

Eimskip reports EUR 40 million EBITDA in Q1

- Revenue growth and EBITDA margin in line with management guidance-
- Total revenue growth of 44%-
- Net loss of EUR 39 million due to financial charges-

Reykjavik, Iceland 13 March 2008 - Hf. Eimskipafelag Islands (OMX: HFEIM), the international shipping and logistics company, today announces its results for the first quarter ended 31 January 2008.

Highlights

Revenue in the first quarter increased by 44.0% to EUR 440.8 million (Q1 2007: EUR 306.2 million), reflecting a strong performance from the logistics division in North America. Underlying Group revenue¹ for the quarter increased by approximately 10%, which is in line with management's expectations. For reporting purposes, operating activities are divided into two main business areas; *Shipping* and *Logistics*.

- o Revenue from **Shipping Services** was EUR 149.2 million (Q1 2007: EUR 131.0 million). This represents a year over year increase of close to 14% for the quarter, due to strong performance in the North Atlantic and Baltic region.
- o Revenue from **Logistics Services** was EUR 294.2, which represented a year over year decrease of approximately 9% for the quarter. Performance was impacted by the UK market being slightly below expectations. However, strong performance continued in the US, Canada and Asia, providing a good platform for future growth.
- **Operating expenses** totalled EUR 423.1 million (Q1 2007: EUR 294.7 million), representing a 43.6% increase, resulting from the acquisition of Versacold in Canada in Q4 2007 and the subsequent larger revenue base.
- **EBITDA margin** was 9.0% in the quarter, in line with management expectations; EBITDA increased by 55.6% and totalled EUR 39.7 million.
- **A net loss** of EUR 38.9 million was recorded in the quarter, compared to a EUR 5.6 million loss from the same period in the previous year. The loss was primarily due to an unusually high impact from financial items in the quarter, including:
 - o EUR 39.1 million in financing costs. As of Q3 2008, the interest expense will be significantly reduced, following the asset sale in North America in second quarter.
 - o EUR 17.9 million in currency exchange loss

Earnings highlights:

EUR million	Q1 2008	Q1 2007	Change %
Total revenues	440.777	306.192	44%
Total expenses	423.137	294.660	44%
EBITDA	39.715	25.519	56%
EBITDA %	9,0%	8,1%	11%
Net income	-38,9	-5,6	595%

Eimskips President & CEO, Stefan Agust Magnusson, commented:

"We have seen a solid start to the year with both revenues and EBITDA margins in line with our expectations. The underlying business continues to perform well, but earnings have been adversely impacted by external financing costs in the quarter. Going forward, we expect to see significantly reduced financing costs from Q3 2008 onwards, following the completion of our asset sales in North America.

Along with the solid growth in our underlying business, we will continue to integrate the acquired companies into the Group and work towards our previously identified synergy targets."

¹ Footnote: Pro forma underlying growth reflects underlying growth of the Group as it was in Q1 2007 at constant exchange rates.

Revenue

Total revenue increased by 44.0% to EUR 440.8 million in the first quarter 2008 (Q1 2007: EUR 306.2 million), which ended 31 January 2008. There was an underlying revenue growth in the quarter (based on numbers from 2007) of approximately 10% from the existing business. As of Q1 2008, Eimskip will split its financial reporting into two main business areas for reporting purposes: Shipping and Logistics. Each of the five marketing regions are represented by Chief Executives, who are a part of the Group's Executive Board.

Revenues from **Shipping Services** increased to EUR 149.2 million (Q1 2007: EUR 131.0 million), representing an underlying year over year growth of close to 14% in the quarter. Strong performance was delivered in the North Atlantic and Baltic regions. The Group's rapidly expanding network in transportation services includes revenues from the following companies: Eimskip (Iceland, Norway), Containership (Baltic and Russia), and Faroe ship (Faroe Islands). For regional analysis, Shipping Services can be split into the following business segments:

- Revenues in the **North Atlantic region** amounted to EUR 78.2 (Q1 2007: EUR 69.8 million), representing a 12.1% increase in the quarter.
- Revenues in the **Baltic & Russia region** was EUR 51.8 million (Q1 2007: EUR 50,1 million)

Revenues from **Logistics Services** increased to EUR 294.2 million, representing an underlying year over year increase of approximately 9% in the quarter. Strong performance was delivered in the US, Canada and Asia. Revenues from logistic companies includes reporting from: Atlas cold stores (Canada), Versacold (Canada), Innovate (UK), Daalimpex (Netherlands), and Eimskip reefer logistics (Netherlands). For regional analysis, the Logistics Services can be split into the following business segments:

- Revenues in the **Americas region** (US, Canada, Australia and New Zealand) increased to EUR 203.2 million (Q1 2007: EUR 84.8 million). This represents an increase of 139.7% in the quarter
- Revenues in the **European region** (both logistic and shipping) was EUR 95.4 million (Q1 2007 EUR 104 million) in the quarter
- Revenues in the **Asian region** amounted to EUR 14.8 million in the quarter (Q1 2007: EUR 5.9 million), representing roughly a threefold increase

Operating expenses

Operating expenses in the first quarter were EUR 423.1 million (1Q 2007: EUR 294.7 million) and grew by 43.6% from 2007. The cost/revenue ratio is 95.9% compared to 96.2% in Q1 2007.

