

## NET EARNINGS EUR 4.6 MILLION IN Q2 2018

- **Revenue EUR 172.6 million, up by 1.1% from Q2 2017**
  - Volume in liner services up 2.9% driven by increase 6.3% growth in container liner
  - Volume in forwarding services up 10.9% driven by 36.6% growth in dry cargo
- **EBITDA EUR 14.9 million, down by EUR 1.8 million from Q2 2017**
- **Net earnings EUR 4.6 million compared to EUR 4.9 million in Q2 2017**
- **Equity ratio 49.7% and net debt EUR 128.8 million at the end of June**
- **The EBITDA guidance for the year 2018 is unchanged and according to current assumptions the results will be in the lower to mid-range of EUR 57 to 63 million**

Amounts are in thousands of EUR

CONSOLIDATED INCOME STATEMENT	Q2 2018	Q2 2017	Change	%	6M 2018	6M 2017	Change	%
Revenue	172,631	170,722	1,909	1.1%	328,163	314,222	13,941	4.4%
Expenses	157,718	154,019	3,699	2.4%	305,999	288,209	17,790	6.2%
<b>Operating profit - EBITDA</b>	<b>14,913</b>	<b>16,703</b>	<b>(1,790)</b>	<b>(10.7%)</b>	<b>22,164</b>	<b>26,013</b>	<b>(3,849)</b>	<b>(14.8%)</b>
Depreciation and amortization	(7,918)	(7,485)	(433)	(5.8%)	(15,725)	(14,856)	(869)	(5.8%)
<b>Results from operating activities - EBIT</b>	<b>6,995</b>	<b>9,218</b>	<b>(2,223)</b>	<b>24.1%</b>	<b>6,439</b>	<b>11,157</b>	<b>(4,718)</b>	<b>(42.3%)</b>
Net finance expense income	(901)	(2,836)	1,935	68.2%	(2,015)	(4,346)	2,331	(53.6%)
Share of loss of equity accounted investees	(345)	(65)	(280)	-	(1,015)	(173)	(842)	486.7%
<b>Net earnings before income tax</b>	<b>5,749</b>	<b>6,317</b>	<b>(568)</b>	<b>9.0%</b>	<b>3,409</b>	<b>6,638</b>	<b>(3,229)</b>	<b>(48.6%)</b>
Income tax	(1,134)	(1,383)	249	18.0%	(380)	(1,511)	1,131	(74.9%)
<b>Net earnings for the period</b>	<b>4,615</b>	<b>4,934</b>	<b>(319)</b>	<b>6.5%</b>	<b>3,029</b>	<b>5,127</b>	<b>(2,098)</b>	<b>(40.9%)</b>
Earnings per share in EUR	0.0242	0.0253			0.0155	0.0255		
Revenue change	1.1%	35.4%			4.4%	31.3%		
EBITDA ratio	8.6%	9.8%			6.8%	8.3%		
EBIT ratio	4.1%	5.4%			2.0%	3.6%		
Net debt / LTM-EBITDA	2.41	1.45			2.41	1.45		
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	30.06.2018	30.06.2017	Change	%	30.06.2018	31.12.2017	Change	%
<b>Assets</b>	<b>477,105</b>	<b>434,390</b>	<b>42,715</b>	<b>9.8%</b>	<b>477,105</b>	<b>459,515</b>	<b>17,590</b>	<b>3.8%</b>
Non-current assets	325,766	280,665	45,101	16.1%	325,766	313,529	12,237	3.9%
Current assets	151,339	153,725	(2,386)	(1.6%)	151,339	145,986	5,353	3.7%
<b>Equity</b>	<b>237,086</b>	<b>236,706</b>	<b>380</b>	<b>0.2%</b>	<b>237,086</b>	<b>244,610</b>	<b>(7,524)</b>	<b>(3.1%)</b>
<b>Liabilities</b>	<b>240,019</b>	<b>197,684</b>	<b>42,335</b>	<b>21.4%</b>	<b>240,019</b>	<b>214,905</b>	<b>25,114</b>	<b>11.7%</b>
Non-current liabilities	135,344	91,208	44,136	48.4%	135,344	117,614	17,730	15.1%
Current liabilities	104,675	106,476	(1,801)	(1.7%)	104,675	97,291	7,384	7.6%
Interest-bearing debt	150,347	114,376	35,971	31.4%	150,347	125,984	24,363	19.3%
Net debt	128,830	77,768	51,062	65.7%	128,830	102,815	26,015	25.3%
Tangible assets / Total assets	86.1%	86.2%			86.1%	85.4%		
Equity ratio	49.7%	54.5%			49.7%	53.2%		
CONSOLIDATED STATEMENT OF CASH FLOWS	Q2 2018	Q2 2017	Change	%	6M 2018	6M 2017	Change	%
Net cash from operating activities	8,019	11,779	(3,760)	(31.9%)	10,007	19,155	(9,148)	(47.8%)
Net cash used in investing activities	(10,914)	(24,989)	14,075	56.3%	(24,755)	(40,051)	15,296	38.2%
Net cash provided by financing activities	1,869	9,176	(7,307)	79.6%	12,401	18,551	(6,150)	33.2%
<b>Changes in cash and cash equivalents</b>	<b>(1,026)</b>	<b>(4,034)</b>	<b>3,008</b>	<b>74.6%</b>	<b>(2,347)</b>	<b>(2,345)</b>	<b>(2)</b>	<b>(0.1%)</b>
Cash and cash equivalents at the beginning of the period	21,614	41,356	(19,742)	(47.7%)	23,169	39,543	(16,374)	(41.4%)
Effects of exchange rate fluctuations on cash held	929	(714)	1,643	-	695	(590)	1,285	217.8%
<b>Cash and cash equivalents at the end of the period</b>	<b>21,517</b>	<b>36,608</b>	<b>(15,091)</b>	<b>(41.2%)</b>	<b>21,517</b>	<b>36,608</b>	<b>(15,091)</b>	<b>(41.2%)</b>

