

## Performance in first 6M in line with expectations

### Highlights of Q2 2019 results

- **Revenue amounted to EUR 167.5 million, a decrease of EUR 5.1 million or 3.0% when compared with the same quarter in 2018**
  - Transported volume in liner services decreased by 4.8% affected by lower level of import to Iceland and a decline in export at the end of the quarter.
  - Volume in forwarding services decreased by 14.0% however profitability was in line with same period last year due to improved margins.
- **Salary cost and related expenses decreased by 5.2% between years, whereas other operating expenses decreased by 1.2% adjusted for IFRS 16.**
- **EBITDA amounted to EUR 18.5 million in the second quarter of 2019 or EUR 13.2 million (excluding IFRS 16) compared to EUR 14.9 million in the same quarter last year, a decrease of 11.8%.**
  - EBITDA in the quarter was slightly below expectations which can mainly be attributed to lower volume in container liner system.
- **Net earnings for the Q2 2019 amounted to EUR 2.7 million, compared to 4.6 million in the same quarter of 2018.**
- **Net cash from operating activities (IFRS 16 adjusted) increased substantially and amounted to EUR 17.4 million compared to EUR 8.0 million in the same quarter of 2018.**

### Highlights of 6M 2019 results

- **Revenue amounted to EUR 331.5 million, an increase of EUR 3.3 million or 1.0% when compared with the same period in 2018.**
- **EBITDA amounted to EUR 34.0 million or EUR 23.8 million (excluding IFRS 16) compared to EUR 22.2 million in the same period last year, an increase of 7.2%.**
- **Net earnings amounted to EUR 0.1 million, compared to 3.0 million in the same period of 2018**
  - A negative one-off tax expense in the amount of EUR 3.4 million negatively affected the results. Earnings would otherwise have been EUR 3.5 million.
- **Total CAPEX for the period amounted to EUR 21.7 million compared to EUR 24.2 million in 6M 2018. New investments amounted to EUR 14.7 million mostly related to new vessel buildings, Gantry Crane and associated terminal area construction.**
- **Net cash from operating activities (IFRS 16 adjusted) increased substantially and amounted to EUR 28.5 million compared to EUR 10.0 million in the same period of 2018.**
- **Total equity amounted to EUR 232.9 million with an equity ratio of 44.2%. Equity ratio was 47.3% (excluding the effect of IFRS 16), compared to 49.1% at year-end 2018.**
  - Dividend amounting EUR 4.7 million was paid in Q2.
  - A share buy-back program was initiated in Q2 and the Company purchased treasury shares amounting EUR 1.9 million of market value in the period.
- **Leverage ratio was 2.80 in the end of second quarter 2019 or 2.68 (excluding IFRS 16), compared to 2.80 at the end of 2018, a positive development between periods.**
- **EBITDA guidance for 2019 remains in the range of EUR 51-57 million.**

### VILHELM MÁR ÞORSTEINSSON, CEO

"Eimskips' performance was in line with expectations for the first six months of 2019. However, revenues and EBITDA in Q2 were slightly below expectations, primarily as a result of lower container liner volume to and from Iceland and the Faroe's.

Our diversified International operation saw a good first six months with better results than same period 2018. Operations in Norway continued to improve because of various restructuring measures despite less reefer liner volume as the company reduced the capacity by two vessels between periods. Volume in Trans-Atlantic services

continued to grow which positively affected the North-America operation. Export volume from Faroe Islands declined in second quarter due to lower ground fish catch and different pelagic product mix. The forwarding volume decreased in Q2 compared to same period last year, however it did not affect the results due to improved margins.

Following a good first quarter in Container liner services, operating results in second quarter were affected by lower level of volume in import to Iceland due to cool down in the Icelandic economy. In addition, after strong export volumes in the first five months of the year, volume declined materially in June and July but has started to pick up again in mid-August. The decline in export volume is mainly explained by the effect of no capelin season as seafood companies turned increasingly to other species until quota limits were reached earlier than last year. Furthermore, mackerel volumes from Greenland, discharged in Iceland for export were substantially lower than Q2 last year. Domestic services in Iceland such as trucking and warehousing were negatively affected by the lower volume in Q2.

We currently have the container sailing system under review to adjust for the lower volume levels with the aim of lowering fixed operating costs, secure high customer service level and to pave the way for the Royal Arctic Line cooperation. The goal is to present adjusted sailing system later this year, the work is well under way and we are confident that we will continue to operate the best sailing system to and from Iceland and the Faroe's. We expect the new vessels to be delivered in Q4, slightly later than previously expected and the co-operation with Royal Arctic Line to commence in Q1 2020.

