



Financial Statements
for the year ended 31 December 2022
EUR

Eimskip Ísland ehf.
Sundabakki 2
104 Reykjavík

Reg. no. 421104-3520

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Endorsement and Statement by the Board of Directors and the CEO

Operations and significant matters in 2022

Eimskip Ísland ehf. (the "Company") specializes in shipping, logistics and supply chain management and offers its customers solutions on both land and sea with special emphasis on the handling and storing of any type of temperature-controlled cargo, frozen or chilled and dry cargo. The Company's operations include vessel liner systems, bulk transport, three container ports, seven chilled and cold storages, 15 warehouses, trucking and distribution as well as all related sales and services. In addition the Company operates branch offices in Norway, Sweden, Denmark, the UK, Netherlands and Germany.

The Company's net earnings for the year 2022 amounted to EUR 40.8 million according to the Income Statement. Equity at 31 December 2022 amounted to EUR 115.8 million according to the Balance Sheet. At year-end 2022 share capital nominal value was ISK 4,123 million.

At year-end, Eimskipafélag Íslands hf. was the sole shareholder of the Company, unchanged from the beginning of the year.

The average number of full-time equivalents was 700 during the year 2022 compared to 681 during the year 2021.

The Annual General meeting of Eimskip Iceland ehf. approved on 16 March 2022 a dividend payment of EUR 12.0 million which represented 48.4% of net earnings for the year 2021.

The Board of Directors proposes a dividend payment to shareholders in 2023 in the amount of EUR 24.8 million which represents 60.8% of net earnings for the year 2022.

Outlook and uncertainties

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

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

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

Corporate Governance

The Company'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 Group consists of the provisions of law, the parent company's Articles of Association, Rules of Procedures for the Board of Directors and Board's subcommittee and various company policies, Rules for Issuers of Financial Instruments listed at Nasdaq Iceland and the 6th edition of Corporate Governance Guidelines issued by the Iceland Chamber of Commerce, SA – Confederation of Iceland Enterprise and Nasdaq Iceland.

Corporate Governance practices are designed to ensure open and transparent relationship between the Company's management, its Board of Directors, its shareholders, and other stakeholders. Management has emphasized and increased level of information shared with investors and other stakeholders in quarterly reporting as well as communication with customers on current affairs. The Corporate Governance in the Group 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 on Eimskip's website www.eimskip.com/investors/corporate-governance/.

Endorsement and Statement by the Board of Directors and the CEO

Corporate Governance, continued

Active risk management plays an important role at Eimskip ensuring stable operations and earnings. The Company's Treasury Policy aims to minimize potential negative effects on operations and earnings from financial activities and to keep risk at acceptable levels. Information on matters related to financial risk management is disclosed in the consolidated financial statement for the group and Parent Company of Eimskip Ísland ehf. 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 39 of Act no. 138/1994 on Private Limited Liability Companies (Company Act), as the Company's Board of Directors currently consists of one female and one male. The Executive Management and the CEO consists of seven males and two female. The Company's gender ratio is 78.0% males and 22% females. Further information on the number of full time equivalents is provided in note 2.

Non-Financial Reporting

The Company is defined as a large Company 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 the Eimskipafélag Íslands hf. Consolidated Financial Statements, which is the Parent Company of Eimskip Ísland ehf. In November 2020 Eimskip conducted an ESG (Environmental, Social and Governance) sustainability risk assessment and ESG sustainability targets for the next three years plans were developed. Eimskip has now published its Sustainability Statement for 2022 that reflects the ESG guidelines issued by Nasdaq Iceland and the Nordic countries in March 2017. Further information is provided on Eimskip's website www.eimskip.com/about-eimskip/sustainability/.

Statement by the Board of Directors and the CEO

The Financial Statements of Eimskip Ísland ehf. are prepared and presented in accordance with the Icelandic Financial Statements Act.

According to the best of our knowledge, it is our opinion that these Financial Statements give a true and fair view of the financial performance of Eimskip Ísland ehf. for the year 2022, its assets, liabilities and financial position as at 31 December 2022 and its cash flows for the year 2022.

The Board of Directors and the CEO have today discussed the Annual Financial Statements of Eimskip Ísland ehf. for the year 2022 and confirm them by means of their signatures.

