

## Continued growth in main markets but disappointing results

### Main topics of the financial results for the year 2018

- **Revenue EUR 689.2 million, up by EUR 25.2 million or 3.8% from 2017**
  - Volume in liner services up by 4.2% and Liner revenue up by EUR 10.8 million or 2.5%
  - Volume in forwarding services up by 4.3%, forwarding revenue up by EUR 14.4 million or 6.4%, of which EUR 10.3 million came from acquisitions mid year 2017
- **EBITDA EUR 49.2 million, down by EUR 8.0 million or 13.9% from 2017**
  - Decrease in EBITDA margin is mainly explained by bad results in the reefer logistics in Norway, and less margin in forwarding operation in Europe and increased cost due to additional capacity on the North America route
- **Net earnings EUR 7.4 million compared to EUR 16.8 million in 2017**
- **Equity ratio 49.1% compared to 53.2% in 2017**
- **Net debt ratio 2.80 compared to 1.80 in 2017, explained by lower EBITDA and investments that were mainly financed with new loans**
- **Net cash from operating activities EUR 29.0 million compared to EUR 37.4 in 2017**
- **Headcount at year-end 2018 is 1821, decrease by 32 from year 2017**
- **The Board proposes a dividend payment of ISK 3.50 per share, a total of ISK 653.2 and in EUR 4.8 million, that is at the higher limit of the company's dividend policy**

### Main topics of the financial results of Q4 in 2018

- **Revenue EUR 178.8 million, up by EUR 2.9 million or 1.7% from Q4 2017**
  - Volume in liner services up 5.9% but Liner revenue down by EUR 0.5 million or 0.4%
  - Volume in forwarding services down 5.9% but forwarding revenue up EUR 3.4 million or 5.7%
- **EBITDA increased by EUR 1.1 from Q4 2017, taken extraordinary items into account**
  - In Q4 2017 a positive extraordinary item of EUR 2.5 million, due to restructuring of a subsidiary
  - In Q4 2018 a negative extraordinary item of EUR 1.0 million due to streamlining in the operation
- **Losses in the quarter amounted EUR 1.9 million compared to 2.9 million in profits in the fourth quarter of previous year**

### VILHELM THORSTEINSSON, CEO

"The company's performance was below expectations in 2018. Revenue increased somewhat in our liner and forwarding services but decreasing contribution margins, higher costs and depreciation affected the group's results between years. We experienced a slight increase in revenue in the fourth quarter, when compared with the fourth quarter in the previous year, but the overall results for the fourth quarter show losses which can partly be attributed to irregular items.

The reduction in operating results between years can be attributed to specific factors. Liner services to and from Iceland and the Faroe Islands and associated operations in those countries have been successful but revenue from our reefer logistics services and operations in Norway was below expectations and forwarding services in Europe also experienced a downturn this year. We subsequently made changes to our operations in Norway by decommissioning two of our vessels, the latter in January this year. Achieving the necessary increase in volume on the third vessel in the North American line took more time than we expected and directly affected our annual revenue. However, we have seen an increase in volume in our Trans-Atlantic services in the last few months. Various uncertainty factors in the Icelandic economy, such as ongoing labour collective agreement negotiations, affected the fourth quarter. Import growth has slowed and certain commodities have decreased.

Considerable changes were made to the company's structure at the beginning of the year 2019 with the aim of improving operations and increasing long-term profits. We review the company's sailing system on a regular basis to identify market developments, customer needs and to improve efficiency. We place an emphasis on integrating processes between units in all of the company's operations and increase automation in order to achieve more efficiency.

Eimskip is entering a period of transition. Two new vessels that are currently being built in China, at size of 2.150 TEUS each, will join our fleet in the latter part of 2019 and are a part of our potential future collaboration with Royal Arctic Line. We have experienced extensive external growth in the last few years and it is now a common objective for the strong team of Eimskip's employees to further build on that foundation with a clear vision and sharpening the focus to exceed expectations in operations and to deliver maximum results."

