



Financial Statements  
for the year ended 31 December 2020  
EUR

Eimskip Ísland ehf.  
Sundabakki 2  
104 Reykjavík

Reg. no. 421104-3520

# Contents

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Endorsement and statement by the Board of Directors and the CEO .....	3
Independent Auditors' Report .....	5
Income Statement .....	7
Balance Sheet .....	8
Statement of Changes in Equity .....	9
Statement of Cash Flows .....	10
Notes to the Financial Statements .....	11

# Endorsement and Statement by the Board of Directors and the CEO

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## Operations and significant matters in 2020

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, three chilled and cold storages, 13 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, Holland and Germany.

The Company's net loss for the year 2020 amounted to EUR 4.4 million according to the Income Statement. Equity at 31 December 2020 amounted to EUR 60.2 million according to the Balance Sheet. At year-end 2020 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 year.

In the year 2020 Eimskip Ísland ehf. purchased all shares of its sister company Eimskip REIT ehf. which was subsequently merged into Eimskip Ísland ehf. The merger was legally effective from 1 January 2020. Please refer to note 17.

The average number of full-time equivalents was 684 during the year 2020 compared to 734 during the year 2019.

The Board of Directors does not propose a payment of dividend to shareholders in 2021. The allocation of net loss is further explained in the Statement of Changes in Equity.

## Risk management

The Company faces various operational and financial risk factors. The risk is managed at group level. The main risk factors are price risk of oil, currency risk and other financial risks. The oil price risk is partly hedged via derivative contracts and cash-flow hedge accounting applied. In order to minimize its exposure to fluctuations in oil prices, the Company adds a surcharge to its prices, commonly referred to as the Bunker Adjustment Factor (BAF) and the Bunker Adjustment Trucking (BAT) depending on the oil prices at the time of transport. Currency risk is to some extent managed with balance in sales revenue, cost and funding in the same currencies. Credit risk is considered to be low. The maturity profile of long-term debt is favourable and liquidity risk considered low. Further description of the risk factors can be found in the Group's Annual Report for 2020 found on the Company's website or at <https://www.eimskip.is/2020/annual-report-2020/>

## Effects of COVID-19

The Company has during the year 2020 strived to secure the safety and health of employees and to maintain and secure the logistic chain and customer services. At the beginning of the second quarter a temporary amended sailing system was introduced to provide efficiency and lower cost during the pandemic. At the end of the third quarter a more permanent sailing system was announced, preserving the cost benefit from the temporary amendments as well as improving the service level and to finalize the implementation of the co-operation with Royal Arctic Line. Further information is in note 18.

## 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 consists of the provisions of law, the company's Articles of Association, Rules for Issuers of Financial Instruments listed at Nasdaq Iceland and the 5th edition of Corporate Governance Guidelines issued by the Iceland Chamber of Commerce, SA – Confederation of Iceland Enterprise and Nasdaq Iceland. Corporate Governance practices are designed to ensure open and transparent relationship between the Company's management, its Board of Directors, its shareholders and other stakeholders. The Corporate Governance in Eimskip is also designed to ensure sound and effective control of the Company's affairs and a high level of business ethics. Further information is provided on Eimskip's website [www.eimskip.com/investors/corporate-governance/](http://www.eimskip.com/investors/corporate-governance/).

Active risk management plays an important role at Eimskip ensuring stable operations and earnings. The risk management policy aims to minimize potential negative effects on operations and earnings from marketing, operational and financial activities and to keep risk at acceptable levels. Information on matters related to financial risk management is disclosed in the consolidated financial statement for the group and parent company of Eimskip Ísland ehf.

# Endorsement and Statement by the Board of Directors and the CEO

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## **Corporate Governance, contd.:**

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 two males. The Executive Management and the CEO consists of six males and one female. The Company's gender ratio is 78% males and 22% females. Further information on the number of full time equivalents can be found 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 risk assessment and ESG targets for the next three years were developed. Eimskip has now published its Sustainability Statement for 2020 that reflects the ESG guidelines issued by Nasdaq Iceland and the Nordic countries in March 2017. Further information is provided on Eimskip's website [www.eimskip.com/about-eimskip/sustainability/](http://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 2020, its assets, liabilities and financial position as at 31 December 2020 and its cash flows for the year 2020.

The Board of Directors and the CEO have today discussed the Annual Financial Statements of Eimskip Ísland ehf. for the year 2020 and confirm them by means of their signatures.

Reykjavík, 27 May 2021.