For the last months we have worked on various projects with the aim of streamlining the operation, improving profitability and increasing productivity. Integration of TVG-Zimsen was completed in Q2 and we are starting to see the benefits in Q3. I am pleased to see that the cost cutting measures in the head office divisions executed in Q1 started to materialize in Q2.

Eimskip's management has strong focus on cash generation and I am pleased to see that cashflow from operation increase substantially in the first six months compared to same period last year. We are currently working on a target future capital structure for the Company along with a 3-year maintenance CAPEX plan and hope to present that later this year.

A decision has been made to evaluate a potential divestment of Seatours (Sæferðir), Eimskip's subsidiary in sea related tourism. We expect to have a decision on this matter in the next few months.

The Board of Directors has approved to work towards consolidating Eimskip's headquarters in the office facility in the warehouse Vöruhótel and to implement activity-based work environment. In relation to this project we expect to reduce office space in the Sundahöfn terminal area by approx. 50% resulting in positive financial benefits. This is in line with management's strategy of increasing profitability of core operation and I am looking forward to a more dynamic work environment which will increase collaboration, shorten lines of communication and meet our employees needs of more modernized workplace."

## KEY FIGURES

Amounts are in thousands of EUR

CONSOLIDATED INCOME STATEMENT	Q2 2019	Q2 2018	Change	%	6M 2019	6M 2018	Change	%
Revenue	167,535	172,631	(5,096)	(3.0%)	331,523	328,163	3,360	1.0%
Expenses	149,043	157,718	(8,675)	(5.5%)	297,509	305,999	(8,490)	(2.8%)
<b>Operating profit - EBITDA</b>	<b>18,492</b>	<b>14,913</b>	<b>3,579</b>	<b>24.0%</b>	<b>34,014</b>	<b>22,164</b>	<b>11,850</b>	<b>53.5%</b>
Depreciation and amortization	(13,391)	(7,918)	(5,473)	69.1%	(26,469)	(15,725)	(10,744)	68.3%
<b>Results from operating activities - EBIT</b>	<b>5,101</b>	<b>6,995</b>	<b>(1,894)</b>	<b>(27.1%)</b>	<b>7,545</b>	<b>6,439</b>	<b>1,106</b>	<b>17.2%</b>
Net finance expense	(1,606)	(901)	(705)	78.2%	(2,904)	(2,015)	(889)	44.1%
Share of loss of equity accounted investees	85	(345)	430	-	1	(1,015)	1,016	-
<b>Net earnings before income tax</b>	<b>3,580</b>	<b>5,749</b>	<b>(2,169)</b>	<b>(37.7%)</b>	<b>4,642</b>	<b>3,409</b>	<b>1,233</b>	<b>36.2%</b>
Income tax	(929)	(1,134)	205	-	(4,504)	(380)	(4,124)	1,085.3%
<b>Net earnings for the period</b>	<b>2,651</b>	<b>4,615</b>	<b>(1,964)</b>	<b>(42.6%)</b>	<b>138</b>	<b>3,029</b>	<b>(2,891)</b>	<b>(95.4%)</b>
Earnings (loss) per share in EUR	0.0136	0.0242	(0.0003)			0.0155		
Revenue change	(3.0%)	1.1%	1.0%		1.0%	4.4%		
EBITDA ratio	11.0%	8.6%	10.3%		10.3%	6.8%		
EBIT ratio	3.0%	4.1%	2.3%		2.3%	2.0%		
Net debt / LTM-EBITDA	2.80	2.41	2.80		2.80	2.41		
LTM Return on Equity	1.9%	6.4%	1.9%		1.9%	3.1%		
<b>IFRS 16 adjusted:</b>								
Expenses	154,385	157,718	(3,333)	(2.1%)	307,741	305,999	1,742	0.6%
EBITDA	13,150	14,913	(1,763)	(11.8%)	23,782	22,164	1,618	7.3%
Depreciation	(8,135)	(7,918)	(217)	2.7%	(16,522)	(15,725)	(797)	5.1%
EBIT	5,015	6,995	(1,980)	(28.3%)	7,260	6,439	821	12.8%
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>30.06.2019</b>	<b>30.06.2018</b>	<b>Change</b>	<b>%</b>	<b>30.06.2019</b>	<b>31.12.2018</b>	<b>Change</b>	<b>%</b>
<b>Assets</b>	<b>527,021</b>	<b>477,105</b>	<b>49,916</b>	<b>10.5%</b>	<b>527,021</b>	<b>486,296</b>	<b>40,725</b>	<b>8.4%</b>
Non-current assets	372,409	325,766	46,643	14.3%	372,409	335,172	37,237	11.1%
Current assets	154,612	151,339	3,273	2.2%	154,612	151,124	3,488	2.3%
<b>Equity</b>	<b>232,856</b>	<b>237,086</b>	<b>(4,230)</b>	<b>(1.8%)</b>	<b>232,856</b>	<b>238,926</b>	<b>(6,070)</b>	<b>(2.5%)</b>
<b>Liabilities</b>	<b>294,165</b>	<b>240,019</b>	<b>54,146</b>	<b>22.6%</b>	<b>294,165</b>	<b>247,370</b>	<b>46,795</b>	<b>18.9%</b>
Non-current liabilities	183,252	135,344	47,908	35.4%	183,252	140,753	42,499	30.2%
Current liabilities	110,913	104,675	6,238	6.0%	110,913	106,617	4,296	4.0%
Interest-bearing debt	197,734	150,347	47,387	31.5%	197,734	159,593	38,141	23.9%
Net debt	170,761	128,830	41,931	32.5%	170,761	137,652	33,109	24.1%
Tangible assets / Total assets	87.3%	86.1%	87.3%		87.3%	86.0%		
Equity ratio	44.2%	49.7%	44.2%		44.2%	49.1%		
<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>Q2 2019</b>	<b>Q2 2018</b>	<b>Change</b>	<b>%</b>	<b>6M 2019</b>	<b>6M 2018</b>	<b>Change</b>	<b>%</b>
Net cash from operating activities	22,537	8,019	14,518	181.0%	37,931	10,007	27,924	279.0%
Net cash used in investing activities	(12,290)	(10,914)	(1,376)	12.6%	(20,155)	(24,755)	4,600	(18.6%)
Net cash (used in) provided by financing activities	(8,756)	1,869	(10,625)	-	(11,945)	12,401	(24,346)	(196.3%)
<b>Changes in cash and cash equivalents</b>	<b>1,491</b>	<b>(1,026)</b>	<b>2,517</b>	<b>-</b>	<b>5,831</b>	<b>(2,347)</b>	<b>8,178</b>	<b>(348.4%)</b>
Cash and cash equivalents at the beginning of the period	26,684	21,614	5,070	23.5%	21,941	23,169	(1,228)	(5.3%)
Effects of exchange rate fluctuations on cash held	(1,202)	929	(2,131)	-	(799)	695	(1,494)	-
<b>Cash and cash equivalents at the end of the period</b>	<b>26,973</b>	<b>21,517</b>	<b>5,456</b>	<b>25.4%</b>	<b>26,973</b>	<b>21,517</b>	<b>5,456</b>	<b>25.4%</b>

