



Financial Statements
for the year ended 31 December 2021
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 2021

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 2021 amounted to EUR 24,8 million according to the Income Statement. Equity at 31 December 2021 amounted to EUR 84,9 million according to the Balance Sheet. At year-end 2021 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 681 during the year 2021 compared to 684 during the year 2020.

The Board of Directors proposes a dividend payment to shareholders in 2022 in the amount of EUR 12,0 million which represents 48.4% 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. 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

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 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. 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 on Eimskip's website www.eimskip.com/investors/corporate-governance/.

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.

Endorsement and Statement by the Board of Directors and the CEO

Corporate Governance, continued

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 seven males and two female. The Company's gender ratio is 78.9% males and 21.1% 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 sustainability risk assessment and ESG sustainability 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. 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 2021, its assets, liabilities and financial position as at 31 December 2021 and its cash flows for the year 2021.

The Board of Directors and the CEO have today discussed the Annual Financial Statements of Eimskip Ísland ehf. for the year 2021 and confirm them by means of their signatures.

Reykjavík, 16. March 2022.

Board of Directors:

Vilhelm Már Thorsteinsson
Edda Rut Björnsdóttir
Hilmar Pétur Valgardsson

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 2021, 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, 2021, 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 consolidated financial statements comprise

- Endorsement and statement by the Board of Directors and the CEO.
- Income statement for the year 2021.
- Balance sheet as at 31 December 2021.
- Statement of changes in equity for the year ended 31 December 2021.
- Statement of cash flows for the year 2021.
- 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 group and its subsidiaries, in the period from January 1, 2021 to December 31, 2021, are disclosed in note 16 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 370.836 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 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 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.

- 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. Consequently we have been the auditors for one year.

Reykjavik, 16 March 2022

PricewaterhouseCoopers ehf.

Bryndís Björk Guðjónsdóttir
certified public accountant

Kristinn Freyr Kristinsson
certified public accountant

Income Statement for the year 2021

	Notes	2021	2020
Revenue			
Operating revenue		370.836.404	290.769.367
Expenses			
Operating expenses		261.484.429	216.751.773
Salaries and related expenses	2	59.946.687	55.630.824
Depreciation and amortization	4,5	18.380.389	19.085.420
		339.811.505	291.468.017
Results from operating activities, EBIT		31.024.900	(698.651)
Interest income		690.775	968.949
Interest expense		(3.380.582)	(3.457.032)
Net foreign exchange gain (loss)		1.249.735	(1.194.988)
Net finance expense		(1.440.072)	(3.683.070)
Share of loss of equity-accounted investees		(34)	(24.570)
Net profit (loss) before income tax		29.584.794	(4.406.291)
Income tax	3	(4.813.254)	(9.919)
Net profit (loss) for the year		24.771.540	(4.416.209)
Profit (loss) per share (EUR)		0,00601	(0,00107)

Balance Sheet as at 31 December 2021

	Notes	2021	2020
Assets			
Intangible assets	4	5.037.735	5.783.800
Property and equipment	5	132.554.749	139.788.022
Shares in subsidiaries	8	1.576.212	1.576.212
Shares in associated companies	9	0	32
Shares in other companies		280.786	279.770
Loan to related parties	15	58.213.138	51.195.238
Finance assets		2.970.643	3.579.060
Deferred tax asset	12	0	1.613.773
Total non-current assets		200.633.263	203.815.907
Inventories		4.084.510	2.255.559
Trade receivables	11	53.071.728	45.744.879
Receivables from related parties	15	3.838.850	6.847.147
Other receivables		8.658.142	8.016.507
Cash and cash equivalents		9.712.603	597.863
Total current assets		79.365.834	63.461.955
Total assets		279.999.096	267.277.862
Equity			
Share capital		27.071.356	27.071.356
Share premium		32.894.272	32.894.272
Hedging reserve		175.892	193.453
Retained earnings		24.771.540	0
Total equity	13	84.913.060	60.159.081
Liabilities			
Loans and borrowings	14	96.126.802	103.013.957
Loans from related parties	15	35.394.683	57.606.561
Deferred tax liability	12	1.581.509	0
Total non-current liabilities		133.102.994	160.620.518
Loans and borrowings	14	10.196.938	10.173.481
Trade payables		22.361.018	17.093.816
Payables to related parties	15	17.355.132	11.145.989
Other payables		12.069.954	8.084.977
Total current liabilities		61.983.042	46.498.263
Total liabilities		195.086.036	207.118.781
Total equity and liabilities		279.999.096	267.277.862