Board of Directors:

Vilhelm Már Þorsteinsson  
Edda Rut Björnsdóttir  
Hilmar Pétur Valgarðsson

CEO:

Egill Örn Petersen

# Independent Auditors' Report

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

## Report on the Audit of the Financial Statements

### Opinion

We have audited the Financial Statements of Eimskip Ísland ehf. (the Company), which comprise the Balance Sheet as at 31 December 2020, the Income Statement, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Icelandic Financial Statement Act.

### Basis for opinion

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

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

The Board of Directors and CEO are responsible for the preparation and fair presentation of the Financial Statements in accordance with the Icelandic Financial Statement Act, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Board of Directors and CEO are 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Board of Directors and CEO 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

- Identify and assess the risks of material misstatement of the 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.

# Independent Auditors' Report

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- 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 the Board of Directors 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.

## Report on Other Legal and Regulatory Requirements

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

Reykjavík, 31 May 2021.

**KPMG ehf.**

Sæmundur Valdimarsson  
Hrafnhildur Helgadóttir

## Income Statement for the year 2020

	Notes	2020	2019
<b>Revenue</b>			
Operating revenue .....		290.769.367	315.623.621
<b>Expenses</b>			
Operating expenses .....		216.751.773	234.745.330
Salaries and related expenses .....	2	55.630.824	64.841.281
Depreciation and amortization .....	4,5	19.085.420	19.006.329
		<u>291.468.017</u>	<u>318.592.940</u>
<b>Results from operating activities, EBIT</b> .....		( 698.651)	( 2.969.319)
Interest income .....		968.949	314.856
Interest expense .....		( 3.457.032)	( 3.137.012)
Net foreign exchange loss .....		( 1.194.988)	( 961.871)
Net finance expense .....		( 3.683.070)	( 3.784.027)
Share of loss of equity-accounted investees .....		( 24.570)	( 107.946)
<b>Net loss before income tax</b> .....		( 4.406.291)	( 6.861.291)
Income tax .....	12	( 9.919)	2.622.587
<b>Net loss for the year</b> .....		<u>( 4.416.209)</u>	<u>( 4.238.704)</u>
Loss per share (EUR) .....		( 0,00107)	( 0,00103)

## Balance Sheet as at 31 December 2020

	Notes	2020	2019
<b>Assets</b>			
Intangible assets .....	4	5.783.800	6.313.759
Property and equipment .....	5	139.788.022	143.050.670
Shares in subsidiaries .....	8	1.576.212	1.509.263
Shares in associated companies .....	9	32	24.602
Shares in other companies .....		279.770	279.137
Loan to related parties .....	15	51.195.238	51.652.344
Finance assets .....		3.579.060	664.896
Deferred tax asset .....	12	1.613.773	2.025.918
Total non-current assets		203.815.907	205.520.589
Inventories .....		2.255.559	3.130.764
Trade receivables .....	11	45.744.879	45.881.240
Receivables from related parties .....	15	6.847.147	3.855.163
Other receivables .....		8.016.507	9.343.467
Cash and cash equivalents .....		597.863	1.994.408
Total current assets		63.461.955	64.205.043
<b>Total assets</b>		<b>267.277.862</b>	<b>269.725.632</b>
<b>Equity</b>			
Share capital .....		27.071.356	27.071.356
Share premium .....		32.894.272	37.310.481
Hedging reserve .....		193.453	( 585.281)
Retained earnings .....		0	0
Total equity	13	60.159.081	63.796.556
<b>Liabilities</b>			
Loans and borrowings .....	14	103.013.957	119.344.022
Loans from related parties .....	15	57.606.561	15.438.757
Total non-current liabilities		160.620.518	134.782.779
Loans and borrowings .....	14	10.173.481	10.750.133
Trade payables .....		17.093.816	20.476.932
Payables to related parties .....	15	11.145.989	30.922.222
Other payables .....		8.084.977	8.997.011
Total current liabilities		46.498.263	71.146.298
Total liabilities		207.118.781	205.929.077
<b>Total equity and liabilities</b>		<b>267.277.862</b>	<b>269.725.632</b>