## OPERATIONS IN Q2 2019

Eimskip's revenue for the second quarter 2019 amounted to EUR 167.5 million compared to EUR 172.6 million in same period 2018, a decrease of EUR 5.1 million or 3.0%. Transported volume in liner services decreased by 4.8% affected by lower level of import to Iceland and a decline in export at the end of the quarter. Volume in forwarding services decreased by 14.0% however profitability was in line with same period last year due to increased margins.

Operating expenses amounted to EUR 149.0 million compared to EUR 157.7 million in the previous year, or an decrease of EUR 8.7 million. Eimskip adopted the new accounting standard, IFRS 16 on operating lease agreements at the beginning of January 2019. Operating expenses amounted to EUR 154.4 million excluding the effect of IFRS 16, or a decrease of 2.1% from the previous year. Salaries and related expenses decreased by EUR 1.9 million or 5.2%.

EBITDA in the second quarter 2019 amounted to EUR 18.5 million or EUR 13.2 million excluding the effect of IFRS 16, compared to EUR 14.9 million in the previous year, a decrease of EUR 1.7 million. EBITDA in the quarter was slightly below expectations which can mainly be attributed to lower volume in container liner system.

Depreciation and amortization for the second quarter of 2019 amounted to EUR 13.4 million compared to EUR 7.9 million in the previous year. Depreciation and amortization amounted to EUR 8.1 million excluding the effect of IFRS 16, or an increase of EUR 0.2 million.

Net earnings amounted to EUR 2.6 million compared to EUR 4.6 million in the same period in 2018

## **OPERATIONS IN 6M 2019**

Eimskip's revenue for the first six months 2019 amounted to EUR 331.5 million compared to EUR 328.2 million in same period 2018, an increase of EUR 3.3 million or 1.0%. Volume in liner services decreased by 0.3% where Trans-Atlantic services and export from Iceland were strong for most of the period but volume level of import to Iceland has decreased. Volume in forwarding services decreased by 6.9% mainly due to lower dry cargo in Asia however effect on results were limited due to higher margins.