Reykjavík, 8 March 2023.

Board of Directors:

Vilhelm Már Thorsteinsson
María Björk Einarsdóttir

CEO:

María Björk Einarsdóttir

Independent Auditors' Report

To the Board of Directors and the shareholders of Eimskip Ísland ehf.

Opinion

We have audited the accompanying financial statements of Eimskip Ísland ehf. for the year 2022, excluding the endorsement and statement by the Board of Directors and the CEO.

In our opinion, the financial statements give a true and fair view of the financial position of the company as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with Icelandic law on annual accounts.

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

The financial statements comprise

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

The endorsement and statement by the Board of Directors and the CEO is 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 financial statements section of our report.

Independence

We are independent of the company 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 company's 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 company 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 entity and its subsidiaries, in the period from January 1, 2022 to December 31, 2022, are disclosed in note 15 to the 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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 500.402 thousand in the year 2022.

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

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

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

Reference is made to notes 1.d. in the financial statements.

How the matter was addressed in our audit

Our audit procedures included:

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

Relevant notes have been reviewed.

Reporting on other information, including the endorsement and statement by the Board of Directors and the CEO

The Board of Directors and Chief executive officer are responsible for other information. The other information comprises of the endorsement and statement by the Board of Directors and the CEO which we obtained prior to the date of this auditor's report. Our opinion on the 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 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 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 financial statements includes applicable information in accordance with Icelandic law on annual accounts if not presented elsewhere in the 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 financial statements in accordance with 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 financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. 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 financial statements.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 company'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 company'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 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 company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

Independent Auditors' Report

Report on Other Legal and Regulatory Requirements

Appointment

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

Reykjavik, 8 March 2023

PricewaterhouseCoopers ehf.

Bryndís Björk Guðjónsdóttir
certified public accountant

Income Statement for the year 2022

	Notes	2022	2021
Revenue			
Operating revenue		500,401,855	370,836,404
Expenses			
Operating expenses		360,741,935	261,484,429
Salaries and related expenses	2	69,050,213	59,946,687
Depreciation and amortization	4.5	17,287,202	18,380,389
		447,079,350	339,811,505
Results from operating activities, EBIT		53,322,505	31,024,900
Interest income		1,326,478	690,775
Interest expense		(4,217,023)	(3,380,582)
Net foreign exchange gain		924,753	1,249,735
Net finance expense		(1,965,792)	(1,440,072)
Share of loss of equity-accounted investees		0	(34)
Profit before income tax		51,356,713	29,584,794
Income tax	3	(10,547,996)	(4,813,254)
Net profit for the year		40,808,717	24,771,540
Profit per share (EUR)		0.00990	0.00601

Balance Sheet as at 31 December 2022

	Notes	2022	2021
Assets			
Intangible assets	4	6,435,738	5,037,735
Property and equipment	5	132,479,306	132,554,749
Shares in subsidiaries	8	1,576,212	1,576,212
Shares in other companies		121,583	280,786
Loan to related parties	14	65,855,873	58,213,138
Finance assets		2,123,287	2,970,643
Total non-current assets		208,591,999	200,633,263
Inventories		7,026,455	4,084,510
Trade receivables	10	63,858,663	53,071,728
Receivables from related parties	14	7,115,829	3,838,850
Other receivables		8,996,196	8,658,142
Cash and cash equivalents		23,309,518	9,712,603
Total current assets		110,306,661	79,365,834
Total assets		318,898,660	279,999,096
Equity			
Share capital		27,071,356	27,071,356
Share premium		32,894,272	32,894,272
Hedging reserve		2,239,478	175,892
Retained earnings		53,580,257	24,771,540
Total equity	12	115,785,363	84,913,060
Liabilities			
Loans and borrowings	13	87,805,862	96,126,802
Loans from related parties	14	39,462,263	35,394,683
Deferred tax liability	11	4,074,302	1,581,509
Total non-current liabilities		131,342,427	133,102,994
Loans and borrowings	13	10,582,533	10,196,938
Trade payables		24,945,518	22,361,018
Payables to related parties	14	12,996,077	17,355,132
Other payables		23,246,742	12,069,954
Total current liabilities		71,770,870	61,983,042
Total liabilities		203,113,297	195,086,036
Total equity and liabilities		318,898,660	279,999,096