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

“After a challenging first quarter of the year 2018, the second quarter EBITDA results are more in line with our expectations. The company invested in a new weekly sailing system by adding two vessels to its sailing routes and is therefore going through a transformation period. It takes time and effort to build up volume on the weekly services but we are optimistic about our plans and the outlook for volume bookings are very positive for Iceland import and export, Trans-Atlantic trade and Short-Sea. In the second quarter, volume of cargo for the PCC factory in Húsavík, Iceland started to materialize which strengthens the volume on the Gray route serving the Iceland coastal route. In August, Eimskip secured more volume from UK, through new customers that will contribute volume growth on the Gray route. Trans-Atlantic volume on the Green route between North America and northern Europe and Scandinavia is continuing to build up, with around 44% growth in volume in the second quarter.

Volume in the second quarter of 2018 in Eimskip’s liner segment is in line with our expectations or up 2.9% in comparison with the second quarter 2017, driven by 6.3% growth in container liner volume in relation to Trans-Atlantic trade, Iceland and the Faroe Islands, despite much less car imports to Iceland. Revenues in the liner segment amounted to EUR 115.9 million, a decrease of 1.4% from same period last year, mainly explained by currency exchange rates, a drop in revenues in Norway and lower revenues from car imports to Iceland. EBITDA for the liner services was EUR 10.2 million compared to EUR 11.8 million in the second quarter of 2017.

Volume growth in the second quarter of 2018 in Eimskip’s forwarding segment was 10.9%, mainly driven by 36.6% growth in dry forwarding with revenues amounting to EUR 56.8 million, a growth of 6.6% from last year. EBITDA for the forwarding services was EUR 4.7 million compared to EUR 4.9 million in the second quarter of 2017.

