

## GROWTH IN REVENUE AND VOLUME BUT UNSATISFACTORY EARNINGS

- **Revenue EUR 155.5 million, up by EUR 12.0 million or 8.4% from Q1 2017**
  - Volume in liner up 4.0%; liner revenue up EUR 8.5 million or 9.3%
  - Volume in forwarding up 10.0%; forwarding revenue up EUR 3.5 million or 6.8%
- **EBITDA EUR 7.3 million, down by EUR 2.1 million or 22.1% from Q1 2017**
- **Net loss of EUR 1.6 million compared to net earnings of EUR 0.2 million in Q1 2017**
- **Equity ratio 49.3% and net debt EUR 115.8 million at the end of March**
- **EBITDA guidance for the year 2018 is EUR 57-63 million**

Amounts are in thousands of EUR

CONSOLIDATED INCOME STATEMENT	Q1 2018	Q1 2017	Change	%	12M 2017
Revenue	155,532	143,499	12,033	8.4%	663,973
Expenses	148,281	134,189	14,092	10.5%	606,775
<b>Operating profit - EBITDA</b>	<b>7,251</b>	<b>9,310</b>	<b>(2,059)</b>	<b>(22.1%)</b>	<b>57,198</b>
Depreciation and amortization	(7,807)	(7,371)	(436)	(5.9%)	(30,148)
<b>Results from operating activities - EBIT</b>	<b>(556)</b>	<b>1,939</b>	<b>(2,495)</b>	<b>-</b>	<b>27,050</b>
Net finance expense income	(1,114)	(1,510)	396	26.2%	(7,236)
Share of (loss) earnings of equity accounted investees	(670)	(108)	(562)	(520.4%)	(339)
<b>Net (loss) earnings before income tax</b>	<b>(2,340)</b>	<b>321</b>	<b>(2,661)</b>	<b>-</b>	<b>19,475</b>
Income tax	754	(128)	882	-	(2,671)
<b>Net (loss) earnings for the period</b>	<b>(1,586)</b>	<b>193</b>	<b>(1,779)</b>	<b>-</b>	<b>16,804</b>
(Loss) earnings per share in EUR	(0.0087)	0.0003	(0.0090)	-	0.0885
Revenue change	8.4%	26.7%			29.2%
EBITDA ratio	4.7%	6.3%			8.6%
EBIT ratio	(0.4%)	1.3%			4.1%
Net debt / LTM-EBITDA	2.10	0.95			1.80
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31.03.2018	31.03.2017	Change	%	31.12.2017
<b>Assets</b>	<b>468,781</b>	<b>414,652</b>	<b>54,129</b>	<b>13.1%</b>	<b>459,515</b>
Non-current assets	321,701	265,160	56,541	21.3%	313,529
Current assets	147,080	149,492	(2,412)	(1.6%)	145,986
<b>Equity</b>	<b>231,016</b>	<b>234,879</b>	<b>(3,863)</b>	<b>(1.6%)</b>	<b>244,610</b>
<b>Liabilities</b>	<b>237,765</b>	<b>179,773</b>	<b>57,992</b>	<b>32.3%</b>	<b>214,905</b>
Non-current liabilities	128,179	69,933	58,246	83.3%	117,614
Current liabilities	109,586	109,840	(254)	(0.2%)	97,291
Interest-bearing debt	137,410	91,733	45,677	49.8%	125,984
Net debt	115,796	50,377	65,419	129.9%	102,815
Tangible assets / Total assets	85.9%	86.6%			85.4%
Equity ratio	49.3%	56.6%			53.2%
CONSOLIDATED STATEMENT OF CASH FLOWS	Q1 2018	Q1 2017	Change	%	12M 2017
Net cash from operating activities	1,988	7,535	(5,547)	(73.6%)	37,420
Net cash used in investing activities	(13,841)	(17,479)	3,638	20.8%	(75,139)
Net cash provided by financing activities	10,532	11,633	(1,101)	9.5%	22,581
<b>Changes in cash and cash equivalents</b>	<b>(1,321)</b>	<b>1,689</b>	<b>(3,010)</b>	<b>-</b>	<b>(15,138)</b>
Cash and cash equivalents at the beginning of the period	23,169	39,543	(16,374)	(41.4%)	39,543
Effects of exchange rate fluctuations on cash held	(234)	124	(358)	-	(1,236)
<b>Cash and cash equivalents at the end of the period</b>	<b>21,614</b>	<b>41,356</b>	<b>(19,742)</b>	<b>(47.7%)</b>	<b>23,169</b>