EBITDA & EBIT

Earnings before interest, tax, exceptional items, depreciation and goodwill amortisation ("EBITDA") increased by 56% to EUR 39.7 million for the quarter (1Q 2007: EUR 25.5 million). The EBITDA margin was 9.0% in the quarter and EBIT was 2.9% of revenues, increasing to EUR 12.9 million for the quarter.

Financial items

Financial expenses totalled EUR 57.1 million in the quarter (1Q 2007: EUR 16.6 million), of which EUR 29.9 million was interest expense. Currency exchange loss in the quarter amounted to EUR 17.9 million, compared to EUR 13.0 million in exchange gain in Q4 2007. EUR 9.2 million was expensed in the quarter due to debt repayments for Versacold.

Approximately half of the Group's interest bearing debt is in mortgaged real estate in North America. Sales and leasebacks of these assets are expected to close by the end of the second quarter; the debt will then be removed from Eimskip's balance sheet, significantly reducing financing costs and increasing the equity ratio. Financing costs are expected to decrease significantly in the following quarters.

Net loss in first quarter

Net loss was EUR 38.9 million in the quarter (1Q 2007: EUR 5.6 million loss). While revenue and EBITDA margin are in line with management's expectations, the net loss in the period is primarily due to financing costs being higher than expected and currency exchange losses.

Tax

The Group's tax charge was EUR 5.4 million in the quarter, with an effective tax rate of 12.2%. The main reason for the lower tax rate compared to previous quarters is due to non-deductable currency

exchange losses in Canadian subsidiaries.

Income Statement EUR '000	Q1 08	Q4 07	Q3 07	Q2 07	Q1 07
Total operating revenue	440.777	502.154	318.930	316.452	306.192
Total operating expenses	-423.137	-480.023	-297.153	-300.366	-294.660
Operating profit	17.640	22.131	21.777	16.086	11.532
EBITDA	39.715	43.474	31.551	24.592	25.519
Financial income (expenses)	-57.143	-20.521	-14.493	-14.116	-16.581
Share in profit from associates	-86	142	18.725	210	689
Profit (loss) before tax	-44.318	-2.582	19.132	-4.590	-4.267
Income tax	5.429	-1.573	70	2.134	1.074
Results from continuing operations	-38.889	-4.155	19.202	-2.456	-3.193
Discontinued operations	0	-3.615	-5.069	-7.387	-2.428
Profit (loss) for the period	-38.889	-7.770	14.133	-9.843	-5.621

Assets and liabilities

The Group's total assets amounted to EUR 2,209 million at the end of the quarter (Q4 2007: EUR 2,469 million), decreasing by EUR 260 million from the end of 2007. The decrease in assets is mainly due to sale of assets from Versacold in Canada, which totalled EUR 205 million. Liabilities totalled EUR 1,789 million at the end of the quarter (Q4 2007: EUR 2,017 million). As previously announced, the balance sheet is expected to reflect further asset sales in the North America at the end of Q2 2008.

Equity

By the end of the quarter, total equity was EUR 419.9 million (2007: 451.2 million). The decrease in equity is mainly explained by a loss in the period, fair value adjustment of the holding in Icelandic Group (EUR 5.1 million). Foreign currency translation of subsidiaries amounts to EUR 10.8 million. Equity ratio amounted to 19% at the end of Q1.

Working capital

Working capital provided by operating activities was EUR 13.5 million in the quarter (1Q 2007: EUR 2.0 million were used). Operating assets/liabilities decreased by a net EUR 72.1 million in the quarter. The decrease can mainly be explained by the collection of receivables in relation to sale of the aviation business, which amounted to EUR 60 million.

Cash flow from investing activities

Net cash flow from investing activities in the quarter totalled EUR 127.4 million (1Q 2007: EUR (247.2) million). Key investments in the period include intangible assets, one new vessel and various equipment. Proceeds from sale of assets of EUR 219.2 are mainly attributable to sale of real estate in Canada.

Cash flow from financing activities

Net cash outflow from financing activities was EUR 237.5 million in the quarter. The Group's net cash decreased by EUR 24.5 million in the quarter. The closing cash balance at the end of the quarter was EUR 51.8 million.

First quarter activities and recent developments

New office opened in Vietnam

Eimskip's sixth office in Asia was opened in Vietnam in November. Located in Ho Chi Minh City, the largest city in Vietnam, the office will provide a wide range of logistics services to the Vietnamese market. Eimskip's services include temperature-controlled forwarding service, shipping agency, container import/export services, third party cold storage and chilled warehouse services.

