

## REVENUE GROWTH 29.7% IN FIRST QUARTER 2017

### EBITDA EUR 9.3 million, good organic growth and strong performance of new acquisitions but negative effect of fishermen strike

- **Revenue EUR 146.9 million, up by EUR 33.7 million or 29.7% from Q1 2016**
  - Volume in liner up 3.0%; liner revenue up EUR 8.9 million or 10.7%
  - Volume in forwarding up 28.9%; forwarding revenue up EUR 24.8 million or 82.6%, majority coming from new acquisitions
- **EBITDA EUR 9.3 million, down by EUR 0.3 million or 3.3% from Q1 2016**
  - Adjusted EBITDA EUR 11.6 million, up 20.5%, taking into account the strike in Iceland (EUR 1.5 million) and other non-recurring items (EUR 0.8 million)
- **Net earnings EUR 0.2 million compared to net earnings of EUR 1.8 million in Q1 2016**
- **Equity ratio 56.6% and net debt EUR 50.4 million at the end of March**
- **EBITDA forecast for the year 2017 unchanged, in the range of EUR 57 to 63 million**

Amounts are in thousands of EUR

CONSOLIDATED INCOME STATEMENT	Q1 2017	Q1 2016	Change	%	12M 2016
Revenue	146,936	113,253	33,683	29.7%	513,922
Expenses	137,626	103,621	34,005	32.8%	460,447
<b>Operating profit - EBITDA</b>	<b>9,310</b>	<b>9,632</b>	<b>(322)</b>	<b>(3.3%)</b>	<b>53,475</b>
Depreciation and amortization	(7,371)	(6,365)	(1,006)	(15.8%)	(28,077)
<b>Results from operating activities - EBIT</b>	<b>1,939</b>	<b>3,267</b>	<b>(1,328)</b>	<b>(40.6%)</b>	<b>25,398</b>
Net finance expense	(1,510)	(1,365)	(145)	(10.6%)	(345)
Share of (loss) earnings of associated companies	(108)	100	(208)	-	210
<b>Net earnings before income tax</b>	<b>321</b>	<b>2,002</b>	<b>(1,681)</b>	<b>(84.0%)</b>	<b>25,263</b>
Income tax	(128)	(157)	29	18.5%	(3,368)
<b>Net earnings for the period</b>	<b>193</b>	<b>1,845</b>	<b>(1,652)</b>	<b>(89.5%)</b>	<b>21,895</b>
Earnings per share in EUR	0.0003	0.0099	(0.0096)	-	0.1148
Revenue change	29.7%	0.5%			2.9%
EBITDA ratio	6.3%	8.5%			10.4%
EBIT ratio	1.3%	2.9%			4.9%
Net debt / LTM-EBITDA	0.95	0.68			0.78
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31.03.2017	31.03.2016	Change	%	31.12.2016
<b>Assets</b>	<b>414,652</b>	<b>368,468</b>	<b>46,184</b>	<b>12.5%</b>	<b>391,691</b>
Non-current assets	265,160	237,638	27,522	11.6%	253,256
Current assets	149,492	130,830	18,662	14.3%	138,435
<b>Equity</b>	<b>234,879</b>	<b>220,796</b>	<b>14,083</b>	<b>6.4%</b>	<b>243,775</b>
<b>Liabilities</b>	<b>179,773</b>	<b>147,672</b>	<b>32,101</b>	<b>21.7%</b>	<b>147,916</b>
Non-current liabilities	69,933	54,023	15,910	29.5%	64,456
Current liabilities	109,840	93,649	16,191	17.3%	83,460
Interest-bearing debt	91,733	80,764	10,969	13.6%	81,149
Net debt	50,377	33,427	16,950	50.7%	41,606
Tangible assets / Total assets	86.6%	92.9%			89.4%
Equity ratio	56.6%	59.9%			62.2%
CONSOLIDATED STATEMENT OF CASH FLOWS	Q1 2017	Q1 2016	Change	%	12M 2016
Net cash from operating activities	7,535	12,680	(5,145)	(40.6%)	48,667
Net cash used in investing activities	(17,479)	(9,947)	(7,532)	(75.7%)	(39,907)
Net cash from financing activities	11,633	8,861	2,772	(31.3%)	(4,761)
<b>Changes in cash and cash equivalents</b>	<b>1,689</b>	<b>11,594</b>	<b>(9,905)</b>	<b>-</b>	<b>3,999</b>
Cash and cash equivalents at the beginning of the period	39,543	35,983	3,560	9.9%	35,983
Effects of exchange rate fluctuations on cash held	124	(240)	364	-	(439)
<b>Cash and cash equivalents at the end of the period</b>	<b>41,356</b>	<b>47,337</b>	<b>(5,981)</b>	<b>(12.6%)</b>	<b>39,543</b>