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

“The first quarter of the year 2018 was challenging with EBITDA of EUR 7.3 million and negative net results of EUR 1.6 million. The company is going through a transformation period and investment for the future in the new weekly sailing system. It will take time to build up volume on the weekly services but we are optimistic about our plans and the outlook for volume bookings are positive. Eimskip’s revenue in the first quarter 2018 amounted to 155.5 million compared to EUR 143.5 million for the same period last year, up by EUR 12.0 million or 8.4%. The growth is mainly explained by increase in transported volume in both liner and forwarding.

Total expenses amounted to EUR 148.3 million compared to EUR 134.2 million in the first quarter 2017, up by EUR 14.1 million. The main reason why total expenses are increasing more than revenues is due to expansion of capacity in the sailing system, as the company added two vessels to its fleet compared to the same period last year. Cost related to the increased capacity of the weekly sailing system is up by EUR 2.5 million. The increase in cost is also affected by increased fuel cost, salaries and cost related to return of leased containers. In the second quarter, it is expected that the volume in relation to the contract with CMA CGM on the Green route between Halifax and Portland, Maine, will start materializing. Also in the second quarter, it is expected that the volume of silicon material for the new factory PCC in Húsavík Iceland will start materializing.

Volume growth in Eimskip’s liner segment was 4.0% and 10.0% in the forwarding segment, compared with an estimated global demand growth of 3-4%. The import volume to Iceland was lower than expected, mainly because of drop in imports of cars. Export from Iceland has been growing because of increased volume of fresh and frozen fish despite a slow capelin season. The Trans-Atlantic business has steadily increased in volume, however the capacity growth in the sailing system and the cost related to the increased capacity still needs to be met with higher volume. Eimskip continues to work on fine-tuning the sailing system and to cut operating cost.

Imports to the Faroe Islands grew in the quarter but export was under expectations and Norway was in line with last year with some growth in volume on the north bound direction.

The volume in the forwarding segment grew by 10%, explained by growth in the dry segment but the reefer segment was down, mainly due to trade tension in the Africa region.

The 16% weakening of the USD against the EUR in comparison with the first quarter last year negatively affected the operating results due to a long USD position for the operation.

The first quarter is generally the slowest quarter of the year in Eimskip’s operation, as it is generally for the global shipping industry. For the last five years, the first quarter in Eimskip’s operation has on average generated 16.5% of the total EBITDA of the year. The company is putting forward a number of short-term initiatives to improve the operation and its profitability. The EBITDA guidance for the year 2018 is EUR 57-63 million.”

## **FIRST QUARTER OPERATIONS**

Eimskip’s revenue amounted to EUR 155.5 million in the first quarter 2018 compared to EUR 143.5 million in the same period last year, up by EUR 12.0 million or 8.4%. Revenue from the liner services was EUR 100.6 million in the quarter and grew by EUR 8.5 million compared to last year or 9.3%. Transported volume in the liner services grew by 4.0%, mainly due to growth in exports from Iceland and Trans-Atlantic. Forwarding services revenue amounted to 54.9 million and grew by EUR 3.5 million or 6.8%. Growth in forwarding was driven by dry cargo but reefer cargo volume was down.

Total expenses of the company were EUR 148.3 million compared to EUR 134.2 million in the first quarter last year, up by 10.5%. Operating expenses were EUR 114.5 million compared to EUR 102.3 million last year, an increase of 11.9%. The increase is mainly due to increased activity, new group companies and increased capacity

related to the weekly services. Salaries and related expenses for the period amounted to EUR 33.7 million, an increase of 5.9% from the same period in 2017.

