

## Operating results in Q1 exceed expectations

### Highlights of Q1 2019 results

- **Revenue amounted to EUR 164.0 million, an increase of EUR 8.5 million or 5.4% when compared with the same quarter in 2018**
  - Transported volume in liner services increased by 4.6% driven by a 9.0% increase in container liner services and revenue increased by EUR 5.1 million, or 5%.
  - Volume growth in forwarding services was 1.0% with a meaningful growth of 8.7% in reefer forwarding volume. Revenue increased by EUR 3.4 million, or 6.2%.
- **Salary cost and related expenses fell between years, whereas other operating expenses increased by 5.3%**
  - Salary cost and related expenses amounted to EUR 32.7 million compared to EUR 33.7 million in the same quarter last year, which is a decrease of 3%. An average of 1,800 employees worked for the company during this period compared to about 1,860 employees in the same period last year. The number of employees at year-end was 1,821.
  - Other operating expenses amounted to EUR 115.8 million. Other operating expenses amounted to EUR 120.6 million (excluding IFRS 16), compared to EUR 114.5 million in the same quarter last year, an increase of 6.1 million or 5.3%.
- **EBITDA amounted to EUR 15.5 million in the first quarter of 2019 or EUR 10.6 million (excluding IFRS 16) compared to EUR 7.3 million in the same quarter last year, an increase of 47%**
  - The increase in EBITDA between years can mostly be attributed to improved results from operations in Norway, continued growth in our Trans-Atlantic services, positive growth in our reefer services, successful domestic operations and finally the streamlining and integration measures are starting to pay off.
- **Investments for the period amounted to EUR 8.6 million, of which new investments amounted to EUR 4.8 million. Investments during the same period in the previous year amounted to EUR 13.1 million and new investments amounted to EUR 6.4 million**
- **Net cash at the end of the period amounted to EUR 26.7 million, compared to EUR 21.9 million at the end of 2018, or an increase of EUR 4.8 million**
- **Net loss for the period amounted to EUR 2.5 million, compared to 1.6 million in the same quarter 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 0.9 million.
- **Total assets amounted to EUR 519.1 million and equity amounted to EUR 233.3 million**
  - The equity ratio was 44.9% in the first quarter of 2019. Equity ratio was 48.1% (excluding the effect of IFRS 16), compared to 49.3% in the same quarter of 2018.
- **Leverage ratio was 2.92 in the first quarter of 2019 or 2.55 (excluding the impact of IFRS 16), compared to 2.80 at the end of 2018, a positive development between periods**

### VILHELM MÁR ÞORSTEINSSON, CEO

"Eimskips' performance exceeded expectations in the first quarter of 2019 and EBITDA for the period was the highest first quarter EBITDA since 2009. Revenue and volume increased in our transportation network between quarters and we were pleased to see a 9% increase in our container liner system.

Results improved in the company's operations in Norway, despite less transportation volume which can be attributed to various factors, including lower operating costs as the company reduced the fleet by two vessels. Our Trans-Atlantic services experienced continued growth. The company replaced a vessel with a larger one on the company's North America shipping route, to respond to increased demand. Our international reefer forwarding services also experienced growth after a disappointing result last year. Our domestic operations in Iceland performed well and finally we have started to see positive effects of streamlining and integration projects, carried out in the past few months. After a period of external acquisitive growth in recent years the company is now

focusing on improving current operation, by integrating work and project processes between units in the company's operations, in order to achieve increased profitability.

The company experienced losses after tax during the period, despite improved operating results largely due to a one-off tax expensed in the amount of EUR 3.4 million as the company lost its appeal to the Internal Revenue Board. The appeal queried the payment of income tax on foreign subsidiaries and the taxation of the parent company in Iceland according to so-called Controlled Foreign Corporation (CFC) regulations. The ruling is a great disappointment to the company and further impacts the competitive position of Icelandic merchant shipping parent companies as it is at odds with the merchant shipping framework in other countries.

We are pleased to have received the formal approval of the Competition Authority in Iceland for our collaboration with Royal Arctic Line, which has been under preparation for several years. The partnership will provide new possibilities for a more efficient sailing system as well as new transport routes and weekly sailings to and from Greenland. This creates opportunities for Eimskips' customers interested in increasing their business with Greenland. Two new 2,150 TEU container vessels are being built in China as part of the cooperation and delivery is expected by the end of the year. The new vessels are an important factor in updating the company's fleet with more environmentally friendly and fuel efficient vessels.

