

Eimskipafélag Íslands hf.
Condensed Consolidated Interim Financial Statements
1 January to 30 June 2020
EUR

Eimskipafélag Íslands hf.
Sundabakka 2
104 Reykjavík
Iceland

Reg. no. 690409-0460



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Endorsement and Statement by the Board of Directors and the CEO

Operations and significant matters

Eimskip is a leading transportation company in the North Atlantic with connections to international markets and is specialized in worldwide freight forwarding services, with the vision of providing excellence in transportation solutions and services. Eimskip specializes in shipping, logistics and supply chain management and offers its customers solutions on land, sea and air with special emphasis on the handling and storing of any type of temperature-controlled cargo, frozen or chilled, and dry cargo.

Net loss for the first six months of the year 2020 amounted to EUR 2.5 million according to the Consolidated Income Statement. Total equity at 30 June 2020 amounted to EUR 222.4 million according to the Statement of Financial Position.

After a first quarter below management's expectations, the second quarter is in line with last-year despite challenging circumstances due to COVID-19. The Company has during the second quarter continued 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. Impact of the COVID-19 pandemic on global economies, including in the North-Atlantic Region which is the Company's core market area, is still uncertain for the coming quarters. Please refer to notes 4 and 15 on other matters for more information.

In April 2020, organizational changes and streamlining measures were introduced which included a 10% reduction in FTE's from year-end 2019. As part of this, a redundancy cost in the amount of EUR 1.0 million was expensed in the second quarter of 2020. In the beginning of May, Eimskip took delivery of the new vessel, Dettifoss, which arrived Reykjavík for the first time in July 2020. Dettifoss is the largest vessel and the most environmentally friendly pr. TEU of the entire Icelandic fleet. In May 2020 the co-operation between Eimskip and Royal Arctic Line commenced, an important milestone in trade between Iceland and Greenland.

Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Eimskipafélag Íslands hf. and its subsidiaries (together referred to as "Eimskip" or the "Group") for the period 1 January to 30 June 2020 are prepared and presented in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Statements (IAS 34) as adopted by the EU and additional requirements for listed Icelandic companies. The Financial Statements are presented in thousands of EUR. The Condensed Consolidated Interim Financial Statements have not been audited or reviewed by the Company's independent auditors.

According to the best of our knowledge, it is our opinion that these Condensed Consolidated Interim Financial Statements give a true and fair view of the consolidated financial performance of Eimskip for the six months ended 30 June 2020, its assets, liabilities and consolidated financial position as at 30 June 2020 and its consolidated cash flows for the six month period ended 30 June 2020.

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

The Board of Directors and the CEO have today discussed the Condensed Consolidated Interim Financial Statements of Eimskipafélag Íslands hf. for the period 1 January to 30 June 2020 and confirm them by means of their signatures.

Reykjavík, 27 August 2020

Board of Directors:

Baldvin Thorsteinsson, Chairman

Hrund Rudolfsdóttir

Guðrún Ó. Blöndal

Lárus L. Blöndal

Vilhjálmur Vilhjálmsson

CEO:

Vilhelm Már Thorsteinsson

Consolidated Income Statement

1 January to 30 June 2020

	Notes	2020 1.4. - 30.6.	2019* 1.4. - 30.6.	2020 1.1. - 30.6.	2019* 1.1. - 30.6.
Revenue					
Operating revenue	5	160,615	167,535	322,285	331,523
Expenses					
Operating expenses		114,812	117,879	237,391	235,925
Salaries and related expenses		29,802	33,827	59,555	66,547
	5	144,614	151,706	296,946	302,472
Operating profit, EBITDA		16,001	15,829	25,339	29,051
Depreciation and amortization		(10,966)	(10,705)	(21,898)	(21,458)
Results from operating activities, EBIT		5,035	5,124	3,441	7,593
Finance income		246	222	316	493
Finance expense		(1,942)	(1,636)	(3,872)	(3,044)
Net foreign currency exchange loss		(706)	(112)	(1,486)	(286)
Net finance expense	7	(2,402)	(1,526)	(5,042)	(2,837)
Share of profit of equity accounted investees		473	85	156	1
Net earnings (loss) before income tax		3,106	3,683	(1,445)	4,757
Income tax		(651)	(929)	(1,051)	(4,504)
Net earnings (loss) for the period		2,455	2,754	(2,496)	253
Net earnings for the period attributable to:					
Equity holders of the Company		2,368	2,635	(2,506)	68
Non-controlling interest		87	119	10	185
		2,455	2,754	(2,496)	253
Earnings per share:					
Basic and diluted earnings (loss) per share (EUR per share)	8	0.0131	0.0141	(0.0138)	0.0004

* Comparative figures have been restated, please refer to note 3.

