

EIMSKIP: Results for Q2 2023

HIGHLIGHTS OF QUARTER TWO

- Solid results with most business units performing well, despite a significant change in international market conditions compared to the previous year resulting in an anticipated decrease from the strong results last year.
 - Liner services continue to deliver sound results on back of excellent service and strong business model.
 - Continued strong import to Iceland and robust activity in the Faroe Islands and Norway.
 - Export Iceland on a lower level than last year due to external factors such as significantly less salmon harvesting, less fishing activity and reduced industrial output.
 - Domestic Iceland results below same period last year, mainly due to inflationary pressure and salary increases.
 - Trans-Atlantic rates continued to decrease in the quarter and volume was down by 18% YoY.
- Revenue in the quarter amounted to EUR 209.5 million, a decrease of EUR 73.6 million or 26% when compared with Q2 2022, mainly caused by lower global freight rates.
- Expenses amounted to EUR 175.2 million, a decrease of EUR 63.2 million or 26.5% from last year, mainly driven by a significant decrease in cost of 3rd party services.
- Salary expenses increased by EUR 1.9 million or 5.3% due to increase in FTEs and general wage increases, however partly offset by a positive currency effect of EUR 2.0 million.
- EBITDA in the quarter amounted to EUR 34.3 million and was down by EUR 10.4 million or 23.3%, compared to a record second quarter last year.
- EBIT in the quarter amounted to EUR 19.4 million which is a decrease of EUR 10.4 million or 34.9%.
- Share of profit of affiliates amounted to EUR 3.8 million in the quarter, a marginal increase of EUR 0.2 million from last year.
- Net earnings amounted to EUR 17 million compared to Net earnings of EUR 24.9 million for the same period in 2022.
- Continued good cash flow, with net cash from operating activities amounting to EUR 22.2 million, a decrease of EUR 9.1 million compared with same quarter last year, mainly driven by change in EBITDA.
 - Strong liquidity at the end of the period with a cash position of EUR 46.3 million compared to EUR 36.9 million at end of same quarter last year.
 - A dividend of EUR 22.7 million and share capital reduction of EUR 12.7 million were paid during the quarter.
- Total maintenance CAPEX and new investments on track and in line with plan for the first six months and amounted to EUR 17.1 million compared to EUR 9.5 million for the first six months last year.

HIGHLIGHTS OF 6M 2023 RESULTS

- Revenue amounted to EUR 424.1 million, a decrease of EUR 98.7 million or 18.9% when compared with the same period in 2022.
- Total expenses amounted to EUR 357.9 million, a decrease of EUR 89.7 million compared to expenses for same period last year.
- EBITDA amounted to EUR 66.2 million compared to EBITDA of EUR 75.1 million in the same period last year, a decrease of EUR 9 million. EBIT amounted to EUR 35.2 million compared to EBIT of EUR 44.9 million for the same period last year.
- Net earnings amounted to EUR 29.5 million, compared to Net earnings of EUR 35.4 million in the same period of 2022.

VILHELM MÁR THORSTEINSSON, CEO

“The results in the second quarter are solid, despite an anticipated decrease from previous year, and confirm that the changes that we have made in recent years have been successful. EBITDA amounted to EUR 34.3 million, down from EUR 44.8 million in the same period last year which was a record second quarter. The streamlining measures that were taken in 2019-2020, followed by implementation of agile revenue management, improved our business model and created a basis for sustaining healthy profitability in our extensive operations internationally. On the other hand, in the last twelve months we have experienced a swift change in the global shipping market, where freight rates decreased substantially before stabilizing at current level, after the extraordinary rate increases driven by the supply chain disruptions of the Covid period, mainly affecting our international forwarding operations as well as the Trans-Atlantic liner services. This change in global environment has reduced the overall cost of transportation for our customers which is positive.

Our liner services delivered sound results in the quarter, despite a slight decrease in volume. Import to Iceland has remained strong on back of a robust economy while export volume was on a lower level than last year, due to various external factors such as lower salmon production, less fishing activity and reduced industrial output. We are pleased with the outcome in Faroe Islands where activity has been on a good level for the better part of the year despite reduced output of farmed salmon. Our Trans-Atlantic services were affected by the global market conditions where we saw rates decline sharply and volume decrease from previous year while the US economy cooled down and international shipping lines shifted capacity from Asian trade lanes over to the Trans-Atlantic routes. Eimskip's international forwarding services performed quite well in the quarter, despite an anticipated decrease driven by the change in the global market conditions and there was a slight decrease in volume while margins were on a strong level.

The shipping industry will be included in the EU Emissions Trading System (EU ETS) as of 2024. The purpose and goals of the regulation play an important role when it comes to reducing emissions from the industry. We have been preparing for this regulation for some time now, in order to reduce emissions and mitigate the impact it will inevitably have on cost of transportation. In recent years we have taken various initiatives to reduce emissions from our operations, such as investing in larger and newer vessels which are more fuel-efficient than the older vessels replaced, electrification of harbor cranes, the construction of a shore connection for container vessels in Sundahöfn and adjustments to our sailing system to optimize routes and operations, to name a few. The mitigation measures that we are already working on include further adjustments to the sailing system with the aim of reducing sailed miles and bunker consumption, further slow steaming where possible, increasing port efficiency to shorten berth time and exploring alternative fuel options. If we look further ahead, we aim to reduce emission even further and meet our ambitious Sustainability goals, by invest in new and more fuel-efficient vessels, hopefully running on alternative green fuel.

We firmly believe that the foundation for performance is based on employee satisfaction which is why we put strong emphasis on employee wellness and development, both in our strategy and daily operations. We conduct annual engagement surveys to monitor our employees' engagement, which is one of our most important KPI's. This year's survey was conducted in May and we were pleased with the results which show that our engagement level is not only increasing from previous year, but also that we are doing better on this measure than international companies in similar sectors.

The outlook for coming quarters is generally stable, where a lot of the uncertainty that has characterized the past year has faded out as the global shipping market has stabilized and the economic and geo-political turmoil following the war in Ukraine has somewhat reduced. Our home market in the North-Atlantic is quite robust, where we are experiencing a record tourist season in Iceland, the outlook for the salmon farming industry both in Iceland and Faroe Islands is promising, and we expect our reefer liner services in Norway to pick up in the fall after a traditional slow season during the summer months. The Trans-Atlantic rates have continued to decrease in Q3 which will inevitably affect our revenue in this trade lane, while the volume outlook remains solid thanks to our unique position as the only international carrier with direct services from Europe to Newfoundland and Portland, Maine. There is generally neutral outlook in our international forwarding operations in a market showing signs of stabilization."

INVESTOR MEETING 16 AUGUST 2023

The Board of Directors of Eimskipafélag Íslands hf. approved the Company's Condensed Consolidated Interim Financial Statements for 1 January to 30 June 2023 at its meeting on 15 August 2023. Investors and market participants are invited to a meeting on Wednesday 16 August 2023 at 8:30 a.m. at the Company's headquarters, Sundabakki 2, second floor. The meeting will also be webcasted live in Icelandic at www.eimskip.com/investors. Vilhelm Már Thorsteinsson, CEO and María Björk Einarsdóttir, CFO, will present the Company's financial results for Q2 2023. Investor presentation and a recording of the meeting will be available on the Company's investor relations website.

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.