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

	Share capital	Share premium	Hedging reserve	Retained earnings	Total
Changes in Equity 2020					
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>
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	<u>27.071.356</u>	<u>32.894.272</u>	<u>175.892</u>	<u>24.771.540</u>	<u>84.913.060</u>

Statement of Cash Flows for the year 2021

	Notes	2021	2020
Cash flows from operating activities			
Net earnings (loss) for the year		24.771.540	(4.416.209)
Adjustments for:			
Depreciation and amortization	4,5	18.380.389	19.085.420
Currency fluctuation		360.378	(2.213.215)
Gain on sale of property and equipment		(460.682)	(374.311)
Share in loss in associated companies		32	24.570
Change in deferred tax asset		3.195.282	501.368
		46.246.939	12.607.623
Changes in current assets and liabilities:			
Inventories, change		(1.828.952)	875.206
Receivables, change		(7.986.045)	3.492.980
Payables, change		9.252.179	(4.364.132)
Related parties, change		9.217.439	(7.370.774)
Changes in current assets and liabilities		8.654.621	(7.366.720)
Net cash from operating activities		54.901.560	5.240.903
Cash flows used in investing activities			
Acquisition of intangible assets		(2.446.259)	(2.875.644)
Proceeds from sale of intangible assets		6.525	37.406
Acquisition of property and equipment		(10.118.179)	(6.659.733)
Proceeds from sale of property and equipment		2.617.544	1.183.199
Investments in subsidiaries, net of cash acquired		0	(60.294)
Investment in other companies		(1.016)	(633)
Finance assets, change		609.433	1.728.889
Related parties, change		(7.017.900)	(5.004.610)
Net cash used in investing activities		(16.350.868)	(11.651.420)
Cash flows from financing activities			
Proceeds from long-term borrowings		3.218.721	604.387
Repayments of long-term borrowings		(10.442.798)	(17.403.006)
Related parties, change		(22.211.875)	21.812.591
Net cash (used in) from financing activities		(29.435.952)	5.013.972
Change in cash and cash equivalents		9.114.740	(1.396.545)
Cash and cash equivalents at the beginning of the year		597.863	1.994.408
Cash and cash equivalents at the end of the year		9.712.603	597.863
Financing and investing activities not affecting cash flows:			
Investment in non-current assets		(3.218.721)	(2.105.117)
Proceeds from long-term borrowings		3.218.721	2.105.117
Finance assets, change		0	(5.461.719)
Related parties, change		0	5.461.719

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 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/

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 receivables. 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. 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.

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

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 - 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 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 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:

	2021	2020
Salaries	47.886.827	43.395.042
Defined contribution pension plan	5.701.564	5.302.242
Other related expenses	6.358.295	6.933.541
Salaries and related expenses	59.946.687	55.630.825
Average number of full-time equivalents during the year	681	684

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:

	2021		2020	
Net profit (loss) before income tax	29.584.794		(4.406.291)	
Income tax based on the current corporate tax rate of 20.0%	20,0%	(5.916.959)	20,0%	881.258
Adjustments from previous year	(1,0%)	288.165	(8,8%)	(388.490)
Non-recognized loss utilized	(3,0%)	895.868	0,0%	0
Other changes	0,3%	(80.328)	(11,4%)	(502.687)
Income tax according to the Income statement	16,3%	(4.813.254)	(0,2%)	(9.919)

4. Intangible assets

Intangible assets and amortization are specified as follows:

	2021	2020
Balance at 1 January	5.783.800	6.313.759
Additions during the year	2.446.259	2.875.644
Reclassified assets	0	44.472
Sale during the year	(6.525)	(37.406)
Amortization	(3.185.799)	(3.412.669)
Balance at 31 December	5.037.735	5.783.800

5. Property and equipment

Property and equipment are specified as follows:

	Land and buildings	Containers and equipment	Total
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

Notes

5. Property and equipment, continued:

	Land and buildings	Containers and equipment	Total
Cost			
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)
Additional 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
Depreciation			
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

The Company has entered into finance lease agreements with regard to equipment. The remaining balance amounted to EUR 6.2 million at year-end (2020: EUR 4.6 million) and is included in loans and borrowings. The book value of assets under finance lease was EUR 8.6 million at year-end (2020 EUR 7.2 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	130.021.049
Official real estate valuation of land and buildings	129.850.889
Book value of land and buildings	69.517.220
Insurance value of other operating assets	66.685.978
Book value of other operating assets	63.037.529
Insurance value of inventories	3.456.527
Book value of inventories	4.084.510