Our management team and employees will continue to focus on improving current operation in order to achieve increased profitability.

## KEY FIGURES

Amounts are in thousands of EUR

CONSOLIDATED INCOME STATEMENT	Q1 2019			Q1 2018	Change	%	12M 2018
	As reported	Impact of IFRS 16	Excluding IFRS16				
Revenue	163,988		163,988	155,532	8,456	5.4%	689,154
Expenses	148,466	4,890	153,356	148,281	185	0.1%	639,916
<b>Operating profit - EBITDA</b>	<b>15,522</b>	<b>4,890</b>	<b>10,632</b>	<b>7,251</b>	<b>8,271</b>	<b>114.1%</b>	<b>49,238</b>
Depreciation and amortization	(13,078)	(4,691)	(8,387)	(7,807)	(5,271)	67.5%	(32,548)
<b>Results from operating activities - EBIT</b>	<b>2,444</b>	<b>199</b>	<b>2,245</b>	<b>(556)</b>	<b>3,000</b>	-	<b>16,690</b>
Net finance expense income	(1,298)	187	(1,111)	(1,114)	(184)	16.5%	(4,923)
Share of loss of equity accounted investees	(84)		(84)	(670)	586	-	(1,753)
<b>Net earnings (loss) before income tax</b>	<b>1,062</b>	<b>(12)</b>	<b>1,050</b>	<b>(2,340)</b>	<b>3,402</b>	-	<b>10,014</b>
Income tax	(3,575)	2	(3,573)	754	(4,329)	-	(2,612)
<b>Net (loss) earnings for the period</b>	<b>(2,513)</b>	<b>(10)</b>	<b>(2,523)</b>	<b>(1,586)</b>	<b>(927)</b>	-	<b>7,402</b>
(Loss) earnings per share in EUR	(0.0138)		(0.0136)	(0.0087)			0.0378
Revenue change	5.4%		5.4%	8.4%			3.8%
EBITDA ratio	9.5%		6.5%	4.7%			7.1%
EBIT ratio	1.5%		1.4%	(0.4%)			2.4%
Net debt / LTM-EBITDA	2.92		2.55	2.10			2.80
LTM Return on Equity	2.8%		2.8%	6.4%			3.1%
	31.3.2019						
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	As reported	Impact of IFRS 16	Excluding IFRS16	31.03.2018	Change	%	31.12.2018
<b>Assets</b>	<b>519,068</b>	<b>(33,612)</b>	<b>485,456</b>	<b>468,781</b>	<b>50,287</b>	<b>10.7%</b>	<b>486,296</b>
Non-current assets	366,833	(33,612)	333,221	321,701	45,132	14.0%	335,172
Current assets	152,235		152,235	147,080	5,155	3.5%	151,124
<b>Equity</b>	<b>233,301</b>	<b>(10)</b>	<b>233,291</b>	<b>231,016</b>	<b>2,285</b>	<b>1.0%</b>	<b>238,926</b>
<b>Liabilities</b>	<b>285,767</b>	<b>(33,602)</b>	<b>252,165</b>	<b>237,765</b>	<b>48,002</b>	<b>20.2%</b>	<b>247,370</b>
Non-current liabilities	165,785	(23,591)	142,194	128,179	37,606	29.3%	140,753
Current liabilities	119,982	(10,011)	109,971	109,586	10,396	9.5%	106,617
Interest-bearing debt	194,537	(33,602)	160,935	137,410	57,127	41.6%	159,593
Net debt	167,853	(33,602)	134,251	115,796	52,057	45.0%	137,652
Tangible assets / Total assets	87.0%		87.0%	85.9%			86.0%
Equity ratio	44.9%		48.1%	49.3%			49.1%
	Q1 2019						
CONSOLIDATED STATEMENT OF CASH FLOWS	As reported	Impact of IFRS 16	Excluding IFRS16	Q1 2018	Change	%	12M 2018
Net cash from operating activities	15,394	(4,359)	11,035	1,988	13,406	674.3%	29,029
Net cash used in investing activities	(7,865)		(7,865)	(13,841)	5,976	(43.2%)	(51,905)
Net cash (used in) provided by financing activities	(3,189)	4,359	1,170	10,532	(13,721)	(130.3%)	20,631
<b>Changes in cash and cash equivalents</b>	<b>4,340</b>		<b>4,340</b>	<b>(1,321)</b>	<b>5,661</b>	-	<b>(2,245)</b>
Cash and cash equivalents at the beginning of the period	21,941		21,941	23,169	(1,228)	(5.3%)	23,169
Effects of exchange rate fluctuations on cash held	403		403	(234)	637	-	1,017
<b>Cash and cash equivalents at the end of the period</b>	<b>26,684</b>		<b>26,684</b>	<b>21,614</b>	<b>5,070</b>	<b>23.5%</b>	<b>21,941</b>
	Q1 2019						
VOLUME	Q1 2019			Q1 2018	Breyting	%	12M 2018
Liner services ('000 Ton)	506.8			484.7	22.1	4.6%	2,081.0
Forwarding services ('000 TEU)	50.6			50.2	0.4	0.8%	226.8