Net finance expense in the second quarter amounted to EUR 0.9 million compared to EUR 2.8 million for the same period last year. The fluctuations in international freight rates, currency and bunker prices are always challenging.

The net earnings for the second quarter 2018 are similar to last years’ second quarter and amounted to EUR 4.6 million compared to EUR 4.9 million for the same period last year.

In August, Eimskip started new port calls in Poland and Lithuania during the mackerel season, responding to market needs. The new building program of the two specialized 2,150 TEUs container vessels is on track for delivery in the middle of the year 2019. The intended co-operation with Royal Arctic Line is being evaluated by the Icelandic Competition Authority. Eimskip acquired a 51% stake in an operating company, Tromsoterminalen AS, in Norway that has plans to develop both a terminal and a larger coldstore operation in Tromsø. Tromsoterminalen is currently operating a 7,000 ton coldstore serving the seafood industry. In the first half of the year, Eimskip opened offices in Copenhagen and Las Palmas expanding its service network.

Volume and revenues from new customers in the liner system are expected to increase the profitability of the company for the remainder of the year. In addition, the company expects to realize gains from a number of short-term initiatives to improve the operation and its profitability, e.g. off-hire of one vessel in Norway, lowering of operational container cost, reduction in salary cost, fine-tuning of the sailing system, increased synergies between offices and other measures. The EBITDA guidance for the year 2018 is unchanged and according to current assumptions the results will be in the lower to mid-range of EUR 57 to 63 million.”

## **SECOND QUARTER OPERATIONS**

Eimskip’s revenue amounted to EUR 172.6 million in the second quarter 2018 compared to EUR 170.7 million in the same period last year, up EUR 1.9 million or 1.1%. Transported volume in the liner services increased by 2.9% compared to second quarter 2017, mainly explained by growth in container liner volume in relation to

Iceland, Faroe Islands and Trans-Atlantic trade. Liner services revenue amounted to EUR 115.9 million compared to EUR 117.5 million last year. Transported volume in the forwarding services increased by 10.9% and the revenue amounted to EUR 56.8 million, up 6.6%. Lower international freight rates and changes in currency exchange rates negatively affected the revenue growth.

Total expenses in the second quarter were EUR 157.7 million compared to EUR 154.0 million in the same quarter last year, up by EUR 3.7 million or 2.4%. The liner services expenses amounted to EUR 100.7 million, compared to EUR 102.2 million last year. Forwarding services expenses were EUR 57.0 million, up 10.2%, which is mainly explained by increased volume.

EBITDA for the quarter amounted to EUR 14.9 million compared to EUR 16.7 million in the second quarter last year, a decrease of 10.7%. The results were affected by additional vessel on the Green route, trade tension in reefer forwarding, currency exchange rates and bunker prices.

EBITDA from the company's liner services was EUR 10.2 million in the quarter compared to EUR 11.8 million in the second quarter last year, down by EUR 1.5 million or 12.9%. EBITDA from the company's forwarding services was EUR 4.7 million, down by EUR 0.3 million or 5.5%.

Depreciation and amortization amounted to EUR 7.9 million, an increase of EUR 0.4 million from previous year, and is mainly explained by higher investments in fixed and intangible assets and new group companies.

Net finance expense amounted to EUR 0.9 million in the second quarter compared to EUR 2.8 million in the same period last year. The difference is mostly explained by currency exchange loss in second quarter 2017.

Net earnings for the second quarter amounted to EUR 4.6 million compared to EUR 4.9 million for the same period 2017, a decrease of 6.5%.

