Ó. Blöndal, Board Member	5.925	5.925	38	43	0
Lárus L. Blöndal, Board Member	5.820	5.820	38	42	3.190
Vilhjalmur Vilhjálmsón, Board Member	4.438	3.000	29	24	0
Óskar Magnússon, Alternate of the Board	3.677	2.480	24	21	15.000

Salaries and benefits paid to Executive Management

2020	In ISK		In EUR		Shares at year-end*
	Base salary	Other **	Base salary	Other	
Vilhelm Már Thorsteinsson, CEO	36.414	12.388	236	80	136.473
Four EVP's of the Company, the COO and CFO ***	294.591	75.248	1.906	487	585.547

2019	In ISK		In EUR		Shares at year-end*
	Base salary	Other **	Base salary	Other	
Vilhelm Már Thorsteinsson, CEO	33.938	8.970	247	65	66.050
Four EVP's of the Company, the COO and CFO ***	209.716	45.722	1.528	333	974.308

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

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

*** Hilmar Pétur Valgardsson COO of Operations, Bragi Thór Marinósson EVP of International Operations, Edda Rut Björnsdóttir EVP of Human Resources and Communication, Björn Einarsson EVP of Sales and Business Management, Gudmundur Nikulásson EVP of Iceland Domestic Operations and Egill Orn Petersen CFO. The figures for 2019 and 2020 also include Elin Hjálmsdóttir the former EVP of Human Resources and Matthías Matthíasson the former EVP of Sales. Redundancy cost is included in base salary as applicable.

Notes

24. Auditor's fees

	2020	2019
Audit of the Financial Statements for the relevant fiscal year	913	998
Other services	487	293
	1.400	1.291
Thereof fee to the auditor of the Parent Company	710	558

25. Group entities

At year-end the Company owned directly nine subsidiaries that are all included in the consolidation. The direct subsidiaries owned 62 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 2020	Ownership Interest 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%
Sæferdir ehf.	Iceland	100%	100%

In June 2020 the merger of the direct subsidiaries Eimskip Ísland ehf. and Eimskip REIT ehf. was confirmed by the Boards of Directors of each of the companies. The merger was legally effective from 1 January 2020.

As a result of a purchase price allocation for acquisition in subsidiaries, Eimskip has recognized in the statement of financial position, a financial liability in the amount of EUR 5.2 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

Investigation of the Icelandic Competition Authority

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

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

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.

Notes

26. Other matters, continued

Tax related matters

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

27. Impact of COVID-19

(i) Funding

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

(ii) Forward contracts for bunker prices

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 fluctuated significantly in the year 2020. The hedge remained effective during the year 2020 and at the year-end.

(iii) Income tax subsidies and government grants

The income tax subsidies and government grants the group companies have received due to COVID-19 are few and immaterial.

(iii) Collections of trade receivables

Please refer to note 21.

(v) Intangible assets and impairment testing

Please refer to note 13.

28. Subsequent events

There are no subsequent events to report.

Notes

29. 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 a bargain purchase is recognized in profit or loss immediately. Transaction 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 involve 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

29. Significant accounting policies, continued

c. Financial instruments

(i) Non-derivative financial assets

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

(ii) Derivative financial instruments and hedge accounting

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

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

Notes

29. Significant accounting policies, continued

d. Property, vessels and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

Buildings	15 - 50 years
Vessels	5 - 25 years
Containers and equipment	2 - 10 years

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

e. Intangible assets

(i) Goodwill and brand names

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

(ii) Customer related intangible assets

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

(iii) Amortization

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

Software	3 - 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.

Notes

29. Significant accounting policies, continued

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.

(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 4 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.

Notes

29. Significant accounting policies, continued

g. Inventories

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

h. Impairment

(i) Financial assets (including receivables)

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

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

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

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

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

(ii) Non - financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated annually at the same time.

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

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

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

29. Significant accounting policies, continued

i. Employee defined contribution plans

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

j. Provisions

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

k. Revenue

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. 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.

l. Finance income and finance expense

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

Finance expenses comprise interest expense on borrowings.

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

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

m. Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

Notes

29. Significant accounting policies, continued

m. Income tax, continued

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.

30. Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 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 Consolidated Financial Statements

- COVID-19 Related Rent Concessions (Amendment to IFRS 16)
- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Onerous Contracts - Costs of Fulfilling a Contract (Amendments to IAS 37)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts

Quarterly statements - unaudited

Year 2020	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020
Revenue	161.670	160.615	170.378	175.653	668.316
Expenses	152.332	144.614	148.968	160.724	606.638
Operating profit, EBITDA	9.338	16.001	21.410	14.929	61.678
Depreciation and amortization and impairment	(10.932)	(10.966)	(10.964)	(11.728)	(44.590)
Results from operating activities, EBIT	(1.594)	5.035	10.446	3.201	17.088
Net finance expense	(2.640)	(2.402)	(2.759)	(773)	(8.574)
Share of loss of equity accounted investees	(317)	473	201	(95)	262
Net (loss) earnings before income tax	(4.551)	3.106	7.888	2.333	8.776
Income tax	(400)	(651)	(1.724)	(1.550)	(4.325)
Net (loss) earnings	(4.951)	2.455	6.164	783	4.451
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, amortization and impairment	(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	(1.311)	(1.526)	29	(1.979)	(4.787)
Share of loss 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

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 5th edition of Corporate Governance Guidelines, issued by the Iceland Chamber of Commerce, SA - Business Iceland and Nasdaq Iceland.