## OPERATIONS IN Q1 2019

Eimskip's revenue for the first quarter 2019 amounted to EUR 164.0 million compared to EUR 155.5 million in same period 2018, an increase of EUR 8.5 million or 5.4%. Transported volume in liner services increased by 4.6% driven by a 9.0% increase in container liner services, especially in the Trans-Atlantic and Faroese trade. There was a 23% decrease in reefer volume in Norway but the company decreased the number of vessels in operation by two and is currently operating five reefer vessels. Volume growth in forwarding services was 1.0%.

An 8.7% growth in reefer forwarding volume was offset by a 16.7% decrease in dry cargo volume due to discontinued specialized services in China in the second half of 2018.

Operating expenses amounted to EUR 148.5 million compared to EUR 148.3 million in the previous year, or an increase of EUR 0.2 million. Eimskip adopted the new accounting standard, IFRS 16 on operating lease agreements at the beginning of January, 2019. Operating expenses amounted to EUR 153.4 million excluding the effect of IFRS 16, or an increase of 3.4% from the previous year. Salaries and related expenses decreased by EUR 1.0 million or 3.0%.

EBITDA in first quarter 2019 amounted to EUR 15.5 million compared to EUR 7.3 million in the previous year, or an increase of EUR 8.2 million. EBITDA amounted 10.6 million excluding the effect of IFRS 16, or an increase of EUR 3.3 million from same period 2018. The increase in EBITDA can mainly be attributed to improved operations in Norway, continued volume growth in Trans-Atlantic and Faroese trade, positive developments in reefer forwarding services, increased activity in Iceland domestic operations. Streamlining and organizational changes have also had a positive effect.

Depreciation and amortization for the first quarter of 2019 amounted to EUR 13.1 million compared to EUR 7.8 million in the previous year. Depreciation and amortization amounted to EUR 8.4 million excluding the effect of IFRS 16, or an increase of EUR 0.6 million.

A one-off tax payment 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 loss amounted to EUR 2.5 million compared to EUR 1.6 million in the same period in 2018. Profit would otherwise have amounted to EUR 0.9 million in the first quarter excluding the one-off tax expense.

## **BALANCE SHEET**

Total assets at the end of first quarter amounted to EUR 519.1 million compared to EUR 486.3 million at year-end 2018. Total non-current assets amounted to EUR 366.8 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 33.6 million.

Total current assets amounted to EUR 152.2 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 26.7 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 120.3 million at the end of the quarter.

Equity amounted to EUR 233.3 million at the end of the quarter, or a decrease of EUR 5.6 million attributable to a dividend amounting ISK 653.2 million, or approx. EUR 4.8 million payable in April. The equity ratio was 44.9% compared to the equity ratio of 49.1% at year-end 2018. The equity ratio is 48.1% excluding the effect of IFRS 16.

Interest-bearing debt amounted to EUR 194.5 million at end of first quarter 2019 and increased from EUR 159.6 million at end of 2018. Excluding the effect of IFRS 16 lease liabilities, interest-bearing debt where EUR 160.9 million. The company has secured long-term financing in the amount of EUR 8.3 million to replace a current finance lease liability due at end of second quarter 2019. Long-term financing in the amount of EUR 47 million related to investment in two new vessels has also been secured.

Current liabilities amounted to EUR 120.0 million at the end of the period compared to EUR 106.6 million at the end of 2018. The increase between years is mainly attributable to current portion of IFRS 16 lease liabilities and an unpaid dividend.