Partnership agreement signed with Alcoa in Iceland

In November Alcoa Fjardaal in Iceland and Eimskip signed an extensive agreement for Eimskip to import over 180.000 tonnes and export 40,000 tonnes of freight per year for Alcoa Fjardaal. The agreement covers the shipment of all anodes for Alcoa Fjardaal's aluminium smelter in Reydarfjordur, Iceland.

New reefer vessel purchased in Norway

In December Eimskip in Norway received its fifth new reefer vessel in approximately two years. The new reefer vessel is a combined reefer and container vessel. It is 82 meters long and 16 meters wide, with a maximum cruising speed of 16 nautical miles per hour, and a deadweight of 2,500 tons.

New shipping system established

Eimskip established a new shipping system at the beginning of 2008, which will lead to increased shipping capacity. The system is specifically designed to meet the needs of the company's customers. A new shipping route, the Eastern-route, has been added to the current European routes, i.e. the South route and the North route. The new sailing schedule ensures greater frequency of shipping, improved services and greater reliability for the customers of Eimskip.

Management guidance

In the financial year 2008, management expects revenue to be approximately EUR 1.9 billion, representing a total growth of 30% and underlying growth. EBITDA is expected to show significant improvement over 2007 or 45% and the margin to reach 9.5%.

Method of consolidation and auditing

The consolidated financial statements comprise the financial statements of Hf. Eimskipafelag Islands and its subsidiaries. The Group's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Group companies are those companies in which the parent company has a controlling financial interest through direct and indirect ownership of a majority voting interest or effective managerial and contractual control. The subsidiaries held or acquired exclusively with a view to subsequent resale are excluded from consolidation and are included as available-for-sale investments and measured at fair value where this can be reliably measured or at cost less impairment losses where fair value cannot be reliably measured. All material intra-group balances, transactions and any unrealised gains from intra-group transactions have been eliminated in consolidation. The equity and net income attributable to minority interests are shown as separate items in the consolidated financial statements.

Presentation of financial results

An open meeting for investors and analysts will be held at Eimskip headquarters at Sundakletti, Reykjavik, starting at 08:30 GMT on 14 March 2008. A copy of the presentation and related material will be available on www.eimskip.com prior to the meeting.

Enquires and presentation of financial results

Halldor Kristmannsson, Executive VP of Corporate Communications
(+354) 525 7000 / (+354) 840 3425
E-mail: halldor@eimskip.is

Tel:

Dogg Hjaltalin, Director of Investor Relations
Tel: (+354) 525 7000 / (+354) 825 7225
E-mail: dogg@eimskip.is

A copy of this press release and financial statements is available on Eimskip's website, www.eimskip.com.

Consolidated Statements of Income for the first quarter 2008

Income statement (EUR million)	1Q 2008	1Q 2007	Change %
Revenue	440,8	306,2	44,0%
Cost of sales	-423,1	-294,7	43,6%
Gross profit	17,7	11,5	53,9%
Other income	2,6	9,2	-71,7%
Administrative expenses	-7,3	-9,1	-19,8%
Operating profit	13,0	11,6	12,1%
Net finance costs	-57,3	-15,9	260,4%
Income tax	5,4	1,1	390,9%
Loss from continuing operations	-38,9	-3,2	1115,6%
Loss from discontinued operations	0,0	-2,4	-100,0%
Loss for the period	-38,9	-5,6	594,6%

Assets (EUR million)	1Q 2008	1Q 2007	Change %
Goodwill	435,2	436,7	-0,3%
Other intangible assets	145,4	93,6	55,3%
Property, vessels and equipment	1.098,7	1.287,5	-14,7%
Investment in associates and financial assets	128,0	68,7	86,3%
Deferred tax asset	18,1	42,2	-57,1%
Total non-current assets	1.825,4	1.928,7	-5,4%
Inventories	9,9	8,3	19,3%
Trade and other receivable	321,8	452,0	-28,8%
Cash and cash equivalents	51,9	79,7	-34,9%
Total current assets	383,6	540,0	-29,0%
Total assets	2.209,0	2.468,7	-10,5%

Equity (EUR million)	1Q 2008	1Q 2007	Change
Share capital	21,9	21,9	0,0%
Share premium	448,5	448,5	0,0%
Reserves	-105,0	-110,6	-5,1%
Retained earnings	39,6	79,0	-49,9%
Minority interest	14,9	12,5	19,2%
Total equity	419,9	451,3	-7,0%

Liabilities (EUR million)	1Q 2008	1Q 2007	Change
Convertible loan	70,7	76,5	-7,6%
Loans and borrowings	1.048,2	1.163,4	-9,9%
Provisions and other liabilities	50,7	55,2	-8,2%
Deferred income tax liability	135,6	178,3	-23,9%
Total non-current liabilities	1.305,2	1.473,4	-11,4%
Loans and borrowings	208,0	239,2	-13,0%
Trade and other payable	275,9	304,8	-9,5%
Total current liabilities	483,9	544,0	-11,0%
Total liabilities	1.789,1	2.017,4	-11,3%