## SIX MONTHS OPERATIONS

- **Revenue EUR 328.2 million, up by EUR 13.9 million or 4.4% from 6M 2017**
  - Volume in liner services up 3.4%; revenue up EUR 6.9 million or 3.3%
  - Volume in forwarding services up 10.5%; revenue up EUR 7.0 million or 6.7%
- **EBITDA EUR 22.2 million, down by EUR 3.8 million or 14.8% from 6M 2017**

Eimskip's revenue for the first six months of 2018 amounted to EUR 328.2 million compared to EUR 314.2 million for the same period last year, up by EUR 13.9 million or 4.4%. Transported volume in the liner services grew 3.4% and volume growth in the forwarding services was 10.5%.

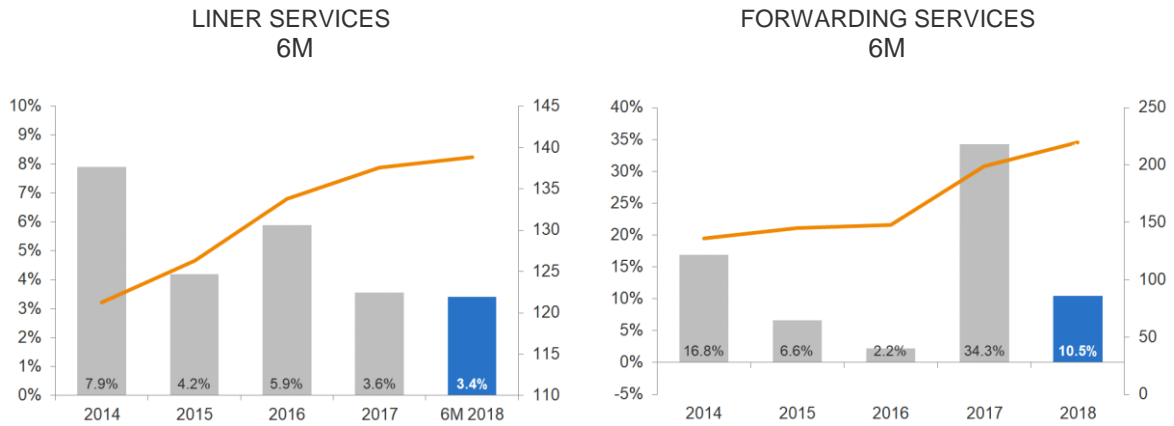
Total expenses of the company were EUR 306.0 million for the first six months of 2018 compared to EUR 288.2 million in the same period last year, up by EUR 17.8 million or 6.2%. The increase in total expenses is explained by expansion of capacity in the sailing system, higher fuel cost, higher salary cost due to general wage and activity increase and volume growth.

EBITDA for the first six months of 2018 amounted to EUR 22.2 million compared to EUR 26.0 million for the first six months last year, a decrease of EUR 3.8 million or 14.8%. EBITDA was affected by addition of vessels on the Green and Gray route, container cost and additionally, the company was hit by trade tension in reefer forwarding, currency exchange rates and bunker prices.

Result of shares in accounted investees was negative of EUR 1.0 million mainly explained by the results of investment fund in container vessels.

Net earnings for the first six months amounted to EUR 3.0 million compared to EUR 5.1 million for the same period last year, down EUR 2.1 million.

