

Performance in first 9M in line with expectations

Highlights of Q3 2019 results

- **Revenue amounted to EUR 172.5 million, a decrease of EUR 9.6 million or 5.3% when compared with the same quarter in 2018**
 - Transported volume in liner services decreased by 5.1% affected by lower level of import to Iceland and lower export volume during July and August in Iceland and the Faroe Islands. The decline was partially offset by strong growth in Trans-Atlantic.
 - Volume in forwarding services decreased by 10.3% however profitability increased compared to last year due to improved margins and streamlining measures.
- **Salary cost and related expenses decreased by 5.3% between years, whereas other operating expenses decreased by 6.0% excluding IFRS 16.**
- **EBITDA amounted to EUR 22.7 million in the third quarter or EUR 17.7 million (excluding IFRS 16) compared to EUR 17.6 million in the same quarter last year.**
 - EBITDA in the quarter was in line with expectations.
- **Net earnings in Q3 amounted to EUR 7.1 million, compared to 6.3 million in the same quarter last year an increase of EUR 0.8 million.**
- **Net cash from operating activities (IFRS 16 adjusted) decreased and amounted to EUR -1.7 million compared to EUR 10.6 million in the same quarter of 2018 mainly due to seasonal changes in working capital.**

Highlights of 9M results

- **Revenue amounted to EUR 504.0 million, a decrease of EUR 6.3 million or 1.2% when compared with the same period in 2018.**
 - Revenues e.g. affected by lower volume in container liner and decrease in international freight rates.
- **EBITDA amounted to EUR 56.7 million or EUR 41.4 million (excluding IFRS 16) compared to EUR 39.8 million in the same period last year, an increase of 4.1%.**
- **Net earnings amounted to EUR 7.2 million, compared to EUR 9.3 million in the same period of 2018.**
 - A one-off tax expense in the amount of EUR 3.4 million negatively affected the results. Normalized earnings therefore EUR 10.6 million or EUR 1.3 million higher than last year.
- **Total CAPEX for the period amounted to EUR 32.7 million compared to EUR 34.2 million in 9M 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 (IFRS 16 adjusted) increased and amounted to EUR 26.7 million compared to EUR 20.7 million in the same period of 2018.**
- **Total equity amounted to EUR 237.1 million, an equity ratio of 45.1%. Equity ratio was 48.0% (excluding the effect of 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 program was initiated and completed amounting to EUR 3.6 million market value.
- **Leverage ratio was 2.6 at the end of third quarter, compared to 2.80 at the end of 2018, a positive development between periods.**
- **Target long-term capital structure and a three-year target CAPEX plan introduced.**
- **EBITDA guidance for 2019 narrowed to the range of EUR 52-55 million.**

VILHELM MÁR THORSTEINSSON, CEO

"I am satisfied with the overall performance in the third quarter and first nine months of the year which was in line with expectations despite lower import levels to Iceland. I am pleased to see that EBITDA and net profit of our forwarding operations increased between years although volume declined as a result of discontinued business and trade tension.

International operations are performing in line with expectations. Our operations in Norway continued to improve after various streamlining measures earlier this year and the Trans-Atlantic service has been growing by double digit numbers in 2019 which has positively affected e.g. the North America operation. In Q3 a decision was made to close down our Eimskip office in Belgium and integrate part of the operation into the Eimskip Rotterdam office. This measure will result in reduction of 11 FTE's. A one-off redundancy payment will be expensed in Q4 but an annual operational improvement of EUR 0.3-0.4 million is expected as a result of this initiative going forward. Our office in Murmansk was closed in Q3 and responsibility of the area moved to Sortland in Norway. Furthermore, in 2019 we have merged or consolidated few other offices into single locations. This is in line with the current journey to streamline and focus on core operations.

Container liner services continue to be affected by lower import volume levels to Iceland due to the cool down of the Icelandic economy. Export was slow during the summer, both from Iceland and the Faroe Islands but picked up in late August. Overall, the volume to and from Faroe Islands has been on track year to date.

I am pleased to see Domestic Iceland performing well although affected by lower import levels and challenging environment.

Streamlining and integration projects are paying off as can be seen in lower cost e.g. in head office functions and operations in general. Salary expenses are down by EUR 4.7 million year on year whereof EUR 3.4 million are due to streamlining measures. Total number of FTE's reduced by 55 during the year and are now 1750.