The notes on pages 10 to 16 are an integral part of these Condensed Consolidated Interim Financial Statements.

Consolidated Statement of Comprehensive Income

1 January to 30 June 2020

	Notes	2020 1.4. - 30.6.	2019 1.4. - 30.6.	2020 1.1. - 30.6.	2019 1.1. - 30.6.
Net earnings (loss) for the period		2,455	2,754	(2,496)	253
Other comprehensive income:					
Items that are or may subsequently be reclassified the income statement					
Foreign currency translation difference					
of foreign operations		784	(930)	(2,268)	179
Effective portion of changes					
in fair value of cash flow hedges, net of income tax		2,252	(124)	(1,849)	524
Fair value changes					
of non-controlling put option liability		(63)	(104)	(148)	(216)
Other comprehensive income (loss) for the period		2,973	(1,158)	(4,265)	487
Total comprehensive income (loss) for the period		5,428	1,596	(6,761)	740
Total comprehensive income for the period attributable to:					
Equity holders of the Company		5,314	1,538	(6,585)	439
Non-controlling interest		114	58	(176)	301
		5,428	1,596	(6,761)	740

The notes on pages 10 to 16 are an integral part of these Condensed Consolidated Interim Financial Statements.

Consolidated Statement of Financial Position

as at 30 June 2020

	Notes	30.6.2020	31.12.2019
Assets:			
Property, vessels and equipment		236,606	226,243
Right-of-use assets		67,583	44,486
Intangible assets		65,011	66,227
Equity accounted investees		11,706	12,224
Finance assets		8,185	3,647
Deferred tax assets		4,123	2,885
Total non-current assets		393,214	355,712
Inventories		4,290	5,280
Vessels held for sale		0	14,907
Trade and other receivables	9	119,194	127,878
Cash and cash equivalents		23,904	20,737
Total current assets		147,388	168,802
Total assets		540,602	524,514
Equity:			
Share capital		1,123	1,137
Share premium		148,369	149,713
Reserves		18,630	18,151
Retained earnings		49,883	56,947
Total equity attributable to equity holders of the parent company		218,005	225,948
Non-controlling interest		4,403	4,920
Total equity		222,408	230,868
Liabilities:			
Loans and borrowings	10	154,103	152,452
Lease liabilities	11	52,667	30,496
Other long-term liabilities		4,648	4,500
Deferred tax liability		4,151	4,479
Total non-current liabilities		215,569	191,927
Loans and borrowings	10	12,210	10,552
Lease liabilities	11	10,937	10,763
Trade and other payables	12	79,478	80,404
Total current liabilities		102,625	101,719
Total liabilities		318,194	293,646
Total equity and liabilities		540,602	524,514

The notes on pages 10 to 16 are an integral part of these Condensed Consolidated Interim Financial Statements.

Consolidated Statement of Changes in Equity

1 January to 30 June 2020

	Attributable to equity holders of the Company										
	Share capital	Share premium	Trans- lation reserve	Reserves			Un- distributed profits	Retained earnings	Total	Non- controlling interest	Total equity
				Hedging reserve	Fair value changes of minority put options						
Changes in Equity 1 January to 30 June 2019:											
Equity at 1 January 2019	1,165	154,726	(7,571)	(10)	(375)	26,273	59,950	234,158	4,768	238,926	
Dividend paid (0.0255 EUR per share)							(4,748)	(4,748)		(4,748)	
Purchased treasury shares	(10)	(1,934)						(1,944)		(1,944)	
Changes in non-controlling interest								0	(3)	(3)	
Total comprehensive income for the period			63	524	(216)		(47)	324	301	625	
Profit of subsidiaries net of dividend received						2,985	(2,985)	0		0	
Equity at 30 June 2019	1,155	152,792	(7,508)	514	(591)	29,258	52,170	227,790	5,066	232,856	
Reserves						21,673					
Changes in Equity 1 January to 30 June 2020:											
Equity at 1 January 2020	1,137	149,713	(6,707)	(585)	150	25,293	56,947	225,948	4,920	230,868	
Treasury shares purchased	(8)	(1,520)						(1,528)		(1,528)	
Treasury shares received (note 15)	(6)	6						0		0	
Reversal of prior year dividend of treasury shares received (note 15)		170						170		170	
Other changes in non-controlling interest								0	(341)	(341)	
Total comprehensive loss for the period			(2,082)	(1,849)	(148)		(2,506)	(6,585)	(176)	(6,761)	
Profit of subsidiaries net of dividend received						4,558	(4,558)	0		0	
Equity at 30 June 2020	1,123	148,369	(8,789)	(2,434)	2	29,851	49,883	218,005	4,403	222,408	
Reserves						18,630					