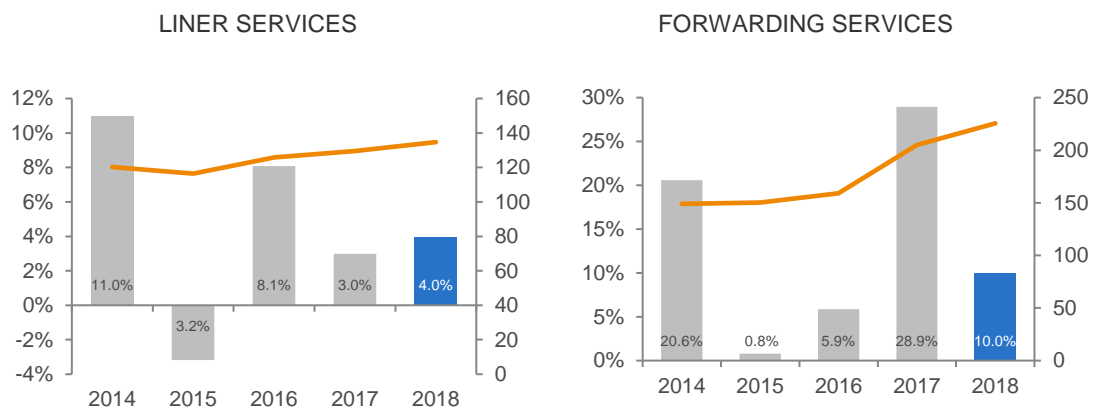
EBITDA for the quarter amounted to EUR 7.3 million compared to EUR 9.3 million in the same period last year, a decrease of EUR 2.1 million or 22.1%. EBITDA from the company's liner services was EUR 4.2 million compared to EUR 5.3 million in the same period last year, down by EUR 1.1 million. EBITDA from the company's forwarding services was EUR 3.1 million, down EUR 0.9 million.

Depreciation and amortization amounted to EUR 7.8 million, up by EUR 0.4 million or 5.9% from previous year. The increase is mainly explained by higher investments in fixed and intangible assets and new group companies.

Net finance expense was EUR 1.1 million in the quarter compared to EUR 1.5 million in the first quarter last year. Finance expense amounted to EUR 1.0 million compared to EUR 1.1 million last year, despite increased interest-bearing borrowings due to improved interest margins. Net foreign currency exchange loss was EUR 0.2 million this year compared to EUR 0.6 million in the first quarter 2017.

Net loss for the quarter amounted to EUR 1.6 million compared to net earnings of EUR 0.2 million for the same period last year.

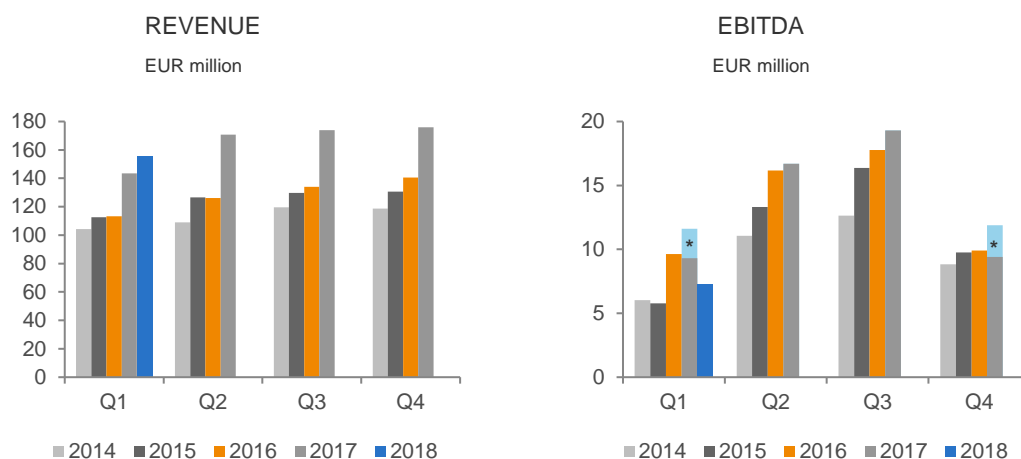
The following graphs show that transported volume in the company's liner and forwarding services in the first quarter has been gradually increasing 2014 to 2018 compared to the first quarter the year before. The volume index on the right axis is based on the 2010 volume as 100.