## KEY FIGURES

Amounts are in thousands of EUR

CONSOLIDATED INCOME STATEMENT	Q4 2018	Q4 2017	Change	%	2018	2017	Change	%
Revenue	178,827	175,884	2,943	1.7%	689,154	663,973	25,181	3.8%
Expenses	169,387	163,986	5,401	3.3%	639,916	606,775	33,141	5.5%
<b>Operating profit - EBITDA</b>	<b>9,440</b>	<b>11,898</b>	<b>(2,458)</b>	<b>(20.7%)</b>	<b>49,238</b>	<b>57,198</b>	<b>(7,960)</b>	<b>(13.9%)</b>
Depreciation and amortization	(8,927)	(7,731)	(1,196)	15.5%	(32,548)	(30,148)	(2,400)	8.0%
<b>Results from operating activities - EBIT</b>	<b>513</b>	<b>4,167</b>	<b>(3,654)</b>	<b>(87.7%)</b>	<b>16,690</b>	<b>27,050</b>	<b>(10,360)</b>	<b>(38.3%)</b>
Net finance expense income	(1,577)	(1,240)	(337)	27.2%	(4,923)	(7,236)	2,313	(32.0%)
Share of loss of equity accounted investees	(568)	(146)	(422)	-	(1,753)	(339)	(1,414)	-
<b>Net (loss) earnings before income tax</b>	<b>(1,632)</b>	<b>2,781</b>	<b>(4,413)</b>	<b>-</b>	<b>10,014</b>	<b>19,475</b>	<b>(9,461)</b>	<b>(48.6%)</b>
Income tax	(264)	104	(368)	-	(2,612)	(2,671)	59	(2.2%)
<b>Net (loss) earnings for the period</b>	<b>(1,896)</b>	<b>2,885</b>	<b>(4,781)</b>	<b>-</b>	<b>7,402</b>	<b>16,804</b>	<b>(9,402)</b>	<b>(56.0%)</b>
(Loss) earnings per share in EUR	(0.0110)	0.0152			0.0378	0.0885		
Revenue change	1.7%	25.2%			3.8%	29.2%		
EBITDA ratio	5.3%	6.8%			7.1%	8.6%		
EBIT ratio	0.3%	2.4%			2.4%	4.1%		
Net debt / LTM-EBITDA	2.80	1.80			2.80	1.80		
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31-12-2018	31-12-2017	Change	%	31-12-2018	31-12-2017	Change	%
<b>Assets</b>	<b>486,296</b>	<b>459,515</b>	<b>26,781</b>	<b>5.8%</b>	<b>486,296</b>	<b>459,515</b>	<b>26,781</b>	<b>5.8%</b>
Non-current assets	335,172	313,529	21,643	6.9%	335,172	313,529	21,643	6.9%
Current assets	151,124	145,986	5,138	3.5%	151,124	145,986	5,138	3.5%
<b>Equity</b>	<b>238,926</b>	<b>244,610</b>	<b>(5,684)</b>	<b>(2.3%)</b>	<b>238,926</b>	<b>244,610</b>	<b>(5,684)</b>	<b>(2.3%)</b>
<b>Liabilities</b>	<b>247,370</b>	<b>214,905</b>	<b>32,465</b>	<b>15.1%</b>	<b>247,370</b>	<b>214,905</b>	<b>32,465</b>	<b>15.1%</b>
Non-current liabilities	140,753	117,614	23,139	19.7%	140,753	117,614	23,139	19.7%
Current liabilities	106,617	97,291	9,326	9.6%	106,617	97,291	9,326	9.6%
Interest-bearing debt	159,593	125,984	33,609	26.7%	159,593	125,984	33,609	26.7%
Net debt	137,652	102,815	34,837	33.9%	137,652	102,815	34,837	33.9%
Tangible assets / Total assets	86.0%	85.4%			86.0%	85.4%		
Equity ratio	49.1%	53.2%			49.1%	53.2%		
CONSOLIDATED STATEMENT OF CASH FLOWS	Q4 2018	Q4 2017	Change	%	2018	2017	Change	%
Net cash from operating activities	8,375	10,596	(2,221)	(21.0%)	29,029	37,420	(8,391)	(22.4%)
Net cash used in investing activities	(13,683)	(25,123)	11,440	(45.5%)	(51,905)	(75,139)	23,234	(30.9%)
Net cash provided by financing activities	7,522	13,412	(5,890)	(43.9%)	20,631	22,581	(1,950)	(8.6%)
<b>Changes in cash and cash equivalents</b>	<b>2,214</b>	<b>(1,115)</b>	<b>3,329</b>	<b>-</b>	<b>(2,245)</b>	<b>(15,138)</b>	<b>12,893</b>	<b>(85.2%)</b>
Cash and cash equivalents at the beginning of the period	19,330	24,545	(5,215)	(21.2%)	23,169	39,543	(16,374)	(41.4%)
Effects of exchange rate fluctuations on cash held	397	(261)	658	-	1,017	(1,236)	2,253	-
<b>Cash and cash equivalents at the end of the period</b>	<b>21,941</b>	<b>23,169</b>	<b>(1,228)</b>	<b>(5.3%)</b>	<b>21,941</b>	<b>23,169</b>	<b>(1,228)</b>	<b>(5.3%)</b>