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

"Eimskip's revenue in the first quarter 2017 grew by 29.7% compared to the same period last year and amounted to EUR 146.9 million. Of the growth, 18.2% came from new acquisitions and 11.5% from organic growth, despite the fishermen strike in Iceland affecting export volumes from Iceland. Organic growth came from increased transportation volumes and rising international freight rates.

The fishermen strike, lasting from 15 December 2016 through 19 February 2017, adversely affected the exported volume of fish and other supplementary services. EBITDA was EUR 9.3 compared to EUR 9.6 million in the first quarter last year. The strike negatively affected the quarter's EBITDA by EUR 1.5 million. A fine imposed by the Financial Supervisory Authority in Iceland in the amount of EUR 0.4 million (which Eimskip strongly disagrees with and will refer to the Icelandic courts) was expensed in the quarter and cost related to acquisition projects amounted to EUR 0.4 million. Taking into account these non-recurring items, adjusted EBITDA for the quarter was EUR 11.6 million, up 20.5% from the previous year. The new group companies Mareco and Extraco are performing well, in line with our expectations, and contributed EUR 1.5 million in EBITDA for the quarter. Taking the strike and other non-recurring items into account the organic business grew by 3.8% in EBITDA, despite higher costs related to increased capacity in our sailing system and lower volumes in Norway.

Expenses grew by 32.8% compared to the first quarter 2016. The increase was mainly due to the addition of new companies to the group, salary cost, higher freight rates from the deep sea lines, higher fuel cost, expansion of capacity in the sailing system and the above mentioned non-recurring items. Net earnings for the quarter amounted to EUR 0.2 million compared to EUR 1.8 million last year, mainly due to EUR 1.0 million increased depreciation, reflecting increased investments.

The North Atlantic liner services revenue was EUR 92.1 million in the first quarter, up by EUR 8.9 million or 10.7%. The liner volume grew by 3.0% compared to the same period last year. Liner EBITDA for the quarter decreased by EUR 2.5 million, largely affected by the fishermen strike and other non-recurring items as explained above, amounting to a total of EUR 2.3 million. Forwarding services were performing well with volume growth of 28.9% and revenue amounted to EUR 54.8 million, up by EUR 24.8 million or 82.6%. Acquisitions accounted for 69.4% of the revenue growth and 13.2% came from other forwarding operations. EBITDA from forwarding increased by 113.1% of which 79.6% came from acquisitions and 33.5% from organic growth.

Eimskip and Royal Arctic Line in Greenland signed a cooperation agreement in January, subject to notification to and confirmation from the relevant authorities if applicable. At the same time, Eimskip signed a contract with a shipyard in China on building two 2,150 TEU ice class Polar Code container vessels, built in line with new environmental standards. Expected delivery is in 2019. The contract price of each vessel is approximately USD 32 million, where 40% are paid during the building period and 60% upon delivery. In April, Eimskip secured 80% financing of the contract price upon delivery of the vessels with the German bank KfW IPEX-Bank GmbH, in EUR with a 15 year term and a very favorable interest margin. Royal Arctic Line also signed a contract to build one similar vessel with the same shipyard.

Eimskip acquired 80% of the forwarding company Mareco in Belgium in January. The company is headquartered in Antwerp, has an office in Sao Paulo, Brazil and specializes in reefer logistics services, especially to West, Central and South Africa. Main commodities are seafood, chicken, pork and beef. Mareco transports about 32,000 TEU per year and its annual revenue is estimated about EUR 60 million.

