

EBITDA GROWTH WAS 66.5% IN FIRST QUARTER 2016

Forecast for 2016 raised to EUR 49 to 53 million

- Revenue EUR 113.3 million, up by EUR 0.6 million from Q1 2015
- EBITDA EUR 9.6 million compared to EUR 5.8 million, up by 66.5% from Q1 2015
- Net earnings EUR 1.8 million compared to EUR 1.5 million, up by 21.1% from Q1 2015
- Transported volume in North Atlantic liner services up by 8.1% from Q1 2015
- Transported volume in forwarding services up by 5.9% from Q1 2015
- Equity ratio 59.9% and net debt EUR 33.4 million at the end of March
- EBITDA forecast for the year 2016 has been raised to the range of EUR 49 to 53 million

EUR thousand

Consolidated Income Statement	Q1 2016	Q1 2015	Change	%	12M 2015
Revenue	113,253	112,663	590	0.5%	499,581
Expenses	103,621	106,879	(3,258)	(3.0%)	454,384
Operating profit - EBITDA	9,632	5,784	3,848	66.5%	45,197
Depreciation and amortization	(6,365)	(5,735)	(630)	(11.0%)	(24,729)
Results from operating activities - EBIT	3,267	49	3,218	-	20,468
Net finance (expense) income	(1,365)	2,170	(3,535)	-	419
Share of earnings of associated companies	100	92	8	8.7%	331
Net earnings before income tax	2,002	2,311	(309)	(13.4%)	21,218
Income tax	(157)	(787)	630	80.1%	(3,416)
Net earnings for the period	1,845	1,524	321	21.1%	17,802
Adjusted for one-off items					
Sales growth	0.5%	8.1%			10.6%
EBITDA ratio	8.5%	5.1%			9.0%
EBIT ratio	2.9%	0.0%			4.1%
Net debt / LTM EBITDA	0.68	0.79			0.78
Consolidated Statement of Financial Position	31.03.2016	31.03.2015	Change	%	31.12.2015
Assets	368,468	341,538	26,930	7.9%	355,157
Non-current assets	237,638	221,322	16,316	7.4%	233,280
Current assets	130,830	120,216	10,614	8.8%	121,877
Equity	220,796	214,879	5,917	2.8%	228,124
Liabilities	147,672	126,659	21,013	16.6%	127,033
Non-current liabilities	54,023	42,761	11,262	26.3%	55,550
Current liabilities	93,649	83,898	9,751	11.6%	71,483
Interest-bearing debt	80,764	64,703	16,061	24.8%	71,401
Net debt	33,427	30,277	3,150	10.4%	35,418
Tangible assets / Total assets	92.9%	93.3%			92.6%
Equity ratio	59.9%	62.9%			64.2%
Consolidated Statement of Cash Flows	Q1 2016	Q1 2015	Change	%	12M 2015
Net cash from operating activities	12,680	3,083	9,597	311.3%	37,357
Net cash used in investing activities	(9,947)	(8,495)	(1,452)	(17.1%)	(35,206)
Net cash provided by (used in) financing activities	8,861	(1,367)	10,228	-	(5,173)
Changes in cash and cash equivalents	11,594	(6,779)	18,373	-	(3,022)
Effects of exchange rate fluctuations on cash held	(240)	1,666	(1,906)	-	(534)
Cash and cash equivalents at the end of period	47,337	34,426	12,911	37.5%	35,983

GYLFI SIGFÚSSON, PRESIDENT AND CEO

“Eimskip’s EBITDA for the first quarter 2016 was EUR 9.6 million, up 66.5% compared to the same period last year. Revenue for the quarter amounted to EUR 113.3 million, up by 0.5%, but lower cargo rates in international forwarding affected the revenue growth. The company took action in recent months to change its sailing system in order to be able to operate more efficiently during the winter season. Due to the streamlining of operations and increased cost control measures, operating expenses excluding salaries were down in the quarter. Total operating expenses including salaries were down by 3.0%, an excellent performance despite materially increased cost related to Icelandic wage agreements. Net earnings came to EUR 1.8 million and grew by 21.1% from the first quarter 2015, despite a negative turnaround of currency exchange difference of EUR 3.7 million. Cash flow from operating activities amounted to EUR 12.7 million compared to EUR 3.1 million in the same period last year and the cash position at the end of March stood at EUR 47.3 million. This is the company’s best first quarter in terms of revenue, EBITDA, EBIT and cash flow since 2009, but the first quarter has historically been Eimskip’s weakest quarter of the year.