## OPERATIONS 2018

Eimskip's revenue for the year 2018 amounted to EUR 689.2 million compared with EUR 664.0 million in 2017, an increase of EUR 25.2 million or 3.8%. Transported volume in liner services increased by 4.2% and can be attributed to a 7.0% increase in the Transatlantic, Icelandic, Faroese sailing system. However, there was a 13.6% decrease in operations in Norway. Volume growth in forwarding services was 4.3% and can be attributed to a 23.7% increase in dry cargo. There was a 1.9% decrease in reefer logistics.

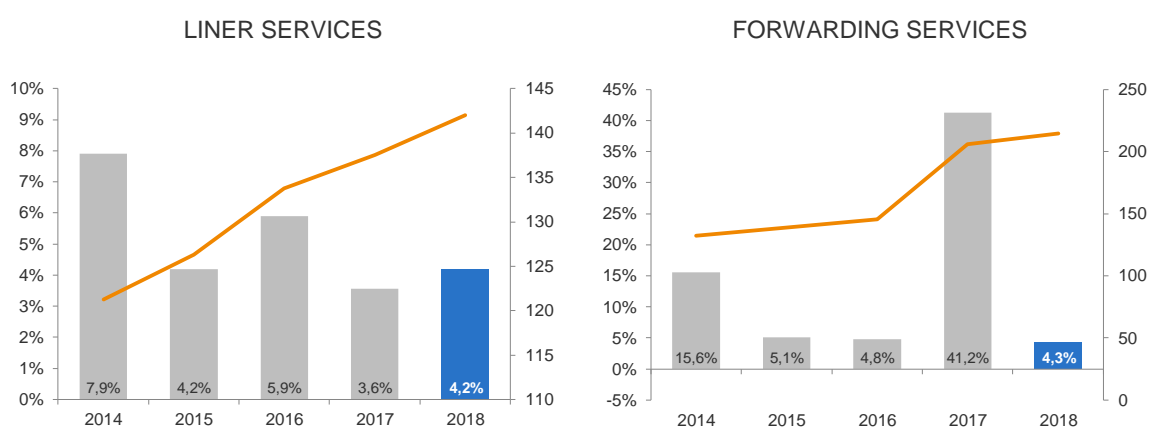
Operating expenses amounted to EUR 640.0 million compared with EUR 606.8 million in the previous year, an increase of EUR 33.2 million or 5.5%. The increase can be attributed to the increased capacity in the sailing system, higher fuel costs, increased activity, wage increases, higher costs in international forwarding services and unexpected costs associated with reefer vessel breakdowns.

EBIDTA amounted to EUR 49.2 million compared with EUR 57.2 million in the previous year, a decrease of EUR 8.0 million or 13.9%. The decrease can mainly be attributed to decreased revenue from Eimskip's operations in Norway and decreases in reefer logistics. The increased capacity of our Short-sea and Trans-Atlantic services resulted in decreased revenue in the first half of the year but also facilitated an increase in quantity and, subsequently, in revenue, in the second half of the year.

Depreciation and amortization for the year amounted to EUR 32.5 million compared with EUR 30.1 million in the previous year or an increase of 8.0%. The increase can mainly be attributed to investments in infrastructure such as new containers and equipment.

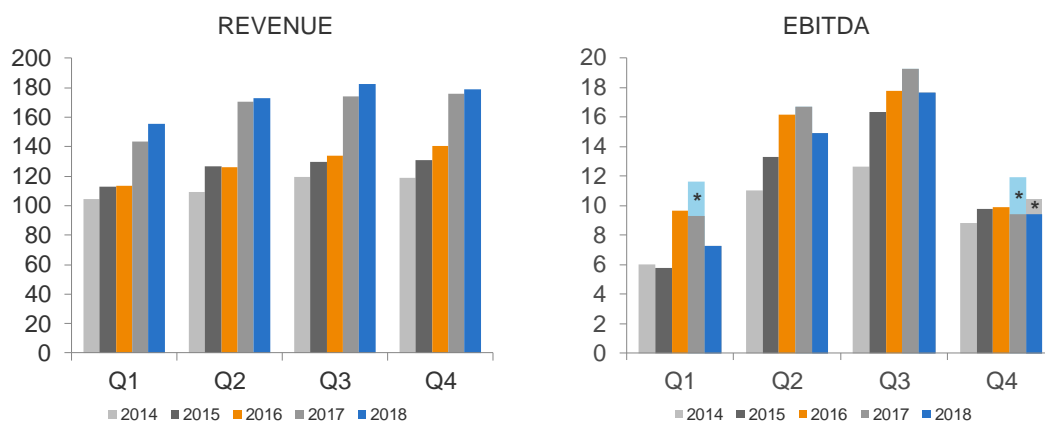
Net profits amounted to EUR 7.4 million compared with EUR 16.8 million in the previous year or a decrease of EUR 9.4 million.