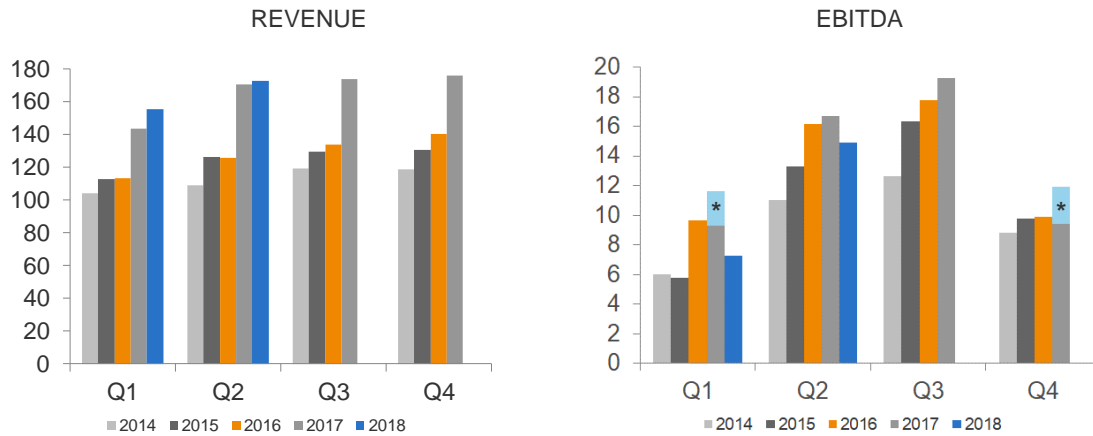
The following graphs show that transported volume for the first six months in the company’s liner and forwarding services has been gradually increasing 2014 to 2018 compared to the same period the year before. The volume index on the right axis is based on the 2010 volume as 100.



Eimskip operates 21 vessels, of which 12 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. Eimskip off-hired one vessel in Norway at the beginning of third quarter 2018.

The company’s operations have been growing during the past years as can be seen in the following graphs.

EUR million



\* Add-back of EUR 2.3 million non-recurring items in Q1 2017

## BALANCE SHEET

- **Total assets EUR 477.1 million at the end of June**
- **Equity ratio 49.7%**
- **Interest-bearing debt EUR 150.3 million**
- **Net debt EUR 128.8 million**

Total non-current assets amounted to EUR 325.8 million at the end of June 2018 compared to EUR 313.5 million at year-end 2017. Net investments in fixed and intangible assets amounted to EUR 21.5 million compared to EUR 24.2 million in the first six months 2017. The largest investments were new containers, terminal equipment for Húsavík and docking of vessels.

Total current assets amounted to EUR 151.3 million at the end of June compared to EUR 146.0 million at the end of 2017. Cash and cash equivalents amounted to EUR 21.5 million at the end of June compared to EUR 23.2 million at year-end 2017. Trade receivables increased from EUR 118.9 million at year-end 2017 to EUR 125.0 million at the end of June due to seasonal fluctuations.

Equity amounted to EUR 237.1 million at the end of June 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.

Interest-bearing debt amounted to EUR 150.3 million at the end of June compared to EUR 126.0 million at the end of 2017. In January, Eimskip made an agreement with Íslandsbanki for an increase and extension of revolving credit facility with an agreed term of 18 months in the amount of EUR 90.0 million. The company has drawn a total of EUR 82.5 million on the credit facility in relation to investment projects. Net debt amounted to EUR 128.8 million compared to EUR 102.8 million at year-end 2017.

Current liabilities amounted to EUR 104.7 million at the end of June 2018 compared to EUR 97.3 million at the end of 2017, mainly explained by increased interest bearing debts.

## CASH FLOWS AND INVESTMENTS

- **Net cash from operating activities EUR 10.0 million in the first six months 2018**
- **Net cash used in investing activities EUR 24.8 million**
- **Cash and cash equivalents EUR 21.5 million at the end of June**

Net cash from operating activities was EUR 10.0 million in the first half of 2018 compared to EUR 19.2 million in the same period last year.

Net cash used in investing activities amounted to EUR 24.8 million compared to EUR 40.0 million in the same period 2017. Total capital expenditure was EUR 24.2 million in the first six months of 2018, including maintenance CAPEX of EUR 15.4 million. The largest investments were in containers, vessel dockings and terminal equipment.

Net cash provided by financing activities amounted to EUR 12.4 million in the first half of 2018 compared to EUR 18.6 million in the first half of last year.

Cash and cash equivalents at the end of June amounted to EUR 21.5 million compared to EUR 23.2 million at the beginning of the year.

## EBITDA GUIDANCE AND OUTLOOK FOR 2018

The EBITDA guidance for the year 2018 is unchanged and according to current assumptions, the results will be in the lower to mid-range of EUR 57 to 63 million.