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

	Share capital	Share premium	Hedging reserve	Retained earnings	Total
Changes in Equity 2021					
Equity as at 1 January 2021	27,071,356	32,894,272	193,453	0	60,159,081
Fair value changes of cash flow hedges, net of income tax			(17,561)	(17,561)	
Net earnings for the year				24,771,540	24,771,540
Equity as at 31 December 2021	27,071,356	32,894,272	175,892	24,771,540	84,913,060
Changes in Equity 2022					
Equity as at 1 January 2022	27,071,356	32,894,272	175,892	24,771,540	84,913,060
Fair value changes of cash flow hedges, net of income tax			2,063,586		2,063,586
Dividend paid				(12,000,000)	(12,000,000)
Net earnings for the year				40,808,717	40,808,717
Equity as at 31 December 2022	27,071,356	32,894,272	2,239,478	53,580,257	115,785,363

Statement of Cash Flows for the year 2022

	Notes	2022	2021
Cash flows from operating activities			
Net earnings for the year		40,808,717	24,771,540
Adjustments for:			
Depreciation and amortization	4.5	17,287,202	18,380,389
Net finance expense		1,965,792	1,440,072
Gain on sale of property and equipment .....	(	784,448)	(460,682)
Share in loss in associated companies		253,038	32
Change in deferred tax asset		2,492,793	3,195,282
		62,023,094	47,326,633
Changes in current assets and liabilities:			
Inventories, change .....	(	2,941,945)	(1,828,952)
Receivables, change .....	(	8,053,425)	(4,488,969)
Payables, change		13,308,062	8,439,340
Related parties, change .....	(	7,072,428)	(8,193,530)
Changes in current assets and liabilities	(	4,759,736)	(10,314,949)
Interest received		1,326,478	690,775
Interest paid .....	(	4,217,023)	(3,380,582)
Changes in current assets and liabilities	(	2,890,545)	(2,689,807)
Net cash from operating activities		54,372,814	54,951,774
Cash flows used in investing activities			
Acquisition of intangible assets .....	(	4,284,049)	(2,446,259)
Proceeds from sale of intangible assets		0	6,525
Acquisition of property and equipment .....	(	12,633,404)	(10,118,179)
Proceeds from sale of property and equipment		1,419,420	2,617,544
Investment in other companies		0	(1,016)
Finance assets, change		990,522	609,433
Related parties, change .....	(	7,642,735)	(7,017,900)
Net cash used in investing activities	(	22,150,246)	(16,350,868)
Cash flows to financing activities			
Dividend paid .....	(	12,000,000)	0
Proceeds from long-term borrowings		0	3,218,721
Repayments of long-term borrowings .....	(	10,576,926)	(10,442,798)
Related parties, change		4,067,580	(22,211,875)
Net cash used in financing activities	(	18,509,346)	(29,435,952)
Change in cash and cash equivalents		13,713,222	9,164,954
Cash and cash equivalents at the beginning of the year		9,712,603	597,863
Effects of exchange rate fluctuations on cash held .....	(	116,307)	(50,214)
Cash and cash equivalents at the end of the year		23,309,518	9,712,603
Financing and investing activities not affecting cash flows:			
Investment in non-current assets		2,327,280	(3,218,721)
Proceeds from long-term borrowings .....	(	2,327,280)	3,218,721

Notes to the Financial Statements

1. Basis of preparation

- a. Eimskip Ísland ehf. (the “Company”) is a private limited liability company domiciled in Iceland. The address of the Company's registered office is Sundabakki 2, 104 Reykjavík.

The Financial Statements for 2022 of Eimskip Ísland ehf. are not consolidated with its subsidiaries. The subsidiaries A-Orange ehf. and Eimskip Greenland A/S are immaterial and therefore according to article 70 in laws 3/2006 permitted to not make consolidated accounts since the subsidiaries have immaterial effects on the operation and financial position of the Company. See further in note 8 about shares in subsidiaries.

