

Eimskipafélag Íslands hf.
Consolidated Financial Statements
for the year ended 31 December 2021
EUR

Eimskipafélag Íslands hf.
Sundabakka 2
104 Reykjavík
Iceland

Reg. no. 690409-0460



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Endorsement and Statement by the Board of Directors and the CEO

Eimskip is a leading transportation company in the North Atlantic providing container and reefer liner services with connections to international markets and is specialized in worldwide freight forwarding with focus on frozen and chilled commodities. Eimskip offers its customers a broad range of services related to shipping, logistics and supply chain management solutions on land, sea and air. Eimskip currently operates 57 offices in 20 countries. The consolidated financial statement of the Group includes the financials of the parent company and its subsidiaries. The Group consists of a total of 68 companies in addition to six foreign branches.

Highlights & Operations in 2021

Revenue amounted to EUR 882.7 million compared to EUR 668.3 million the year before. Reported EBITDA amounted to EUR 104.1 million, up from EUR 61.7 million in 2020 and EBIT was EUR 53.0 million, an increase from EUR 17.1 million in 2020. Adjusted EBITDA and EBIT, adjusted for EUR 10.2 million settlement with the Icelandic Competition Authority expensed in Q2, was EUR 114.3 million and EUR 61.7 million, respectively. Net earnings as reported for the year 2021 are a total of EUR 40.4 million (2020: EUR 4.5 million) according to the Consolidated Income Statement.

Property, vessels and equipment decreased by EUR 17.7 million in 2021 and amounted to a total of EUR 229.9 million by year-end. Interest-bearing debt decreased by EUR 14.2 million in the period and amounted to EUR 146.8 million by year-end. Total equity at 31 December 2021 amounted to EUR 261.5 million (2020: EUR 230.7 million) according to the Statement of Financial Position. In 2021 the company paid dividends to its shareholders equal to EUR 3.0 million, and reduced share capital by payment to shareholders of EUR 11.2 million. Please refer to note 17 for further information.

Cash flow from operations increased substantially from previous year and amounted to EUR 75.6 million, an increase of EUR 26.0 million from 2020, despite a one-off payment of EUR 10.2 million settlement to the Icelandic Competition Authority (ICA). Subsequently, the company's liquidity position is strong, with cash and cash equivalents equal to EUR 37.0 million on 31 December 2021. The capital expenditure of the Group was unusually low during the year, both due to longer delivery times of ordered equipment, and management focus on operations, rather than investments, in a challenging environment.

Eimskip's financial results of the year 2021 are record high and driven by strong performance in the liner services as well as the international forwarding services. Both segments are affected by the unusual conditions in the global transportation markets. In the freight forwarding segment, shortage of space on vessels and available equipment has decreased volume by 4%, however this same shortage has put upwards pressure on prices which has increased Eimskip's margin from each forwarding job substantially. On the other hand, the volume in Eimskip's container liner services saw a double-digit growth] from 140,367 TEUs in 2020 to 159,101 TEUs in 2021. The container liner volume increase can mainly be attributed to increased economic activity in key markets, capacity increase on the Trans-Atlantic route as well as acquisition of new customers, especially in the Trans-Atlantic services. Price development in the container liner business has also been favorable, thanks to increased internal focus on pricing strategies and revenue management, supported by development in market rates. The container liner volume increase can mainly be attributed to increased economic activity in key markets, capacity increase on the Trans-Atlantic route as well as acquisition of new customers, especially in the Trans-Atlantic services. The reefer liner services performed well financially although volume was on similar level as the previous year.

Various internal initiatives and efforts serve as a vital contributor to the good operational performance of 2021. The streamlining and integration measures introduced and executed in 2019 and again in 2020, including employee reduction and decrease in office space, have permanently lowered the groups' cost base, and agile revenue management has ensured improved profitability of the container sailing system. Eimskip's focus on service excellence has been important to secure its strong position in a highly competitive market where customers' expectations and demand for performing logistic solutions in today's challenging operational environment have reached new heights.

In June 2021, Eimskip and the Competition Authority reached a settlement regarding the competition case that had been under investigation since 2013. As a result, Eimskip agreed to pay a settlement amounting to 1.5 billion ISK or approximately EUR 10.2 million. Please refer to note 26 for further information.

In September 2021, the vessel holding company ElbFeeder Inc., an equity accounted investee in which Eimskip holds 47.9% share, sold one of its container vessels. The sale positively affected Eimskip's earnings in 2021 by EUR 3.0 million. ElbFeeder now owns six container vessels in the range of 700 – 3,000 teus which are all on charter to various operators. ElbFeeder chooses to value its vessel fleet at fair value, which has increased by EUR 68.0 million (an increase of 125%) in the year 2021 with the equivalent positive effect on Elbfeeder's income statement and balance sheet, according to ElbFeeder's draft financial statement. However, the fair value increase is not reflected in Eimskip's financial statement, since Eimskip applies the cost method for vessel accounting (see further note 13).

Endorsement and Statement by the Board of Directors and the CEO

Highlights in 2021, continued

This significant increase in vessel valuation can be attributed to the unusual situation in the global vessel market. The unusual market situation has put upwards pressure on both vessel prices and charter rates which have reached unprecedented heights. Eimskip saw substantial increase in chartering costs in the year 2021, which increased by around EUR 5 million in 2021 and are foreseen to increase further by over EUR 9 million in 2022. Higher charter rates, along with longer time charter periods, cause a substantial increase in the Group's right-of-use assets and lease liabilities, which are calculated according to IFRS 16. All charter vessels in the current fleet have been fixed until 2023-2025.

At the beginning of the year 2021, Eimskip published an EBITDA guidance for the year 2021 in the range of EUR 68-77 million. In June 2021, due to higher results than anticipated in light of good performance, the Company adjusted its EBITDA guidance to EUR 77-86 million. In December 2021, due to stronger operational results than expected, the Company again adjusted its EBITDA guidance to EUR 109.5-112.5 million.

The Board of Directors proposes a dividend payment to shareholders in 2022 in the amount of ISK 14.27 per share. The proposed dividend payment is ISK 2,499.7 million, or approximately EUR 17.7 million, which represents 43.8% of net earnings for the year 2021.

Outlook and uncertainties

The outlook in the beginning of the year 2022 is generally positive. Demand for Eimskip's services continues to be strong with volumes during the first weeks of the year exceeding expectations. There are no signs of a sharp change in market conditions in the near future, and major analysts expect the global supply chain disruption to continue well into 2022. However, there is an uncertainty regarding mid- to long-term economic development, with inflation well above normal levels and anticipated tapering of economic stimulus in Eimskip's key markets. Furthermore, the company has experienced increase in employee turnover in recent months and considers difficulties in retaining talent a potential risk in some of the company's markets, mainly for reasons related to the pandemic and its effect on the labour market. The company is well equipped to meet unexpected events, given its strong balance sheet and active management of financial and operational risk.

Effects of COVID-19

In response to COVID-19, the company has during the year 2021 strived to secure the safety and health of employees and to maintain and secure the logistic chain and customer services. The pandemic has had a strong impact on the global transportation market, causing disruption in various parts of the supply chain. This situation has created operational challenges for Eimskip, e.g., temporary shortage of equipment and decrease in employee retention, but has not had an adverse effect on the company's earnings. The income tax subsidies and government grants the group companies have received due to COVID-19 are few and immaterial to the group. Given the recent development of the pandemic, the company does not consider it a severe operational or financial risk, but the management monitors the situation closely.

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 6th edition of Corporate Governance Guidelines issued by the Iceland Chamber of Commerce, SA – Confederation of Iceland Enterprise and Nasdaq Iceland.

Corporate Governance practices are designed to ensure open and transparent relationship between the Company's management, its Board of Directors, its shareholders, and other stakeholders. Management has emphasized and increased level of information shared with investors and other stakeholders in quarterly reporting as well as communication with customers on current affairs. The Corporate Governance in Eimskip is also designed to ensure sound and effective control of the Company's affairs and a high level of business ethics. Further information is provided in the Corporate Governance Statement which is an appendix to these Financial Statements.

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

The Company complies with Article 63 of Act no. 2/1995 on Limited Liability Companies (Company Act), as the Company's Board of Directors currently consists of three females and two males. The Executive Management and the CEO consists of seven males and two females. The Company's gender ratio is 68.8% males, 30.6% females and 0.6% other genders. Further information on the number of full-time equivalents is provided 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 plans were developed. Eimskip has now published its Sustainability Statement for 2021 that reflects the ESG guidelines issued by Nasdaq Iceland and the Nordic countries in March 2017. Please refer to the Company's website.

