

Eimskip: Results for the year 2019

Highlights of the year 2019 results

- **Revenue amounted to EUR 679.6 million, a decrease of EUR 9.6 million or 1.4% when compared with the year 2018.**
 - Revenues e.g. affected by lower volume in container liner, especially import to Iceland.
- **Expenses amounted to EUR 630.2 million (excluding IFRS 16), a decrease of EUR 9.7 million where salary expenses decreased by EUR 5.9 million or 4.3%.**
- **EBITDA amounted to EUR 60.5 million or EUR 49.4 million (excluding IFRS 16) compared to EUR 49.2 million last year.**
- **Net earnings amounted to EUR 1.0 million, compared to EUR 7.4 million for the year 2018.**
 - A one-off tax expense in the amount of EUR 3.4 million and an impairment expense of EUR 2.6 million due to sale of vessels negatively affected the results. Normalized earnings therefore EUR 7.0 million in line with 2018.
- **Total CAPEX for the period amounted to EUR 38.9 million compared to EUR 47.4 million 2018. Planned investments in 2019 amounting to EUR 36 million delayed to 2020, mostly due to delay in delivery of the two new vessels.**
- **Net cash from operating activities increased and amounted to EUR 51.3 million compared to EUR 29.0 million for the year 2018.**
- **Total equity amounted to EUR 230.9 million, an equity ratio of 44.0%, affected by IFRS 16, compared to 49.1% at year-end 2018.**
 - Dividend amounting EUR 4.7 million was paid in the year and a share buy-back programs were initiated. Shares amounting to EUR 5.0 million market value had been purchased at year-end.
- **Leverage ratio was 3.0 at the end of 2019, compared to 2.80 at the end of 2018. That is in the higher end of target leverage ratio.**
- **The Board of Directors will propose to the Annual General Meeting that no dividend will be distributed for the year 2019.**
- **The Board of Directors will also propose to the Annual General Meeting to reduce share capital equaling distribution to shareholders amounting to approximately EUR 12.5 million in payout.**
- **EBITDA guidance for 2020 in the range of EUR 51-58 million.**

Highlights of Q4 2019 results

- **Revenue amounted to EUR 175.5 million, a decrease of EUR 3.3 million or 1.8% when compared with the same quarter in 2018.**
 - Transported volume in liner services decreased by 13.2% mainly affected by lower level of import to Iceland and lower exports due to less catch around Iceland in the quarter.
 - Volume in forwarding services decreased by 3.9% however profitability increased compared to last year due to improved margins and streamlining measures.
- **EBITDA amounted to EUR 11.2 million in the fourth quarter 2019 or EUR 7.9 million (excluding IFRS 16) compared to EUR 9.4 million in the same quarter last year.**
- **Net loss in Q4 amounted to EUR 6.4 million, compared to 1.9 million in the same quarter last year, a decrease of EUR 4.5 million.**
- **Net cash from operating activities amounted to EUR 16.9 million compared to EUR 8.4 million in the same quarter of 2018.**

VILHELM MÁR THORSTEINSSON, CEO

“The year 2019 was characterized by lower import levels to Iceland which decreased by 10.7%, in line with Statistics Iceland total import numbers. Furthermore, no capelin season and lower catch around Iceland for the last quarter of the year had considerable impact on export volumes from Iceland. However, I am pleased to see that our efforts and commitment in various improvement and streamlining measures positively impacted results and will continue to realize in 2020. This is in line with the current journey to streamline and focus on core operations.

Our operations in Norway improved throughout the year and the Trans-Atlantic service grew by double digit numbers. Results of the forwarding operation increased between years despite lower volumes.

Salary expenses decreased by EUR 5.9 million year on year, mostly due to decrease in FTE's as a result of business integration.

Although our net earnings are low at EUR 1 million, main reasons being one-off impairment expenses related to sale of five vessels and one-off tax expense in Q1 2019, we are very pleased with significant increase in cashflow from operation between years.

We introduced a new container sailing system in October and managed to reduce number of container vessels by one. We were able to increase service and reliability in the system as well as lower fixed operating cost. At the end of the year Eimskip divested five vessels and took important steps in renewal of the container vessel fleet and alignment of the reefer vessel fleet to current operation. Eimskip publishes today its ESG report for the year 2019, now for the first time parallel to the publishing of the financial statements for the year. Eimskip's carbon footprint, as measured by CO₂ emission per ton of transported cargo, has decreased by 14.2% since 2015 exceeding our goal and I am sure that we are offering the most environmentally friendly solution in transport to and from Iceland.