The Company is a wholly owned subsidiary of Eimskipafélag Íslands hf. which registered office is Sundabakki 2, 104 Reykjavík. The Company and its subsidiaries are included in the Consolidated Financial Statements of the Parent Company and information about the financial position and financial risk management of the Group are available there. Website: www.eimskip.com/investors/publications/

The Financial Statements of Eimskip Ísland ehf. are prepared and presented in accordance with the Icelandic Financial Statements Act. The Financial Statements have been prepared on the historical cost basis, except for derivative financial instruments (see note 1.n.), and are based on the same accounting policies as in the previous year. The Company does not prepare Consolidated Financial Statements as the Financial Statements of the Company and its subsidiary are included in the Consolidated Financial Statements of Eimskipafélag Íslands hf.

b. Functional and presentation currency

These Financial Statements are presented in euro (EUR), which is the Company's functional currency.

c. Foreign currency transactions

Transactions in foreign currencies are translated to the Company's functional currency 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 beginning of 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. Foreign currency differences arising on retranslation are recognized in profit or loss.

d. Revenue

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. 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.

e. Income tax

Income tax expense for the period comprises current and deferred tax.

Tax is recognized in the Income Statement except to the extent that it relates to items recognized directly in Shareholders' equity. In case of recording directly in Shareholders' equity, the tax on this item is included in deferred taxes; the net amount is recognized in Shareholders' equity. The income tax rate is 20%.

Deferred income tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The Company is jointly taxed with its parent company.

Notes

f. Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

g. Intangible assets

Intangible assets are measured at cost less accumulated amortization and impairment losses. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets 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 life for software is in the range of 3 - 7 years where certain software systems important to the operations have an estimated useful life of 7 years. Useful life is estimated at each reporting date.

Software	3 - 7 years
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h. Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight line basis from the depreciable amount, which is the cost of an asset, less its residual value.

Buildings	15 - 50 years
Equipment	2 - 13 years

i. Leased assets

Assets held by the Company under leases which transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Company's balance sheet.

j. Inventories

Inventories mainly consist of supplies and are measured at cost.

k. Shares in subsidiaries

Subsidiaries are entities controlled by the Company. The Company 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. They are initially recognized at cost, which includes transaction costs. Subsequent to recognition, the Financial Statements include the Company's share of profit or loss of subsidiaries, until the date on which control ceases.

l. Shares in associated companies

Associates are those entities in which the Company has significant influence, but not control, over financial and operating policies. Joint operation involves contractual sharing of control. Investment in equity-accounted investees is accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to recognition, the Financial Statements include the Company's share of profit of equity-accounted investees, until the date on which significant influence or joint control ceases.

m. Trade and other receivables

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

Notes

n. Derivative financial instruments

The Company holds derivative financial instruments to hedge a part of its exposure to fluctuation in oil prices. Derivatives are recognized at fair value. 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 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 reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

2. Salaries and related expenses

Salaries and related expenses are specified as follows:

	2022	2021
Salaries	54,025,619	47,886,827
Defined contribution pension plan	6,611,109	5,701,564
Other related expenses	8,413,485	6,358,295
Salaries and related expenses	69,050,213	59,946,687
Average number of full-time equivalents during the year	700	681

The members of the board, the CEO and other directors were employed by Eimskipafélag Íslands hf. and their salaries and related expenses is included in management fee paid by the Company.

3. Income tax

Effective income tax is specified as follows:

		2022		2021
Net profit before income tax		51,356,713		29,584,794
Income tax based on the current corporate tax rate of 20.0%	20.0%	(10,271,343)	20.0%	(5,916,959)
Adjustments from previous year	0.4%	(190,509)	(1.0%)	288,165
Non-recognized loss utilized	0.0%	0	3.0%	895,868
Other changes	0.2%	(86,144)	0.3%	(80,328)
Income tax according to the Income statement	20.5%	(10,547,996)	16.3%	(4,813,254)

4. Intangible assets

Intangible assets and amortization are specified as follows:

	2022	2021
Balance at 1 January	5,037,735	5,783,800
Additions during the year	4,284,049	2,446,259
Sale during the year	0	(6,525)
Amortization	(2,886,046)	(3,185,799)
Balance at 31 December	6,435,738	5,037,735

5. Property and equipment

Property and equipment are specified as follows:

	Land and buildings	Containers and equipment	Total
Cost			
Balance at 1 January 2022	98,388,815	149,656,964	248,045,779
Additions	606,482	14,354,203	14,960,685
Reclassified assets	561,546	(561,546)	0
Disposals	0	(9,267,860)	(9,267,860)
Balance at 31 December 2022	99,556,843	154,181,761	253,738,603