Share capital and articles of association

The number of shareholders at year-end 2021 was 851 which was an increase of 158 from the beginning of year. The Company's twelve largest shareholders at the year-end are the following:

Shareholder:	2021		2020	
	Number of shares	Shares in %	Number of shares	Shares in %
1. Samherji Holding ehf.....	57,453,585	32.80%	51,170,175	28.29%
2. Lífeyrissjóður verzlunarmanna *.....	21,574,181	12.32%	27,235,070	15.06%
3. Gildi - lífeyrissjóður **.....	19,510,224	11.14%	26,643,247	14.73%
4. Lífeyrissjóður starfsmanna ríkisins A-deild and B-deild.....	8,800,000	5.02%	12,225,160	6.76%
5. Stefnir hf. ***.....	8,656,789	4.94%	0	0.00%
6. Birta lífeyrissjóður.....	8,600,839	4.91%	10,737,477	5.94%
7. Stapi lífeyrissjóður.....	7,764,310	4.43%	9,581,897	5.30%
8. Landsbréf ****.....	3,754,567	2.14%	391,272	0.22%
9. Sjóvá-Almennar tryggingar hf.	3,466,777	1.98%	1,235,653	0.68%
10. Arion banki hf.....	3,350,864	1.91%	11,706,250	6.47%
11. Almenni lífeyrissjóðurinn.....	3,218,098	1.84%	3,611,558	2.00%
12. Söfnunarsjóður lífeyrisréttinda.....	2,798,754	1.60%	3,302,823	1.83%
Other shareholders	26,219,302	14.97%	23,026,661	12.73%
Total outstanding shares	175,168,290	100.00%	180,867,243	100.00%
Treasury shares	31,710		6,132,757	
Total issued shares	175,200,000		187,000,000	

*) Lífeyrissjóður verzlunarmanna, Lífeyrissjóður verzlunarmanna/Ævileid 1 and 2 with total shareholding of 12.32%

***) Gildi lífeyrissjóður, Gildi lífeyrissjóður/Framtíðarsýn 1 and 2 with total shareholding of 11.14%

****) The shareholders are Stefnir - Innland hlutabréf, Stefnir- ÍS-5 and Stefnir - Arðgreiðslusjóður

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

The Company's Board of Directors consists of five Directors and two alternate Directors, all elected at an annual general meeting in March 2021. 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.

Endorsement and Statement by the Board of Directors and the CEO

Statement by the Board of Directors and the CEO

The Consolidated Financial Statements of Eimskipafélag Íslands hf. and its subsidiaries (together referred to as "Eimskip", "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 2021, its assets, liabilities and consolidated financial position as at 31 December 2021 and its consolidated cash flows for the year 2021.

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

In our opinion, the Consolidated Financial Statements of Eimskipafélag Íslands hf. for the year 2021 identified as "549300IUR8Q7Y44KBL02-2021-12-31-en.zip" are prepared in all material respects, in compliance with the ESEF Regulation.

The Board of Directors and the CEO have today discussed the Consolidated Financial Statements of Eimskipafélag Íslands hf. for the year 2021 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.

Reykjavik, 17 February 2022

Board of Directors:

Baldvin Thorsteinsson, Chairman

Guðrún Ó. Blöndal, Board Member

Margrét Guðmundsdóttir, Board Member

Ólöf Hildur Pálsdóttir, Board Member

CEO:

Vilhelm Már Thorsteinsson

Independent Auditors' Report

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

Opinion

We have audited the accompanying Consolidated Financial Statements of Eimskipafélag Íslands hf. and its subsidiaries (the group) for the year 2021, excluding the endorsement and statement by the Board of Directors and the CEO.

In our opinion, the Consolidated Financial Statements give a true and fair view of the consolidated financial position of the group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU), and applicable articles in Icelandic law on annual accounts.

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

The consolidated financial statements comprise

- Endorsement and statement by the Board of Directors and the CEO.
- Consolidated income statement for the year 2021.
- Consolidated statement of comprehensive income for the year 2021.
- Consolidated statement of financial position as at 31 December 2021.
- Consolidated statement of changes in equity for the year ended December 2021.
- Consolidated statement of cash flows for the year 2021.
- Notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Independence

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

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

The non-audit services that we have provided to the group and its subsidiaries, in the period from January 1, 2021 to December 31, 2021, are disclosed in note 24 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Independent Auditors' Report

Key Audit Matters

Revenue recognition

Operating revenue amounts to EUR 881.950 thousand in the year 2021.

Recognition of revenue is complex due to the volume of transactions and the different types of logistic contracts with individually negotiated terms.

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

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

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

How the matter was addressed in our audit

Our audit procedures included:

- Considering the appropriateness of the revenue recognition accounting policies and assessing compliance with applicable accounting standards.
- Obtaining understanding of the revenue and accounts receivable accounting process.
- Testing the IT setups supporting the revenue recognition.
- Data analytics on selected revenue streams and testing journal entries on revenue.
- Substantive procedures over invoicing and relevant contracts in order to assess the accounting treatment and principles applied.
- Detailed testing on timing to ensure that the revenue is recognised in the correct financial year.

Relevant notes have been reviewed.

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

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

In addition other information comprises the annual report not yet published, but is expected to be made available to us prior to publication.

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

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

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

Responsibilities of the Board of Directors and the Chief Executive Officer

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

Independent Auditors' Report

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

Those charged with governance are responsible for overseeing the group's financial reporting process.

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

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Independent Auditors' Report

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

Report on Other Legal and Regulatory Requirements

Report on European single electronic format (ESEF Regulation)

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

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

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

In our opinion, the consolidated financial statements of Eimskipafélag Íslands hf. for the year 2021 with the file name "549300IUR8Q7Y44KBL02-2021-12-31-en.zip" is prepared, in all material respects, in accordance with the European single electronic format regulation EU no. 2019/815.

Appointment

We were first appointed as auditors at the company's annual general meeting on March 25, 2021. Consequently we have been the auditors for one year.

Reykjavík, 17 February 2022

PricewaterhouseCoopers ehf.

Bryndís Björk Guðjónsdóttir
certified public accountant

Kristinn Freyr Kristinsson
certified public accountant

Consolidated Income Statement for the year 2021

	Notes	2021	2020
Revenue			
Operating revenue		881,950	667,256
Other revenue		767	1,060
	5	882,717	668,316
Expenses			
Operating expenses		646,134	493,100
Settlement with the Icelandic Competition Authority		10,219	0
Salaries and related expenses	6	122,305	113,538
	5	778,658	606,638
Operating profit, EBITDA		104,059	61,678
Depreciation, amortization and impairment	10-12	(51,010)	(44,590)
Results from operating activities, EBIT		53,049	17,088
Finance income		634	705
Finance expense		(7,735)	(7,584)
Net foreign currency exchange loss gain		(454)	(1,695)
Net finance expense	7	(7,555)	(8,574)
Share of earnings of equity-accounted investees	13	7,168	262
Net earnings before income tax		52,662	8,776
Income tax	8	(12,271)	(4,325)
Net earnings for the year		40,391	4,451
Net earnings for the year attributable to:			
Equity holders of the Company		38,302	4,465
Non-controlling interest		2,089	(14)
		40,391	4,451
Earnings per share:			
Basic and diluted earnings per share (EUR per share)	9	0.2169	0.0246

The notes on pages 16 to 44 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income for the year 2021

	Notes	2021	2020
Net earnings for the year		40,391	4,451
Other comprehensive income:			
Items that are or may subsequently be reclassified to the income statement			
Foreign currency translation difference of foreign operations		4,918 (2,789)
Effective portion of changes in fair value of cash flow hedges, net of income tax	8,21	(17)	778
Fair value changes of minority put option liability	25	(137) (727)
Total other comprehensive income for the year		4,764 (2,738)
Total comprehensive income for the year		45,155	1,713
Total comprehensive income for the year attributable to:			
Equity holders of the Company		42,755	1,810
Non-controlling interest		2,400 (97)
		45,155	1,713

The notes on pages 16 to 44 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

as at 31 December 2021

	Notes	2021	2020
Assets:			
Property, vessels and equipment	10	229,916	247,582
Right-of-use assets	11	120,514	67,376
Intangible assets	12	61,830	63,728
Equity accounted investees	13	18,187	11,649
Finance assets		3,941	7,354
Deferred tax assets	14	1,331	2,744
Total non-current assets		435,719	400,433
Inventories		8,945	4,606
Trade and other receivables	15,21	152,674	115,452
Cash and cash equivalents	16	36,986	15,640
Total current assets		198,605	135,698
Total assets		634,324	536,131
Equity:			
Share capital		1,085	1,123
Share premium		137,236	148,369
Reserves		38,293	9,061
Retained earnings		78,366	67,847
Total equity attributable to equity holders of the parent company	17	254,980	226,400
Non-controlling interest		6,485	4,257
Total equity		261,465	230,657
Liabilities:			
Loans and borrowings	18	133,230	145,781
Lease liabilities	19	91,768	53,292
Other long-term liabilities	25	2,846	5,227
Deferred tax liability	14	5,410	4,186
Total non-current liabilities		233,254	208,486
Loans and borrowings	18	13,603	15,236
Lease liabilities	19	28,229	10,861
Trade and other payables	20	93,211	69,128
Income tax payable		4,562	1,763
Total current liabilities		139,605	96,988
Total liabilities		372,859	305,474
Total equity and liabilities		634,324	536,131