Operating expenses amounted to EUR 297.5 million compared to EUR 306.0 million in the previous year, or a decrease of EUR 8.5 million. Operating expenses amounted to EUR 307.7 million excluding the effect of IFRS 16, or an increase of 0.6% from the previous year. Salaries and related expenses decreased by EUR 2.9 million or 4.2%.

EBITDA for the first six months 2019 amounted to EUR 34.0 million compared to EUR 22.2 million in the previous year, or an increase of EUR 11.8 million. EBITDA amounted 23.8 million excluding the effect of IFRS 16, or an increase of EUR 1.6 million from same period 2018. The increase in EBITDA can mainly be attributed to improved operations in Norway, continued volume growth in Trans-Atlantic, improvements in reefer forwarding services and positive effects of streamlining and organizational changes.

The six months depreciation and amortization amounted to EUR 26.5 million compared to EUR 15.7 million in the previous year. Excluding the effect of IFRS 16, Depreciation and amortization amounted to EUR 16.5 million, or an increase of EUR 0.8 million.

A one-off tax expense in the amount of EUR 3.4 million was expensed in the first quarter 2019 due to the ruling of the Internal Revenue Board in Iceland.

Net earnings amounted to EUR 0.1 million compared to EUR 3.0 million in the same period in 2018. Profit would otherwise have amounted to EUR 3.5 million in the 6M 2019 excluding the one-off tax expense.

## **BALANCE SHEET**

Total assets at the end of second quarter amounted to EUR 527.0 million compared to EUR 486.3 million at year-end 2018. Total non-current assets amounted to EUR 372.4 million compared to EUR 335.2 million at year-end 2018. The adoption of the new accounting standard IFRS 16 introduces a new item of right-of-use assets under non-current assets amounting to EUR 34.6 million.

Total current assets amounted to EUR 154,6 million at the end of the period compared to EUR 151.1 million at the end of 2018. Cash and cash equivalents amounted to EUR 27.0 million compared to EUR 21.9 at year-end. Trade and other receivables decreased from EUR 124.1 million at year end 2018 to EUR 122.0 million at the end of the quarter.

Equity amounted to EUR 232.9 million at the end of the quarter, or a decrease of EUR 6.0 million attributable to a dividend amounting ISK 653.2 million, or approx. EUR 4.8 million paid in April, and the share buy-back program

where the Company purchased EUR 1.9 million of treasury shares in Q2. The equity ratio was 44.2% compared to the equity ratio of 49.1% at year-end 2018. The equity ratio is 47.3% excluding the effect of IFRS 16.

Interest-bearing debt amounted to EUR 197.7 million at end of second quarter 2019 and increased from EUR 159.6 million at end of 2018. Excluding the effect of IFRS 16 lease liabilities, interest-bearing debt were EUR 163.2 million. Long-term financing in the amount of EUR 47 million related to investment in two new vessels has been secured.

Current liabilities amounted to EUR 110.9 million at the end of the period compared to EUR 106.6 million at the end of 2018.

## **CASH FLOWS AND INVESTMENTS**

Net cash from operating activities was EUR 37.9 million for the first six months of 2019 compared to EUR 10.0 million in the same period 2018. Net cash from operating activities amounted to EUR 28.5 million excluding the effect of IFRS 16, which is a considerable increase between years.

Net cash used for investing activities amounted to EUR 20.2 million compared to EUR 24.8 million in the same period in 2018. Total capital expenditure (CAPEX) was EUR 21.7 million, there of maintenance CAPEX EUR 7.0 million. The largest investments were in new Gantry crane in Sundahöfn terminal and related investments in the terminal area and in the new vessel buildings in China.

Net cash used in financing activities was EUR 11.9 million compared to EUR 12.4 million provided by financing activities in the same period in 2018.

Cash and cash equivalents at end of 6M 2019 amounted to EUR 27.0 million compared to EUR 21.9 million at year end 2018.

## **OUTLOOK FOR THE YEAR 2019**

EBITDA guidance for 2019 remains in the range of EUR 51-57 million.

The outlook for liner services to and from Iceland in 2019 is mixed. The Icelandic economy is slowing down and import volumes are expected to remain at lower level. Export which declined in June and July after strong first five months started to pick up in August and is expected to be at similar level as last year for the remainder of the year. The container sailing system is under review to adjust for the lower volume, especially in import to Iceland, with the aim to reduce fixed operating cost. Trans-Atlantic services has been performing well and outlook for the year remains favorable. Continued operational improvements are expected in the reefer liner services in Norway compared to last year. Some improvements in the international forwarding services are also expected in the second half of 2019.