Notes

5. Property and equipment, continued:

	Land and buildings	Containers and equipment	Total
Depreciation			
Balance at 1 January 2022	28,871,595	86,619,435	115,491,030
Disposals	0	(8,632,888)	(8,632,888)
Depreciation	3,115,753	11,285,403	14,401,156
Balance at 31 December 2022	31,987,348	89,271,950	121,259,298
Carrying amounts	67,569,495	64,909,811	132,479,306
Cost			
Balance at 1 January 2021	97,099,720	155,355,573	252,455,293
Additions	1,090,385	9,027,794	10,118,179
Reclassified assets	629,864	(629,864)	0
Disposals	(431,154)	(14,096,539)	(14,527,693)
Balance at 31 December 2021	98,388,815	149,656,964	248,045,779
Depreciation			
Balance at 1 January 2021	26,077,654	86,589,617	112,667,271
Disposals	(319,855)	(12,050,976)	(12,370,831)
Depreciation	3,113,796	12,080,794	15,194,590
Balance at 31 December 2021	28,871,595	86,619,435	115,491,030
Carrying amounts	69,517,220	63,037,529	132,554,749

The Company has entered into finance lease agreements with regard to equipment. The remaining balance amounted to EUR 6.7 million at year-end (2021: EUR 6.2 million) and is included in loans and borrowings. The book value of assets under finance lease was EUR 9.3 million at year-end (2021: EUR 8.6 million).

6. Insurance value

The insurance value, real estate value and book value at year-end 2021 were as follows:

Insurance value of real estate	141,452,803
Official real estate valuation of land and buildings	130,133,404
Book value of land and buildings	67,569,495
Insurance value of other operating assets	65,906,426
Book value of other operating assets	64,909,811
Insurance value of inventories	6,138,387
Book value of inventories	7,026,455

7. Operating lease commitments

The Company leases vessels, real estate, trucks, equipment and containers under operating leases. The leases generally run for a period of two months to eight years.

Expensed lease are specified as follows:	2022	2021
Operating expense, (third parties)	38,561,147	23,284,777
Operating expense, (related parties)	24,195,120	20,712,291
Total expensed lease	62,756,267	43,997,068

Notes

7. Operating lease commitments, continued:

Non-cancellable operating lease rentals are payable as follows:

Within 1 year	57,503,159	52,952,760
Between 1 - 2 years	16,548,946	41,644,564
Between 2 - 3 years	7,197,788	15,602,323
Between 3 - 4 years	1,687,059	5,377,179
Between 4 - 5 years	1,718,678	283,072
After 5 years	14,494,869	298,080
Total operating lease commitments	99,150,499	116,157,978

8. Shares in subsidiaries

The Company owns 100% in its subsidiaries A-Orange ehf. which is domiciled in Iceland and Eimskip Greenland A/S which is domiciled in Greenland. A-Orange ehf. is a dormant Company. The equity of Eimskip Greenland A/S was negative by EUR 133.2 thousand in the year end (2021; EUR 41 thousand) and the result for the year was negative by EUR 91.9 thousand (2021: EUR 39 thousand).

9. Mortgages and guarantees

Mortgages and guarantees for debt with a remaining balance of EUR 98.4 million were registered against the Company's assets at year-end 2022 (2021: EUR 106.3 million). The pledged assets are land and building and have a book value of EUR 47.9 million in the year-end 2022 (2021: EUR 40.6 million).

10. Trade receivables

Trade receivables are specified as follows:

	2022	2021
Trade receivables	69,402,724	58,063,839
Allowance for impairment	(5,544,061)	(4,992,111)
Total trade receivables	63,858,663	53,071,728

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

Balance 1.1.	4,992,111	3,549,674
Impairment loss recognized	(64,940)	(66,191)
Changes in allowance for impairment losses	616,890	1,508,628
Balance 31.12.	5,544,061	4,992,111

11. Deferred tax liability (asset)

Deferred tax liability (asset) is specified as follows:

Deferred tax liability (asset) 1 January	1,581,509	(1,613,773)
Income tax recognized in the Income Statement	10,547,996	4,813,254
Hedging reserve tax liability	559,870	43,973
Income tax payable in joint taxation	(8,761,608)	(1,455,582)
Other changes	146,535	(206,363)
Deferred tax liability 31 December	4,074,302	1,581,509

Deferred tax liability is specified as follows:

Non-current assets	3,450,873	1,823,670
Current assets	(338,626)	(376,935)
Exchange rate differences	402,185	90,801
Hedging reserve	559,870	43,973
Deferred tax liability 31 December	4,074,302	1,581,509

Notes

12 Equity

The Company's share capital, according to its Articles of Association, amounts to ISK 4,123 million at year end. Shareholders are entitled to one vote per share at shareholders' meetings.