Early in April, Eimskip announced the acquisition of a 51% share in CSI Group LLC, headquartered in Boston, USA for EUR 1.0 million. This strengthens Eimskip's position in container management and costs, as CSI specializes in trading of containers. CSI's annual revenue is about EUR 5.0 million, with approximately 10% EBITDA margin.

On 3 April 2017, the Norwegian Competition Authority rejected Eimskip's acquisition of the Norwegian shipping and logistics company Nor Lines AS. Eimskip will continue to focus on strengthening its operations in Norway.

Eimskip continues to work on organic growth and strategic accretive acquisitions to increase shareholder value. The company continues to evaluate additional acquisition opportunities and vessel investments on an ongoing basis.

The first quarter was in line with our expectations, as outlined in February with the publishing of the 2016 financial results, including the expected impact of the fishermen strike in Iceland. The first quarter of the year is normally the slowest quarter in our operation. The EBITDA forecast for the year 2017 is unchanged from what was presented in February, or EBITDA in the range of EUR 57 to 63 million."

## FIRST QUARTER OPERATIONS

Eimskip's revenue amounted to EUR 146.9 million in the first quarter 2017 compared to EUR 113.3 million in the same period last year, up by EUR 33.7 million or 29.7%. Of the growth, 18.2% is explained by new group companies and 11.5% from organic growth, despite the fishermen strike. Organic growth is rising due to higher international freight rates and transportation volumes. Revenue from the liner services was EUR 92.1 million in the quarter, grew by EUR 8.9 million compared to last year or 10.7%. Transported volume in the liner services grew by 3.0%, mainly due to growth in imports to Iceland. Forwarding services were performing well with volume growth of 28.9% and revenue amounted to EUR 54.8 million, up by EUR 24.8 million or 82.6%. New group companies largely explain the growth but 13.2% is coming from organic growth.

Total expenses of the company were EUR 137.6 million compared to EUR 103.6 million in the first quarter last year, up by 32.8%. Operating expenses were EUR 105.8 million compared to EUR 77.0 million last year, an increase of 37.4%. The operating expenses related to acquisitions accounted for 24.2% and the organic expense growth was 13.2%, mainly due to rising international freight rates and increased fuel price. Salaries and related expenses for the period amounted to EUR 31.9 million, an increase of 19.6% from 2016, where 13.3% is explained mainly from the strengthening of ISK, 3.5% by general wage and activity increase and 2.8% is related to acquisitions.

EBITDA for the quarter amounted to EUR 9.3 million compared to EUR 9.6 million in the same period last year, a decrease of EUR 0.3 million or 3.3%. Adjusted EBITDA was EUR 11.6 million, up EUR 2.0 million or 20.5% from previous year, taking into account three non-recurring items. The fishermen strike negatively affected the quarter's EBITDA by EUR 1.5 million, a fine imposed by the Financial Supervisory Authority in Iceland (FSA) in the amount of EUR 0.4 million and EUR 0.4 million cost related to acquisitions. The new group companies Mareco and Extraco increased the EBITDA by EUR 1.5 million.

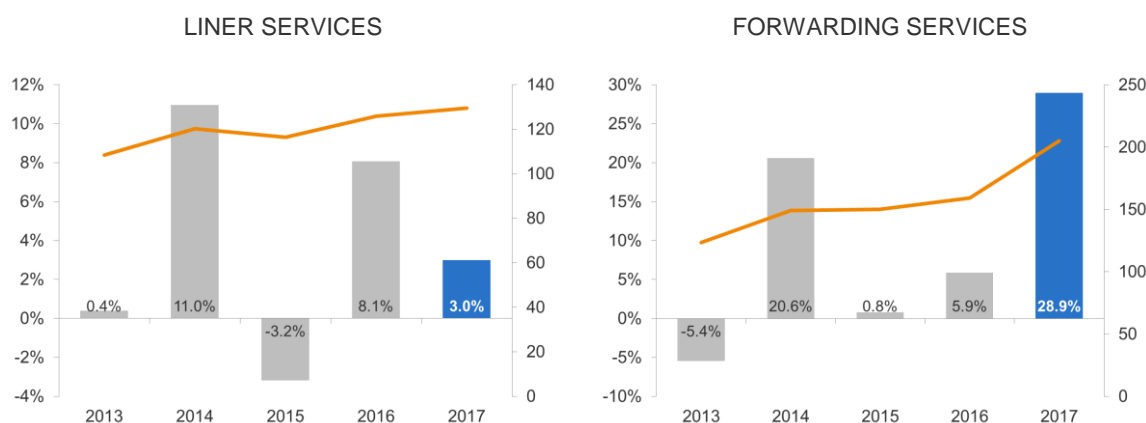
EBITDA from the company's liner services was EUR 5.3 million compared to EUR 7.7 million in the same period last year, down by EUR 2.5 million. The EBITDA ratio from the liner services was 5.7% compared to 9.3% EBITDA ratio in the previous year. EBITDA from the company's forwarding services was EUR 4.0 million, up EUR 2.1 million or 113.1% of which 79.6% came from acquisitions and 33.5% from organic growth. The EBITDA ratio from the forwarding services was 7.4% compared to 6.3% for the first quarter 2016.