The following graphs show that transported volume in the company's liner and forwarding services has been gradually increasing 2013 to 2018 compared to the same period the year before. The volume index on the right axis is based on the year 2010 volume at 100.



The company's revenue has been growing over the past years as can be seen in the following graph down to left. That was followed by growth in EBITDA in years 2013-2016, but that changed in 2017 and even further in 2018.

EUR million



\* Add-back of EUR 2.3 million non-recurring charges in Q1 2018, EUR 2.5 million non-recurring revenue item in Q4 2018 and add back non-recurring expenses in Q4 2018

## FOURTH QUARTER 2018

Operating revenues in the fourth quarter of 2018 amounted to EUR 178.8 million compared with EUR 175.9 million during the fourth quarter of the previous year, an increase of EUR 2.9 million or 1.7%. Transported volume in liner services increased by 5.9% and can be attributed to a 10.0% increase in connection with the Transatlantic, Icelandic and Faroese volume. However, there was an 18.1% decrease in our operations in Norway. Revenue from liner services amounted to EUR 116.2 million or a decrease of 0.4%. Volume in forwarding services decreased by 5.9%, which can mainly be attributed to a decrease in dry cargo in Asia including the discontinuation of a specialised service with a small contribution margin and unfavourable net working capital conditions. However, revenue from forwarding services increased by 5.7% in the fourth quarter: Revenue in 2018 amounted to EUR 62.6 million compared with EUR 59.2 million in 2017. The increase can be attributed to higher transport prices and stable reefer cargo and forwarding volumes. Revenue in the fourth quarter of 2017 included extraordinary revenue item in the amount of EUR 2.5 million, in connection with the restructuring of a subsidiary.

Operating expenses amounted to EUR 169.4 million compared with EUR 164.0 million in the fourth quarter of the previous year; an increase of EUR 5.4 million or 3.3%. Operating expenses in liner services amounted to EUR 106.9 million or an increase of 2.5%. The increase can be attributed to costs associated with increased capacity of the sailing system, higher fuel costs and cost due to streamlining the operation. Operating expenses related to forwarding services amounted to EUR 62.5 million or an increase of 4.7%. The increase in operating expenses is directly related to the increase in revenue, as it can be attributed to higher costs associated with large-scale shipping companies.

EBITDA in the fourth quarter amounted to EUR 9.4 million compared with EUR 11.9 million in the fourth quarter of the previous year, a decrease of EUR 2.5 million or 20.7%. Normalized EBITDA in the fourth quarter 2018 amounted to EUR 10.4 million compared to EUR 9.4 million normalized EBITDA in the fourth quarter 2017, where extraordinary items have been taken into account. EBITDA from liner services amounted to EUR 7.0 million in the fourth quarter compared with EUR 8.8 million in the fourth quarter of the previous year. EBITDA from forwarding services amounted to EUR 2.4 million compared to EUR 3.1 million from previous year.

Depreciation in the fourth quarter amounted to EUR 8.9 million, an increase of EUR 1.2 million between years or 15.5%.

Losses in the fourth quarter amounted to EUR 1.9 million compared with 2.9 million in profit in fourth quarter of the previous year.

## BALANCE SHEET

- **Total assets EUR 486.3 million at year-end 2018**
- **Equity ratio 49.1%**
- **Interest-bearing debt EUR 159.6 million**
- **Net debt EUR 137.7 million**

Total non-current assets amounted to EUR 335.2 million at year end 2018 compared to EUR 313.5 million at year end 2017. Net investments in fixed and intangible assets amounted to EUR 44.8 million compared to EUR 58.5 million in 2017.