Transported volume in the North Atlantic liner services grew by 8.1% from the first quarter 2015. There was good growth in transport related to Iceland, the Faroe Islands and Norway and especially good growth in Norway compared to their difficult first quarter last year. From now on we will be presenting changes in transported volume in the company’s total forwarding services for both reefer and dry cargo forwarding, which grew by 5.9% from the same period last year.

Eimskip and Royal Arctic Line, the national carrier of Greenland, have signed a letter of intent to connect Greenland with Eimskip’s international sailing system. The companies plan to invest in and operate three approximately 2,000 TEU container vessels designed and built for the special conditions in the North Atlantic and they will connect the transport systems of Greenland and Iceland with Scandinavia, Europe and North America. The new vessels will be more fuel efficient and better for the environment. This will be a strategic relationship that will create cost efficiency, increase capacity and is a future step for Eimskip’s fleet renewal program. The estimated time of designing and building the vessels is two to three years.

Eimskip continues to evaluate strategic acquisitions and growth investment opportunities. The company is in the position to gain from its strong financial position as the ongoing consolidation in the industry continues. We are in advanced acquisition process and anticipate closing transactions in the third quarter.

The second quarter looks favorable compared to last year. The EBITDA forecast for the year 2016 has been raised and is now in the range of EUR 49 to 53 million, from the range of EUR 46 to 50 million as presented last February. Estimated EBITDA related to new acquisitions and strategic investments and cost related to the transactions is not included in the current EBITDA forecast for the year.”

FIRST QUARTER OPERATIONS

Eimskip’s revenue amounted to EUR 113.3 million in the first quarter 2016 compared to EUR 112.7 million in the same period last year, showing an increase of 0.5%. Revenue from the liner services amounted to EUR 83.2 million compared to EUR 78.6 million in the first quarter last year and grew by 5.9%. Transported volume in the liner services grew by 8.1% from the same period 2015, mainly due to good growth related to Iceland, the Faroe Islands and Norway and especially good growth in Norway compared to their difficult first quarter in 2015. Revenue from the company’s forwarding services amounted to EUR 30.0 million compared to EUR 34.1 million in the first quarter 2015, down by 11.8%, mainly due to lower transport rates from the international deep sea lines

in Asia. Eimskip will from now on present changes in transported volume in the company's total forwarding services, both reefer and dry, but until now the company has only presented the reefer forwarding volume. The forwarding volume in the first quarter grew by 5.9% from the same period last year.

Total expenses of the company amounted to EUR 103.6 million in the quarter compared to EUR 106.9 million in the first quarter last year, a 3.0% decrease. Thereof, operating expenses amounted to EUR 77.0 million compared to EUR 84.7 million in the first quarter 2015, a decrease of 9.1%. The company changed its sailing system in the autumn of 2015 to increase service reliability and to be able to operate in a more efficient way during the winter season and these changes have resulted in better operations. The vessel maintenance cost was also lower than in the first quarter last year. Various projects of streamlining the operations have also commenced and are now leading to lower operating expenses. The cost of the forwarding services has decreased and is affected by lower rates from the deep sea lines for the company's forwarding services. Salaries and related expenses for the period amounted to EUR 26.6 million and increased by 20.2% from the previous year. Thereof 10.5% is explained by general wage increase, 3.5% by currency exchange difference, 3.3% by increased activity and overtime and 2.9% by new companies that became part of the Eimskip group last year.

