

Eimskip: Fourth quarter and full year 2023 results

Highlights of Q4 2023 results

- Fair results for fourth quarter, given the challenging global environment.
- Revenue amounted to EUR 201.5 million, a decrease of EUR 54.2 million or 21.2% when compared with Q4 2022.
- Expenses amounted to EUR 178.8 million, a decrease of EUR 38.5 million or 17.7% from previous year.
 - Salary expenses increased by EUR 1.6 million or 4.4% due to general wage increases but currency effect of EUR 1.1 million positively affects the comparison to Q4 2022.
- EBITDA for the quarter amounted to EUR 22.7 million compared to EUR 38.4 million in 2022. EBITDA ratio was 11.3% compared to 15% for the same quarter last year.
- Net earnings amounted to EUR 8.4 million compared to EUR 21.8 million for the same period in 2022.
- Liner services with acceptable performance given traditional seasonality, although the results are marked by transformation in Trans-Atlantic rates compared to the previous year when they were on an elevated level.
- Sound performance of international forwarding, with strong volume and good margins despite significant decrease in both revenue and expenses due to changed market landscape.

Highlights of the year 2023

- Good financial results for the year 2023 despite swift market changes from previous year.
- Revenue amounted to EUR 827.5 million, a decrease of EUR 243.1 million or 22.7% when compared with the year 2022.
- Total expenses amounted to EUR 704.2 million, a decrease of EUR 203.4 million mainly driven by cost of 3rd party services and lower bunker prices.
- EBITDA amounted to EUR 123.4 million compared to EUR 163.1 million in the record year 2022.
- EBIT amounted to EUR 61 million compared to EBIT of EUR 101.5 million in 2022.
- Continued good contribution from the affiliate ElbFeeder due to favorable charter fixtures on its vessels, with Eimskip's share of earnings in 2023 amounting to EUR 13.4 million.
- Net earnings amounted to EUR 54.5 million, compared to EUR 85.3 million in 2022.
- Total maintenance CAPEX in 2023 amounted to EUR 25.4 million, which is in line with the published plan of EUR 26-29 million, compared to EUR 24.2 million in the year before.
- New investments of EUR 17.8 million in 2023 compared to EUR 9.7 million in 2022. The single largest project in 2023 was the construction of a new warehouse, cold storage and headquarters in Faroe Islands, which started in 2022 and will be completed in 2024. The second largest investment in 2023 was an automated container gate in Sundahöfn, a project that started in 2022 and was successfully finalized in Q4 2023.
- Good cash flow from operations and a cash position of EUR 32.5 million at year-end.
- Leverage ratio at 1.43x at year-end compared to 1.01x by end of 2022 while long-term target is 2-3x. Equity ratio 50.4% at year-end compared to a long-term target ratio of around 40%.
- The Board of Directors will propose to the Annual General Meeting, which will be held on 7 March 2024, to pay approximately EUR 25 million in dividend for the year 2023, equivalent to 46% of Net Earnings.
- Container liner delivered good results although Trans-Atlantic market conditions changed dramatically over the course of the year from highly elevated levels.
 - Total liner volume saw slight decrease from previous year, primarily driven by decline in Trans-Atlantic volume while other trade lanes remained on a similar level.
 - Robust import volume to Iceland throughout the year on back of high economic activity and strong focus on customer service.
 - Export volume from Iceland was in line with previous year although below expectations due to lower level of salmon harvesting and industrial production.

- Good contribution from Faroe Islands with strong export volume offsetting decrease in imports due to economic slowdown.
- First signs of decrease in Trans-Atlantic freight rates started to show in the beginning of the year before falling sharply in Q2 and Q3 until levelling off in the last quarter of 2023.
- Trans-Atlantic revenue is the single largest driver behind decrease in EBITDA YoY.
- Norway reefer liner performance subpar compared to previous year with less whitefish quota and changed market dynamics which affected freight rates combined with weak Norwegian Krona against Euro.
- Generally, a good year for international forwarding with overall solid returns despite significant changes in market conditions from previous year.
- Strategic changes to the sailing system were implemented in May alongside preparations for a larger scale change that will be implemented at the end of February 2024.
 - Purpose of the changes is to enhance reliability, save cost and reduce emissions.
 - Response to upcoming environmental regulations, revenue decrease due to market conditions and to meet increased customer demand for environmentally friendly transportation.