Depreciation and amortization amounted to EUR 7.4 million, up by EUR 1.0 million or 15.8%. The increase is mainly explained by higher investments in fixed and intangible assets and new group companies.

Net finance expense was EUR 1.5 million in the quarter compared to EUR 1.4 million in the first quarter last year. Finance expense amounted to EUR 1.1 million compared to EUR 0.7 million last year, explained by increased interest-bearing borrowings. Net foreign currency exchange loss was EUR 0.6 million this year compared to EUR 0.8 million in the first quarter 2016.

Net earnings for the quarter amounted to EUR 0.2 million compared to EUR 1.8 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 2013 to 2017 compared to the first quarter the year before. The volume index on the right axis is based on the 2010 volume as 100.

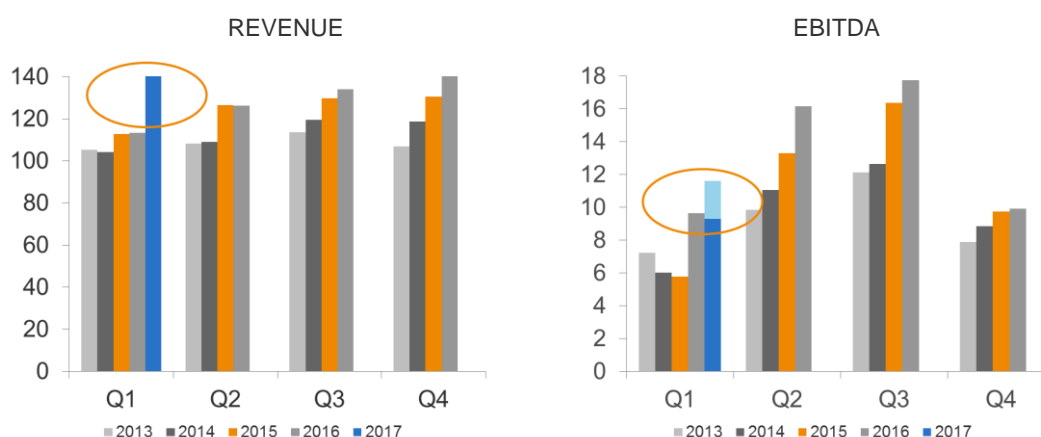


Changes were made to the company's sailing system in February 2017 where a new Red Line was added and the services of the Green Line and the Gray Line were changed. Weekly coastal services were offered to support the increasing activities in Iceland. In May, the port of Helsingborg in Sweden replaced the port of Halmstad as a port of call. The new sailing system increases capacity to and from Europe and North America by 7-11%.

Eimskip operates 21 vessels, of which thirteen are owned and eight 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 has purchased Sophia, a 700 TEU container vessel built in 2008. The vessel was delivered in May, has been renamed Selfoss and will be replacing the Ice Star on the Red Line.

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 2013 to 2017. There was substantial growth in revenue and EBITDA in 2015 and 2016 and revenue growth continued in the first quarter this year. EBITDA in the first quarter 2017 takes into account non-recurring items in the amount of EUR 2.3 million: EUR 1.5 million negative effect of the fishermen strike in Iceland, EUR 0.4 million fine imposed by the Financial Supervisory Authority in Iceland and EUR 0.4 million cost related to acquisitions.

