

## EBITDA IN THE THIRD QUARTER DECREASED BY 8.6%

- **Revenue EUR 182.2 million, up by EUR 8.3 million or 4.8% from Q3 2017**
  - Volume in liner services up 3.9% driven by 6.2% growth in container liner
  - Volume in forwarding services up 5.5% driven by 36.5% growth in dry cargo
- **EBITDA EUR 17.6 million, down by EUR 1.7 million from Q3 2017**
- **Net earnings EUR 6.3 million compared to EUR 8.8 million in Q3 2017**
- **Equity ratio 49.7% and net debt EUR 132.9 million at the end of September 2018**
- **The EBITDA guidance for the year 2018 is EUR 49 to 53 million**

Amounts are in thousands of EUR

CONSOLIDATED INCOME STATEMENT	Q3 2018	Q3 2017	Change	%	9M 2018	9M 2017	Change	%
Revenue	182,164	173,868	8,296	4.8%	510,327	488,090	22,237	4.6%
Expenses	164,530	154,581	9,949	6.4%	470,529	442,790	27,739	6.3%
<b>Operating profit - EBITDA</b>	<b>17,634</b>	<b>19,287</b>	<b>(1,653)</b>	<b>(8.6%)</b>	<b>39,798</b>	<b>45,300</b>	<b>(5,502)</b>	<b>(12.1%)</b>
Depreciation and amortization	(7,896)	(7,561)	(335)	4.4%	(23,621)	(22,417)	(1,204)	5.4%
<b>Results from operating activities - EBIT</b>	<b>9,738</b>	<b>11,726</b>	<b>(1,988)</b>	<b>(17.0%)</b>	<b>16,177</b>	<b>22,883</b>	<b>(6,706)</b>	<b>(29.3%)</b>
Net finance expense income	(1,331)	(1,650)	319	(19.3%)	(3,346)	(5,996)	2,650	(44.2%)
Share of loss of equity accounted investees	(170)	(20)	(150)	-	(1,185)	(193)	(992)	-
<b>Net earnings before income tax</b>	<b>8,237</b>	<b>10,056</b>	<b>(1,819)</b>	<b>(18.1%)</b>	<b>11,646</b>	<b>16,694</b>	<b>(5,048)</b>	<b>(30.2%)</b>
Income tax	(1,968)	(1,264)	(704)	55.7%	(2,348)	(2,775)	427	(15.4%)
<b>Net earnings for the period</b>	<b>6,269</b>	<b>8,792</b>	<b>(2,523)</b>	<b>(28.7%)</b>	<b>9,298</b>	<b>13,919</b>	<b>(4,621)</b>	<b>(33.2%)</b>
Earnings per share in EUR	0.0328	0.0462			0.0483	0.0733		
Revenue change	4.8%	29.7%			4.6%	30.7%		
EBITDA ratio	9.7%	11.1%			7.8%	9.3%		
EBIT ratio	5.3%	6.7%			3.2%	4.7%		
Net debt / LTM-EBITDA	2.57	1.60			2.57	1.60		
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	30.09.2018	30.09.2017	Change	%	30.09.2018	31.12.2017	Change	%
<b>Assets</b>	<b>487,944</b>	<b>445,663</b>	<b>42,281</b>	<b>9.5%</b>	<b>487,944</b>	<b>459,515</b>	<b>28,429</b>	<b>6.2%</b>
Non-current assets	332,808	294,461	38,347	13.0%	332,808	313,529	19,279	6.1%
Current assets	155,136	151,202	3,934	2.6%	155,136	145,986	9,150	6.3%
<b>Equity</b>	<b>242,538</b>	<b>242,703</b>	<b>(165)</b>	<b>(0.1%)</b>	<b>242,538</b>	<b>244,610</b>	<b>(2,072)</b>	<b>(0.8%)</b>
<b>Liabilities</b>	<b>245,406</b>	<b>202,960</b>	<b>42,446</b>	<b>20.9%</b>	<b>245,406</b>	<b>214,905</b>	<b>30,501</b>	<b>14.2%</b>
Non-current liabilities	132,217	101,586	30,631	30.2%	132,217	117,614	14,603	12.4%
Current liabilities	113,189	101,374	11,815	11.7%	113,189	97,291	15,898	16.3%
Interest-bearing debt	152,219	112,960	39,259	34.8%	152,219	125,984	26,235	20.8%
<b>Net debt</b>	<b>132,889</b>	<b>88,415</b>	<b>44,474</b>	<b>50.3%</b>	<b>132,889</b>	<b>102,815</b>	<b>30,074</b>	<b>29.3%</b>
Tangible assets / Total assets	85.9%	85.8%			85.9%	85.4%		
Equity ratio	49.7%	54.5%			49.7%	53.2%		
CONSOLIDATED STATEMENT OF CASH FLOWS	Q3 2018	Q3 2017	Change	%	9M 2018	9M 2017	Change	%
Net cash from operating activities	10,647	7,669	2,978	38.8%	20,654	26,824	(6,170)	(23.0%)
Net cash used in investing activities	(13,467)	(9,965)	(3,502)	35.1%	(38,222)	(50,016)	11,794	(23.6%)
Net cash provided by (used in) financing activities	708	(9,382)	10,090	-	13,109	9,169	3,940	43.0%
<b>Changes in cash and cash equivalents</b>	<b>(2,112)</b>	<b>(11,678)</b>	<b>9,566</b>	<b>(81.9%)</b>	<b>(4,459)</b>	<b>(14,023)</b>	<b>9,564</b>	<b>(68.2%)</b>
Cash and cash equivalents at the beginning of the period	21,517	36,608	(15,091)	(41.2%)	23,169	39,543	(16,374)	(41.4%)
Effects of exchange rate fluctuations on cash held	(75)	(385)	310	-	620	(975)	1,595	-
<b>Cash and cash equivalents at the end of the period</b>	<b>19,330</b>	<b>24,545</b>	<b>(5,215)</b>	<b>(21.2%)</b>	<b>19,330</b>	<b>24,545</b>	<b>(5,215)</b>	<b>(21.2%)</b>