Our new vessels that are being built in China, which are specially designed to reduce environmental impact, are now expected to be delivered in Q2 and Q3. We look forward to starting the co-operation with Royal Arctic Line which is now expected to commence after delivery of the first vessel in Q2.

In August we shared our intention to sell the subsidiary Sæferdir ehf. After initiating a sales process, there was an interest in the company however prolonged discussions did not lead to sale. We have now decided to discontinue the process and continue to run an excellent ferry service in Breidafjördur.

The EBITDA guidance for the year 2020 is in the range of EUR 51-58 million excluding IFRS 16 effect. This wide range is mainly explained by uncertainty regarding economic development in Iceland, global market condition and the development of the COVID-19 outbreak.

Finally, I would like to thank our dedicated employees for their hard work in the past year and our customers and business partners for valuable co-operation."

KEY FIGURES

Amounts are in thousands of EUR

CONSOLIDATED INCOME STATEMENT	Q4 2019	Q4 2018	Change	%	2019	2018	Change	%
Revenue	175,549	178,827	(3,278)	(1.8%)	679,594	689,154	(9,560)	(1.4%)
Expenses	164,363	169,387	(5,024)	(3.0%)	619,045	639,916	(20,871)	(3.3%)
Operating profit - EBITDA	11,186	9,440	1,746	18.5%	60,549	49,238	11,311	23.0%
Depreciation and amortization	(14,505)	(8,927)	(5,578)	62.5%	(47,027)	(32,548)	(14,479)	44.5%
Results from operating activities - EBIT	(3,319)	513	(3,832)	-	13,522	16,690	(3,168)	(19.0%)
Net finance expense	(1,979)	(1,577)	(402)	25.5%	(4,787)	(4,923)	136	(2.8%)
Share of loss of equity accounted investees	(294)	(568)	274	-	(377)	(1,753)	1,376	-
Net earnings before income tax	(5,592)	(1,632)	(3,960)	242.6%	8,358	10,014	(1,656)	(16.5%)
Income tax	(857)	(264)	(593)	-	(7,351)	(2,612)	(4,739)	-
Net (loss) earnings for the year	(6,449)	(1,896)	(4,553)	240.1%	1,007	7,402	(6,395)	(86.4%)
Earnings (loss) per share in EUR	0.0346	(0.0110)			0.0041	0.0378		
Revenue change	(1.8%)	1.7%			(1.4%)	3.8%		
EBITDA ratio	6.4%	5.3%			8.9%	7.1%		
EBIT ratio	(1.9%)	0.3%			2.0%	2.4%		
Net debt / LTM-EBITDA	3.03	2.80			3.03	2.80		
LTM Return on Equity	0.4%	3.1%			0.4%	5.0%		
IFRS 16 adjusted:								
Expenses	167,631	169,387	(1,756)	(1.0%)	630,242	639,916	(9,674)	(1.5%)
EBITDA	7,918	9,440	(1,522)	(16.1%)	49,352	49,238	114	0.2%
Depreciation	(11,753)	(8,927)	(2,826)	31.7%	(36,876)	(32,548)	(4,328)	13.3%
EBIT	(3,835)	513	(4,348)	(847.6%)	12,476	16,690	(4,214)	(25.2%)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31.12.2019	31.12.2018	Change	%	31.12.2019	31.12.2018	Change	%
Assets	524,514	486,296	38,218	7.9%	524,514	486,296	38,218	7.9%
Non-current assets	355,712	335,172	20,540	6.1%	355,712	335,172	20,540	6.1%
Current assets	168,802	151,124	17,678	11.7%	168,802	151,124	17,678	11.7%
Equity	230,868	238,926	(8,058)	(3.4%)	230,868	238,926	(8,058)	(3.4%)
Liabilities	293,646	247,370	46,276	18.7%	293,646	247,370	46,276	18.7%
Non-current liabilities	191,927	140,753	51,174	36.4%	191,927	140,753	51,174	36.4%
Current liabilities	101,719	106,617	(4,898)	(4.6%)	101,719	106,617	(4,898)	(4.6%)
Interest-bearing debt	204,263	159,593	44,670	28.0%	204,263	159,593	44,670	28.0%
Net debt	183,526	137,652	45,874	33.3%	183,526	137,652	45,874	33.3%
Tangible assets / Total assets	87.4%	86.0%			87.4%	86.0%		
Equity ratio	44.0%	49.1%			44.0%	49.1%		
CONSOLIDATED STATEMENT OF CASH FLOWS	Q4 2019	Q4 2018	Change	%	2019	2018	Change	%
Net cash from operating activities	16,903	8,375	8,528	101.8%	51,302	29,029	22,273	76.7%
Net cash used in investing activities	(5,827)	(13,683)	7,856	(57.4%)	(36,551)	(51,905)	15,354	(29.6%)
Net cash (used in) provided by financing activities	(8,903)	7,522	(16,425)	-	(15,599)	20,631	(36,230)	-
Changes in cash and cash equivalents	2,173	2,214	(41)	(1.9%)	(848)	(2,245)	1,397	(62.2%)
Cash and cash equivalents at the beginning of the period /year	18,673	19,330	(657)	(3.4%)	21,941	23,169	(1,228)	(5.3%)
Effects of exchange rate fluctuations on cash held	(109)	397	(506)	-	(356)	1,017	(1,373)	-
Cash and cash equivalents at the end of the year	20,737	21,941	(1,204)	(5.5%)	20,737	21,941	(1,204)	(5.5%)