Changes were made to the company's sailing system last year with two vessels added to the services of the Green and Gray Line. Weekly coastal services were offered to support the increasing activities in Iceland and the Faroe Islands.

Eimskip operates 22 vessels, of which 12 are owned and 10 are chartered. The fleet consists of eleven container vessels, seven palletized reefer vessels, three ferries and one bulk vessel.

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.



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

## BALANCE SHEET

- **Total assets EUR 468.8 million at the end of March 2018**
- **Equity ratio 49.3%**
- **Interest-bearing debt EUR 137.4 million**
- **Net debt EUR 115.8 million**

Total non-current assets amounted to EUR 321.7 million at the end of March 2018 compared to EUR 313.5 million at year-end 2017. Net investments in fixed and intangible assets amounted to EUR 12.4 million in the quarter compared to EUR 3.6 million in the first quarter last year.

Total current assets amounted to EUR 147.1 million at the end of the quarter compared to EUR 146.0 million at the end of 2017. Cash and cash equivalents amounted to EUR 21.6 million at the end of the quarter 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 120.6 million at the end of March 2018.

Equity amounted to EUR 231.0 million at the end of March and the equity ratio was 49.3%. For comparison, the equity ratio was 53.2% at year-end 2017. The Annual General Meeting held on 22 March 2018 approved a dividend payment to shareholders to be made on 18 April in the amount of ISK 1,269.1 million, equal to EUR 10.4 million, which decreased equity and increased current liabilities at the end of the quarter.

Current liabilities amounted to EUR 109.6 million at the end of first quarter compared to EUR 97.3 million at the end of 2017.

Interest-bearing debt amounted to EUR 137.4 million at the end of March and grew from EUR 126.0 million at the end of 2017.

## CASH FLOWS AND INVESTMENTS

- **Net cash from operating activities EUR 2.0 million**
- **Net cash used in investing activities EUR 13.8 million**
- **Cash and cash equivalents EUR 21.6 million at the end of March**

Net cash from operating activities was EUR 2.0 million in the first quarter 2018 compared to EUR 7.5 million in the same period last year. The main reason is due to lower net earnings and changes in current assets and liabilities.

Net cash used in investing activities amounted to EUR 13.8 million compared to EUR 17.5 million in the first quarter 2017. Total capital expenditure amounted to EUR 13.1 million with the largest investments being containers and terminal equipment for Húsavík.

Net cash from financing activities amounted to EUR 10.5 million compared to 11.6 million last year.

Cash and cash equivalents at the end of March amounted to EUR 21.6 million compared to EUR 23.2 million at year-end 2017.

## EBITDA GUIDANCE AND OUTLOOK FOR 2018

Eimskip's EBITDA guidance for the year 2018 is EUR 57-63 million. The first quarter of the year is normally the slowest quarter in the company's operation but it was below the company's expectations. Import and export volume to and from Iceland is expected to grow. The volume in the Faroe Islands and Norway are expected to be stable.

The forwarding operation has experienced slow down in reefer volumes in the first quarter but is expected to get better in the remaining quarters of 2018, but dry cargo is expected to be strong as it was in the first quarter.

Overall it is expected that international freight rates will be stable but fuel prices are expected to rise. Competition will remain strong in the market area, especially in the company's North Atlantic liner operation. The Trans-Atlantic services have been growing following the increased capacity to and from North America.

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 was EUR 306.0 million on 17 May 2018**

The year-end 2017 closing price of Eimskip's shares was ISK 250.50 per share and the average closing price for the year 2017 was ISK 296.83 per share. The closing price on 17 May 2018 was ISK 202.00 per share, which is a decrease of 19.4% from year-end 2017 and represents Eimskip's market capitalization based on outstanding shares in the amount of ISK 37.7 billion that day, the equivalent of EUR 306.0 million.