## **GYLFI SIGFÚSSON, PRESIDENT AND CEO**

“The third quarter 2018 was the company’s largest quarter in terms of revenue since 2009, however the EBITDA results for third quarter 2018 are below our expectations. The main reasons for lower EBITDA in the quarter relate to EUR 1.7 million lower results in the operation in Norway as transported volume decreased and breakdown of reefer vessels had a negative impact on the results. In addition, the results from the freight forwarding segment was EUR 1.4 million lower compared to previous year.

There are four main reasons for the decrease in EBITDA in the first nine months 2018. Firstly, it relates to lower results in Norway as previously stated. Secondly, at the end of last year the company added on a third vessel on its North American route, to fulfill the weekly service goal to support the Trans-Atlantic and Short-Sea trade. The growth in volume and revenues realized much slower than we anticipated but in recent weeks, we have seen increased bookings and we anticipate seeing the growth turning into positive margins. We are also putting more focus on sales in the Trans-Atlantic and Short-Sea trade. Thirdly, the trade tension and the consolidation of the big shipping lines is affecting our freight forwarding business. In addition, the company faced a loss of agency services for a shipping line in Europe, which negatively affected the third quarter results. Going forward, we expect freight forwarding to gain strength and the turbulence around the mergers and consolidation with the deep-sea lines is getting back to normal. Finally, a decrease in imports of vehicles and equipment to Iceland has negatively affected our results but exports from Iceland has been growing.

The company expects to realize gains from a number of short-term initiatives to improve the operation and its profitability going forward. We have off-hired one vessel in Norway and we are evaluating a restructuring of the vessel fleet and adapting the business to changes in the Norwegian market. We are working on fine-tuning the container sailing system, with more favorable terminal contracts. We are also working on lowering both our container cost and charter agreements for vessels. Reduction in salary cost is under evaluation, through more automation and back-office setup and through further lay-offs. We are implementing a new platform for our freight forwarding business that will connect our offices through the same system, which will increase operational and sales synergies between the offices. The emphasis of proactive sales in the Trans-Atlantic and Short-Sea business is an ongoing task.