Volume in the container liner services is expected to continue to grow. A modest volume growth is expected in the Faroe Islands while volume in Norway is expected to decrease from previous year. Trans-Atlantic and Short-Sea volume is expected to grow 40% year on year. Competition will remain strong in the market area, especially in the company's North Atlantic liner operation.

The forwarding operation experienced slow down in reefer volumes in the first quarter but had positive growth during the second quarter. Dry cargo volume continued to be strong as it was in the first quarter.

The company is working on various short-term initiatives that is expected to materialize on the second half of the year which will improve the operation and its profitability, e.g. off-hire of one vessel in Norway, lowering of operational container cost, 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 343.1 million on 30 August 2018**

The year-end 2017 closing price of Eimskip's shares was ISK 250.50 per share. The closing price on 30 August 2018 was ISK 230.00 per share, which is a decrease of 8.2% from year-end 2017 and represents Eimskip's market capitalization based on outstanding shares in the amount of ISK 42.9 billion that day, the equivalent of EUR 343.1 million. The total number of shares is 187,000,000, thereof 360,770 shares are in treasury. At the end of August there were 766 shareholders.

## KEY FIGURES BY QUARTER

Amounts are in thousands of EUR

<b>OPERATING RESULTS</b>	<b>Q2 2018</b>	<b>Q1 2018</b>	<b>Q4 2017</b>	<b>Q3 2017</b>	<b>Q2 2017</b>
Revenue	172,631	155,532	175,884	173,868	170,722
Expenses	157,718	148,281	163,986	154,581	154,019
EBITDA	14,913	7,251	11,898	19,287	16,703
EBIT	6,995	(556)	4,167	11,726	9,218
Net earnings for the period	4,615	(1,586)	2,885	8,792	4,934
EBITDA ratio	8.6%	4.7%	6.8%	11.1%	9.8%
EBIT ratio	4.1%	(0.4%)	2.4%	6.7%	5.4%
<b>BALANCE SHEET</b>	<b>30.06.2018</b>	<b>31.03.2018</b>	<b>31.12.2017</b>	<b>30.09.2017</b>	<b>30.06.2017</b>
Assets	477,105	468,781	459,515	445,663	434,390
Equity	237,086	231,016	244,610	242,703	236,706
Liabilities	240,019	237,765	214,905	202,960	197,684
Interest-bearing debt	150,347	137,410	125,984	112,960	114,376
Net debt	128,830	115,796	102,815	88,415	77,768
Equity ratio	49.7%	49.3%	53.2%	54.5%	54.5%
<b>CASH FLOW</b>	<b>Q2 2018</b>	<b>Q1 2018</b>	<b>Q4 2017</b>	<b>Q3 2017</b>	<b>Q2 2017</b>
Net cash from operating activities	8,019	1,988	10,596	7,669	11,779
Net cash used in investing activities	(10,914)	(13,841)	(25,123)	(9,965)	(24,989)
Net cash provided by (used in) financing activities	1,869	10,532	13,412	(9,382)	9,176
Cash and cash equivalents at the end of the period	21,517	21,614	23,169	24,545	36,608

## 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 providing 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 31 AUGUST 2018

Investors and market participants are invited to a meeting on Friday 31 August 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 second quarter and the first six 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 June 2018 at its meeting on 30 August 2018.

## **FINANCIAL CALENDAR**

- Shareholder meeting: 6 September 2018
- Q3 2018: Published 20 November 2018
- Q4 2018: Published 21 February 2019
- Annual General Meeting 2019: 21 March 2019

## **FURTHER INFORMATION**

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- Hilmar Pétur Valgardsson, CFO, tel.: +354 525 7202
- Hallgrímur Björnsson, Investor Relations, tel.: +354 825 7212, [investors@eimskip.is](mailto:investors@eimskip.is)

## **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.