EBITDA for the quarter amounted to EUR 9.6 million compared to EUR 5.8 million in the same period last year, showing an increase of 66.5%. The EBITDA ratio was 8.5%, compared to 5.1% in the first quarter 2015. EBITDA from the company's liner services amounted to EUR 7.7 million in the quarter compared to EUR 4.6 million in the same period last year, up by 68.2%. The EBITDA ratio from the liner services was 9.3% compared to 5.8% EBITDA ratio in the first quarter 2015. EBITDA from the company's forwarding services amounted to EUR 1.9 million compared to EBITDA in the amount of EUR 1.2 million in the same period 2015, an increase of 59.9%. The EBITDA ratio from the forwarding services was 6.3% and grew from 3.5% in the first quarter last year.

Depreciation and amortization amounted to EUR 6.4 million in the quarter compared to EUR 5.7 million in the same period last year. The increase is mainly explained by investment in fixed and intangible assets, vessel dry-dockings and new group companies.

EBIT for the quarter amounted to EUR 3.3 million compared to EUR 49 thousand in the first quarter 2015.

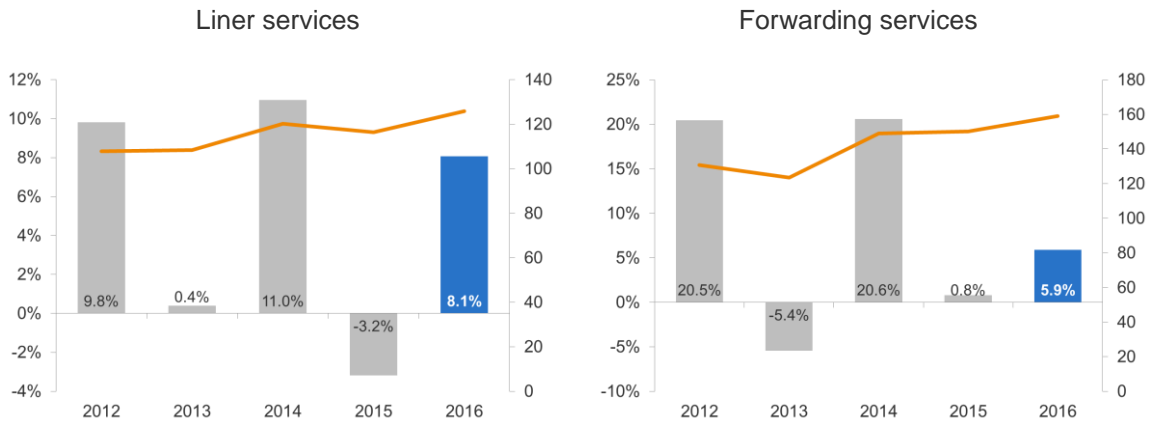
Net finance expense amounted to EUR 1.4 million in the quarter compared to EUR 2.2 million net finance income for the same quarter last year. Currency exchange fluctuations, where for example the USD and CNY weakened towards the EUR, resulted in a currency exchange loss amounting to EUR 0.8 million in the quarter compared to a currency exchange gain in the amount of EUR 2.9 million in the first quarter last year. This negative turnaround of EUR 3.7 million explains the change in the financial items from last year. Share in earnings of associated companies amounted to EUR 0.1 million, similar as in the same period in the previous year.

Net earnings before income tax amounted to EUR 2.0 million compared to EUR 2.3 million earnings before income tax in the first quarter 2015. The decrease is explained by the negative turnaround of the financial items.

The quarter's income tax amounted to EUR 0.2 million compared to EUR 0.8 million in the first quarter last year.

Net earnings for the period amounted to EUR 1.8 million compared to net earnings of EUR 1.5 million in the same period 2015. This is an increase of 21.1%, despite the negative turnaround in the currency exchange difference mentioned above.

As shown in the following graphs, transported volume in the company’s liner and forwarding services in first quarter has gradually been increasing compared to the first quarter the year before. The volume index on the right axis is based on the 2010 volume as 100.



