

March 20, 2007

First quarter results in line with expectations

Hf. Eimskipafélag Íslands - Financial Overview of the first quarter 2007

- **Operating revenues of EUR 399 million**
- **Operating expenses of EUR 388 million**
- **EBITDA EUR 32 million - EBIT EUR 11 million**
- **Pre-tax loss EUR 7 million**
- **Net loss EUR 6 million**
- **Total assets EUR 1,873 million**
- **Working capital from operating activities EUR 3 million**
- **Total equity at January 31 EUR 539 million - equity ratio 29%**
- **Current ratio 0.95**
- **Financial statements are being published in EUR as of November 1 2006**

Magnús Þorsteinsson, Executive Chairman:

"In the first three months of the financial year 2007, the group's financial performance was in line with management's expectations. The group's EBITDA is EUR 32 million, which is almost a quarter of our estimates for the financial year of 2007. This is an important milestone for the group since as a rule, the first quarter is generally the worst performing quarter."

Operations continued to be characterised by a steady growth in revenues as well as acquisitions of foreign companies and integration. The integration of newly acquired companies resulted in considerable expenses, especially regarding employee lay-offs abroad and other factors which will in time result in improved performance. This applies to lay-offs of employees at Atlas Cold Storage and integration of Kursiu Linija and Containerships.

The group's balance sheet has grown extensively due to acquisitions of other companies. The group is now preparing to sell Atlas Cold Storage's assets with the intention of lease-back. By doing this, the company is able to reduce debts which will in return result in better performance.

As a rule the first quarter is generally the worst performing one and this applies to this financial year's first quarter, just as management assumed in its estimates for 2007. The management assumes the 80% of the group's income will stem from operations outside of Iceland which will reduce seasonal fluctuations in the future.

At the beginning of the period Atlas Cold Storage entered the financial statements of the Group. Atlas Cold Storage is the second biggest provider of warehousing and distribution services to the refrigerated food industry, with total 53 cold stores facilities, in North America. Thereof Atlas owns 43 and 10 are leased.

In November, a shareholders meeting approved the proposal to change the name of Avion Group to Hf. Eimskipafélag Íslands. Two new members joined the Board of Directors, Sindri Sindrason and Thor Kristjansson replaced Arngrímur Johannesson and Eamonn Mullaney.

In December Eimskip opened up its third office in China. The office is located in Shenzhen, on Shenzhen port which is the second largest containerport in China. Operations will mainly involve seafood logistics along with increasing and developing business opportunities with fruits and vegetables. Eimskip signed an agreement with the port officials in Qingdao regarding the operation of the biggest cold store in Qingdao which is a very exciting project and supports Eimskip's current operations in China. The construction of the cold store is well under way and it is estimated to open for operation in the next few months. This is an important aspect of Eimskip's vision of becoming a key player in temperature-controlled cargo transportation on a global scale. Eimskip has intentions of utilizing the cold store in terms of transportation between N-America and Asia.

In January Eimskip announced the acquisition of an additional 60% equity stake in the Dutch cold store company Daalimpex beheer B.V. in the Netherlands. Eimskip previously held 40% of Daalimpex's equity interest. Daalimpex is one of the largest cold store companies in Europe and operates six cold stores in the Netherlands. This acquisition significantly strengthens Eimskip's reefer logistics in Europe and is a good platform for further development of reefer service in Europe. This acquisition is part of Eimskip's strategy to be a key international player in temperature-controlled cargo globally. Daalimpex is the biggest cold store company in the Netherlands and one of the biggest in Europe. With the acquisition of a majority stake in

Innovate and Corby and now the acquisition of 100% share in Daalimpex, Eimskip has become a leading European cold store company and a leading cold store company globally with the acquisition of Atlas Cold Storage in Canada.

Containerships is rebranding the South Baltic services and agencies built up under the Kursiu Linija name. From February 1, 2007 all Kursiu Linija services will be operated under the Containerships name. Containerships is a door-to-door short sea carrier providing regular services linking key industrial and retail customers in Finland, Russia, Scandinavia, Eastern Europe, the Baltic States and Western Europe via ports in the Baltic, North Sea and UK areas. "

Financial statements November 1 2006 to January 31 2007

	1 quarter 2.007	1 quarter 2.006
Operating revenue	399.323	203.949
Operating expenses	<u>(388.487)</u>	<u>(195.418)</u>
Operating profit (loss)	<u>10.836</u>	<u>8.531</u>
Financial income (expenses)	<u>(17.704)</u>	<u>(3.213)</u>
Profit (loss) before tax	<u>(6.868)</u>	<u>5.318</u>
Income tax	<u>1.247</u>	<u>(2.016)</u>
Result from continuing operations	<u>(5.621)</u>	<u>3.302</u>
Discontinued operations	<u>0</u>	<u>(11.639)</u>
Net profit (loss) for the period	<u>(5.621)</u>	<u>(8.337)</u>
EBITDA	<u>32.289</u>	<u>23.155</u>

Operating revenues in the period amounted to EUR 399 million and increased by 96% compared to 2006. Operating expenses were EUR 388 million and increased by 99% compared to the same period last year.