## **CASH FLOWS AND INVESTMENTS**

Net cash from operating activities was EUR 15.4 million in the first quarter of 2019 compared to EUR 2.0 million in the first quarter of 2018. Net cash from operating activities amounted to EUR 11.0 million excluding the effect of IFRS 16, which is a considerable increase between years.

Net cash used for investing activities amounted to EUR 7.9 million compared to EUR 13.8 million in the same period in 2018. Total capital expenditure (CAPEX) was EUR 8.6 million, there of maintenance CAPEX EUR 3.7 million. The largest investments were in new gantry crane in Sundahöfn terminal and related investments in the terminal area.

Net cash used in financing activities was EUR 3.2 million compared to EUR 10.5 million provided by financing activities in the same period in 2018.

Cash and cash equivalents at end of the quarter 2019 amounted to EUR 26.7 million compared to EUR 21.9 million at year end 2018.

## **OUTLOOK FOR THE YEAR 2019**

Guidance for the year 2019 is EBITDA in the range of EUR 51-57 million.

The outlook for liner services to and from Iceland in 2019 is favorable even though the zero capelin quota affects export volumes. The Icelandic economy is slowing down, which can negatively affect import volume and particularly impacting the import of vehicles and equipment. However, there is less uncertainty with regard to labor union negotiations and collective agreements. Continued growth is expected in our Trans-Atlantic services, which performed well in the latter part of 2018 and experienced continued growth in the first quarter of 2019. We expect a continued operational improvements in our reefer liner services in Norway, despite a challenging operational environment. We also expect improved results from the international forwarding services in 2019.

Organizational changes were made at the beginning of the year with the aim of improving operations and increasing long-term profitability. Further integration and streamlining measures were implemented in Iceland at the end of April with results to be materialize in coming quarters. The last few years have been characterized by extensive external growth but now focus is on increasing profitability in current operations.

Investment 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 harbor area. Cash flow from operations and new loans will provide the funding need for these infrastructure projects.

Number of factors could affect the global economic outlook for 2019, including Brexit, trade tensions, transport volume, transport costs and oil prices. Country and sector specific factors such as interest rates, exchange rates and competition could also affect the outlook.

## **SHAREHOLDERS**

Eimskip's market capitalization was EUR 248.5 million or ISK 34.4 billion at the end of trading on 23 May 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 23 May 2019 was ISK 184.0 per share, a decrease of 19,3% from the beginning of the year.

The total number of shares is 187,000,000, thereof 186,639,230 shares are outstanding and 360,770 are treasury shares. There were 703 shareholders at year end 2018 and they were 691 on 23 May 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.

## KEY FIGURES BY QUARTER

Amounts are in thousands of EUR

OPERATING RESULTS	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Revenue	163,988	178,827	182,164	172,631	155,532
Expenses	148,466	169,387	164,530	157,718	148,281
EBITDA	15,522	9,440	17,634	14,913	7,251
EBIT	2,444	513	9,738	6,995	(556)
Net (loss) earnings for the period	(2,513)	(1,896)	6,269	4,615	(1,586)
EBITDA ratio	9.5%	5.3%	9.7%	8.6%	4.7%
EBIT ratio	1.5%	0.3%	5.3%	4.1%	(0.4%)
BALANCE SHEET	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018
Assets	519,068	486,296	487,944	477,105	468,781
Equity	233,301	238,926	242,538	237,086	231,016
Liabilities	285,767	247,370	245,406	240,019	237,765
Interest-bearing debt	194,537	159,593	152,219	150,347	137,410
Net debt	167,853	137,652	132,889	128,830	115,796
Equity ratio	44.9%	49.1%	49.7%	49.7%	49.3%
CASH FLOW	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net cash from operating activities	15,394	8,375	10,647	8,019	1,988
Net cash used in investing activities	(7,865)	(13,683)	(13,467)	(10,914)	(13,841)
Net cash (used in) provided by financing activities	(3,189)	7,522	708	1,869	10,532
Cash and cash equivalents at the end of the period	26,684	21,941	19,330	21,517	21,614

## 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 obligations, but the Company will not submit its arguments to statement of objections 1 until statement of objections 2 has been received. The Company does not have information on when that will happen. 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 63 offices in 20 countries in four continents, operates 19 vessels and has about 1,800 employees.

## **INVESTOR MEETING 24 MAY 2019**

Investors and market participants are invited to a meeting on Friday 24 May 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 first 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 first quarter of 2019 at its meeting on 23 May 2019.

## **FINANCIAL CALENDAR**

- 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: 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.