The notes on pages 16 to 44 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2021

	Attributable to equity holders of the Company									
	Reserves							Total	Non-controlling interest	Total equity
	Share capital	Share premium	Translation reserve	Hedging reserve	Fair value changes of minority put options	Un-distributed profits	Retained earnings			
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
Changes in Equity 2021:										
Equity at 1 January 2021	1,123	148,369	(9,413)	193	(577)	18,858	67,847	226,400	4,257	230,657
Share capital reduction	(38)	(11,133)						(11,171)		(11,171)
Dividend paid (0.0166 EUR per share)							(3,004)	(3,004)		(3,004)
Minority put options exercised					452		(452)	0		0
Other changes in non-controlling interest								0	(172)	(172)
Total comprehensive income for the period			4,607	(17)	(137)		38,302	42,755	2,400	45,155
Profit of subsidiaries net of dividend received						24,327	(24,327)	0		0
Equity at 31 December 2021	1,085	137,236	(4,806)	176	(262)	43,185	78,366	254,980	6,485	261,465
Reserves						38,293				

The notes on pages 16 to 44 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows for the year 2021

	Notes	2021	2020
Cash flows from operating activities:			
Net earnings for the year		40,391	4,451
Adjustments for:			
Depreciation, amortization and impairment	10-12	51,010	44,590
Net finance expense	7	7,555	8,574
Share of loss of equity-accounted investees	13	(7,168)	(262)
Change in deferred taxes	8,14	2,637	(139)
Other changes		(886)	69
		93,539	57,283
Changes in current assets and liabilities:			
Inventories, change		(4,123)	511
Receivables, change		(32,104)	6,752
Payables, change		27,290	(6,021)
Change in current assets and liabilities		(8,937)	1,242
Interest received		619	652
Interest paid		(7,689)	(7,533)
Taxes paid		(1,963)	(2,057)
Net cash from operating activities		75,569	49,587
Cash flows from investing activities:			
Acquisition of property, vessels and equipment	10	(8,981)	(45,807)
Acquisition of intangible assets	12	(2,440)	(2,878)
Acquisition of right-of-use assets	11	(732)	(1,903)
Proceeds from the sale of property, vessels and equipment		3,467	11,221
Proceeds from the sale of equity accounted investees		0	588
Minority put options exercised		(2,519)	0
Dividend from equity accounted investee		1,555	0
Changes in finance assets		3,948	121
Net cash used in investing activities		(5,702)	(38,658)
Cash flows from financing activities:			
Share capital reduction		(11,171)	0
Dividend paid to equity holders of the company		(3,004)	0
Purchased treasury shares		0	(1,528)
Dividend paid to non-controlling interest and other changes		(704)	(1,052)
Proceeds from non-current loans and borrowings	18	18,896	47,287
Repayment of non-current loans and borrowings	18	(33,996)	(46,534)
Repayment of lease liabilities	19	(19,057)	(14,095)
Short term borrowings, change		459	46
Net cash used in financing activities		(48,577)	(15,876)
Changes in cash and cash equivalents		21,290	(4,947)
Cash and cash equivalents at the beginning of the year		15,640	20,737
Effects of exchange rate fluctuations on cash held		56	(150)
Cash and cash equivalents at year-end		36,986	15,640
Investing and financing activities not affecting cash flows:			
Acquisition of right-of-use assets	11	(77,706)	(39,548)
New or renewed leases	19	77,706	39,548
Investment in finance assets		0	(5,409)
Proceeds from the sale of property, vessels and equipment		0	5,409
Reversal of prior year dividend of treasury shares received		0	170
Payables, change		0	(170)

The notes on pages 16 to 44 are an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

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Notes to the Consolidated Financial Statements

1. Reporting entity

Eimskipafélag Íslands hf. (the "Company", 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 2021 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 17 February 2022.

Details of the Group's accounting policies are included in Note 27.

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.

Given the recent development of the COVID-19 pandemic, the company does not consider it a severe operational or financial risk, but the management monitors the situation closely.

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 27 k - Revenue

Note 12 - Intangible assets and impairment testing

Notes 15 and 20 - Trade and other receivables

3. Measurement of fair values

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

4. Changes in significant accounting policies

The accounting policies applied in these Consolidated Financial Statements are the same as those applied in the Group's Consolidated Financial Statements as at and for the year ended 31 December 2020. IFRS standards effective as at 1 January 2021 had immaterial effects on the Consolidated Financial Statements.

Notes

5. Segment reporting

Business segments

Eimskip has two reportable segments, as described below, which are Eimskip's strategic business units. The strategic business units offer different products and services on different markets and are managed separately. The segment reporting is based on an internal reporting function of Eimskip. The following summary describes the operations in each of Eimskip's reportable segments:

Liner services: The main emphasis in Eimskip's operations is the sale of transportation of goods to and from Iceland, Norway and the Faroe Islands through its service routes in the North Atlantic. These services include sea transportation, trucking, warehousing and logistic services.

Forwarding services: The second segment represents transportation solutions outside Eimskip's own operating system, utilizing the global network of Eimskip's offices and associates, mainly in the reefer sector.

	Liner services	Forwarding services	Un- allocated	Consoli- dated
For the year 2021				
Revenue, external	507,696	375,021	0	882,717
Inter-segment revenue	20,869	34,198	0	55,067
Total	528,565	409,219	0	937,784
Expenses, external	(419,901)	(348,538)	(10,219)	(778,658)
Inter-segment expense	(34,198)	(20,869)	0	(55,067)
EBITDA	74,466	39,812	(10,219)	104,059
Depreciation and amortization	(44,097)	(6,913)	0	(51,010)
EBIT	30,369	32,899	(10,219)	53,049
Net finance expense	(4,883)	(2,672)	0	(7,555)
Share of earnings of equity-accounted investees	7,017	151	0	7,168
Income tax	(4,054)	(8,217)	0	(12,271)
Net (loss) earnings for the year	28,449	22,161	(10,219)	40,391
Segment assets	481,178	153,146	0	634,324
Segment liabilities	277,298	95,561	0	372,859
Non-lease capital expenditure	11,129	1,024	0	12,153
		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

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 2021			
Revenue, external	750,128	132,589	882,717
Segment assets	603,365	30,959	634,324
Non-lease capital expenditure	12,100	53	12,153
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

Notes

6. Salaries and related expenses

Salaries and related expenses are specified as follows:

	2021	2020
Salaries	102,018	94,556
Defined pension contribution plan	11,209	10,277
Other related expenses	9,078	8,705
Salaries and related expenses	<u>122,305</u>	<u>113,538</u>
Average number of full-time equivalents during the year	1,620	1,637
Average number of employees	1,670	1,678
Number of full-time equivalents at year-end	1,624	1,611

7. Finance income and expense

Finance income is specified as follows:

Interest income	471	655
Dividend received	163	50
Gain on sale of shares	0	0
Finance income	<u>634</u>	<u>705</u>

Finance expense is specified as follows:

Interest on long-term loans	(2,891)	(3,086)
Interest on lease liabilities	(3,937)	(3,741)
Other finance expense	(907)	(752)
Loss on sale of shares	0	(5)
Finance expense	<u>(7,735)</u>	<u>(7,584)</u>
Net foreign currency exchange (loss) income	(454)	(1,695)
Net finance expense	<u>(7,555)</u>	<u>(8,574)</u>

8. Income tax

(i) Income tax recognized in the income statement:

Current tax expense:

Current year	9,016	4,741
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Deferred tax:

Origination and reversal of temporary differences	3,051	(223)
Other changes	204	(193)
	<u>3,255</u>	<u>(416)</u>
Total income tax	<u>12,271</u>	<u>4,325</u>

(ii) Reconciliation of effective income tax rate:

	2021		2020	
Net earnings before income tax		52,662		8,776
Income tax using the Company's domestic tax rate	20.0%	10,532	20.0%	1,755
Effect of tax rates in foreign jurisdictions	(3.8%)	(1,990)	(8.5%)	(746)
Non-deductable expenses	5.7%	3,001	18.7%	1,644
Under or over provided in previous years	1.5%	791	5.7%	496
Income tax reassessment for vessel subsidiaries, see note 25	0.3%	154	10.4%	915
Tax benefit derecognized	0.0%	0	2.2%	195
Other changes	(0.4%)	(217)	0.8%	66
Effective income tax rate	<u>23.3%</u>	<u>12,271</u>	<u>49.3%</u>	<u>4,325</u>

Increase in income tax relating to the cash flow hedge in other comprehensive income amounted to EUR 4 thousand (2020: Decrease EUR 195 thousand).