The notes on pages 10 to 16 are an integral part of these Condensed Consolidated Interim Financial Statements.

Consolidated Statement of Cash Flows

1 January to 30 June 2020

	Notes	2020 1.4. - 30.6.	2019* 1.4. - 30.6.	2020 1.1. - 30.6.	2019* 1.1. - 30.6.
Cash flows from operating activities:					
Net earnings (loss) for the period		2,455	2,754	(2,496)	253
Adjustments for:			0		0
Depreciation and amortization		10,966	10,705	21,898	21,458
Net finance expense	6	2,402	1,526	5,042	2,837
Share of profit of equity accounted investees		(473)	(85)	(156)	(1)
Change in deferred taxes		41	(30)	(1,268)	1,852
Other changes		71	(389)	(248)	(491)
		15,462	14,481	22,772	25,908
Changes in current assets and liabilities:					
Inventories, change		1,703	(417)	919	(592)
Receivables, change		2,248	(4,124)	5,413	408
Payables, change		4,520	11,864	(1,400)	10,868
Change in current assets and liabilities		8,471	7,323	4,932	10,684
Interest paid		(1,896)	(1,816)	(3,778)	(3,222)
Interest received		449	244	518	522
Taxes paid		(521)	(358)	(1,230)	(897)
Net cash from operating activities		21,965	19,874	23,214	32,995
Cash flows used in investing activities:					
Acquisition of property, vessels and equipment		(20,031)	(12,078)	(24,103)	(19,685)
Acquisition of intangible assets		(787)	(809)	(1,648)	(1,471)
Proceeds from the sale of property, vessels and equipment		553	588	9,784	882
Investment in equity accounted investees		0	0	(67)	0
Proceed from the sale of equity accounted investees		0	0	588	0
Changes in finance assets		(205)	35	(287)	145
Net cash used in investing activities		(20,470)	(12,290)	(15,733)	(20,155)
Cash flows from financing activities:					
Dividend paid to equity holders of the Company		0	(4,748)	0	(4,748)
Treasury shares purchased		0	(1,615)	(1,528)	(1,615)
Dividend paid to non-controlling interest		(201)	(38)	(797)	(233)
Proceeds from non-current loans and borrowings		24,477	5,498	24,712	9,681
Repayment of non-current loans and borrowings		(16,546)	(2,727)	(18,742)	(5,520)
Repayment of lease liabilities		(3,505)	(2,437)	(8,072)	(4,523)
Short term borrowings, change		(192)	(26)	(46)	(51)
Net cash provided by (used in) financing activities		4,033	(6,093)	(4,473)	(7,009)
Changes in cash and cash equivalents		5,528	1,491	3,008	5,831
Cash and cash equivalents at the beginning of the period		18,563	26,684	20,737	21,941
Effects of exchange rate fluctuations on cash held		(187)	(1,202)	159	(799)
Cash and cash equivalents at the end of the period		23,904	26,973	23,904	26,973
Investing and financing activities not affecting cash flows:					
Acquisition of right-of-use assets		(3,186)	(6,612)	(31,336)	(7,140)
New or renewed leases		3,186	6,612	31,336	7,140
Investment in finance assets		0	0	(5,409)	0
Proceeds from the sale of property, vessels and equipment		0	0	5,409	0
Purchased treasury shares		0	(329)	0	(329)
Payables, change		0	329	0	329

* Comparative figures have been restated, please refer to note 3.

The notes on pages 10 to 16 are an integral part of these Condensed Consolidated Interim Financial Statements.

Notes to the Consolidated Financial Statements

1. Reporting entity

Eimskipafélag Íslands hf. (the "Company" or the "Parent Company") is a public limited liability company domiciled in Iceland. The address of the Company's registered office is Korngardar 2, 104 Reykjavík. The Condensed Consolidated Interim Financial Statements of the Company for the period 1 January to 30 June 2020 comprise the Company and its subsidiaries (together referred to as "Eimskip" or the "Group"). The Parent Company is an investment company focused on investments in shipping and logistics services. The Company's shares are listed at Nasdaq Iceland.