It is positive to see the volume growth in the third quarter in Eimskip’s liner segment, driven by 6.2% growth in container liner volume in relation to the Trans-Atlantic trade and exports from Iceland.

The forwarding sector has been going through some difficulties that relates to turbulence around the mergers of the big shipping lines and their alliances. Forwarding has also been affected by the trade tensions in most of the markets but still the volume growth is around 5.5% mainly driven by dry cargo.

The new building program of the two specialized 2,150 TEUs container vessels is proceeding with estimated delivery in the second half of 2019. The Icelandic Competition Authority is evaluating the intended co-operation with Royal Arctic Line.

The EBITDA guidance for the year 2018 was changed on 26 September and is EUR 49 to 53 million.”

## THIRD QUARTER OPERATIONS

Eimskip's revenue amounted to EUR 182.2 million in the third quarter 2018 compared to EUR 173.9 million in the same period last year, up EUR 8.3 million or 4.8%. Transported volume in the liner services grew 3.9%, driven by 6.2% growth in container liner volume in relation to Trans-Atlantic trade, Iceland and the Faroe Islands but Norway decreased by 13.1%. Liner services revenue amounted to EUR 116.5 million, up 3.9% from last year. Transported volume in the forwarding services grew 5.5%, mainly driven by 36.5% growth in dry forwarding but reefer forwarding decreased by 5.2%. Forwarding revenues amounted to EUR 65.7 million, a growth of 6.4% from last year.

Total expenses in the third quarter were EUR 164.5 million compared to EUR 154.6 million in the same quarter last year, up by EUR 9.9 million or 6.4%. The liner services expenses amounted to EUR 99.0 million, up by 4.5%. The increase is explained by expansion of capacity in the sailing system and higher fuel cost. Also higher salary cost, related to general wage and activity increase. There were challenges in the Norway operation in the quarter, with breakdown of vessels which negatively affected the operation. Forwarding services expenses were EUR 65.5 million, up 9.5%, which is mainly explained by growing transport volumes and higher freight rates from the deep-sea lines.

EBITDA for the quarter amounted to EUR 17.6 million compared to EUR 19.3 million in the third quarter last year, a decrease of EUR 1.7 million or 8.6%. EBITDA from the company's liner services was EUR 13.6 million in the quarter compared to EUR 13.8 million in the third quarter last year, down by EUR 0.2 million or 1.5%. The results from the Norway operation decreased by EUR 1.7 million in the third quarter compared with previous year due to lower transported volume and breakdown of reefer vessels. On the other hand, the domestic operation in Iceland and exports from Iceland has been going well. EBITDA from the company's forwarding services was EUR 4.1 million, compared to EUR 5.5 million in the third quarter last year, a decrease of 26.2%. The decrease relates to contraction in reefer forwarding and the company faced a loss of agency services for a shipping line in Europe, which negatively affected the third quarter results, among others due to lay-offs of employees.

Depreciation and amortization amounted to EUR 7.9 million, up by EUR 0.3 million or 4.4% compared to the previous year, but in line with recent quarters.

Net finance expense amounted to EUR 1.3 million in the third quarter compared to net finance expense in the amount of EUR 1.7 million in the same period last year.

Net earnings for the third quarter amounted to EUR 6.3 million compared to EUR 8.8 million for the same period 2017, down EUR 2.5 million.