Notes

9. Earnings per share

Basic and diluted earnings per share

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

	2021	2020
Net earnings attributable to equity holders of the Company	38,302	4,465
Number of issued shares at 1 January in thousands	187,000	187,000
Effect of treasury shares at 1 January in thousands	(6,133)	(4,122)
Effect of treasury shares purchased in thousands	0	(1,056)
Effect of share capital reduction	(4,306)	0
Effect of treasury shares from A1988 hf. received in thousands, see note 16	0	(666)
Weighted average number of outstanding shares at 31 December	176,561	181,156
Basic and diluted earnings per share (EUR)	0.2169	0.0246

10. 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 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
Balance at 1 January 2021	111,963	149,491	0	161,374	422,828
Reclassification of assets	630	0	0	(630)	0
Additions	1,383	789	0	6,809	8,981
Disposals	(1,342)	0	0	(16,128)	(17,470)
Currency adjustments	811	773	0	1,285	2,869
Balance at 31 December 2021	113,445	151,053	0	152,710	417,208
Depreciation					
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
Balance at 1 January 2021	35,816	46,623	0	92,807	175,246
Disposals	(819)	0	0	(14,533)	(15,352)
Depreciation	3,823	8,611	0	12,930	25,364
Currency adjustments	342	406	0	1,286	2,034
Balance at 31 December 2021	39,162	55,640	0	92,490	187,292

Notes

10. Property, vessels and equipment, continued

Carrying amounts	Land and buildings	Vessels under construction	Vessels under equipment	Containers and equipment	Total
At 1 January 2020	70,881	44,363	26,380	84,619	226,243
At 31 December 2020	76,147	102,868	0	68,567	247,582
At 31 December 2021	74,283	95,413	0	60,220	229,916

Pledges

Property, vessels and equipment with a carrying amount of EUR 117,7 million (2020: EUR 123.6 million) have been pledged as security for loans amounting to EUR 146,0 million (2020: EUR 160.8 million) at year-end.

11. Right-of-use assets

Right-of-use assets are specified as follows:

Cost	Buildings and Land Cold storage	Vessels	Vehicles and Equipment	Total	
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)	(6,316)
Divestments	0 (388)	(640)	(5,288)	(6,316)	(153)
Currency adjustments	0 (14)	0	(139)	(153)	(153)
Balance at 31 December 2020	10,339	46,799	9,317	18,872	85,327
Balance at 1 January 2021	10,339	46,799	9,317	18,872	85,327
New and amended leases	4,837	6,710	62,149	4,742	78,438
Expired leases	0 (1,534)	(5,866)	(531)	(7,931)	(7,931)
Divestments	0 (4,838)	(3,480)	(2,549)	(10,867)	(10,867)
Currency adjustments	0	1,789	4	125	1,918
Balance at 31 December 2021	15,176	48,926	62,124	20,659	146,885
Depreciation					
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)	(5,346)
Divestments	0 (244)	(385)	(2,431)	(3,060)	(3,060)
Currency adjustments	0 (134)	26	(21)	(129)	(129)
Balance at 31 December 2020	637	6,907	3,911	6,496	17,951
Balance at 1 January 2021	637	6,907	3,911	6,496	17,951
Depreciation	397	5,479	11,316	3,609	20,801
Expired leases	0 (1,534)	(5,866)	(531)	(7,931)	(7,931)
Divestments	0 (1,007)	(1,898)	(1,774)	(4,679)	(4,679)
Currency adjustments	0	194	(10)	45	229
Balance at 31 December 2021	1,034	10,039	7,453	7,845	26,371

Notes

11. Right of use assets, continued	Buildings and		Vehicles and		Total
	Land	Cold storage	Vessels	Equipment	
Carrying amounts					
1 January 2020	9,582	15,719	5,814	13,371	44,486
31 December 2020	9,702	39,892	5,406	12,376	67,376
31 December 2021	14,142	38,887	54,671	12,814	120,514

Lease categories

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

Vessels: Eimskip charters vessels for use in the sailing system. The lease terms and the remaining lease terms on the date of the initial application, varies between 2 months and 5 years.

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

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

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

Leases not yet commenced

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

12. Intangible assets

Intangible assets and amortization are specified as follows:

Cost	Goodwill	Brand name	Market and customer related		Total
			Software	related	
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
Balance at 1 January 2021	27,345	15,106	28,702	25,383	96,536
Additions	0	0	2,440	0	2,440
Currency adjustments	309	41	3	288	641
Balance at 31 December 2021	27,654	15,147	31,145	25,671	99,617
Amortization					
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

12. Intangible assets, continued

	Goodwill	Brand name	Software	Market and customer related	Total
Balance at 1 January 2021	0	0	22,914	9,894	32,808
Amortization	0	0	3,187	1,658	4,845
Currency adjustments	0	0	3	131	134
Balance at 31 December 2020	0	0	26,104	11,683	37,787
Carrying amounts					
At 1 January 2020	27,411	15,140	6,324	17,352	66,227
At 31 December 2020	27,345	15,106	5,788	15,489	63,728
At 31 December 2021	27,654	15,147	5,041	13,988	61,830

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, EUR 7.6 million related to Extraco Internationale Expeditie B.V and EUR 3.4 million related to Tromsøterminalen AS. These CGU's are all part of forwarding services.

The impairment tests were performed in the fourth quarter of 2021 and were based on the results of 31 December 2021 as well as the board approved budget for the year 2022. 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.

	2021	2020
Future growth rate	1.0-2.5%	1.0-2.5%
Weighted-average cost of capital	6.29 -10.94%	5.9-9.0%
Sector debt-ratio	30%-71%	26-70%

Due to COVID-19 the operational environment has been challenging due to demand and supply disruption, however the financial impact on the CGU's have been favorable due to positive margin development.

Three individual CGU's are sensitive for impairment. In each individual case, if one of the variables, individually or collectively, of future growth rate increases or decrease by 0 - 1%, EBITDA increases or decreases by 0- 10% or WACC increases by 0 - 1% it leads, in each case, to an impairment in the range EUR 0.1 - 2.0 million.

Notes

13. Investments in equity-accounted investees

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

Shares in associated companies	Ownership	Share of	Share of	Book value	Book value
		earnings	earnings	2021	2020
		2021	2020	2021	2020
Shares in associated companies					
Qingdao Port Eimskip					
Coldchain Log. Co. Ltd., China	30.0%	141	86	948	725
Hammerfest Fryseterminal AS, Norway	20.5%	0	375	0	0
TLR Europe Asp	36.0%	10	0	38	0
Tromsøterminalen Eiendom AS, Norway	49.0%	57	177	2,888	2,705
Krít eignarhaldssjóður, Iceland	40.0%	0	(25)	0	0
		208	613	3,874	3,430
Joint ventures					
ElbFeeder Inc., The Marshall Islands*	47.9%	6,703	(625)	12,247	6,412
Feederstar Verwaltung GmbH	49.0%	0	0	12	12
Feederstar GmbH & Co. KG, Germany	49.0%	212	42	599	386
P/F í Ánunum, The Faroe Islands	50.0%	26	30	945	918
P/F Gervi, The Faroe Islands	51.0%	19	202	510	491
		6,960	(351)	14,313	8,219
Total equity accounted investees and joint ventures		7,168	262	18,187	11,649

The Group has long term receivables on one of it's equity-accounted investees amounting to EUR 0.6 million at year-end 2021 (2020: EUR 3.4 million)

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

Summarised financial information for ElbFeeder Inc.

Income Statement:	2021	2020
Operating results	12,876	4,644
Administration costs	(743)	(873)
Gain on sale of vessel	5,265	0
Net finance expenses	(927)	(1,345)
Depreciation and amortization	(3,059)	(2,957)
Vessels revaluation	65,389	4,915
Profit for the period	78,801	4,384
Profit for the period	78,801	4,384
Eimskip adjustment to ElbFeeders' fair value accounting	(64,808)	(6,363)
Adjusted profit	13,993	(1,979)
Eimskip's share in results (47.9%)	6,703	(625)
Financial Position:		
Vessels	106,229	44,318
Working capital	1,863	1,643
Cash and cash equivalents	7,586	1,400
Bank loans	(12,507)	(17,398)
Loan from shareholders	0	(6,058)
Trade and other payables	(2,114)	(2,985)
Net assets	101,057	20,920

Notes

13. Investments in equity-accounted investees, continued

Reconciliations to carrying amounts:

	2021	2020
Opening net assets 1 January	20,920	17,641
Profit for the period	78,801	4,384
Dividends paid	(3,238)	0
Translation difference	4,574 (1,105)
Closing net assets	101,057	20,920

14. Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

2021	Assets	Liabilities	Net
Property, vessels and equipment	655	(2,286)	(1,631)
Intangible assets	128	(257)	(129)
Right-of-use assets	311	(14,331)	(14,020)
Current assets	831	(17)	814
Current liabilities	73	0	73
Lease liabilities	14,407	0	14,407
Other	54	(3,694)	(3,640)
Tax loss carried-forward	47	0	47
Total tax assets (liabilities)	16,506	(20,585)	(4,079)
Set off tax	(15,175)	15,175	0
Net tax assets	1,331	(5,410)	(4,079)
2020	Assets	Liabilities	Net
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)

The Group had in the year-end 2020, tax losses carried-forward that had not been recognized. In the year-end 2021 those unrecognized tax-losses carried forward were immaterial (2020: EUR 1.2 million).