A new container sailing system was introduced in October. With simplified sailing routes and larger vessels, we are able to increase service and reliability in the system as well as lower fixed operating cost. Target net operating cost reduction of the new sailing system, including the cooperation with Royal Arctic Line, is in the range of EUR 7-9 million on an annual basis.

As previously announced the shaft generator of Bruarfoss, one of our newbuildings, was unfortunately damaged during testing. As a result, we see a further delay in the cooperation with Royal Arctic Line and currently it is estimated to start in Q2 2020. We expect the delivery of Dettifoss in Q1 and Bruarfoss in Q3 of 2020. We are currently in discussion with the shipyard in China regarding next steps and compensation for the delay in delivery.

Finally, I would like to mention that we are introducing a target long-term capital structure and a three-year target CAPEX plan. Our aim is to maintain an equity ratio near 40% and to have modest leverage ratio of 2-3x net interest-bearing debt against EBITDA. Our aim is to increase transparency and predictability and increase service to investors and capital market analysts."

KEY FIGURES

Amounts are in thousands of EUR

CONSOLIDATED INCOME STATEMENT	Q3 2019	Q3 2018	Change	%	9M 2019	9M 2018	Change	%
Revenue	172.522	182.164	(9.642)	(5,3%)	504.045	510.327	(6.282)	(1,2%)
Expenses	149.804	164.530	(14.726)	(9,0%)	447.313	470.529	(23.216)	(4,9%)
Operating profit - EBITDA	22.718	17.634	5.084	28,8%	56.732	39.798	16.934	42,5%
Depreciation and amortization	(13.693)	(7.896)	(5.797)	73,4%	(40.162)	(23.621)	(16.541)	70,0%
Results from operating activities - EBIT	9.025	9.738	(713)	(7,3%)	16.570	16.177	393	2,4%
Net finance expense	102	(1.331)	1.433	-	(2.802)	(3.346)	544	(16,3%)
Share of loss of equity accounted investees	(84)	(170)	86	(50,6%)	(83)	(1.185)	1.102	-
Net earnings before income tax	9.043	8.237	806	9,8%	13.685	11.646	2.039	17,5%
Income tax	(1.990)	(1.968)	(22)	-	(6.494)	(2.348)	(4.146)	176,6%
Net earnings for the period	7.053	6.269	784	12,5%	7.191	9.298	(2.107)	(22,7%)
Earnings (loss) per share in EUR	0,0375	0,0328			0,0371	0,0483		
Revenue change	(5,3%)	4,8%			(1,2%)	4,6%		
EBITDA ratio	13,2%	9,7%			11,3%	7,8%		
EBIT ratio	5,2%	5,3%			3,3%	3,2%		
Net debt / LTM-EBITDA	2,57	2,57			2,57	2,57		
LTM Return on Equity	2,2%	5,1%			2,2%	5,0%		
IFRS 16 adjusted:								
Expenses	154.870	164.530	(9.660)	(5,9%)	462.611	470.529	(7.918)	(1,7%)
EBITDA	17.652	17.634	18	0,1%	41.434	39.798	1.636	4,1%
Depreciation	(8.601)	(7.896)	(705)	8,9%	(25.123)	(23.621)	(1.502)	6,4%
EBIT	9.051	9.738	(687)	(7,1%)	16.311	16.177	134	0,8%
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	30.09.2019	30.09.2018	Change	%	30.09.2018	31.12.2018	Change	%
Assets	526.093	487.944	38.149	7,8%	526.093	486.296	39.797	8,2%
Non-current assets	372.137	332.808	39.329	11,8%	372.137	335.172	36.965	11,0%
Current assets	153.956	155.136	(1.180)	(0,8%)	153.956	151.124	2.832	1,9%
Equity	237.100	242.538	(5.438)	(2,2%)	237.100	238.926	(1.826)	(0,8%)
Liabilities	288.993	245.406	43.587	17,8%	288.993	247.370	41.623	16,8%
Non-current liabilities	186.233	132.217	54.016	40,9%	186.233	140.753	45.480	32,3%
Current liabilities	102.760	113.189	(10.429)	(9,2%)	102.760	106.617	(3.857)	(3,6%)
Interest-bearing debt	201.588	152.219	49.369	32,4%	201.588	159.593	41.995	26,3%
Net debt	182.915	132.889	50.026	37,6%	182.915	137.652	45.263	32,9%
Tangible assets / Total assets	87,3%	85,9%			87,3%	86,0%		
Equity ratio	45,1%	49,7%			45,1%	49,1%		
CONSOLIDATED STATEMENT OF CASH FLOWS	Q3 2019	Q3 2018	Change	%	9M 2019	9M 2018	Change	%
Net cash from operating activities	3.935	10.647	(6.712)	(63,0%)	41.866	20.654	21.212	102,7%
Net cash used in investing activities	(10.569)	(13.467)	2.898	(21,5%)	(30.724)	(38.222)	7.498	(19,6%)
Net cash (used in) provided by financing activities	(2.218)	708	(2.926)	-	(14.163)	13.109	(27.272)	-
Changes in cash and cash equivalents	(8.852)	(2.112)	(6.740)	-	(3.021)	(4.459)	1.438	(32,2%)
Cash and cash equivalents at the beginning of the period	26.973	21.517	5.456	25,4%	21.941	23.169	(1.228)	(5,3%)
Effects of exchange rate fluctuations on cash held	552	(75)	627	-	(247)	620	(867)	-
Cash and cash equivalents at the end of the period	18.673	19.330	(657)	(3,4%)	18.673	19.330	(657)	(3,4%)