EUR million



## BALANCE SHEET

- **Total assets EUR 414.7 million at the end of March 2017**
- **Equity ratio 56.6%**
- **Interest-bearing debt EUR 91.7 million**
- **Net debt EUR 50.4 million**

Total non-current assets amounted to EUR 265.2 million at the end of March 2017 compared to EUR 253.3 million at year-end 2016. Net investments in fixed and intangible assets amounted to EUR 3.6 million in the quarter compared to EUR 10.6 million in the first quarter last year.

Total current assets amounted to EUR 149.5 million at the end of the quarter compared to EUR 138.4 million at the end of 2016. The change is explained by change in cash and trade receivable. Cash and cash equivalents amounted to EUR 41.4 million at the end of the quarter compared to EUR 39.5 at year-end. Trade receivables increased from EUR 96.6 million at year-end 2016 to EUR 105.0 million at the end of March due to seasonal fluctuations, currency exchange rates and new group companies.

Equity amounted to EUR 234.9 million at the end of March and the equity ratio was 56.6%. For comparison, the equity ratio was 62.2% at year-end 2016. The Annual General Meeting held on 23 March 2017 approved a dividend payment to shareholders to be made on 19 April in the amount of ISK 1,269.1 million, equal to EUR 10.6 million, which decreased equity and increased current liabilities at the end of the quarter.

Current liabilities amounted to EUR 109.8 million at the end of first quarter compared to EUR 83.5 million at the end of 2016. The increase in the quarter is explained by seasonal fluctuations, currency exchange rates, new group companies and increase in short-term loans and borrowings.

Interest-bearing debt amounted to EUR 91.7 million at the end of March and grew from EUR 81.1 million at the end of 2016. In January, Eimskip made an agreement with Íslandsbanki for a revolving credit facility with an agreed term of 18 months in the amount of EUR 47.0 million. The company drew EUR 7.0 million on the credit facility in relation to the acquisition of Mareco, which partly explains the increase in interest-bearing debt in the quarter. Net debt amounted to EUR 50.4 million compared to EUR 41.6 million at year-end 2016.

## CASH FLOWS AND INVESTMENTS

- **Net cash from operating activities EUR 7.5 million in Q1 2017**
- **Net cash used in investing activities EUR 17.5 million**

- **Cash and cash equivalents EUR 41.4 million at the end of March**

Net cash from operating activities was EUR 7.5 million in the first quarter 2017 compared to EUR 12.7 million in the same period last year.

Net cash used in investing activities amounted to EUR 17.5 million compared to EUR 9.9 million in the first quarter 2016. Total capital expenditure amounted to EUR 6.4 million and the largest investment was an enlargement of a chilled and cold storage facility in the Sundahöfn terminal. For comparison, CAPEX amounted to EUR 11.2 million in the first quarter 2016.

Net cash from financing activities amounted to EUR 11.6 million compared to 8.9 million last year. The increase is mainly explained by the acquisition of Mareco and therefore changes in non-controlling interest.

Cash and cash equivalents at the end of March amounted to EUR 41.4 million compared to EUR 39.5 million at year-end 2016.

## **EBITDA FORECAST 2017**

Eimskip's EBITDA forecast for the year 2017 is unchanged from what was presented in February and is EBITDA in the range of EUR 57 to 63 million.

The first quarter was in line with the company's expectations as outlined in February, taking into account the impact of the fishermen strike in Iceland. The first quarter of the year is normally the slowest quarter in the company's operation. The outlook for the remainder of the year is still positive. Imported volume to Iceland is expected to grow and volume in the Faroe Islands is also expected to grow. In light of the Nor Lines cancellation Eimskip is evaluating its next steps. The forwarding operation is expected to grow in 2017, both organically in terms of volume, revenue and margins and through the new acquired companies. Overall it is expected that international freight rates and fuel prices will rise compared to the previous year. Competition remains 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, but decreased fishing quota in Newfoundland may affect the transported volume.

There is general uncertainty regarding global economic conditions, volumes, rates, fuel cost, currency exchange rates and competition.