OPERATIONS IN 2019

Eimskip's revenue for the year 2019 amounted to EUR 679.6 million compared to EUR 689.2 million for the year 2018, a decrease of EUR 9.5 million or 1.4%. Volume in liner services decreased by 4.9% were import volume to Iceland decreased by 10.7%. Export from Iceland had a fairly good year despite no capelin season and adverse development in November and December were low catch around Iceland lead to less export between years. Volume in Trans-Atlantic services grew by double digit numbers. Volume in forwarding services decreased by 7.0% mainly due to lower dry cargo in Asia however profitability exceeded same period last year due to increased margins and streamlining measures.

Operating expenses amounted to EUR 619.0 million compared to EUR 639.9 million in the previous year, or a decrease of EUR 20.9 million. Operating expenses amounted to EUR 630.2 million excluding the effect of IFRS 16, or a decrease of 1.5% from the previous year. IFRS 16 accounting method was changed in Q4 where OPEX components are now identified and excluded from vessel charter liability. As a result, IFRS 16 affect is less than

previously reported and have quarters statements been restated accordingly. Salaries and related expenses decreased by EUR 5.9 million or 4.3% between years.

EBITDA for the year 2019 amounted to EUR 60.5 million compared to EUR 49.2 million in the previous year. EBITDA amounted to 49.4 million excluding the effect of IFRS 16. Various operational improvements had positive effect on the results however it was offset by lower import levels to Iceland.

The depreciation and amortization for the year amounted to EUR 47.0 million compared to EUR 32.5 million in the previous year. Excluding the effect of IFRS 16, depreciation and amortization amounted to EUR 36.9 million, or an increase of EUR 8.5 million. Due to a sale of vessels in Q4 2019, which were delivered in January and February 2020, an impairment was expensed under depreciation amounting to EUR 2.6 million at year end.

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. The Company has referred this case to the Icelandic courts.

Net earnings amounted to EUR 1.0 million compared to EUR 7.4 million in 2018. Profit would otherwise have amounted to EUR 7.0 million for the year 2019 excluding the one-off tax expense and impairment of sold vessels.

BALANCE SHEET

Total assets at the end of the year amounted to EUR 524.5 million compared to EUR 486.3 million at year-end 2018. Total non-current assets amounted to EUR 355.7 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 44.5 million which mainly consists of operating lease agreements of e.g. vessels, land and buildings.

Total current assets amounted to EUR 168.8 million at the end of the year compared to EUR 151.1 million at the end of 2018. Cash and cash equivalents amounted to EUR 20.7 million compared to EUR 21.9 at year-end 2018. Trade and other receivables increased from EUR 124.1 million at year end 2018 to EUR 127,9 million at the end of the year 2019. Vessels held for sale amounting to EUR 14.9 million are classified as current asset at year end.

Equity amounted to EUR 230.9 million at the end of the quarter, or a decrease of EUR 8.1 million attributable to a dividend amounting ISK 653.2 million, or approximately EUR 4.7 million paid in April, and the share buy-back programs where the Company purchased EUR 5.0 millions of treasury shares in Q2 to Q4. The equity ratio was 44.0% compared to the equity ratio of 49.1% at year-end 2018. The equity ratio was 47.2% excluding the effect of IFRS 16.

Interest-bearing debt amounted to EUR 204.3 million at end of fourth 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 168,5 million.

Current liabilities amounted to EUR 101.7 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 51.3 million for the year 2019 compared to EUR 29.0 million in the same period 2018. Net cash from operating activities amounted to EUR 41,1 million excluding the effect of IFRS 16.

Net cash used for investing activities amounted to EUR 36.5 million compared to EUR 51.9 million in the same period in 2018. Total capital expenditure (CAPEX) was EUR 38.9 million, there of maintenance CAPEX EUR 16.3

million. The largest investments were in new Gantry crane in Sundahöfn terminal and related investments in the terminal area and in installments to the new vessel buildings in China.