15. Trade and other receivables

Trade and other receivables are specified as follows:

	2021	2020
Trade receivables	135,107	102,534
Restricted cash	1,485	442
Other receivables	16,082	12,476
Trade and other receivables total	152,674	115,452

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

Notes

15. Trade and other receivables, continued

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

Balance at beginning of year	(6,496)	(6,058)
Write-offs	528	258
Changes in allowance for impairment losses	(2,176)	(696)
Balance at year-end	(8,144)	(6,496)

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

16. Cash and cash equivalents

Cash and cash equivalents are specified as follows:

Money market	6,095	100
Bank deposits	29,958	14,602
Cash on hand	933	938
Cash and cash equivalents total	36,986	15,640

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

Total outstanding shares were 180,867,243 at the beginning of the year and 175,168,290 at the end of the year. They decreased by 5,700,000 due to a share capital reduction. The share capital of the Company is now ISK 175.2 million and the number of Company's treasury shares is ISK 31.710, or 0.018% of the total share capital of the Company. The EUR amount of capital stock was 1.1 million at year-end 2021.

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 hf. 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.

Reserves

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

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

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

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.

Notes

17. Capital and reserves, continued

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

The reduction of treasury shares was executed on April 7th. The Company's treasury shares were reduced by ISK 6,100,000, or from ISK 187,000,000 to ISK 180,900,000 nominal value.

Reduction of share capital with a payment to shareholders

The share capital reduction with a payment to shareholders consisted of a share capital reduction of 5,700,000 million shares or from 180,900,000 to 175,200,000 issued shares with a payment to shareholders in the amount of ISK 1,675.0 million or EUR 11.2 million. The payment date was 30 April 2021.

Subsequent to the shareholder distributions above share capital is ISK 175,200,000 and each share is divided into one ISK. Treasury shares are ISK 31,710 and outstanding shares are ISK 175,168,290. Prior to the reduction in treasury shares they amounted to 3.28% of total issued shares, but is after the reduction 0.018% of total issued share capital.

Dividend

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

The Annual General Meeting of Eimskip approved on 25 March 2021 a dividend payment of ISK 2.47 per share to shareholders. The dividend payment amounted to ISK 446.7 million or EUR 3.0 million. The payment date was 15 April 2021. 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.

Treasury shares are not entitled to receive dividend. The Board of Directors proposes a dividend payment to shareholders in 2022 in the amount of ISK 14.27 per share. The proposed dividend payment is ISK 2,499.7 million, or approximately EUR 17.7 million, which represents 43.8% of net earnings for the year 2021.

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:

	2021	2020
Secured bank loans	146,264	160,906
Bank overdraft and short term borrowings	569	111
Total loans and borrowings	146,833	161,017
Current maturities of secured bank loans	(13,034)	(15,125)
Bank overdraft and short term borrowings	(569)	(111)
	(13,603)	(15,236)
Non-current loans and borrowings	133,230	145,781

The loan agreements of Eimskip contain restrictive covenants. At year-end 2021 and 2020 Eimskip complied with all restrictive covenants.

Secured bank loans

Secured bank loans are as follows:

	2021		2020	
	Nominal interest	Carrying amount	Nominal interest	Carrying amount
Loans in EUR	1.4%	141,568	1.6%	154,369
Loans in USD	4.5%	2,858	5.4%	3,725
Loans in ISK	2.0%	1,426	1.6%	1,809
Loans in other currencies	-	412	-	1,003
Total secured bank loans		146,264		160,906

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

Notes

18. Loans and borrowings, continued

	2021	2020
On demand or within 12 months	13,034	15,125
12 - 24 months	13,387	13,337
24 - 36 months	11,451	13,123
36 - 48 months	11,363	11,380
48 - 60 months	11,239	11,275
After 60 months	85,790	96,666
Total secured bank loans	<u>146,264</u>	<u>160,906</u>

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

	2021	2020
Balance of loans and borrowings as at 1 January	161,017	163,004
<i>Changes from financing cash flows:</i>		
Proceeds from non-current loans and borrowings with cash effects	18,896	47,287
Repayment of non-current loans and borrowings	(33,996)	(46,534)
Changes in short-term borrowings	459	46
Total changes from financing cash flows	<u>(14,641)</u>	<u>799</u>
<i>Non-cash changes of loans and borrowings:</i>		
Currency adjustments	457	(2,786)
Total non-cash changes of loans and borrowings	<u>457</u>	<u>(2,786)</u>
Loans and borrowings at 31 December 2021	<u>146,833</u>	<u>161,017</u>

In 2020, 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:

	2021	2020
Lease liabilities in EUR	11,310	7,236
Lease liabilities in USD	53,786	10,778
Lease liabilities in ISK	18,340	10,526
Lease liabilities in NOK	27,520	26,666
Lease liabilities in other currencies	9,041	8,947
Total	<u>119,997</u>	<u>64,153</u>
Current maturities	(28,229)	(10,861)
Non-current maturities	<u>91,768</u>	<u>53,292</u>
<i>Maturity analysis:</i>		
Within 12 months	28,229	10,861
12 - 24 months	25,992	6,863
24 - 36 months	15,601	5,419
36 - 48 months	7,850	3,811
48 - 60 months	2,219	1,953
After 60 months	40,106	35,246
Total	<u>119,997</u>	<u>64,153</u>

Notes

19. Lease liabilities, continued

Reconciliation of movements of lease liabilities

Balance of lease liabilities as at 1 January	64,153	41,259
<i>Changes from financing cash flows:</i>		
Repayment of lease liabilities	(19,057)	(14,095)
<i>Total changes from financing cash flows</i>	<u>(19,057)</u>	<u>(14,095)</u>
<i>Non-cash changes of loans and borrowings:</i>		
Finance lease liabilities reclassified to lease liabilities	0	0
New or renewed leases	77,706	39,548
Divested leases	(5,793)	(963)
Currency adjustments	2,988	(1,596)
<i>Total non-cash changes of loans and borrowings</i>	<u>74,901</u>	<u>36,989</u>
Lease liabilities at 31 December 2021	119,997	64,153

20. Trade and other payables

Trade and other payables are attributable to the following:	2021	2020
Trade payables	55,644	43,003
Other payables	37,567	26,125
Total	<u>93,211</u>	<u>69,128</u>

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.

Impairment loss on trade and other receivables (note 15)	2021	2020
	528	258

Notes

21. Financial risk management, continued

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.

Given the recent development of the COVID-19 pandemic, the company does not consider it a severe operational or financial risk, but the management monitors collections closely.

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

Exposure to credit risk

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

	Note	2021 Carrying amount	2020 Carrying amount
Finance assets		3,941	7,354
Trade and other receivables	15	152,674	115,452
Cash and cash equivalents	16	36,986	15,640
Total		193,601	122,806

At year-end 2021 and 2020 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 2021	Impairment 2021	Gross 2020	Impairment 2020
Not past due	100,225	(440)	72,879	(580)
Past due 1 - 90 days	28,547	(225)	21,610	(252)
Past due 91 - 180 days	4,818	(104)	2,694	(69)
More than 180 days	9,661	(7,375)	11,847	(5,595)
Total	143,251	(8,144)	109,030	(6,496)

(ii) Liquidity risk

Liquidity risk is the risk that Eimskip will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. Eimskip's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Eimskip's reputation. The Company has undrawn revolver facility amounting to EUR 36.9 million at year-end 2021 (2020: EUR 51.3 million).

Notes

21. Financial risk management, continued

(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
31.12.2021						
Secured bank loans	146,833	159,428	15,940	15,439	65,131	62,918
Lease liabilities	119,997	188,491	33,319	30,062	35,176	89,934
Trade and other payables	93,211	93,211	93,211	0	0	0
Income tax payable	4,562	4,562	4,562	0	0	0
Total	364,603	445,692	147,032	45,501	100,307	152,852
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	69,128	70,891	70,891	0	0	0
Income tax payable	1,763	1,763	1,763	0	0	0
Total	296,061	380,536	105,870	24,938	90,859	158,869

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

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices, such as bunkers. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

The exposure to the fluctuations in bunker prices is mostly offset by the bunker adjustment factor (BAF) borne by customers. If at any time, a material exposure is identified, the Group uses commodity hedges to limit the risk. The hedge reserve which is a part of equity due to commodity hedges was positive by EUR 145 thousand in the year-end 2021.