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

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

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

Laws and regulations

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

Eimskip's Financial Statements

Eimskip's financial year is the calendar year. The Company's Financial Statements are accessible on the Company's website, www.eimskip.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. In 2020, the total number of Board meetings was 17 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 2020 was concluded in February 2021.

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 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, Óskar Magnússon and Alexander G. Edvardsson. In 2020, the Audit Committee held a total of four 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, Hrund Rudolfsdóttir, Chairman, Baldvin Thorsteinsson, and Guðrún Blöndal. In 2020, the Remuneration Committee held a total of four 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 Hrund Rudolfsdóttir, Chairman, Óskar Magnússon and Vilhjálmur Vilhjálmsón. In 2020, the Nomination Committee held a total of eight meetings. The Nomination Committee commenced its activities in 2021.

Corporate Governance Statement

The Board of Directors

Baldvin Þorsteinsson, Chairman of the Board

Baldvin was born in 1983 and lives in the Netherlands. He has worked for Samherji hf. in various roles since 2007 after earning a BS degree in Industrial Engineering from the University of Iceland. In the years 2013-2016, he was the CEO of Iceland Drilling, of which Samherji is a major shareholder. When rejoining Samherji in 2016, he was made Manager of Business Development. Baldvin joined the board of Oliúverzlun Íslands in 2011 and became the board's chairman in 2017, until he stepped down at the end of 2018 when the company was sold. Baldvin has been on the Board of Directors since 6 September 2018 and currently serves as the Chairman of the Board and a member of the Remuneration Committee. He owns 160,000 shares in the Company, but no share options, but is not independent of Samherji Holding ehf., which holds, in total, 59.9 million shares in the Company at the year-end of 2020.

Hrund Rudolfsdóttir

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

Guðrún Ó. Blöndal

Guðrún was born in 1960 and lives in Iceland. She has been on the Board of Directors of Eimskip since September 2018 and serves as a member of Eimskip's Remuneration Committee. Guðrún is an alternate Board Member of Landsbankinn hf. since 2018 and a member of the bank's 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. Apart from being an alternate Board Member of Landsbankinn hf. she has no interest links with the Company's main clients, competitors or major shareholders.

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 currently serves as the Chairman of the Audit Committee. He is an independent Board member and owns 3,190 shares in the Company but no share options. He has no interest links with the Company's main clients, competitors or major shareholders.

Corporate Governance Statement

Vilhjálmur Vilhjálmsson

Vilhjálmur was born in 1953 and lives in Iceland. He is a Chairman of the Board of Directors of Hampiðjan hf. Vilhjálmur was the CEO of HB Grandi hf. from 2012 to 2018, and a pelagic director of HB Grandi hf. from 2005 to 2012. Before joining HB Grandi hf. Vilhjálmur was office manager and later the CEO of Tangi, Vopnafjörður based fishing and fish processing company from 2001 to 2004. Vilhjálmur started his career in fisheries at age 11 and worked from age of 15 alongside his studies. Vilhjálmur is a Fish Industry Technic from the Icelandic Technical College, and is a master of navigation from Reykjavik Navigational School. He is an independent Board member and does neither own shares nor share options in the Company. He has no interest links with the Company's main clients, competitors or major shareholders. Vilhjálmur is a member of the Nomination Committee.

Óskar Magnússon, Alternate Member 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 two novels in recent years. He is a farmer and co-owner and chairman of Kerfélagið ehf., the owner of the tourist nature attraction Kerid Crater. Óskar is currently a vice chairman of the board of Samherji hf., a board member of Samherji Holding ehf. and a chairman of the Icelandic landowners Association. He has previously been a board member of the Icelandic Bar Association. Óskar was Publisher/CEO and major shareholder of Árvakur hf. from 2009 to 2015, President/CEO of Tryggingamiðstöðin hf. and TM Life Insurance hf. from 2004 to 2007, President/CEO of Vodafone Iceland from 2001 to 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 been a Supreme Court Attorney since 1993. He graduated with an LL.M. degree in International Business Law from George Washington University Law School in 1986, and with a Cand.jur. degree from the University of Iceland in 1983. He owns 15,000 shares in the Company, but no share options. Óskar has been an alternate member of the Board since 26 March 2020 and is currently a member of the Audit Committee and the Nomination Committee. Óskar is not independent of Samherji Holding ehf., which holds, in total, 59.9 million shares in the Company, at the year-end 2020.