Net cash used in financing activities was EUR 15.6 million compared to EUR 20.6 million provided by financing activities in the year 2018.

Cash and cash equivalents at the end of the year 2019 amounted to EUR 20.7 million compared to EUR 21.9 million at year end 2018.

OUTLOOK FOR THE YEAR 2020

EBITDA guidance for 2020 is in the range of EUR 51-58 million.

The Icelandic economy has been slowing down and import volumes are expected to remain at somewhat lower levels. Export from Iceland and the Faroe Islands is expected to be somewhat stronger than in 2019. A further positive realization of the new container sailing system that was introduced in October 2019 is expected, especially once the co-operation with Royal Arctic Line commences. Further growth is planned in the Trans-Atlantic services that grew by double digit numbers in 2019. Some improvements in the international forwarding services are also expected. However, uncertainty in global markets and the outbreak of COVID-19 may negatively affect results.

Newly introduced organizational changes will have a positive effect on the results of the year but cost related to FTE reduction will be expensed in Q1.

The last few years have been characterized by extensive external growth but in 2019 the focus shifted towards increased profitability in current operations which will continue in 2020.

Number of external factors can affect the outlook for 2020 including 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.

The Company has a continuance until 15 March 2020 to submit objections to statement of objections I from the Icelandic Competition Authority, and a continuance to submit objections to statement of objections II until 15 May 2020.

SHAREHOLDERS

Eimskip's market capitalization was EUR 195.7 million or ISK 27.3 billion at the end of trading on 27 February 2020.

Closing price at year end 2019 was ISK 189.5 per share and the average closing price for the year 2019 was ISK 183.9 per share. The closing price on 27 February 2019 was ISK 150.0 per share, a decrease of 18.7% from the beginning of the year.

The total number of shares is 187,000,000, thereof 181,771,456 shares are outstanding and 5,228,544 are treasury shares. There were 664 shareholders at year end 2019 and they were 672 on 27 February 2020.

A share buy-back program was initiated in Q2 and Q4. A total of 4,867,774 shares were purchased for a market value amounting to ISK 910 million or EUR 6.6 million. The shares are classified as treasury shares.

KEY FIGURES BY QUARTER

Amounts are in thousands of EUR

OPERATING RESULTS	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Revenue	175,549	172,522	167,535	163,988	178,827
Expenses	164,363	152,210	151,706	150,766	169,387
EBITDA	11,186	20,312	15,829	13,222	9,440
EBIT	(3,319)	9,248	5,124	2,469	513
Net (loss) earnings earnings for the period	(6,449)	7,203	2,754	2,501	(1,896)
EBITDA ratio	6.4%	11.8%	9.4%	8.1%	5.3%
EBIT ratio	(1.9%)	5.4%	3.1%	1.5%	0.3%
BALANCE SHEET	31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018
Assets	524,514	522,507	520,227	513,751	486,296
Equity	230,868	233,119	232,972	233,314	238,926
Liabilities	293,646	289,388	287,255	280,437	247,370
Interest-bearing debt	204,263	201,941	190,824	189,207	159,593
Net debt	183,526	183,268	170,761	167,853	137,652
Equity ratio	44.0%	44.6%	44.8%	45.4%	49.1%
CASH FLOW	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Net cash from operating activities	16,903	1,406	19,872	13,121	8,375
Net cash used in investing activities	(5,827)	(10,569)	(12,290)	(7,865)	(13,683)
Net cash (used in) provided by financing activities	(8,903)	311	(6,091)	(916)	7,522
Cash and cash equivalents at the end of the year	20,737	18,673	26,973	26,684	21,941

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 56 offices in 18 countries in four continents, operates 17 vessels and has 1,770 employees.

INVESTOR MEETING 28 FEBRUARY 2020

Investors and market participants are invited to a meeting on Friday 28 February 2020 at 8:30 a.m. at Eimskip's headquarters in Korngardar 2 in Reykjavík. Vilhelm Már Thorsteinsson, CEO will present the company's financial results for the year 2019. The meeting will be webcasted live in Icelandic at www.eimskip.com/investors. Investor presentation and a recording of the meeting (in Icelandic) will be available on the company's investor relations website, 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 year 2019 at its meeting on 27 February 2020.

FINANCIAL CALENDAR

- Q4 2019: Published 27 February 2020
- Annual General Meeting: 27 March 2020
- Q1 2020: Published 19 May 2020
- Q2 2020: Published 27 August 2020
- Q3 2020: Published 19. November 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.