## NINE MONTHS OPERATIONS

- **Revenue EUR 510.3 million, up by EUR 22.2 million or 4.6% from 9M 2017**
  - Volume in liner services up 3.6% driven by 6.0% growth in container liner
  - Volume in forwarding services up 8.6% driven by 43.0% growth in dry cargo
- **EBITDA EUR 39.8 million, down by EUR 5.5 million or 12.1% from 9M 2017**
- **Net earnings EUR 9.3 million, down by EUR 4.6 million or 33.2% from 9M 2017**

Eimskip's revenue for the first nine months 2018 amounted to EUR 510.3 million compared to EUR 488.1 million in the same period last year, up by EUR 22.2 million or 4.6%. Transported volume in the liner services grew 3.6%, driven by 6.0% growth in container liner volume in relation to Trans-Atlantic trade, Iceland and the Faroe Islands

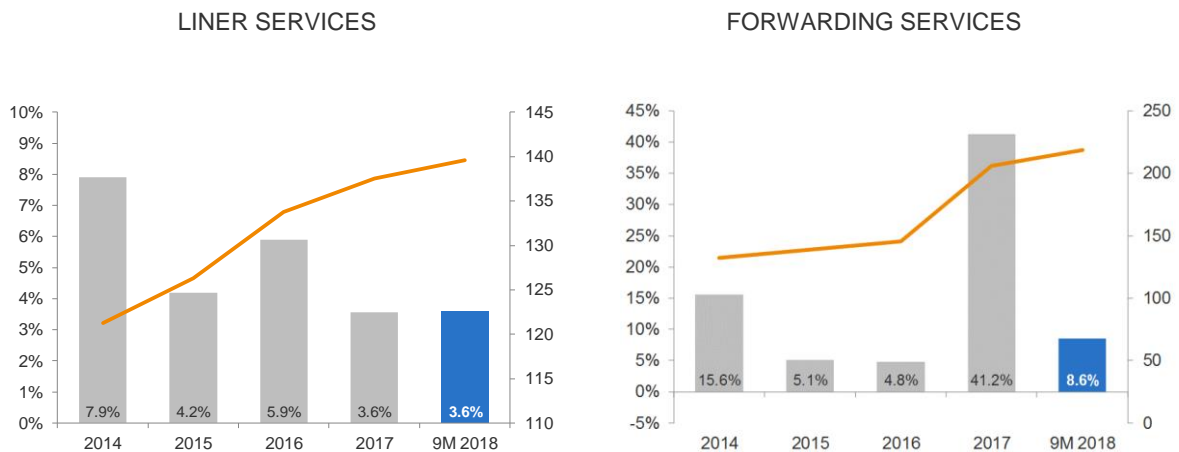
but volume in Norway decreased by 11.9%. Volume growth in the forwarding services was 8.6%, driven by 43% growth in dry cargo but reefer cargo decreased by 1.8%.

Total expenses of the company were EUR 470.5 million compared to EUR 442.8 million in the same period last year, up by EUR 27.7 million or 6.3%. The expense increase is explained by the expansion of capacity in the sailing system, higher fuel cost, , general wage and activity increase, growing transport volumes, higher freight rates from the deep sea lines and breakdown of reefer vessels.

EBITDA for the period amounted to EUR 39.8 million compared to EUR 45.3 million for the first nine months last year, down by EUR 5.5 million or 12.1%. The main reasons for lower EBITDA results relate to increased capacity of the sailing system in relation to Trans-Atlantic and Short-Sea services, lower results from the Norway operation and contraction in reefer forwarding. On the other hand, the operation in Faroe Islands has been doing well and the same goes for Iceland, except for lower imports to Iceland of cars and equipment.

Net earnings for the first nine months amounted to EUR 9.3 million compared to EUR 13.9 million for the same period last year, down EUR 4.6 million.