Total current assets amounted to EUR 151.1 million at the end of the year compared to EUR 146.0 million at the end 2017. Cash and cash equivalents amounted to EUR 21.9 million compared to EUR 23.2 at year-end 2017. Trade and other receivables increased from EUR 118.9 million at year end 2017 to EUR 124.1 million at the end of 2018, in line with revenue growth.

Equity amounted to EUR 238.9 million at the year end 2018 and the equity ratio was 49.1% compared to equity ratio of 53.2% at year-end 2017. Dividend of ISK 1,269.1 million, equal to EUR 10.4 million, was paid to shareholders in April 2018.

Current liabilities amounted to EUR 106.6 million at year end 2018 compared to EUR 97.3 million in 2017. The increase between years attributes in current maturities.

Interest-bearing debt amounted to EUR 159.6 million at year end 2018 and grew from EUR 126.0 million 2017. Eimskip finalized refinancing a large proportion of loans from Islandsbanki and Landsbanki in the second half of the year. The company has secured a long-term financing on a finance lease liability, about EUR 8.0 million due in year 2019, and secured a long term financing related to new buildings of two vessels. Net debt of the year EUR 137.7 compared to 102.8 million year end 2017.

## CASH FLOWS AND INVESTMENTS

- **Net cash from operating activities EUR 29.0 million in 2018**
- **Net cash used in investing activities EUR 51.9 million**
- **Cash and cash equivalents EUR 21.9 million at year end 2018**

Net cash from operating activities was EUR 29.0 million in 2018 compared to EUR 37.4 million the year before.

Net cash used in investing activities amounted to EUR 51.9 million compared to EUR 75.1 million in 2017. Total capital expenditure (CAPEX) was EUR 47.4 million, there of maintenance CAPEX EUR 28.4 million. The largest investments were in containers, installment on vessel building contracts, dockings of vessels and investments in equipment for terminal operation in Husavik and Sundahofn.

Net cash provided by financing activities were positive of amount EUR 20.6 million compared to EUR 22.6 million positive in 2017.

Cash and cash equivalents in 2018 amounted to EUR 21.9 million compared to EUR 23.2 million at year end 2017.

## EBITDA FORECAST 2019

Eimskip's outlook for 2019 is EBITDA in the range of EUR 49-57 million.

The outlook for the liner services to and from Iceland and the Faroe Islands in 2019 is positive even though the foreseen downturn in capelin fisheries will affect export volumes. Uncertainties in the Icelandic economy could also affect imports. We are hopeful that the Trans-Atlantic services will continue to grow after a successful fourth quarter. Competition is still high in liner services in the North Atlantic. We expect an increase in revenue from our reefer liner services in Norway, despite the challenging operational environment. We also expect more revenue from international forwarding services in 2019 as markets in Europe and Africa have been improving.

Considerable changes were made to the company's structure at the beginning of the year 2019 with the aim of improving operations and increasing long-term profitability. We have experienced extensive external growth in the last few years but focus will now be set on increasing profitability in our current operations. An emphasis on integrating processes between units in all the company's operations and increased automation will be key factors in achieving increased efficiency. Continued focus will be on optimizing the sailing system.

Various long-term investments will be made in 2019 including two new vessels, a large harbour crane and associated changes to the terminal in Sundahöfn. Cash flow from operations and borrowings provide the finance needed for these infrastructure projects.

Uncertainty factors include ongoing labor collective agreement negotiations in the Icelandic economy, the world economic outlook, Brexit, tariff wars, shipping volumes, prices, fuel costs, exchange rate fluctuations, interest rate development and competition.

## SHAREHOLDERS

- **Eimskip's market capitalization EUR 267.9 million on 28 February 2019**

The year end 2018 closing price of Eimskip's shares was ISK 228.0 per share and the average closing price for the year 2018 was ISK 220.1 per share. The closing price on 28 February 2019 was ISK 195.0 per share, representing Eimskip's market capitalization based on outstanding shares in the amount of ISK 36.5 billion that day, the equivalent of EUR 267.9 million.

The total number of shares is 187.000.000, thereof 186.639.230 share are outstanding and 360.770 shares are in treasury. There were 703 shareholders at year end 2018 and they were 682 on 27 February 2019.

The company's dividend policy is to pay annual dividend that equals an amount in the range of 10-65% of net profit after taxes. Decisions on dividend payment and the exact amount are subject to the company's future investment plans, market outlook and satisfactory capital structure at any given time. The Board of Directors proposes to the Annual General Meeting a dividend payment to shareholders in 2019 in the amount of ISK 3.50 per share. The proposed dividend payment amounts to ISK 653.2 million the equivalent of approximately EUR 4.8 million, which represents about 64.8% of net earnings for the year 2018.