2. Basis of preparation

a. Statement of compliance

The Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Icelandic disclosure requirements for consolidated financial information of listed companies in accordance with Icelandic Financial Statements Act No. 3/2006 and rules for issuers of financial instruments on Nasdaq Iceland.

The Condensed Consolidated Interim Financial Statements do not include all of the information required for a complete set of consolidated annual financial statements and should be read in conjunction with the Consolidated Financial Statements of the Company as at and for the year ended 31 December 2019, which is available on the Company's website, www.eimskip.com, and in the company news release distribution network of Nasdaq Nordic.

The Condensed Consolidated Interim Financial Statements were approved and authorized for issue by the Company's Board of Directors on 27 August 2020.

b. Functional and presentation currency

These Condensed Consolidated Interim Financial Statements are presented in Euro (EUR), which is the Company's functional currency. All financial information presented in EUR has been rounded to the nearest thousand.

3. Significant accounting policies

The accounting policies applied in these Condensed Consolidated Interim Financial Statements are the same as those applied in the Group's Consolidated Financial Statements as at and for the year ended 31 December 2019.

When preparing the financial statements of Eimskip for the year 2019, a decision was made to change the accounting policy for the recognition of the right-of-use assets and the corresponding lease liabilities on vessels, as reported in the interim financial statements, both in the implementation and all subsequent additions during the year 2019. The changed accounting policy has the effect that an adjustment was made to the implementation of IFRS 16 as at 1 January 2019 and the subsequent interim financial statements of 2019.

The adjustment relates to vessels, that are or were time chartered, and included operating costs of crewing, insurance, maintenance and other operating costs. These costs have now been separated into components where the components of the lease of the vessels themselves are accounted for as right-of-use assets and corresponding lease liabilities. The separated operating costs are expensed as incurred, as the vessels had been bareboat chartered instead of time chartered. Eimskip has estimated the stand-alone price of the cost, maximising the use of observable information. The adjustment also incorporates the revised terms of one land lease.

The adjustment has immaterial effect on equity. Operating expenses, depreciation and finance expenses have been restated in Q1 2019, Q2 2019 and Q3 2019 with immaterial effect on net loss or earnings. More information regarding the effect of the adjustment can be found in the quarterly statements in the Consolidated Financial Statements of 2019.

4. Use of estimates and judgements

The preparation of the Condensed Consolidated Interim Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those described in the last annual Consolidated Financial Statements as at and for the year ended 31 December 2019.

The full impact of the COVID-19 pandemic on global economies, including in the North-Atlantic Region which is the Company's core market area, remains to be seen. The pandemic could have a significant impact on the estimates and assumptions within the current financial year and risk of causing a material adjustments to the carrying amounts of assets and liabilities as discussed below. As to date, it is management's assessment that assumptions applied in the 2019 financial statements remain unchanged but would like to emphasize the following:

Notes

4. Use of estimates and judgements, continued

Intangible assets

Eimskip annually tests whether the carrying amount of intangible assets is impaired. At the end of each quarter, the Company assesses whether there is any indication of impairment. Management has reviewed the impairment tests performed at year-end 2019. Please refer to note 12 in the Financial Statements of 2019. To date, there is no indication of impairment but management would like to point out the increased uncertainty due to COVID-19 which may affect future valuation of intangible assets.

Impairment loss on trade receivables and finance assets

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.