OPERATIONS IN Q3 2019

Eimskip's revenue for the third quarter 2019 amounted to EUR 172.5 million compared to EUR 182.2 million in same period 2018, a decrease of EUR 9.6 million or 5.3%. Transported volume in liner services decreased by 5.1% affected by lower level of import to Iceland and a slow summer in export which picked up again from end of August. Volume in forwarding services decreased by 10.3% however profitability exceeded same period last year due to increased margins and streamlining measures.

Operating expenses amounted to EUR 149.8 million compared to EUR 164.5 million in the previous year, or a decrease of EUR 14.7 million. Eimskip adopted the new accounting standard, IFRS 16 on operating lease agreements at the beginning of January 2019. Operating expenses amounted to EUR 154.9 million excluding the effect of IFRS 16, or a decrease of 6.0% from the previous year. Salaries and related expenses decreased by EUR 1.8 million or 5.3%.

EBITDA in the third quarter 2019 amounted to EUR 22.7 million or EUR 17.7 million excluding the effect of IFRS 16, compared to EUR 17.6 million in the previous year, an increase of EUR 0.1 million. EBITDA in the quarter was

in line with expectations where decline in volumes were offset by operational improvements and streamlining measures.

Depreciation and amortization for the third quarter of 2019 amounted to EUR 13.7 million compared to EUR 7.9 million in the previous year. Depreciation and amortization amounted to EUR 8.6 million excluding the effect of IFRS 16, or an increase of EUR 0.7 million.

Net earnings amounted to EUR 7.1 million compared to EUR 6.3 million in the same period in 2018.

OPERATIONS IN 9M 2019

Eimskip's revenue for the first nine months 2019 amounted to EUR 504.0 million compared to EUR 510.3 million in same period 2018, a decrease of EUR 6.3 million or 1.2%. Volume in liner services decreased by 1.9% 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 8.1% 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 447.3 million compared to EUR 470.5 million in the previous year, or a decrease of EUR 23.2 million. Operating expenses amounted to EUR 462.6 million excluding the effect of IFRS 16, or a decrease of 1.7% from the previous year. Salaries and related expenses decreased by EUR 4.7 million or 4.5%.

EBITDA for the first nine months 2019 amounted to EUR 56.7 million compared to EUR 39.8 million in the previous year, or an increase of EUR 16.9 million. EBITDA amounted 41.4 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 nine months depreciation and amortization amounted to EUR 40.2 million compared to EUR 23.6 million in the previous year. Excluding the effect of IFRS 16, depreciation and amortization amounted to EUR 25.1 million, or an increase of EUR 1.5 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. The Company has referred this case to the Icelandic courts.

Net earnings amounted to EUR 7.2 million compared to EUR 9.3 million in the same period in 2018. Profit would otherwise have amounted to EUR 10.6 million in the 9M 2019 excluding the one-off tax expense.

BALANCE SHEET

Total assets at the end of third quarter amounted to EUR 526.0 million compared to EUR 486.3 million at year-end 2018. Total non-current assets amounted to EUR 372.1 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 32.1 million which mainly consists of operating lease agreements of e.g. vessels, land and buildings.

Total current assets amounted to EUR 154.0 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 18.7 million compared to EUR 21.9 at year-end. Trade and other receivables increased from EUR 124.1 million at year end 2018 to EUR 129.7 million at the end of the quarter.