## KEY FIGURES BY QUARTER

Amounts are in thousands of EUR

<b>OPERATING RESULTS</b>	<b>Q4 2018</b>	<b>Q3 2018</b>	<b>Q2 2018</b>	<b>Q1 2018</b>	<b>Q4 2017</b>
Revenue	178,827	182,164	172,631	155,532	175,884
Expenses	169,387	164,530	157,718	148,281	163,986
EBITDA	9,440	17,634	14,913	7,251	11,898
EBIT	513	9,738	6,995	(556)	4,167
Net (loss) earnings for the period	(1,896)	6,269	4,615	(1,586)	2,885
EBITDA ratio	5.3%	9.7%	8.6%	4.7%	6.8%
EBIT ratio	0.3%	5.3%	4.1%	(0.4%)	2.4%
<b>BALANCE SHEET</b>	<b>31-12-2018</b>	<b>30-09-2018</b>	<b>30-06-2018</b>	<b>31-03-2018</b>	<b>31-12-2017</b>
Assets	486,296	487,944	477,105	468,781	459,515
Equity	238,926	242,538	237,086	231,016	244,610
Liabilities	247,370	245,406	240,019	237,765	214,905
Interest-bearing debt	159,593	152,219	150,347	137,410	125,984
Net debt	137,652	132,889	128,830	115,796	102,815
Equity ratio	49.1%	49.7%	49.7%	49.3%	53.2%
<b>CASH FLOW</b>	<b>Q4 2018</b>	<b>Q3 2018</b>	<b>Q2 2018</b>	<b>Q1 2018</b>	<b>Q4 2017</b>
Net cash from operating activities	8,375	10,647	8,019	1,988	10,596
Net cash used in investing activities	(13,683)	(13,467)	(10,914)	(13,841)	(25,123)
Net cash provided by financing activities	7,522	708	1,869	10,532	13,412
Cash and cash equivalents at the end of the period	21,941	19,330	21,517	21,614	23,169

## INVESTIGATION OF THE ICELANDIC COMPETITION AUTHORITY

The investigation of the Icelandic Competition Authority is still ongoing. Eimskip will continue doing its best in providing answers in accordance with the company's legal obligation. Eimskip has until 29 March 2019 to submit arguments, documents and information regarding statement of objections I. It is in the interest of the company that the investigation will be completed as soon as possible.

## ABOUT EIMSKIP

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 reaching excellence in transportation solutions and services. Eimskip was founded in 1914 and is a publicly traded company with its shares listed at Nasdaq Iceland. The company runs a network of 65 offices in 20 countries in four continents, operates 20 vessels and has about 1,820 employees.

## INVESTOR MEETING 01 MARCH 2019

Investors and market participants are invited to a meeting on Friday 01 March 2019 at 8:30 a.m. at Eimskip's headquarters in Korngardar 2 in Reykjavík. Vilhelm Thorsteinsson, CEO and Egill Örn Petersen CFO will present the company's financial results for 2018 and the fourth quarter results. Documents and a recording of the meeting (in Icelandic) will be available after the meeting on the company's investor relations website, [www.eimskip.com/investors](http://www.eimskip.com/investors).

## APPROVAL OF THE BOARD OF DIRECTORS

The Board of Directors of Eimskipafélag Íslands hf. approved the company's audited Consolidated Financial Statements for 2018 at its meeting on 28 February 2019.

## FINANCIAL CALENDAR

- Annual General Meeting 2019: 28 March 2019
- Q1 2019: Published 23 May 2019
- Q2 2019: Published 29 August 2019
- Q3 2019: Published 21 November 2019
- Q4 2019: Published 27 February 2020
- Annual General Meeting 2020: 27 March 2020

## FURTHER INFORMATION

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## FORWARD-LOOKING STATEMENTS

Statements contained in this financial press release that refer to the company's estimated or anticipated future results or future activities are forward-looking statements which reflect the company's current analysis of existing trends, information and plans. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially depending on factors such as the availability of resources, the timing and effect of regulatory actions and other factors. Eimskip undertakes no obligation and does not intend to update these forward-looking statements to reflect events or circumstances occurring after this press release. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. All forward-looking statements are qualified in their entirety by this cautionary statement.