5. Segment reporting

Business segments

	Liner services	Forwarding services	Consoli- dated
1 January to 30 June 2020			
Revenue, external	195,691	126,594	322,285
Inter-segment revenue	18,672	25,257	43,929
Total	214,363	151,851	366,214
Expenses, external	(175,253)	(121,693)	(296,946)
Inter-segment expense	(25,257)	(18,672)	(43,929)
EBITDA	13,853	11,486	25,339
Depreciation and amortization	(18,474)	(3,424)	(21,898)
EBIT	(4,621)	8,062	3,441
Net finance expense	(4,075)	(967)	(5,042)
Share of profit of equity accounted investees	96	60	156
Income tax	827	(1,878)	(1,051)
Net (loss) earnings for the period	(7,773)	5,277	(2,496)
1 January to 30 June 2019			
Revenue, external	213,280	118,243	331,523
Inter-segment revenue	18,747	27,540	46,287
Total	232,027	145,783	377,810
Expenses, external	(186,094)	(116,378)	(302,472)
Inter-segment expense	(27,540)	(18,747)	(46,287)
EBITDA	18,393	10,658	29,051
Depreciation and amortization	(18,255)	(3,203)	(21,458)
EBIT	138	7,455	7,593
Net finance expense	(2,446)	(391)	(2,837)
Share of (loss) profit of equity accounted investees	(83)	84	1
Income tax	(2,630)	(1,874)	(4,504)
Net (loss) earnings for the period	(5,021)	5,274	253
Information on assets and liabilities			
Segment assets as at 30 June 2020	427,391	113,211	540,602
Segment assets as at 31 December 2019	429,686	94,828	524,514
Segment liabilities as at 30 June 2020	238,706	79,488	318,194
Segment liabilities as at 31 December 2019	235,688	57,958	293,646
Non-lease capital expenditure for the period 1 January to 30 June 2020	25,416	335	25,751
Non-lease capital expenditure for the period 1 January to 30 June 2019	21,135	598	21,733

Notes

5. Segment reporting, continued

Geographical segments

In presenting information on the basis of geographical segments, segment revenue and assets are based on the geographical location of assets.

	North Atlantic	Other territories	Consoli- dated
Revenue, external for the period 1 January to 30 June 2020	299,085	23,200	322,285
Revenue, external for the period 1 January to 30 June 2019	312,223	19,300	331,523
Geographical location of assets as at 30 June 2020	528,085	12,517	540,602
Geographical location of assets as at 31 December 2019	510,402	14,112	524,514
Non-lease capital expenditure for the period 1 January to 30 June 2020	25,716	35	25,751
Non-lease capital expenditure for the period 1 January to 30 June 2019	21,722	11	21,733

6. Non-IFRS measurement

In this note to the Condensed Consolidated Interim Financial Statements Eimskip presents certain financial measures when discussing Eimskip's performance that are not measures of financial performance or liquidity under IFRS ("non-IFRS"). Non-IFRS measures do not have standardized meanings under IFRS and not all companies calculate non-IFRS measures in the same manner or on a consistent basis. As a result, these measures may not be comparable to measures used by other companies that have the same or similar names.

Management presents IFRS 16 adjusted result from operations as a performance measure because it monitors this performance measure at a consolidated level and believes that this measure is relevant to an understanding of the Group's financial performance. No other adjustments are included in adjusted result from operations.

The reconciliation of adjusted result from operations to the most directly comparable IFRS measure, result from operations, is included in the following table.

	2020 1.1. - 30.6			2019 1.1. - 30.6.
	As reported	Impact of IFRS 16	Excluding IFRS 16	Excluding IFRS 16
Revenue				
Operating revenue	322,285		322,285	331,523
Expenses				
Operating expenses	237,391	7,901	245,292	241,194
Salaries and related expenses	59,555		59,555	66,547
	296,946	7,901	304,847	307,741
Operating profit, EBITDA	25,339	(7,901)	17,438	23,782
Depreciation and amortization	(21,898)	6,898	(15,000)	(16,522)
Results from operating activities, EBIT	3,441	(1,003)	2,438	7,260
Finance income	316		316	493
Finance expenses	(3,872)	1,867	(2,005)	(2,562)
Net foreign currency exchange loss	(1,486)	(270)	(1,756)	(683)
Net finance expense	(5,042)	1,597	(3,445)	(2,752)
Share of profit of equity accounted investees	156	0	156	1
Net (loss) earnings before income tax	(1,445)	594	(851)	4,509
Income tax	(1,051)	(119)	(1,170)	(4,477)
Net (loss) profit for the period	(2,496)	475	(2,021)	32

Notes

	2020	2019	2020	2019
	1.4. - 30.6.	1.4. - 30.6.	1.1. - 30.6.	1.1. - 30.6.
7. Finance income and expense				
Finance income is specified as follows:				
Interest income	201	120	264	391
Dividend received	45	102	52	102
Finance income	246	222	316	493
Finance expense is specified as follows:				
Interest on long-term loans	(753)	(1,051)	(1,478)	(1,941)
Interest on lease liabilities	(1,033)	(156)	(1,981)	(482)
Other finance expense	(156)	(429)	(413)	(621)
Finance expense	(1,942)	(1,636)	(3,872)	(3,044)
Net foreign currency exchange loss	(706)	(112)	(1,486)	(286)
Net finance expense	(2,402)	(1,526)	(5,042)	(2,837)