VILHELM MÁR THORSTEINSSON, CEO

"At the same time we are pleased with the good financial results for the year 2023 as a whole, the results for the fourth quarter were below our expectations, especially concerning our liner operations. Our liner volume showed resilience with a slight 2% decrease, but the main driver behind lower income was the dramatic change in Trans-Atlantic rates that occurred over the course of 2023. It is important to recall that during 2021 and 2022, global freight rates surged in response to supply chain disruptions resulting from the pandemic. The only international trade lane that remained at an elevated level into 2023 was Trans-Atlantic, but as of Q1, we started to see the rates fall sharply and reach pre-pandemic levels at the end of Q3 before leveling off. This inevitably affected our results significantly in comparison to the record year of 2022 as a large portion of the operating cost of our liner system is not directly correlated to the revenues but based on the assets and infrastructure behind the sailing system.

When we started recognizing the trend of declining freight rates at the beginning of the year, we initiated the design of sailing system changes. The purpose of the changes was clear from the beginning: to save costs, decrease bunker consumption, and reduce carbon emissions while maintaining excellent and reliable service. Changing a system of this scale and complexity takes time, and we implemented the first phase of the system changes in May 2023 and harvested the benefits over the next months. The second phase will be implemented at the end of February 2024. It was not solely the revenue decrease caused by swift changes in the market environment that incentivized us to draw up sailing system changes, but we are also responding to new environmental regulations such as IMO's CII rules and the implementation of shipping into the EU ETS system. On top of the regulatory requirements, we feel more demand than ever from our customers to make ocean transportation, already one of the most efficient modes of transportation in terms of carbon emissions, even more environmentally friendly. That aligns well with our ambitious target of reaching carbon neutrality by 2040.

Our international forwarding business had an overall solid year. We have been on a journey since 2019 with that part of the business, streamlining and increasing efficiency, along with implementing modern digital solutions to support both sales and operations. The benefits of these changes are becoming clearer now that we are past the extraordinary situation we saw in 2021 and 2022. The results of 2023 prove that our forwarding business can make a healthy profit in a challenging market, supported by our niche status in reefer logistics.

Now that we are well into the first quarter of 2024, we are generally optimistic for the weeks and months ahead. In our home market, the year started in line with expectations, with increasing exports from Iceland and imports that have remained at a solid level. In the Faroe Islands, the outlook is stable, with consistent and good export volume, while we saw a softening of imports around the middle of last year, which has remained at that level. In Norway, we are preparing for the whitefish season to take off, with a lower quota than last year but nevertheless expected to have a good impact in Q1.

The shipping market is extremely dynamic, and in mid-December, we entered, again, a period of highly volatile rates when the Suez Canal was effectively closed for commercial sea traffic due to militant attacks on commercial vessels. This grave situation has increased turnaround times of vessels and containers between Asia and Europe, leading to sharp rises in freight rates on the respective trade lanes. Recently, we have started to see the effects of these events reflected in increases in rates on trade lanes that are not directly affected, e.g., Trans-Atlantic, due to the capacity decrease resulting from the changed sailing routes. How these geopolitical events will unfold will have a lot to say when it comes to the outlook for our international operations in the coming months, but we are generally optimistic.

Finally, I'd like to express my gratitude to Eimskip's employees across the world for their efforts throughout the year, demonstrating both resourcefulness and resilience, in providing excellent service to our customers in a highly dynamic environment.

INVESTOR MEETING 14 FEBRUARY 2024

The Board of Directors of Eimskipafélag Íslands hf. approved the Company's Consolidated Financial Statements for the year 2023 at its meeting on 13 February 2024. Investors and market participants are invited to a meeting on Wednesday, 14 February 2024, 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 Q4 2023 and the financial year 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.