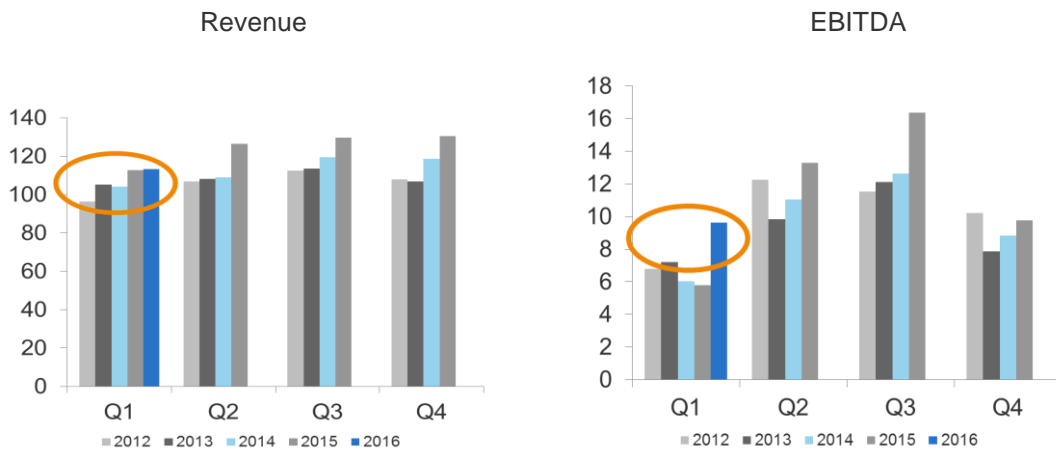
During the year 2015, some changes were made to the company’s sailing schedule in order to increase system capacity and service reliability. In February 2015, the Green Line (serving between Iceland and North America with a port call in Sortland in Norway) and the Red Line (connecting the coastal services in Iceland with Europe) were combined into a new Green Line with three vessels, a direct sailing route between Europe and North America with port calls in Iceland. In October 2015 the services of the Gray Line were expanded by adding another chartered 500 TEU vessel to the line to increase capacity and with new port calls in Århus in Denmark, Halmstad in Sweden and Swinoujscie in Poland.

Eimskip operates 20 vessels, of which thirteen are owned and seven are chartered. Thirteen of the vessels are in scheduled services, three are in spot services, one is used for bulk cargo and three are in ferry operation.

The company’s operations have been stable during the past few years as can be seen in the following graphs, but there was substantial growth in revenue and EBITDA in 2015 as well as in EBITDA in the first quarter 2016.

The graphs show how revenues and EBITDA are divided to quarters from 2012 to 2016. In the graphs, revenue and EBITDA have been adjusted for one-off items in 2012. EBITDA for the third quarter has been increased by EUR 0.7 million due to costs related to the company’s listing. EBITDA for the fourth quarter has also been increased by a total of EUR 3.9 million, including EUR 1.0 million due to the company’s listing and EUR 2.9 million due to costs related to the share options forfeited by the executive management.

EUR million



BALANCE SHEET

- **Total assets EUR 368.5 million at the end of March 2016**
- **Equity ratio 59.9%**
- **Interest-bearing debt EUR 80.8 million**
- **Net debt EUR 33.4 million**

Eimskip's total assets amounted to EUR 368.5 million at 31 March 2016. In comparison, total assets amounted to EUR 341.5 million at the end of March 2015 and EUR 355.2 million at year-end 2015.

Total non-current assets amounted to EUR 237.6 million compared to EUR 221.3 million at the end of March last year and EUR 233.3 million at year-end 2015. Net investments in fixed and intangible assets amounted to EUR 10.6 million in the quarter compared to EUR 7.0 million in the first quarter 2015.

Total current assets amounted to EUR 130.8 million at the end of the quarter compared to EUR 120.2 million at the end of March 2015 and EUR 121.9 million at the end of 2015. The change is mainly explained by change in cash and cash equivalents in the quarter, resulting in cash and cash equivalents amounting to EUR 47.3 million at the end of the quarter. For comparison, cash and cash equivalents amounted to EUR 34.4 million at the end of March last year and EUR 36.0 million at the end of 2015.

Equity amounted to EUR 220.8 million at the end of March and the equity ratio was 59.9%. Equity amounted to EUR 214.9 million at the end of first quarter 2015 with an equity ratio of 62.9% and EUR 228.1 million with an equity ratio of 64.2% at year-end 2015. The Annual General Meeting held on 17 March 2016 approved a dividend payment to be made in April in the amount of EUR 8.6 million, or ISK 1,213.2 million, which decreased equity and increased current liabilities at the end of the quarter.