The Group uses cash flow hedges to hedge its exposure to currency risk for salaries in Icelandic kronur (ISK) and other add-hoc material foreseeable payments, e.g. dividend and investments. The Group evaluates its exposure to currency risk on a regular basis and uses hedge instruments to limit the effect of fluctuations in currency rates. The hedge reserve which is a part of equity due to currency hedges was negative by EUR 5 thousand in the year-end 2021.

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 2021 the primary risks are attached to the US Dollar (USD), the Icelandic krona (ISK), the Euro (EUR) but also the Danish crown (DKK) as can be seen in the table below.

Exposure to currency risk

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

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

Notes

21. Financial risk management, continued

Exposure to currency risk

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

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.

	2021	2020
USD	768 (1,914)
ISK	335	690
EUR	(259)	(156)
DKK	(223)	(394)
PLN	(151)	(59)
GBP	69	142
JPY	(49)	(53)

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	
	2021	2020	2021	2020
USD	1.1824	1.1418	1.1370	1.2215
JPY	129.8118	121.8166	130.8600	126.1250
GBP	0.8597	0.8900	0.8403	0.8932
ISK	150.1235	154.5572	147.5750	156.0900
RMB	7.6267	7.8758	7.2269	7.9724
DKK	7.4369	7.4537	7.4371	7.4425
PLN	4.5641	4.4463	4.5891	4.5601

Interest rate risk

The Group uses interest rate swaps to fix interest rates on its long term borrowings, where a certain proportion of interest rates are to be fixed according to the Group's Treasury Policy. The hedge reserve which is a part of equity due to interest swaps was positive by EUR 36 thousand in the year-end 2021.

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

Variable rate instruments	Carrying amount	
	2021	2020
Cash and cash equivalents	36,986	15,640
Financial liabilities	(146,833)	(161,017)
Net exposure	(109,847)	(145,377)

A change of 100 basis points in interest rates at the reporting date would increase (decrease) result after income tax by EUR (63) thousand (2020: EUR 406 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 2020. Eimskip does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss.

Notes

21. Financial risk management, continued

(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.

(i) Equity ratio

	2021	2020
Total equity	261,465	230,657
Total assets	634,324	536,131
Equity ratio	41.22%	43.02%

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

Total interest-bearing debt and lease liabilities	266,830	225,170
Finance assets*	(3,941)	(7,354)
Cash and cash equivalents	(36,986)	(15,640)
Net debt	225,903	202,176
EBITDA	104,059	61,678
Net debt / EBITDA	2.17	3.28

22. Leases

Lease expenses in the Income Statement

	2021	2020
Depreciation of right-of-use assets	20,801	15,282
Interest on lease liabilities	3,728	3,539
Expenses related to low-value leases	422	695
Expenses related to short-term leases	227	417
Total expenses due to leases in the Income Statement	25,178	19,933

Notes

22. Leases, continued

Cash outflow for leases

Repayment of leases in the cash-flow statement	(19,057)	(14,095)
Lease payments of low-value and short-term leases	(649)	(1,112)
Total cash outflow for leases	(19,706)	(15,207)

23. Related parties

The Company's largest shareholder Samherji Holding ehf. with 32.8% shareholding of outstanding shares is considered a related party, 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 13.1 million (2020: EUR 8.7 million) and receivables at year-end amounted to EUR 2.8 million (2020: EUR 1.4 million). Transactions with material equity accounted investees amounted to EUR 7,1 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*
	2021	2020	2021	2020	2021
Baldvin Thorsteinsson, Chairman	8,286	6,543	55	42	244,959
Lárus L. Blöndal, Vice-Chairman	7,802	5,820	52	38	3,089
Gudrún Ó. Blöndal, Board Member	6,369	5,925	42	38	0
Ólöf Hildur Pálsdóttir, Board Member	4,888	0	33	0	30,000
Margrét Guðmundsdóttir, Board Member	4,888	0	33	0	13,200
Óskar Magnússon, Alternate of the Board	2,681	3,677	18	24	14,527
Jóhanna á Bergi, Alternate of the Board	0	0	0	0	0
Hrund Rudolfsdóttir, former Vice-Chairman	2,378	7,832	16	51	0
Vilhjálmur Vilhjálmsson, former Board Member	1,455	4,438	10	29	0

Salaries and benefits paid to Executive Management

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

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
Executive Management***	294,591	75,248	1,906	487	585,547

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

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

***The Executive Management consists of 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, Böðvar Örn Kristinsson EVP of Iceland Domestic Operations, María Björk Einarisdóttir CFO, Hilmar Karlsson CIO and Davíð Ingi Jónsson General Council. The figures for 2021 also include Egill Örn Petersen former CFO, Gudmundur Nikulásson former EVP of Iceland Domestic Operations as well as Elín Hjálmsdóttir former EVP of Human Resources and Matthías Matthíasson former EVP of Sales. The figures for 2020 do not include Hilmar Karlsson CIO, Davíð Ingi Jónsson General Council, Böðvar Örn Kristinsson EVP of Iceland Domestic Operations nor María Björk Einarisdóttir CFO.

Notes

24. Auditor's fees

	2021	2020
Audit fee to the auditor of the Parent Company*	354	416
Audit fee to other auditors	572	556
Total Auditor's fees for audit for the relevant fiscal year	<u>926</u>	<u>972</u>
Other services fees to the auditor of the Parent Company*	3	236
Other services fees to other auditors	223	134
	<u>226</u>	<u>370</u>
Total audit fees	1,152	1,342

*The auditors of the Parent Company for the year 2021 are PwC in Iceland but was KPMG in Iceland for the year 2020.

25. Group entities

At year-end the Company owned directly nine subsidiaries that are all included in the consolidation. The direct subsidiaries owned 58 subsidiaries at year-end. The Company holds the majority of voting power in all of its subsidiaries. Assets, liabilities, revenues and expenses in Consolidated Financial Statements that include a non-controlling interest are immaterial to the Group.

The Group's direct subsidiaries are as follows:

	Country of incorporation	Ownership Interest 2021	Ownership Interest 2020
Eimskip Ísland ehf.	Iceland	100%	100%
TVG-Zimsen ehf.	Iceland	100%	100%
Eimskip USA, Inc.	USA	100%	100%
Eimskip UK Ltd.	England	100%	100%
Eimskip Holding B.V.	The Netherlands	100%	100%
Eimskip Asia B.V.	The Netherlands	80%	80%
P/f Skipafélagid Føroyar	Faroe Islands	100%	100%
Harbour Grace CS Inc.	Canada	51%	51%
Sæferdir ehf.	Iceland	100%	100%

As a result of a purchase price allocation for acquisition in subsidiaries, Eimskip has recognized in the statement of financial position, a financial liability in the amount of EUR 2.8 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.

In the fourth quarter of 2021, Eimskip exercised put option towards the non-controlling interests of Extraco Internationale Expeditie B.V. and SHIP-LOG A/S.

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.

In June 2021, Eimskip and the Competition Authority reached a settlement regarding the competition case that had been under investigation since 2013, where the main period of investigation was 2008 to 2013. As a result, Eimskip agreed to pay a fine amounting to 1.5 billion ISK or approximately EUR 10 million. The fine was expensed in Q2 but the payment date was July 15th 2021. This settlement concludes the investigation towards Eimskip and there will be no further investigation or proceedings against the Company or its employees on behalf of the Icelandic Competition Authority regarding the matter.

Notes

26. Other matters, continued

Icelandic District Prosecutor

The Environment Agency of Iceland reported Eimskipafélag Íslands hf. and Eimskip Ísland ehf. to the District Prosecutors for alleged violation of the Icelandic Waste Management Act due to the vessels Godafoss and Laxfoss in 2019 that were recycled in India 2020. The Company rejects these allegations as the Company complied with all laws and regulations in the sale process. Eimskip has been informed that the investigation relates to whether the Act. No. 55/2003 on treatment of waste and subsequent regulations have been infringed. It is impossible for the Company to estimate possible financial affects as the Act contains sanctions provisions without stating any specific amounts. The only amount referenced in the Act relates to the Icelandic Environmental Agency's authority to apply administrative fines towards legal entities amounting up to ISK 25 million. No individuals have a legal status in the matter.

Tax related matters

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

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

27. Subsequent events

There are no subsequent events to report.

Notes

28. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements, and have been applied consistently by Group entities.

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

a. Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on 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

28. Significant accounting policies, continued

c. Financial instruments

(i) Non-derivative financial assets

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

(ii) Derivative financial instruments and hedge accounting

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

The Group holds derivative financial instruments to hedge a part of its exposure to fluctuation in oil prices, currency and interest rates.