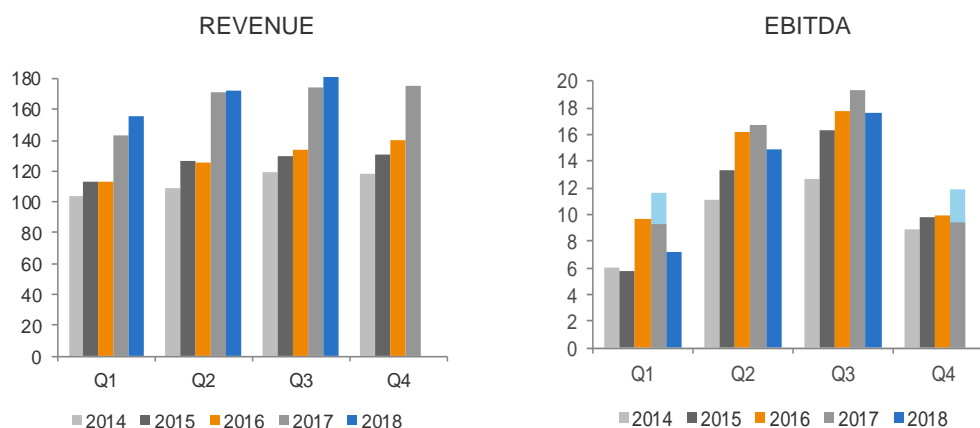
The following graphs show that transported volume for the first nine months in the company’s liner and forwarding services has been gradually increasing 2014 to 2018 compared to the same period the year before. The volume index on the right axis is based on the 2010 volume as 100.



Eimskip operates 21 vessels, of which twelve are owned and nine are chartered. Fourteen of the vessels are in scheduled services, three are in spot services, one is used for bulk cargo and three are in ferry operation.

The company's operations have been growing during the past years as can be seen in the following graphs showing how revenues and EBITDA are divided to quarters from 2014 to 2018.

EUR million



\* Add-back of EUR 2.3 million non-recurring items in Q1 2017 and EUR 2.5 million non-recurring revenue item in Q4 2017

## BALANCE SHEET

- **Total assets at the end of September EUR 487.9 million**
- **Equity ratio 49.7%**
- **Interest-bearing debt EUR 152.2 million**
- **Net debt EUR 132.9 million**

Total non-current assets amounted to EUR 332.8 million at the end of September 2018 compared to EUR 313.5 million at year-end 2017. Net investments in fixed and intangible assets amounted to EUR 31.2 million compared to EUR 43.4 million in the first nine months 2017.

Total current assets amounted to EUR 155.1 million at the end of September 2018 compared to EUR 146.0 million at the end of 2017. Cash and cash equivalents amounted to EUR 19.3 million at the end of September 2018 compared to EUR 23.2 million at year-end 2017. Trade and other receivables increased from EUR 118.9 million at year-end 2017 to EUR 131.2 million at the end of September due to seasonal fluctuations.

Equity amounted to EUR 242.5 million at the end of September 2018 and the equity ratio was 49.7% compared to 53.2% at year-end 2017. Dividend in the amount of ISK 1,269.1 million, equal to EUR 10.4 million, was paid to shareholders in April 2018.

Current liabilities amounted to EUR 113.2 million at the end of the third quarter 2018 compared to EUR 97.3 million at the end of 2017. The increase is mainly explained by changes in loans and borrowings payable.-

Interest-bearing debt amounted to EUR 152.2 million at the end of September 2018 and grew from EUR 126.0 million at the end of 2017. At the end of September the company had a short-term credit facility with Íslandsbanki in the amount of EUR 85.0 million. The company has now secured refinancing of the credit facility with long term loan facilities from Íslandsbanki and Landsbanki on favorable terms. Net debt amounted to EUR 132.9 million compared to EUR 102.8 million at year-end 2017.

## CASH FLOWS AND INVESTMENTS

- **Net cash from operating activities EUR 20.7 million in the first nine months 2018**
- **Net cash used in investing activities EUR 38.2 million**
- **Cash and cash equivalents EUR 19.3 million at the end of September**

Net cash from operating activities was EUR 20.7 million in the first nine months of 2018 compared to EUR 26.8 million in the same period last year.

Net cash used in investing activities for first nine months amounted to EUR 38.2 million compared to EUR 50.0 million in the same period 2017. Total capital expenditure was EUR 34.2 million, including maintenance CAPEX of EUR 23.5 million. The largest investments were in containers, docking of vessels and terminal equipment for Húsavík and Sundahöfn.