Share premium

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

Hedging reserve

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

Dividend

The Annual General meeting of Eimskip Iceland ehf. approved on 16 March 2022 a dividend payment of EUR 12.0 million which represented 48.4% of net earnings for the year 2021.

The Board of Directors proposes a dividend payment to shareholders in 2023 in the amount of EUR 24.8 million which represents 60.8% of net earnings for the year 2022.

13 Loans and borrowings

Loans and borrowings is specified as follows:

	2022	2021
Loans in EUR	91,222,222	99,305,520
Loans in ISK	2,096,582	4,201,160
Loans in USD	5,069,591	2,817,059
	98,388,395	106,323,739
Current maturities	(10,582,533)	(10,196,937)
Total non-current loans and borrowings	87,805,862	96,126,802

Non-current loans and borrowings are payable as follows:

Within 1 year	10,582,533	10,196,938
Between 1 - 2 years	10,014,039	9,883,061
Between 2 - 3 years	9,758,168	9,357,630

Between 3 - 4 years	8,712,287	9,035,797
Between 4 - 5 years	8,435,254	8,784,498
After 5 years	50,886,114	59,065,815
Total loans and borrowings, incl. current maturities	<u>98,388,395</u>	<u>106,323,739</u>

14 Related parties

Loans from related parties are specified as follows:

Loan from Eimskip Holding BV.	13,161,044	8,815,845
Loan from Eimskip USA Inc.	6,170,590	3,991,206
Loan from P/F Faroe ship	16,241,326	19,210,288
Loan from Eimskip UK	331,430	165,417
Loan from TVG Zimsen ehf	3,557,873	3,211,927
	<u>39,462,263</u>	<u>35,394,683</u>

Loans from group companies to Eimskip Ísland ehf. are in the form of revolving credit facilities and are negotiated on market terms. The revolving credit facilities each have a five year term which is renewed on the maturity date.

Receivables and payables, revenue and expenses with related parties is specified as follows:

Notes

14 Related parties, continued:

2022	Loans and Receivables	Payables	Revenue	Expenses
Parent company	18,501,504	0	1,355,074	0
Other related companies	54,470,198	12,996,077	45,662,821	55,582,214
Total	<u>72,971,702</u>	<u>12,996,077</u>	<u>47,017,895</u>	<u>55,582,214</u>

2021	Loans and Receivables	Payables	Revenue	Expenses
Parent company	19,092,211	0	3,108,564	0
Other related companies	42,959,777	17,355,132	19,180,101	46,187,542
Total	<u>62,051,988</u>	<u>17,355,132</u>	<u>22,288,665</u>	<u>46,187,542</u>

15 Auditor's fees

The audit fee is included in the auditor's fee for the Parent Company. Please refer to note 24 in the consolidated financial statement for the year 2022. No non-audit services have been provided to the entity.

16 Other matters

The Environment Agency of Iceland

The Environment Agency of Iceland reported the Company to the District Prosecutors for alleged violation of the Icelandic Waste Management Act due to the vessels Godafoss and Laxfoss being recycled in India. The Company rejects these allegations as the Company complied with all laws and regulations in the sale process. On 20 June 2022 the COO of Eimskipafélag Íslands hf. received a status of a defendant from the Icelandic District Prosecutor in the investigation regarding the sale and went to the District Prosecutor for formal questioning. The CEO of the Parent Company also went to the District Prosecutor for formal questioning in the investigation as a representative of the Company itself. The Company believes that it complied with laws and regulations in the sales process and sold the vessels for further trading but not to recycling. Eimskip will diligently provide all the information requested by the Icelandic District Prosecutor.

17 Subsequent events

There are no subsequent events to report.