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

	Share capital	Share premium	Hedging reserve	Retained earnings	Total
<b>Changes in Equity 2019</b>					
Equity as at 1 January 2019 .....	27.071.356	40.256.671	( 9.861)	1.292.514	68.610.680
Fair value changes of cash flow hedges, net of income tax .....			( 575.420)		( 575.420)
Net loss for the year .....				( 4.238.704)	( 4.238.704)
Settlement of losses .....		( 2.946.190)		2.946.190	0
Equity as at 31 December 2019 .....	<u>27.071.356</u>	<u>37.310.481</u>	<u>( 585.281)</u>	<u>0</u>	<u>63.796.556</u>
<b>Changes in Equity 2020</b>					
Equity as at 1 January 2020 .....	27.071.356	37.310.481	( 585.281)	0	63.796.556
Fair value changes of cash flow hedges, net of income tax .....			778.734		778.734
Net loss for the year .....				( 4.416.209)	( 4.416.209)
Settlement of losses .....		( 4.416.209)		4.416.209	0
Equity as at 31 December 2020 .....	<u>27.071.356</u>	<u>32.894.272</u>	<u>193.453</u>	<u>0</u>	<u>60.159.081</u>

## Statement of Cash Flows for the year 2020

	Notes	2020	2019		
<b>Cash flows from operating activities</b>					
Net loss for the year .....	(	4.416.209)	(	4.238.704)	
Adjustments for:					
Depreciation and amortization .....	4,5	19.085.420		19.006.329	
Currency fluctuation .....	(	2.213.215)	(	99.021)	
Gain on sale of property and equipment .....	(	374.311)	(	635.071)	
Share in loss in associated companies .....		24.570		120.451	
Change in deferred tax asset .....		501.368		901.625	
		12.607.623		15.055.609	
Changes in current assets and liabilities:					
Inventories, change .....		875.206	(	22.861)	
Receivables, change .....		3.492.980	(	1.632.769)	
Payables, change .....		(	4.364.132)	(	3.691.724)
Related parties, change .....		(	7.370.774)	(	8.691.502)
Changes in current assets and liabilities		(	7.366.720)	(	14.038.856)
Net cash from operating activities		5.240.903		1.016.753	
<b>Cash flows used in investing activities</b>					
Acquisition of intangible assets .....	(	2.875.644)	(	2.979.443)	
Proceeds from sale of intangible assets .....		37.406		0	
Acquisition of property and equipment .....	(	6.659.733)	(	18.935.572)	
Proceeds from sale of property and equipment .....		1.183.199		1.301.774	
Investments in subsidiaries, net of cash acquired .....	(	60.294)		0	
Investment in other companies .....	(	633)		0	
Finance assets, change .....		1.728.889		387.096	
Related parties, change .....	(	5.004.610)		18.249.860	
Net cash used in investing activities		(	11.651.420)	(	1.976.285)
<b>Cash flows from financing activities</b>					
Proceeds from long-term borrowings .....		604.387		8.569.678	
Repayments of long-term borrowings .....	(	17.403.006)	(	18.607.084)	
Related parties, change .....		21.812.591		9.866.574	
Net cash from (used in) financing activities		5.013.972	(	170.832)	
<b>Change in cash and cash equivalents</b> .....	(	1.396.545)	(	1.130.364)	
<b>Cash and cash equivalents at the beginning of the year</b> .....		1.994.408		3.124.772	
<b>Cash and cash equivalents at the end of the year</b> .....		597.863		1.994.408	
<b>Financing and investing activities not affecting cash flows:</b>					
Investment in non-current assets .....	(	2.105.117)	(	1.702.751)	
Proceeds from long-term borrowings .....		2.105.117		1.702.751	
Finance assets, change .....	(	5.461.719)		0	
Related parties, change .....		5.461.719		0	

# Notes to the Financial Statements

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## 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 Company is a wholly owned subsidiary of Eimskipafélag Íslands hf. which registered office is Sundabakki 2, 104 Reykjavík. The Financial Statements are a part of 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/](http://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. Certain comparative amounts have been restated in line with this year presentation.

## 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 from sale of services rendered is recognized in income statement in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of service performed. Revenue is not recognized if there is uncertainty about collection or related cost.

Revenue from logistics and storage service is recognized in income statement at the date of delivery to the customer, which is the time of transfer of risk to the customer.

## 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.

## 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.

## Notes

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### 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 lives are as follows:

Software .....	3 - 5 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 - 10 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 the profit or loss and other comprehensive income 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 the profit or loss and other comprehensive income 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.

### 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 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 item affects profit or loss.