Equity amounted to EUR 237.1 million at the end of the quarter, or a decrease of EUR 1.9 million attributable to a dividend amounting ISK 653.2 million, or approximately EUR 4.7 million paid in April, and the share buy-back

program where the Company purchased EUR 3.6 million of treasury shares in Q2 and completed in early Q3. The equity ratio was 45.1% compared to the equity ratio of 49.1% at year-end 2018. The equity ratio is 48.0% excluding the effect of IFRS 16.

Interest-bearing debt amounted to EUR 201.6 million at end of third 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 169.6 million.

Current liabilities amounted to EUR 102.8 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 41.9 million for the first nine months of 2019 compared to EUR 20.7 million in the same period 2018. Net cash from operating activities amounted to EUR 26.7 million excluding the effect of IFRS 16.

Net cash used for investing activities amounted to EUR 30.7 million compared to EUR 38.2 million in the same period in 2018. Total capital expenditure (CAPEX) was EUR 32.7 million, there of maintenance CAPEX EUR 12.1 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 14.2 million compared to EUR 13.1 million provided by financing activities in the same period in 2018.

Cash and cash equivalents at end of 9M 2019 amounted to EUR 18.7 million compared to EUR 21.9 million at year end 2018.

OUTLOOK FOR THE YEAR 2019

EBITDA guidance for 2019 has been narrowed to the range of EUR 52-55 million.

The Icelandic economy has been slowing down and import volumes are expected to remain at lower levels. Export from Iceland and the Faroe Islands, which declined in June and July after strong first five months, started to pick up in late August and is expected to be at similar level as last year for the remainder of the year. A new container sailing system was introduced in October to adjust for the lower volume, especially in import to Iceland, to reduce fixed operating cost and to pave the way for the Royal Arctic Line cooperation. Trans-Atlantic service has been performing very well and outlook for the year remains favorable. Operational improvements are expected to continue in the reefer liner services in Norway compared to last year. Some improvements in the international forwarding services are also expected in the last quarter 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. Integration and streamlining measures that were implemented in Iceland and Rotterdam at the end of April started to materialize in Q3. The last few years have been characterized by extensive external growth but now focus is on increasing profitability in current operations.

Planned investments in 2019 amounting to EUR 36 million in two new vessels is being delayed to Q1 and Q3 2020.

Number of external factors can affect the outlook for 2019 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.

SHAREHOLDERS

Eimskip's market capitalization was EUR 219.4 million or ISK 30.0 billion at the end of trading on 21 November 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 21 November 2019 was ISK 163.0 per share, a decrease of 28.5% 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 676 on 21 November 2019.

A share buy-back program was initiated in Q2 and completed in early Q3. A total of 2,677,309 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

OPERATING RESULTS	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Revenue	172.522	167.535	163.988	178.827	182.164
Expenses	149.804	149.043	148.466	169.387	164.530
EBITDA	22.718	18.492	15.522	9.440	17.634
EBIT	9.025	5.101	2.444	513	9.738
Net earnings (loss) earnings for the period	7.053	2.651	(2.513)	(1.896)	6.269
EBITDA ratio	13,2%	11,0%	9,5%	5,3%	9,7%
EBIT ratio	5,2%	3,0%	1,5%	0,3%	5,3%
BALANCE SHEET	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018
Assets	526.093	527.021	519.068	486.296	487.944
Equity	237.100	232.856	233.301	238.926	242.538
Liabilities	288.993	294.165	285.767	247.370	245.406
Interest-bearing debt	201.588	197.734	194.537	159.593	152.219
Net debt	182.915	170.761	167.853	137.652	132.889
Equity ratio	45,1%	44,2%	44,9%	49,1%	49,7%
CASH FLOW	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net cash from operating activities	3.935	22.537	15.394	8.375	10.647
Net cash used in investing activities	(10.569)	(12.290)	(7.865)	(13.683)	(13.467)
Net cash (used in) provided by financing activities	(2.218)	(8.756)	(3.189)	7.522	708
Cash and cash equivalents at the end of the period	18.673	26.973	26.684	21.941	19.330

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 19 vessels and has 1,750 employees.

INVESTOR MEETING 22 NOVEMBER 2019

Investors and market participants are invited to a meeting on Friday 22 November 2019 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 third quarter of 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 third quarter of 2019 at its meeting on 21 November 2019.

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

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.