The total number of shares is 200,000,000, thereof 186,639,230 shares are outstanding and 13,360,770 shares are in treasury. At year-end 2017 there were 712 shareholders and they were 774 on 16 May 2018.

Eimskip's Annual General Meeting, held on 22 March 2018, approved a dividend payment to shareholders of ISK 6.80 per share. The total dividend payment amounted to ISK 1,269.1 million, or EUR 10.4 million. The payment date was 18 April 2018.

## KEY FIGURES BY QUARTER

Amounts are in thousands of EUR

<b>OPERATING RESULTS</b>	<b>Q1 2018</b>	<b>Q4 2017</b>	<b>Q3 2017</b>	<b>Q2 2017</b>	<b>Q1 2017</b>
Revenue	155,532	175,884	173,868	170,722	143,499
Expenses	148,281	163,986	154,581	154,019	134,189
EBITDA	7,251	11,898	19,287	16,703	9,310
EBIT	(556)	4,167	11,726	9,218	1,939
Net earnings for the period	(1,586)	2,885	8,792	4,934	193
EBITDA ratio	4.7%	6.8%	11.1%	9.8%	6.5%
EBIT ratio	(0.4%)	2.4%	6.7%	5.4%	1.4%
<b>BALANCE SHEET</b>	<b>31.03.2018</b>	<b>31.12.2017</b>	<b>30.09.2017</b>	<b>30.06.2017</b>	<b>31.03.2017</b>
Assets	468,781	459,515	445,663	434,390	414,652
Equity	231,016	244,610	242,703	236,706	234,879
Liabilities	237,765	214,905	202,960	197,684	179,773
Interest-bearing debt	137,410	125,984	112,960	114,376	91,733
Net debt	115,796	102,815	88,415	77,768	50,377
Equity ratio	49.3%	53.2%	54.5%	54.5%	56.6%
<b>CASH FLOW</b>	<b>Q1 2018</b>	<b>Q4 2017</b>	<b>Q3 2017</b>	<b>Q2 2017</b>	<b>Q1 2017</b>
Net cash from operating activities	1,988	10,596	7,669	11,779	7,535
Net cash used in investing activities	(13,841)	(25,123)	(9,965)	(24,989)	(17,479)
Net cash provided by (used in) financing activities	10,532	13,412	(9,382)	9,176	11,633
Cash and cash equivalents at the end of the period	21,614	23,169	24,545	36,608	41,356

## INVESTIGATION OF THE ICELANDIC COMPETITION AUTHORITY

The Icelandic Competition Authority exercised a dawn raid on 10 September 2013 at the offices of Samskip and Eimskip in Iceland. The dawn raid was exercised due to alleged breach of Articles 10 and 11 of the Icelandic Competition Act.

Since the dawn raid was exercised Eimskip has continually requested further information on the merits of the case, with limited results. The Company has released numerous press releases on the matter. A detailed press release was disclosed on 23 October 2014 in the follow up of news coverage in the Icelandic media.

Employees of Eimskip have been called in by the office of the District Prosecutor for formal questioning and among them are officers of the Company including the CEO with a status of defendant. As before, the company has limited information about the merits of the case, but based on the information available the Company restates its previous statements rejecting allegations of violations against competition law. The Company wishes that this investigation will be brought to an end soonest and welcomes, after almost five years, that efforts are now being made in bringing this investigation to an end.

## 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 22 vessels and has around 1,850 employees.

## INVESTOR MEETING 18 MAY 2018

Investors and market participants are invited to a meeting on Friday 18 May 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 first quarter 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 31 March 2018 at its meeting on 17 May 2018.

## FINANCIAL CALENDAR

- Q2 2018: Published 30 August 2018
- Q3 2018: Published 20 November 2018
- Q4 2018: Published 21 February 2019
- Annual General Meeting 2019: 21 March 2019

## FURTHER INFORMATION

- Gylfi Sigfússon, President and CEO, tel.: +354 525 7202
- 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.