Organizational changes that were made at the beginning of the year with the aim of improving operations and increasing long-term profitability has resulted in decrease in salary cost with fewer FTE's and reduction in other operating expenses. Further integration and streamlining measures were implemented in Iceland at the end of April and benefits have started to materialize in Q3 2019. The last few years have been characterized by extensive external growth but now focus is on increasing profitability in current operations.

Investments in fixed tangible assets will be high in 2019 with the purchase of two new vessels, a large Gantry crane and the development of the Sundahöfn terminal area.

Number of external factors can affect the outlook for 2019, including results of Brexit, international trade tensions, transport volume, transport costs and oil prices. Country and sector specific factors such as interest rates, exchange rates and level of competition can also affect the outlook.

## SHAREHOLDERS

Eimskip's market capitalization was EUR 240.1 million or ISK 33.1 billion at the end of trading on 29 August 2019.

Closing price at year end 2018 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 29 August 2019 was ISK 180.0 per share, a decrease of 27.6% from the beginning of the year.

The total number of shares is 187,000,000, thereof 183,961,921 shares are outstanding and 3,038,079 are treasury shares. There were 703 shareholders at year end 2018 and they were 697 on 29 August 2019.

The Annual General Meeting held on 28 March 2019 approved a dividend payment to shareholders in the amount of ISK 3.50 per share. The dividend payment amounted to ISK 653.2 million the equivalent of approximately EUR 4.8 million. The payment date was 10 April 2019.

A share buy-back program was initiated in Q2 and completed in early Q3. A total of 2,677,209 shares were purchased for a market value amounting to ISK 500 million or EUR 3.6 million. The shares are classified as treasury shares.

## KEY FIGURES BY QUARTER

Amounts are in thousands of EUR

<b>OPERATING RESULTS</b>	<b>Q2 2019</b>	<b>Q1 2019</b>	<b>Q4 2018</b>	<b>Q3 2018</b>	<b>Q2 2018</b>
Revenue	167,535	163,988	178,827	182,164	172,631
Expenses	149,043	148,466	169,387	164,530	157,718
EBITDA	18,492	15,522	9,440	17,634	14,913
EBIT	5,101	2,444	513	9,738	6,995
Net earnings (loss) earnings for the period	2,651	(2,513)	(1,896)	6,269	4,615
EBITDA ratio	11.0%	9.5%	5.3%	9.7%	8.6%
EBIT ratio	3.0%	1.5%	0.3%	5.3%	4.1%
<b>BALANCE SHEET</b>	<b>30.06.2019</b>	<b>31.03.2019</b>	<b>31.12.2018</b>	<b>30.09.2018</b>	<b>30.06.2018</b>
Assets	527,021	519,068	486,296	487,944	477,105
Equity	232,856	233,301	238,926	242,538	237,086
Liabilities	294,165	285,767	247,370	245,406	240,019
Interest-bearing debt	197,734	194,537	159,593	152,219	150,347
Net debt	170,761	167,853	137,652	132,889	128,830
Equity ratio	44.2%	44.9%	49.1%	49.7%	49.7%
<b>CASH FLOW</b>	<b>Q2 2019</b>	<b>Q1 2019</b>	<b>Q4 2018</b>	<b>Q3 2018</b>	<b>Q2 2018</b>
Net cash from operating activities	22,537	15,394	8,375	10,647	8,019
Net cash used in investing activities	(12,290)	(7,865)	(13,683)	(13,467)	(10,914)
Net cash (used in) provided by financing activities	(8,756)	(3,189)	7,522	708	1,869
Cash and cash equivalents at the end of the period	26,973	26,684	21,941	19,330	21,517

## 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 63 offices in 20 countries in four continents, operates 18 vessels and has about 1,800 employees.

## INVESTOR MEETING 30 AUGUST 2019

Investors and market participants are invited to a meeting on Friday 30 August 2019 at 8:30 a.m. at Eimskip's headquarters in Korngardar 2 in Reykjavík. Vilhelm Thorsteinsson, CEO will present the company's financial results for the second quarter of 2019. Investor presentation 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 Interim Consolidated Financial Statements for the second quarter of 2019 at its meeting on 29 August 2019.

## FINANCIAL CALENDAR

- Q2 2019: Published 29 August 2019
- Q3 2019: Published 21 November 2019
- Q4 2019: Published 27 February 2020
- Annual General Meeting: 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.