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

(iii) Cash and cash equivalents

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

(iv) Non-derivative financial liabilities

The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(v) Share capital

Share capital is classified as equity. Incremental costs directly attributable to issue of share capital is recognized as a deduction from equity, net of any tax effects.

When share capital is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

Notes

28. 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

28. 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

28. 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

28. 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.

(ii) Payment terms and warranties

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

l. Finance income and finance expense

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

Finance expenses comprise interest expense on borrowings.

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

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

m. Income tax

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

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

Notes

28. Significant accounting policies, continued

m. Income tax, continued

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

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

n. Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding for the effects of all dilutive potential shares.

o. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance.

29. Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2021 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). Effective 1/4 2021
- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). Effectiver 1/1 2021
- Reference to the Conceptual Framework - Amendments to IFRS 3. Effective 1/1 2022
- Property, Plant and Equipment: Proceeds before Intended Use. Amendments to IAS 16. Effective 1/1 2022
- Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37. Effective 1/1 2022
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41
- Definition of Accounting Estimates - Amendments to IAS 8. Effective 1/1 2023
- 'Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction. Effective 1/1 2023
- Disclosure of Accounting Policies. Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8. Effective 1/1 2023
- Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction. Effective 1/1 2023
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1). Effective 1/1 2024
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts. Effective 1/1 2023

Quarterly statements - unaudited

Year 2021	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2021
Revenue	180,228	211,134	236,607	254,748	882,717
Expenses*	163,919	191,639	199,831	223,269	778,658
Operating profit, EBITDA	16,309	19,495	36,776	31,479	104,059
Depreciation and amortization	(11,797)	(12,243)	(12,962)	(14,008)	(51,010)
Results from operating activities, EBIT	4,512	7,252	23,814	17,471	53,049
Net finance expense	(1,196)	(2,060)	(2,909)	(1,390)	(7,555)
Share of profit of equity accounted investees	221	957	4,071	1,919	7,168
Net earnings before income tax	3,537	6,149	24,976	18,000	52,662
Income tax	(703)	(3,031)	(4,256)	(4,281)	(12,271)
Net earnings	2,834	3,118	20,720	13,719	40,391

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

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

Corporate Governance Statement

About Eimskip

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

Corporate Governance

With this statement on the Corporate Governance of Eimskip it is declared that the Company is complying with the accepted practices in the 6th edition of Corporate Governance Guidelines, issued by the Iceland Chamber of Commerce, SA - Business Iceland and Nasdaq Iceland.

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

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

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

Laws and regulations

Eimskip is a limited liability company 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. The General Counsel serves as secretary to the Board. In 2021, 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 2021 will be concluded in the first quarter of 2022.

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, Ólöf Pálsdóttir and Alexander G. Edvardsson. In 2021, the Audit Committee held a total of six 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, Baldvin Thorsteinsson, Chairman, Guðrún Blöndal and Margrét Guðmundsdóttir. In 2021, 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 Óskar Magnússon, Chairman, Guðrún Blöndal and Margrét Guðmundsdóttir. In 2021, the Nomination Committee held a total of eight meetings.

Corporate Governance Statement

The Board of Directors

Baldvin Þorsteinsson, Chairman of the Board

Baldvin was born in 1983 and lives in the Netherlands. Previously he was the CEO of Iceland Drilling hf. from 2013 to 2016. He is currently a chairman of the board of Ólíuverzlun Íslands hf., a board member of Iceland Drilling hf., and a board member of the Canadian fishing company Newfoundland Resources Limited Ltd. and the Norwegian fishing company Nergard A/S. He earned a BS degree in Industrial Engineering from the University of Iceland in 2007. Baldvin is currently the Chairman of the Board of Eimskipafélag Íslands hf. and is the Chairman of the Remuneration Committee. Baldvin owns 244,959 shares in the Company but does not have a share options agreement. He is not independent of Samherji Holding ehf., which holds 57.5 million shares in the Company at the year-end of 2021.

Guðrún Ó. Blöndal

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

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 lögræðistofan 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 Vice-Chairman of the Board and the Chairman of the Audit Committee. He is an independent Board member and owns 3,089 shares in the Company but no share options. He has no interest links with the Company's main clients, competitors or major shareholders.

Margrét Guðmundsdóttir

Margrét was born in 1954 and lives in Iceland. She is a Vice Chairman of the board of Festi, board member of Eignarhaldsfélagið Lyng ehf, Hekla hf., Hekla Fasteignir ehf. and Paradís ehf. Margrét was the Chairman of the European Surgical Trade Association from 2011 to 2013 and a member of its Board from 2009 to 2015. She was the Chairman of Félag atvinnurekenda from 2009 to 2013, a member of the Board of Reiknistofa bankanna from 2010 to 2011 and 2016 to 2018, the Board of Isavia from 2017 to 2018 and the Board of SPRON from 2008 to 2009. Margrét was the CEO of Austurbakki, later Icepharma hf., from 2005 to 2016. Prior to that she was the Retail Manager of Skeljungur from 1995 to 2005, Director of various business segments of Kuwait Petroleum (Denmark) A/S from 1986 to 1995 and HR Development Manager at Dansk ESSO (later Statoil) from 1982 to 1986. Margrét was Assistant Secretary General of AIESEC International in Brussels from 1978 to 1979. Margrét holds a Cand. oecon. degree in economics and business administration from the University of Iceland, a Cand. merc. degree from the Copenhagen Business School and Executive education from CEDEP/Insead in France. Margrét owns 13,200 shares in the Company but no share options. Margrét has been a member of the Board since 25 March 2021 and is currently a member of the Remuneration Committee and Nomination Committee. She has no interest links with the Company's main clients, competitors, or major shareholders and will be an independent Board member.

Corporate Governance Statement

Ólöf Hildur Pálsdóttir

Ólöf was born in 1977 and lives in Iceland and is an independent financial advisor. She was the CFO of atNorth ehf., the largest data center in Iceland, from 2019-2021. Prior to that she worked as an independent Financial Advisor and was a board member of Reginn hf. and alternate board member of VÍS hf. Ólöf worked at Arion bank and its predecessors from 1997 to 2017 in various roles e.g. as Head of Credit Structuring and Analysis, Deputy Head of IR, Investment strategist and in Asset Management as a fund manager. Ólöf was also member of the bank's credit committees and asset and liability committee (ALCO). Ólöf holds a Cand. Oecon degree in economics and business administration (finance) from the University of Iceland. Ólöf Hildur owns 30,000 shares in the Company through her holding company, Skaftafell Invest ehf., but no share options. Ólöf Hildur has been a member of the Board since 25 March 2021 and is currently a member of the Audit Committee. She has no interest links with the Company's main clients, competitors, or major shareholders and will be an independent Board member.

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 three novels in recent years. He is a farmer and co-owner and chairman of Kerfélagið ehf., the owner of the tourist nature attraction Kerid Crater. Óskar has been a board member of Samherji hf. Since 1998 and is currently the vice-chairman of the board, as well as the vice-chairman of Samherji Holding ehf. and board member of several other companies within the Samherji group. He is the chairman of the Icelandic landowners Association. He has previously been a vice-chairman of the Icelandic Bar Association and served on various boards of retail companies. Óskar was Publisher/CEO and a major shareholder of Árvakur hf. from 2009 to 2015, President/CEO of Tryggingamiðstöðin hf. and TM Life Insurance hf. from 2004 to 2007, President/CEO of Vodafone Iceland from 2001 to 2004, Executive Chairman of Baugur from 1998 to 1999 and President/CEO of Hagkaup hf. supermarkets, that later became part of Baugur Corporation, from 1993 to 1998. Óskar has served on the city council in his community as well as being the parish chairman since 2004. Óskar has been a Supreme Court Attorney since 1993. He graduated with an LL.M. degree in International Business Law from George Washington University Law School in 1986, and with a Cand.jur. degree from the University of Iceland in 1983. He owns 14,527 shares in the Company, but no share options. Óskar was a board member in 2019 and has been an alternate member of the Board since 26 March 2020 and is currently a member of 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, House of Industry and Visit Faroe Islands. Jóhanna has a master's degree in Management from Robert Gordon University in the UK. She further holds an EE degree from the Danish School of International Marketing and Export. Jóhanna has been an alternate member of the Board since 3 April 2013, is an independent Board member and does neither own shares nor share options in the Company. She has no interest links with the Company's main clients, competitors or major shareholders.

The Chief Executive Officer and the Executive Management

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

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 40,173 shares in the Company and through his holding company Sjávarlind ehf. 200,000 shares. Vilhelm holds no share options.

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

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

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

Diversity

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

Internal Control and Risk Management

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

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

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

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

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

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

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

Corporate Governance Statement

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

Eimskip monitors its financial risk factors and the Board of Directors has approved a Treasury policy which, among other, sets acceptable risk limits and stipulates how to identify, measure and manage financial risk exposure. The Company has in place a financial reporting and internal control manual to which the group reporting entities must adhere.