The Group's pre-tax loss was EUR 7 million for the period compared to profit of EUR 5 million in 2006. Net loss for the period amounted to EUR 6 million for the Group compared to EUR 6 million in the first quarter in 2006.

Financial expenses amounted to EUR 18 million.

Eimskip's Board of Directors has decided that as of November 1 2006 Eimskip's financial statements will be published in EUR.

Financial ratios and key figures

	1 quarter 2007	2006	10m 2005	2004
Equity ratio	28,8%	37,0%	29,9%	12,1%
Current ratio	0,95	1,39	0,71	0,65
Return on equity	-4,2%	14,2%	13,7%	44,4%
EBIT	10.836	(11.734)	46.682	881
EBITDA	32.289	64.229	100.524	24.368
EBIT / revenue	2,7%	-1,1%	3,3%	0,2%
EBITDA / revenue	8,1%	6,2%	7,2%	4,9%

Balance sheet

During the period, Hf. Eimskipafélag Islands' balance sheet changed considerably, mostly because of the acquisition of Atlas Cold Storage.

Total assets amounted to EUR million at January 31 compared to EUR 1,873 million at November 1. Equity increased from EUR 538 million to EUR 539 million during the period. The equity ratio was 29% at the end of the period compared to 37% at the beginning of the period. Return on equity was -4.2%. Current ratio was 0.95 at January 31 but was 1.39 at year end 2006.

At end of January the Group held cash available amounting to EUR 70 million compared to EUR 180 million at year end 2006

Cash flow

The Group's working capital from operations was EUR 3 million for the period. Cash flow to operating activities was EUR 32 million. Capital expenditure amounted to EUR 318 million compared with EUR 62 million in the first quarter last year.

Quarterly statements

	1 quarter 2.007	4 quarter 2.006	3 quarter 2.006	2 quarter 2.006	1 quarter 2.006
Operating revenue	399.323	282.603	180.829	172.950	203.949
Operating expenses	<u>(388.487)</u>	<u>(294.540)</u>	<u>(180.021)</u>	<u>(179.832)</u>	<u>(195.418)</u>
Operating profit (loss)	<u>10.836</u>	<u>(11.937)</u>	<u>808</u>	<u>(6.882)</u>	<u>8.531</u>
Financial income (expenses)	<u>(17.704)</u>	<u>(1.518)</u>	<u>(9.707)</u>	<u>(38.122)</u>	<u>(3.213)</u>
Profit (loss) before tax	<u>(6.868)</u>	<u>(13.455)</u>	<u>(8.899)</u>	<u>(45.004)</u>	<u>5.318</u>
Income tax	<u>1.247</u>	<u>824</u>	<u>1.486</u>	<u>6.899</u>	<u>(2.016)</u>
Result from continuing operations .	<u>(5.621)</u>	<u>(12.631)</u>	<u>(7.413)</u>	<u>(38.106)</u>	<u>3.302</u>
Discontinued operations	<u>0</u>	<u>133.932</u>	<u>9.645</u>	<u>(12.973)</u>	<u>(11.639)</u>
Net profit (loss) for the period	<u>(5.621)</u>	<u>121.301</u>	<u>2.232</u>	<u>(51.078)</u>	<u>(8.337)</u>
EBITDA	<u>32.289</u>	<u>5.561</u>	<u>14.566</u>	<u>8.614</u>	<u>23.155</u>

Future prospects

Hf. Eimskipafélag Íslands' budget forecasts an improvement in the profitability in the operations of both Air Atlanta Icelandic and Eimskip in the year 2007 compared to the year 2006. Projected turnover for Hf. Eimskipafélag Íslands in the year 2007 is EUR 1,455 million and projected EBITDA is EUR 135 million for the year 2007.

Eimskip's operations are subject to considerable seasonal fluctuation. As a rule the first quarter (November 1st – January 31st) is generally the worst performing quarter and the fourth quarter is generally the best performing quarter.

Merger

As announced on February 27 the subsidiary Eimskip is now being merged into the parent company Hf. Eimskipafélag Íslands and the process will be finalised within a month. The structure of the group will be as follows:



Results approved and presentation for analysts

The Board of Directors approved the results of the Group for the first quarter of 2007 at a Board Meeting on March 20 2007. The Board of Directors decided to hire Baldur Guðnason as the new CEO of Hf. Eimskipafélag Íslands

A meeting for shareholders and market participants will be held on March 21 at Eimskip's headquarters in Sundaklettur, Korngörðum 2, at 8:30 to present the Group's first quarter results. The presentation will be published on the Group's website as soon as the meeting is finished. Magnús Thorsteinsson, Executive Chairman and Baldur Guðnason, CEO of Eimskip will present the Group's results and answer questions.

The first quarter results can be viewed at Hf. Eimskipafélag Íslands' website: www.ei.is

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About Eimskip

Hf. Eimskipafélag Íslands operates at 183 operational bases in 31 countries and has over 100 temperature-controlled cold storage facilities worldwide as well as a fleet of approximately 25 aircrafts, 40-50 vessels and 1,350 trucks and trailers. Hf. Eimskipafélag Íslands employees worldwide a total number of 9,500.