## **SHAREHOLDERS**

- **Eimskip's market capitalization was EUR 560.0 million on 23 May 2017**

The closing price of Eimskip's shares rose by 36.9% in 2016. The OMXI8 index (OMX Iceland 8) went down by 9.0% during the same period. The year-end closing price was ISK 322.50 per share in 2016 and the average closing price for the year 2016 was ISK 274.24 per share. The closing price on 23 May 2017 was ISK 337.00 per share, which is an increase of 4.5% from year-end 2016 and represents Eimskip's market capitalization based on outstanding shares in the amount of ISK 62.9 billion that day, the equivalent of EUR 560.0 million. For comparison, the company's market capitalization was ISK 45.1 billion or EUR 323.3 million on 25 May 2016.

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 2016 there were 806 shareholders and they were 779 on 22 May 2017.

Eimskip's Annual General Meeting, held on 23 March 2017, 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 10.6 million. The payment date was 19 April 2017.

## KEY FIGURES BY QUARTER

Amounts are in thousands of EUR

<b>OPERATING RESULTS</b>	<b>Q1 2017</b>	<b>Q4 2016</b>	<b>Q3 2016</b>	<b>Q2 2016</b>	<b>Q1 2016</b>
Revenue	146,936	140,497	134,070	126,102	113,253
Expenses	137,626	130,592	116,310	109,924	103,621
EBITDA	9,310	9,905	17,760	16,178	9,632
EBIT	1,939	1,907	10,843	9,381	3,267
Net earnings for the period	193	1,914	9,381	8,755	1,845
EBITDA ratio	6.3%	7.0%	13.2%	12.8%	8.5%
EBIT ratio	1.3%	1.4%	8.1%	7.4%	2.9%
<b>BALANCE SHEET</b>	<b>31.03.2017</b>	<b>31.12.2016</b>	<b>30.09.2016</b>	<b>30.06.2016</b>	<b>31.03.2016</b>
Assets	414,652	391,691	379,111	371,003	368,468
Equity	234,879	243,775	240,061	229,928	220,796
Liabilities	179,773	147,916	139,050	141,075	147,672
Interest-bearing debt	91,733	81,149	79,958	78,846	80,764
Net debt	50,377	41,606	34,836	31,383	33,427
Equity ratio	56.6%	62.2%	63.3%	62.0%	59.9%
<b>CASH FLOW</b>	<b>Q1 2017</b>	<b>Q4 2016</b>	<b>Q3 2016</b>	<b>Q2 2016</b>	<b>Q1 2016</b>
Net cash from operating activities	7,535	14,485	5,831	15,671	12,680
Net cash used in investing activities	(17,479)	(18,442)	(7,225)	(4,293)	(9,947)
Net cash from financing activities	11,633	(1,306)	(1,213)	(11,103)	8,861
Cash and cash equivalents at the end of the period	41,356	39,543	45,122	47,463	47,337

## 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.

## THE FINANCIAL SUPERVISORY AUTHORITY IN ICELAND

A fine imposed by the Financial Supervisory Authority in Iceland (FSA) in the amount of EUR 0.4 million in relation to the publication of the company's first quarter results 2016 was expensed in the first quarter 2017. Eimskip will refer the case to the Icelandic courts as the company disagrees with FSA's interpretation of the law and its conclusion.

## 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 61 offices in 20 countries, operates 21 vessels and has around 1,720 employees.

## **INVESTOR MEETING 24 MAY 2017**

Investors and market participants are invited to a meeting on Friday 24 May 2017 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 2017. Documents and a recording of the meeting (in Icelandic) will be available after the meeting on the company's investor relations website, [www.eimskip.is/investors](http://www.eimskip.is/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 2017 at its meeting on 23 May 2017.

## **FINANCIAL CALENDAR**

- Q2 2017: Published 24 August 2017
- Q3 2017: Published 21 November 2017
- Q4 2017: Published 22 February 2018
- Annual General Meeting 2018: 22 March 2018

## **FURTHER INFORMATION**

- Gylfi Sigfússon, President and CEO, tel.: +354 525 7202
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- Erna Eiríksdóttir, Senior Manager of Investor Relations, tel.: +354 825 7220, email: [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.