Information on violation of rules determined by the applicable authority

On 16 June 2021 Eimskip and The Competition Authority in Iceland reached a settlement in the competition case that had been under investigation for the past years. The main period of investigation was 2008 to 2013 concerning infringements of Art. 10 of the Icelandic Competition Act and Art. 53 of the EEA agreement.

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

Eimskip is a registered participant of the UN Global Compact, the United Nation's initiative for social responsibility with respect to human rights, labor, environment, and anti-corruption. With its participation, the Company has committed to managing its business operations so that the UN Global Compact and its Ten Principles become a part of the Company's strategy, culture, and day-to-day operations.

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

Code of Conduct

The Board of Directors approved a revision of the Company's Code of Conduct in February 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 specializing in worldwide freight forwarding services focusing on frozen and chilled commodities.

Eimskip was founded in 1914 and is a publicly-traded company with its shares listed at Nasdaq Iceland. Eimskip runs a network of 57 offices in 20 countries on four continents, operates 17 vessels, and has about 1,620 employees.

Sustainability

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

Sustainability Policy

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

Environment

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

Society

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

Governance

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

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

Sustainability Structure

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

In 2020 Eimskip collaborated with the consulting company Circular Solutions (now a part of KPMG) on a risk assessment of The Company's ESG and established a three-year action plan. Eimskip continues to work in accordance with that action plan. The focus in 2021 was on projects linked to the UN Sustainability Development Goals Climate action (goal 13), Good health and Well-Being (goal 3), Responsible Consumption and Production (goal 12), and Peace, Justice and Strong Institution (goal 16)

Example of projects:

- Implementation of new/updated policies, e.g., Whistleblower Policy, Money-Laundering Policy, and Supplier Code of Conduct.
- Review of ESG measurements and targets and continued work on extending the ESG scope for more Eimskip offices globally.
- Safety and security measures.
- Waste management

Non-Financial Reporting

Environment

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

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

Climate change is one of the main ESG risks in the Company's operation. The Company respects the environment and recognizes the effects of climate change on society, its business activities, and the need for a low-carbon economy. Minimizing the environmental load from the Company's operations is crucial. The focus is on achieving complete clarity regarding emissions and waste from each of the emitting sources in the supply chain. Development in data and analytics gives Eimskip a better overview of its ecological footprint and reduction opportunities. The Company uses an electronic Environmental Management System linked to all significant 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 measurements and provides reliable and transparent communication.

Eimskip defines its ecological footprint as a carbon footprint and waste disposal combination. 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 in scope 1 per transported unit in kgCO₂ equivalent (e). Eimskip aims to reduce its footprint by 40% from 2015 to 2030.

In 2021 Eimskip started to publish its environmental statement quarterly. That is a significant milestone in managing and monitoring the Company's CO₂ emissions. Each quarter, the statement is introduced and discussed with the executive team, and possible risk factors are discussed. In the environmental statement for 2021, the Company has completed registering scopes 1&2 for all vessels and offices in Iceland. Furthermore, Eimskip's offices in the Faroe Islands, Germany, Poland, Spain, and the UK are now a part of the environmental statement for the first time. The goal in 2022 is to finish all scope 1&2 registration for main offices globally (see scope in ESG statement on the Company's website www.eimskip.com).

The Company's energy mix is 97% fossil fuel, with most emissions coming from the vessels. Development in the vessel fleet is needed to reach the goal of a 40% reduction in emission before the year 2030. Eimskip looks to the future and recognizes the need for greener investments to lower emissions. The investments will need to be for equipment with lower emissions and different energy sources. There is a high focus within the Company on future energy possibilities. Several important steps have been taken to reduce the GHG emission, e.g., all harbor cranes in Iceland are now electric, investment in electric and methane cars and reach stackers, and land connection for vessels in Sundahöfn is in the pipeline.

Eimskip monitors changes in legislation that could affect the Company regularly and has considered legislation changes in its risk management.

Social

Eimskip recognizes its responsibility to work in partnership with the communities it operates in. This partnership is connected to all stakeholders from employees, customers, and society, with the Company's values achievement, cooperation, and trust always in mind. Eimskip has a clear human rights policy declaring that everyone shall enjoy equal rights in all respects. The policy is accessible on the Company's website.

Employees

Eimskip has a diverse team of engaged employees whose knowledge and skills are the Company's most important resources. The Company employs around 1.600 people across three continents and 18 countries.

Each member brings a unique set of talents, and experiences to the team, which make up a diverse and dynamic work environment characterized by collaboration, ambition, and innovation. The Company values achievement, cooperation, and trust drive and motivate the team to act in the same direction.

Non-Financial Reporting

Eimskip respects human rights and operates according to its employee rights and welfare policies. The Company's principal policies are Code of Conduct, Human Resource Policy, Salary Policy, Equal Opportunities Policy, Policy against Bullying and Harassment, Health Policy, Occupational Safety, and Security and Prevention Policy. The Company's principal policies apply to all employees of Eimskip and its subsidiaries.

Eimskip actively seeks to ensure that women have a voice at all levels in the Company to ensure dynamic conversations and ensure broad perspectives. A powerful tool in driving diversity and gender equality in Eimskip's Executive management team is its Succession Planning process. Furthermore, the Company aspires to develop a diverse group of prospective leaders through the Company's Future Leadership Program.

One of the main challenges in 2021 was the COVID-19 pandemic. Significant efforts were put into securing the health and safety of employees by implementing various safety precautions and focusing on employee well-being. Emphasis was placed on promoting better work-life balance and on day-to-day well-being. The Company launched several initiatives supporting employee wellness. For instance, Focus Friday's aims to reduce meetings on Friday afternoons and provide employees with uninterrupted time to complete work before the weekend. In October a focus was placed on well-being offering various training and events related to health and safety. During the pandemic Eimskip has adapted to Hybrid Workplace and set a Hybrid work policy that supports enhanced flexibility and promotes better work-life balance.

Regular employee engagement surveys are conducted within the Company to improve employee satisfaction and engagement. The survey's purpose is to give employees a chance to voice their opinions and empower leaders to understand their team members better. Two surveys were conducted in 2021, in April and October, measuring the various drivers of engagement, such as freedom of opinion, growth, management support, meaningful work, equality, peer relationships, and workload. In April, overall engagement and satisfaction were measured at 8.0 (out of 10). In November, the overall engagement score was 7.8, and satisfaction was measured at 8.0. Both engagement and satisfaction have remained steady for the past years.

Safety

A safe and healthy work environment is one of Eimskip's top priorities. The objective is that everyone can work safely at Eimskip. To achieve this objective, the Company emphasizes prevention and training. Employees undergo routine safety training, and continuous advancements to create a safe work environment. An excellent example of such progress in 2021 was investing in specialized firefighting equipment for container fires on board vessels. That action is part of Eimskip's emphasis on increasing onboard security and being a leading company in employee safety.

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

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

Customer

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

In 2021 the Company continued to implement the Global Service Policy. The goal of the Global Service Policy is to align the service approach, goal setting, and measurements between different units within Eimskip to ensure that the Company is offering excellent customer service. The Global Service Policy contains three pillars; Global Team, Proactive, and Simplify.

To measure and monitor customer satisfaction for customers globally, Eimskip sends out a Net Promoter Score (NPS) customer survey each year. The NPS score continues to be strong. In Gallup research among companies in Iceland, the positivity towards Eimskip is high, and there is increased positivity towards the Company. Also, historically in Iceland, the Eimskip brand is very well known with 100% brand awareness.

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

Non-Financial Reporting

Projects for the society

As a company, Eimskip wants to contribute to a better and safer society wherever it operates, and responsibility towards the community is an integral part of the sustainability policy. The Company supports various projects, charities, sports activities, culture, innovation, and, finally, projects centered on preventive measures for children and young adults. The Company is incredibly proud of the bicycle helmet project, which began in 2004 in cooperation with Kiwanis in Iceland (a global community of clubs, members, and partners dedicated to improving the lives of children one community at a time). Eimskip has given all six-year-old children in Iceland bicycle helmets and safety reflectors to contribute to youth safety. Eimskip has given helmets to about 74,100 children. Another great example is that Eimskip supports young people in Arhus that have had tough times in their lives.

Governance

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

Anti-corruption and bribery

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

Eimskip has in place a Whistleblower procedure for handling reports of alleged misconduct concerning the Company's operations and the protection of whistleblowers. Eimskip's Anti-Money Laundering & Sanction Policy prohibits anyone employed by Eimskip from participating in money laundering, terrorist financing, and sanction breaches. Eimskip has a Supplier Code of Conduct which will be implemented among vendors and suppliers in 2022.

See further information in ESG statement 2021, www.eimskip.com.