## Notes

### 2. Salaries and related expenses

Salaries and related expenses are specified as follows:

	2020	2019
Salaries .....	43.395.042	52.907.646
Defined contribution pension plan .....	5.302.242	6.118.549
Other related expenses .....	6.933.541	5.815.086
Salaries and related expenses .....	55.630.825	64.841.281
Average number of full-time equivalents during the year .....	684	734

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:

	2020	2019
Net loss before income tax .....	( 4.406.291)	( 6.861.291)
Income tax based on the current corporate tax rate of 20.0% .....	20,0% 881.258	20,0% 1.372.258
Underprovided tax from previous year ....	( 8,8% ) ( 388.490)	17,9% 1.230.340
Other changes .....	( 11,4% ) ( 502.687)	0,3% 19.989
Income tax according to the Income statement .....	( 0,2% ) ( 9.919)	38,2% 2.622.587

### 4. Intangible assets

Intangible assets and amortization are specified as follows:

	2020	2019
Balance at 1 January .....	6.313.759	6.310.425
Additions during the year .....	2.875.644	2.979.443
Reclassified assets .....	44.472	539.426
Sale during the year .....	( 37.406)	0
Amortization .....	( 3.412.669)	( 3.515.535)
Balance at 31 December .....	5.783.800	6.313.759

### 5. Property and equipment

Property and equipment are specified as follows:

	Land and buildings	Containers and equipment	Total
<b>Cost</b>			
Balance at 1 January 2020 .....	82.119.263	162.646.658	244.765.921
Additions .....	2.778.008	5.986.842	8.764.850
Reclassified assets .....	7.010.923	( 7.055.395)	( 44.472)
Addition due to merger .....	5.196.060	0	5.196.060
Disposals .....	( 4.534)	( 6.222.532)	( 6.227.066)
Balance at 31 December 2020 .....	97.099.720	155.355.573	252.455.293
<b>Depreciation</b>			
Balance at 1 January 2020 .....	22.406.556	79.308.695	101.715.251
Addition due to merger .....	685.307	0	685.307
Disposals .....	( 4.534)	( 5.401.505)	( 5.406.039)
Depreciation .....	2.990.325	12.682.426	15.672.751
Balance at 31 December 2020 .....	26.077.654	86.589.617	112.667.271
Carrying amounts .....	71.022.066	68.765.956	139.788.022

## Notes

### 5. Property and equipment, continued:

	Land and buildings	Containers and equipment	Total
<b>Cost</b>			
Balance at 1 January 2019 .....	80.328.134	147.729.465	228.057.599
Additions .....	1.448.692	19.189.631	20.638.323
Reclassified assets .....	342.437	( 881.863)	( 539.426)
Disposals .....	0	( 3.390.575)	( 3.390.575)
Balance at 31 December 2019 .....	82.119.263	162.646.658	244.765.921
<b>Depreciation</b>			
Balance at 1 January 2019 .....	19.563.139	69.385.188	88.948.327
Disposals .....	0	( 2.723.870)	( 2.723.870)
Depreciation .....	2.843.417	12.647.377	15.490.794
Balance at 31 December 2019 .....	22.406.556	79.308.695	101.715.251
Carrying amounts .....	59.712.707	83.337.963	143.050.670

The Company has entered into finance lease agreements with regard to equipment. The remaining balance amounted to EUR 4.6 million at year-end (2019: EUR 5.5 million) and is included in loans and borrowings. The book value of assets under finance lease was EUR 7.2 million at year-end (2019 EUR 8.1 million).

### 6. Insurance value

The insurance value, real estate value and book value at year-end 2020 were as follows:

Insurance value of real estate .....	120.457.667
Official real estate valuation of land and buildings .....	115.411.045
Book value of land and buildings .....	71.022.066
Insurance value of other operating assets .....	62.359.940
Book value of other operating assets .....	68.765.956
Insurance value of inventories .....	2.522.482
Book value of inventories .....	2.255.559

### 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.

Non-cancellable operating lease rentals are payable as follows:	2020	2019
Less than one year .....	9.457.548	10.046.550
Between one and five years .....	8.324.958	11.649.148
Total operating lease commitments .....	17.782.506	21.695.698

### 8. Shares in subsidiaries

The Company owns 100% in its subsidiary A-Orange ehf, which is domiciled in Iceland.

### 9. Shares in associated companies

The Company owns 40% in Krít eignarhaldssjóður, which is domiciled in Iceland. There was no additional investment in the year 2020.

### 10. Mortgages and guarantees

Mortgages and guarantees for debt with a remaining balance of EUR 113.2 million were registered against the Company's assets at year-end 2020 (2019: EUR 130.1 million).