Net cash provided by financing activities in the first nine months amounted to EUR 13.1 million compared to EUR 9.2 million last year. The change is mainly explained by an increase in net borrowings.

Cash and cash equivalents at the end of September amounted to EUR 19.3 million compared to EUR 23.2 million at year-end 2017.

## EBITDA GUIDANCE AND OUTLOOK FOR 2018

- **The EBITDA guidance for the year 2018 is EUR 49 to 53 million**

Exports from Iceland are expected to be solid for the remainder of the year. The volume in Trans-Atlantic and Short-Sea is expected to grow 40% year-on-year. Volume growth in the Faroe Islands is estimated to be stable while volume in Norway is expected to decrease from previous year. Competition will remain strong in the market area, especially in the company's North Atlantic liner operation.

Reefer forwarding has experienced a contraction during the year and tension in the markets is expected to continue, however looking forward the prospects are positive.

The company is working on various initiatives, which will improve the operation and its profitability, e.g. off-hire of one vessel in Norway, lowering of operational container cost and reduction in charter rates, reduction in salary cost, fine-tuning of the sailing system, increased synergies between offices and other measures.

There is general uncertainty regarding geopolitical risk, trade tension, global economic conditions, volumes, freight rates, bunker prices, rate of exchange and competition

## SHAREHOLDERS

- **Eimskip's market capitalization EUR 278.2 million on 20 November 2018**

The year-end 2017 closing price of Eimskip's shares was ISK 250.50 per share. The closing price on 20 November 2018 was ISK 209.50 per share, representing Eimskip's market capitalization based on outstanding shares in the amount of ISK 39.2 billion that day, the equivalent of EUR 278.2 million. The total number of shares is 187,000,000, thereof 360,770 shares are in treasury. At the end of September 2018 there were 764 shareholders.

## KEY FIGURES BY QUARTER

Amounts are in thousands of EUR

OPERATING RESULTS	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Revenue	182,164	172,631	155,532	175,884	173,868
Expenses	164,530	157,718	148,281	163,986	154,581
EBITDA	17,634	14,913	7,251	11,898	19,287
EBIT	9,738	6,995	(556)	4,167	11,726
Net earnings (loss) for the period	6,269	4,615	(1,586)	2,885	8,792
EBITDA ratio	9.7%	8.6%	4.7%	6.8%	11.1%
EBIT ratio	5.3%	4.1%	(0.4%)	2.4%	6.7%
BALANCE SHEET	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017
Assets	487,944	477,105	468,781	459,515	445,663
Equity	242,538	237,086	231,016	244,610	242,703
Liabilities	245,406	240,019	237,765	214,905	202,960
Interest-bearing debt	152,219	150,347	137,410	125,984	112,960
Net debt	132,889	128,830	115,796	102,815	88,415
Equity ratio	49.7%	49.7%	49.3%	53.2%	54.5%
CASH FLOW	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Net cash from operating activities	10,647	8,019	1,988	10,596	7,669
Net cash used in investing activities	(13,467)	(10,914)	(13,841)	(25,123)	(9,965)
Net cash provided by (used in) financing activities	708	1,869	10,532	13,412	(9,382)
Cash and cash equivalents at the end of the period	19,330	21,517	21,614	23,169	24,545

## 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. 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, operates 21 vessels and has about 1,800 employees.

## INVESTOR MEETING 21 NOVEMBER 2018

Investors and market participants are invited to a meeting on Wednesday 21 November 2018 at 8:30 a.m. at Eimskip's headquarters in Korngardar 2 in Reykjavík. Gylfi Sigfússon, President and CEO, and Hilmar Pétur Valgardsson CFO will present the company's financial results for the third quarter and the first nine months 2018. 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 Condensed Consolidated Interim Financial Statements for the period 1 January to 30 September 2018 at its meeting on 20 November 2018.

## FINANCIAL CALENDAR

Below is the financial calendar for 2019. The publishing dates of Q4 2018 and the Annual General Meeting have been changed from previous calendar.

- Q4 2018: Published 28 February 2019
- 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.