8. Earnings per share

Basic and diluted earnings per share

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

	2020	2019	2020	2019
	1.4. - 30.6.	1.4. - 30.6.	1.1. - 30.6.	1.1. - 30.6.
Net profit (loss) attributable to equity holders of the Company	2,368	2,635	(2,506)	68
Number of issued shares at 1 January in thousands	187,000	187,000	187,000	187,000
Effect of treasury shares at 1 January in thousands	(4,122)	(361)	(4,122)	(361)
Effect of treasury shares purchased in thousands	(1,935)	(157)	(1,425)	(78)
Weighted average number of outstanding shares in thousands	180,943	186,482	181,453	186,561
Basic and diluted earnings (loss) per share (EUR)	0.0131	0.0141	(0.0138)	0.0004

Notes

9. Trade and other receivables

	30.6.2020	31.12.2019
Trade and other receivables are specified as follows:		
Trade receivables	104,979	109,836
Restricted cash	1,861	423
Other receivables	12,354	17,619
Trade and other receivables total	119,194	127,878

10. Loans and borrowings

This note provides information on the contractual terms of Eimskip's interest bearing loans and borrowings.

	30.6.2020	31.12.2019
Loans and borrowings consist of the following:		
Secured bank loans	166,294	162,939
Bank overdraft and short term borrowing	19	65
Total loans and borrowings	166,313	163,004
Current maturities of secured bank loans	(12,191)	(10,487)
Bank overdraft and short term borrowing	(19)	(65)
Current loans and borrowings	(12,210)	(10,552)
Non-current loans and borrowings	154,103	152,452

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

Secured bank loans

Secured bank loans are as follows:

	30.6.2020		31.12.2019	
	Nominal interest	Carrying amount	Nominal interest	Carrying amount
Loans in EUR	1.7%	151,497	1.8%	146,651
Loans in USD	5.4%	4,629	5.4%	5,218
Loans in ISK	3.2%	9,108	3.9%	9,962
Loans in other currencies	-	1,060	-	1,108
Total secured bank loans		166,294		162,939

Aggregated annual maturities of secured bank loans are as follows:

	30.6.2020	31.12.2019
On demand or within 12 months	12,191	10,487
12 - 24 months	35,096	48,565
24 - 36 months	11,219	9,680
36 - 48 months	11,180	9,612
48 - 60 months	10,025	9,013
After 60 months	86,583	75,582
Total secured bank loans	166,294	162,939

Notes

11. Lease liabilities

Lease liabilities are as follows:

	30.6.2020	31.12.2019
Lease Liabilities in NOK*	25,473	1,624
Lease Liabilities in ISK	12,865	12,345
Lease Liabilities in USD	8,962	9,761
Lease Liabilities in EUR	7,107	7,514
Lease Liabilities in other currencies	9,197	10,015
Total	63,604	41,259
Current maturities	(10,937)	(10,763)
Non-current maturities	52,667	30,496

Maturity analysis:

	30.6.2020	31.12.2019
Within 12 months	10,937	10,763
12 - 24 months	7,154	6,887
24 - 36 months	5,015	5,421
36 - 48 months	3,800	3,761
48 - 60 months	2,204	2,428
After 60 months	34,494	11,999
Total	63,604	41,259

* The commencement date for a new lease contract for a new logistics center in Norway was in January 2020, for a 40 year term, in the amount of NOK 250,6 million or EUR 23,2 million.

12. Trade and other payables

Trade and other payables are attributable to the following:

	30.6.2020	31.12.2019
Trade payables	45,234	49,605
Income tax payable	1,675	1,260
Other payables	32,569	29,539
Total	79,478	80,404

13. Capital commitments

In January 2017, Eimskip signed a shipbuilding contract with a Chinese shipbuilding company for the building of two new 2,150 TEUS container vessels that will be named Bruarfoss and Dettifoss. The contract price of each vessel is approximately USD 32.0 million or EUR 28.5 million.

The first vessel, Dettifoss, was delivered in the beginning of May 2020. The second vessel, Bruarfoss, is expected to be delivered early in the fourth quarter of 2020. The payment profile of the vessels is that 40% of the contract price is paid during the building period and 60% upon delivery. As of the end of June 2020, USD 42.2 million or EUR 37.6 million had been paid towards the agreements and capitalized as property, vessels and equipment.