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 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.

The Chief Executive Officer

The Company's CEO is responsible for the day-to-day operations, in accordance with law, regulations and the Company's Articles of Association and follows the policies and instructions laid down by the Board. The CEO must at all times conduct his work with integrity and take account of the Company's interests. Day-to-day operations do not include matters which are unusual or of great significance. The CEO shall make sure that the Company's accounts are kept in accordance with law and practice and that the Company's assets are kept in a secure manner. The CEO is obligated to abide by all instructions of the Board of Directors and shall give the auditor any information requested. The CEO does not have the authority to make decisions concerning any matters that are assigned to others by law or are reserved to the Board under its Rules of Procedure. The CEO shall ensure that Directors of the Board are regularly provided with accurate information on the Company's finances, development and operations to enable them to perform their duties and the information shall be in the form and of the quality determined by the Board. The information shall be available when needed and as up-to-date and accurate as possible. The CEO is to acquaint the Board with all major issues involving the operations of the Company or its subsidiaries and is to attend the Board meetings. He participates in the Boards of the subsidiaries within the group.

Corporate Governance Statement

Vilhelm Már Thorsteinsson, Chief Executive Officer

Vilhelm was born in 1971. He was appointed as CEO in January 2019. For over 20 years, he held various positions at bank Íslandsbanki. He was Managing Director of Corporate & Investment Banking at Íslandsbanki from 2017 to 2019 and Managing Director of Corporate Banking from 2008 to 2017. He is a Board Member of the Chamber of Commerce in Iceland and a Board Member and/or CEO of various subsidiaries of Eimskipafélag Íslands hf. Vilhelm earned an MBA Degree from Pace University in New York; a BSc degree in Business Management, Majoring in Logistics, from Reykjavík University; and is a licensed Securities broker. Vilhelm owns 136,473 shares in the Company but no share options.

The Executive Management

The Executive Management of Eimskip consists of the Chief Executive Officer and the Directors of Finance, Operations, International Operations, Human Resources and Communication, Iceland Sales and Business Management and Iceland Domestic Operations.

Egill Örn Petersen is the Chief Financial Officer, Hilmar Pétur Valgarðsson is the Chief Operational Officer, Bragi Thor 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 and Guðmundur Nikulásson is the Executive Vice President of Iceland Domestic Operations.

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

Internal Control and Risk Management

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

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

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

An independent auditing firm is elected at the Annual General Meeting each year. The auditors are 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 policy is aimed at minimizing potential negative effects on operations and earnings from marketing, operational and financial activities and to keep risks at acceptable levels.

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

The Company's risk exposure is discussed at Board meetings and its risk management and risk factors are discussed in the Annual Report.

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

Corporate Governance Statement

Information on violation of rules determined by the applicable authority

The Competition Authority in Iceland has a case concerning the Company in process, of which the outcome is not yet determined. The Environment Agency of Iceland has reported a case concerning the Company to the District Prosecutor, of which the outcome is not yet determined.

Sustainability at Eimskip

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.

Sustainability

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.

Environmental

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.

In 2021, the focus will be on further implementing the Company's Sustainability policy within the Group, with increased measures and a strong ambition to achieve set goals, regarding reduction and publishing of the Company's ecological footprint. To support global and local environmental initiatives, Eimskip signed the Reykjavík Declaration on Climate Issues in November 2015 and has been working systematically on reducing its ecological footprint. Further information on sustainability is 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 2021. 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 is specialized in worldwide freight forwarding services with focus on frozen and chilled commodities.

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

Employees

Eimskip runs a network of 55 offices in 20 countries on four continents, operates 17 vessels, and has about 1,615 full-time equivalents (FTE's). The employee group is diverse, with a variety of backgrounds in regard to education and experience, but all employees work together to provide customers with outstanding services.

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

Eimskip aims to offer an attractive workplace where employees live and work by the values of the company, Achievement, Cooperation, and Trust every day. Through that, employees are ambitious and innovative, work in active collaboration, and strive to accomplish goals in a responsible but enjoyable way.

Sustainability at Eimskip

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.

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

Environment

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

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

Non-Financial Reporting

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

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

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

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

Due Diligence

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

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

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

Eimskip has a First Response Team, which duty is to respond to various accidents on sea and land. The team's purpose is to ensure and assist on proper first response and limit accidents to people and damages to properties, 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 follow up on necessary changes and/or improvements.

Eimskip's Risk Committee is responsible for overseeing financial risks in the daily operation and make proposal for changes to reduce or prevent financial risk. In 2019 the Risk Committee issued a new Financial Risk Guidelines which were approved by the Board of Directors.