## Notes

### 11. Trade receivables

Trade receivables are specified as follows:

	2020	2019
Trade receivables .....	49.294.553	48.884.506
Allowance for impairment .....	( 3.549.674)	( 3.003.266)
Total trade receivables .....	45.744.879	45.881.240

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

Balance 1.1. 2020 .....	3.003.266	5.324.231
Impairment loss recognized .....	( 17.268)	( 1.485.338)
Changes in allowance for impairment losses .....	563.676	( 835.627)
Balance 31.12.2020 .....	3.549.674	3.003.266

### 12. Deferred tax asset

Deferred tax asset is specified as follows:

Deferred tax asset 1 January .....	2.025.918	2.927.543
Income tax recognized in the Income Statement .....	( 9.919)	2.622.587
Hedging reserve tax liability .....	( 48.363)	146.320
Tax losses carried-forward used in joint taxation .....	( 353.863)	( 3.670.533)
Deferred tax asset 31 December .....	1.613.773	2.025.918

Deferred tax asset is specified as follows:

Non-current assets .....	( 1.208.233)	( 406.985)
Current assets .....	709.935	600.653
Exchange rate differences .....	( 117.410)	( 94.995)
Hedging reserve .....	( 48.363)	146.874
Tax loss carried-forward .....	2.277.844	1.780.371
Deferred tax asset 31 December .....	1.613.773	2.025.918

### 13. 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.

### 14. Loans and borrowings

Loans and borrowings is specified as follows:

	2020	2019
Loans in EUR .....	107.388.878	115.472.220
Loans in ISK .....	1.627.192	12.507.387
Loans in USD .....	4.171.368	2.114.548
	113.187.438	130.094.155
Current maturities .....	( 10.173.481)	( 10.750.133)
Total non-current loans and borrowings .....	103.013.957	119.344.022

## Notes

### 14. Loans and borrowings, continued

Non-current loans and borrowings are payable as follows:

	2020	2019
Within 1 year .....	10.173.481	10.750.133
Between 1 - 2 years .....	9.404.722	17.973.454
Between 2 - 3 years .....	9.207.459	9.142.951
Between 3 - 4 years .....	8.723.949	8.757.728
Between 4 - 5 years .....	8.446.765	8.414.302
After 5 years .....	67.231.062	75.055.587
Total loans and borrowings, incl. current maturities .....	113.187.438	130.094.155

### 15. Related parties

Loans from related parties are specified as follows:

Loan from Eimskip REIT ehf. ....	0	943.019
Loan from Eimskip Holding BV. ....	21.077.351	3.045.951
Loan from Eimskip USA Inc. ....	1.430.100	1.236.349
Loan from P/F Faroe ship .....	30.877.278	10.213.438
Loan from Eimskip UK .....	1.787.339	0
TVG Zimsen ehf .....	2.434.493	0
	57.606.561	15.438.757

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 two year term which is renewed on the maturity date.

Receivables and payables with related parties is specified as follows:

2020	Receivables	Payables	Revenue	Expenses
Parent company .....	6.209.455	0	2.162.966	736.047
Other related companies .....	51.832.930	11.145.989	17.590.120	29.322.810
Total .....	58.042.385	11.145.989	19.753.086	30.058.857
2019	Receivables	Payables	Revenue	Expenses
Parent company .....	20.200.000	81.430	3.142.069	1.161.380
Other related companies .....	35.307.507	30.840.792	18.038.792	31.073.743
Total .....	55.507.507	30.922.222	21.180.861	32.235.123

### 16. Auditor's fees

Auditor's fees are specified as follows:

	2020	2019
Audit of the Financial Statements for the relevant fiscal year .....	184.692	211.492
Other services .....	52.357	46.370
	237.049	257.862

### 17. Merger of companies

In the year 2020 Eimskip Ísland ehf. purchased all shares of its sister company Eimskip REIT ehf. which was subsequently merged into Eimskip Ísland ehf. The merger was legally effective from 1 January 2020.

## Notes

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### 17. Merger of companies, continued

The fair value of the acquired assets from Eimskip Reit ehf. is as follows:

Property .....	4.510.753
Other assets .....	850.547
Liabilities .....	( 4.103.410)
Net acquired assets in merger .....	<u>1.257.890</u>

### 18. Other matters

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

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

### 19. Impact of Covid-19

#### **(i) Funding**

Under current funding structure, current financial position and assuming no major disruptions or significant decrease in demand for cargo flow, there is insignificant risk that Eimskip's loan covenants will be breached. Eimskip has good liquidity headroom with positive short-term outlook.

#### **(ii) Forward contracts for bunker prices**

Eimskip uses forward contracts to hedge its own exposure to fluctuations in bunker prices. The exposure is net of bunker adjustment factor (BAF) which is charged to customers to mitigate the price fluctuations in bunkers. World demand of oil fluctuated significantly in the year 2020. The hedge remained effective during the year 2020 and at the year-end.

#### **(iii) Collections of trade receivables**

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

### 20. Subsequent events

There are no subsequent events to report.