In April 2017, Eimskip secured the financing of the vessel building with a German bank, KfW IPEX Bank GmbH, for 80% of the contract price with a 15 year term. Parallel to the delivery of Dettifoss in May 2020 Eimskip proceeded a EUR 23.4 million loan from KfW IPEX Bank GmbH of which EUR 15.3 million was paid as a final payment to the shipyard and capitalized among property, vessels and equipment and EUR 0.7 million was a bank guarantee.

Notes

14. Group entities

At period-end the Company owned directly ten subsidiaries that are all included in the consolidation. The direct subsidiaries owned 66 subsidiaries at period-end. The Company holds the majority of voting power in all of its subsidiaries. Assets, liabilities, revenues and expenses in Consolidated Financial Statements that include a non-controlling interest are immaterial to the Group.

The Group's direct subsidiaries are as follows:

	Country of incorporation	Ownership Interest 30.6.2020	Ownership Interest 31.12.2019
Eimskip Ísland ehf.	Iceland	100%	100%
TVG-Zimsen ehf.	Iceland	100%	100%
Eimskip USA, Inc.	USA	100%	100%
Eimskip UK Ltd.	England	100%	100%
Eimskip Holding B.V.	The Netherlands	100%	100%
Eimskip Asia B.V.	The Netherlands	80%	80%
P/f Skipafélagid Føroyar	Faroe Islands	100%	100%
Harbour Grace CS Inc.	Canada	51%	51%
Eimskip REIT ehf.	Iceland	100%	100%
Sæferdir ehf.	Iceland	100%	100%

15. Other matters

Investigation of the Icelandic Competition Authority

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

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

Tax related matters

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

Impact of COVID-19

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

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 decreased significantly in the first half of the year due to COVID-19 which resulted in price decreases of bunkers. This negatively affected the forward contracts which is reflected in the hedging reserve in equity. In past weeks, bunker prices have increased again with positive effect on the contracts. The hedge is still effective as the future purchases of bunkers that are being hedged are still appropriate.

Notes

15. Other matters, continued

Shares received from A1988 hf.

In April 2020, Eimskip received 904,213 shares in Eimskipafélag Íslands hf. from A1988 hf., formerly known as HF. Eimskipafélag Íslands. As described in Eimskip's Prospectus dated 22 October 2012, A1988 did hold shares in Eimskipafélag Íslands hf. which were to be returned to Eimskipafélag Íslands hf. upon certain conditions being met. These conditions have now been met. Previously, as disclosed on 12 March 2014, A1988 transferred 7,441,950 shares to Eimskipafélag Íslands hf. After the receipt of the 904,213 shares Eimskip holds a total of 6,132,757 shares in treasury, corresponding to 3.28% of the total share capital of the company. Following the transfer A1988 no longer holds any shares in Eimskipafélag Íslands hf.

16. Subsequent events

There are no subsequent events to report.

Quarterly statements

Year 2020	Q1 2020	Q2 2020				
Revenue	161,670	160,615				
Expenses	152,332	144,614				
Operating profit, EBITDA	9,338	16,001				
Depreciation and amortization	(10,932)	(10,966)				
Results from operating activities, EBIT	(1,594)	5,035				
Net finance expense	(2,640)	(2,402)				
Share of (loss) profit of equity accounted investees	(317)	473				
Net (loss) earnings before income tax	(4,551)	3,106				
Income tax	(400)	(651)				
Net (loss) earnings	(4,951)	2,455				
Year 2019	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019	
Revenue	163,988	167,535	172,522	175,549	679,594	
Expenses	150,766	151,706	152,210	164,363	619,045	
Operating profit, EBITDA	13,222	15,829	20,312	11,186	60,549	
Depreciation and amortization	(10,753)	(10,705)	(11,064)	(14,505)	(47,027)	
Results from operating activities, EBIT	2,469	5,124	9,248	(3,319)	13,522	
Net finance (expense) income	(1,311)	(1,526)	29	(1,979)	(4,787)	
Share of (loss) profit of equity accounted investees	(84)	85	(84)	(294)	(377)	
Net earnings (loss) before income tax	1,074	3,683	9,193	(5,592)	8,358	
Income tax	(3,575)	(929)	(1,990)	(857)	(7,351)	
Net (loss) earnings	(2,501)	2,754	7,203	(6,449)	1,007	