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:	2021	2020
Operating expense, (third parties)	21.947.459	15.054.933
Operating expense, (related parties)	20.712.291	15.516.654
Total expensed lease	42.659.750	30.571.587
Non-cancellable operating lease rentals are payable as follows:		
Within 1 year	52.952.760	28.328.048
Between 1 - 2 years	41.644.564	19.752.933
Between 2 - 3 years	15.602.323	12.305.010
Between 3 - 4 years	5.377.179	1.993.092
Between 4 - 5 years	283.072	263.490
After 5 years	298.080	540.758
Total operating lease commitments	116.157.978	63.183.331

Notes

8. Shares in subsidiaries

The Company owns 100% in its subsidiary A-Orange ehf. which is domiciled in Iceland. In the year 2020 the company founded its subsidiary Eimskip Greenland A/S which is domiciled in Greenland, Eimskip Iceland owns 100% of the shares in the company. The equity of Eimskip Greenland A/S was negative by EUR 41 thousand in the year end of 2021 and the result for the year was negative by EUR 39 thousand.

9. Shares in associated companies

The Company owned 40% in Krít eignarhaldssjóður, the shares were sold during the year 2021 which had insignificant effects on the financial statement.

10. Mortgages and guarantees

Mortgages and guarantees for debt with a remaining balance of EUR 106.3 million were registered against the Company's assets at year-end 2021 (2020: EUR 113.2 million). The pledged assets are land and building and have a book value of EUR 40.6 in the year-end 2021.

11. Trade receivables

Trade receivables are specified as follows:

	2021	2020
Trade receivables	58.063.839	49.294.553
Allowance for impairment	(4.992.111)	(3.549.674)
Total trade receivables	53.071.728	45.744.879

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

Balance 1.1. 2021	3.549.674	3.003.266
Impairment loss recognized	(66.191)	(17.268)
Changes in allowance for impairment losses	1.508.628	563.676
Balance 31.12.2021	4.992.111	3.549.674

12. (Deferred tax liability) asset

(Deferred tax liability) asset is specified as follows:

Deferred tax asset 1 January	1.613.773	2.025.918
Income tax recognized in the Income Statement	(4.813.254)	(9.919)
Hedging reserve tax liability	(43.973)	(48.363)
Tax losses carried-forward used in joint taxation	1.661.945	(353.863)
(Deferred tax liability) asset 31 December	(1.581.509)	1.613.773

(Deferred tax liability) asset is specified as follows:

Non-current assets	(1.823.670)	(1.208.233)
Current assets	376.935	709.935
Exchange rate differences	(90.801)	(117.410)
Hedging reserve	(43.973)	(48.363)
Tax loss carried-forward	0	2.277.844
(Deferred tax liability) asset 31 December	(1.581.509)	1.613.773

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.

Notes

13. Equity, continued

Dividend

The Board of Directors proposes a dividend payment to shareholders in 2022 in the amount of EUR 12,0 million which represents 48.4% of net earnings for the year 2021.

14. Loans and borrowings

Loans and borrowings is specified as follows:

	2021	2020
Loans in EUR	99.305.520	107.388.878
Loans in ISK	4.201.160	1.627.192
Loans in USD	2.817.059	4.171.368
	106.323.739	113.187.438
Current maturities	(10.196.937)	(10.173.481)
Total non-current loans and borrowings	96.126.802	103.013.957

Non-current loans and borrowings are payable as follows:

Within 1 year	10.196.938	10.173.481
Between 1 - 2 years	9.883.061	9.404.722
Between 2 - 3 years	9.357.630	9.207.459
Between 3 - 4 years	9.035.797	8.723.949
Between 4 - 5 years	8.784.498	8.446.765
After 5 years	59.065.815	67.231.062
Total loans and borrowings, incl. current maturities	106.323.739	113.187.438

15. Related parties

Loans from related parties are specified as follows:

Loan from Eimskip Holding BV.	12.685.677	21.077.351
Loan from Eimskip USA Inc.	121.374	1.430.100
Loan from P/F Faroe ship	19.210.288	30.877.278
Loan from Eimskip UK	165.417	1.787.339
TVG Zimsen ehf	3.211.927	2.434.493
	35.394.683	57.606.561

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:

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	62.051.988	17.355.132	22.288.665	46.187.542

2020	Loans and Receivables	Payables	Revenue	Expenses
Parent company	6.209.455	0	1.426.919	0
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

Notes

16. Auditor's fees

Auditor's fees are specified as follows:

	2021	2020
Audit of the Financial Statements for the relevant fiscal year	110.219	184.692
Other services	42.091	52.357
	152.310	237.049

17. 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 in the financial statement for Eimskipafélag Ísland hf., 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.

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.

18. Impact of Covid-19

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.

19. Subsequent events

There are no subsequent events to report.