Current liabilities amounted to EUR 93.6 million at the end of March compared to EUR 83.9 million at the end of March 2015 and EUR 71.5 million at year-end 2015. The EUR 8.6 million dividend payment approved in March 2016 and paid in April and unpaid container investment increased current liabilities at the end of the quarter.

Interest-bearing debt amounted to EUR 80.8 million at the end of the quarter compared to EUR 64.7 million at the end of the first quarter last year and EUR 71.4 million at the end of 2015. Net debt at the end of March amounted to EUR 33.4 million compared to EUR 30.3 million at the end of March last year and EUR 35.4 million at year-end 2015.

CASH FLOWS AND INVESTMENTS

- **Net cash from operating activities EUR 12.7 million in the quarter**
- **Net cash used in investing activities EUR 9.9 million**
- **Cash and cash equivalents EUR 47.3 million at the end of March**

Net cash from operating activities amounted to EUR 12.7 million in the first quarter 2016 compared to EUR 3.1 million in the first quarter last year.

Net cash used in investing activities amounted to EUR 9.9 million in the quarter compared to EUR 8.5 million in the same period last year. Total capital expenditure (CAPEX) of the quarter amounted to EUR 11.2 million and the largest investments were containers and a harbor crane. For comparison, CAPEX amounted to EUR 8.0 million in the first quarter 2015.

Net cash provided by financing activities amounted to EUR 8.9 million compared to net cash used in financing activities in the amount of EUR 1.4 million in the first quarter last year. The company drew down on a credit facility at the end of March for the dividend payment in April.

Cash and cash equivalents increased by EUR 11.6 million in the quarter compared to a EUR 6.8 million decrease in the same period last year. Cash and cash equivalents at the end of March amounted to EUR 47.3 million compared to EUR 34.4 million at the end of March last year and EUR 36.0 million at year-end 2015.

EBITDA FORECAST 2016

Eimskip has decided to raise its EBITDA forecast for the year 2016 to EUR 49 to 53 million, from the range of EUR 46 to 50 million as presented in February 2016. Estimated EBITDA related to new acquisitions and strategic investments and cost related to the transactions is not included in the current EBITDA forecast for the year.

The current year has started off well and beyond the company's expectations and the outlook for the year is positive. The company expects continued volume growth in the Icelandic market, but volumes in the Faroe Islands are expected to be similar to last year's. The reefer market in Norway was struggling in the first quarter 2015, but this year had a good start and the outlook remains positive. Forwarding services, which consist of reefer forwarding and dry cargo forwarding, grew by 5.9% in the first quarter. The reefer forwarding has had a slow start this year due to the economic conditions in China, while the dry cargo forwarding has been on a good track and similar growth is expected throughout the year.

There is still some uncertainty regarding wage agreements with a part of the Icelandic crew members on the company's vessels, besides general uncertainty regarding global economic conditions, volumes, rates, fuel cost, currency rates and competition.

SHAREHOLDERS

- **The company's market capitalization was EUR 323.3 million on 25 May 2016**

There were some fluctuations in the closing price of Eimskip's shares in 2015. The closing price was in the range of ISK 206.00 on 4 June to ISK 264.50 on 3 November, with an average of ISK 235.22 for the year and a year-end closing price of ISK 235.50. The closing price on 25 May 2016 was ISK 241.75 which represents Eimskip's market capitalization based on outstanding shares in the amount of ISK 45.1 billion that day, equivalent of EUR 323.3 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 2015 there were 955 shareholders and they were 872 on 25 May 2016.

Eimskip's Annual General Meeting, held on 17 March 2016, approved a dividend payment to shareholders of ISK 6.50 per share. The total dividend payment amounted to ISK 1,213.2 million, or EUR 8.6 million. The payment date was 14 April 2016.

KEY FIGURES BY QUARTER

EUR thousand

Operating Results	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Revenue	113,253	130,610	129,721	126,587	112,663
Expenses	103,621	120,863	113,361	113,281	106,879
EBITDA	9,632	9,747	16,360	13,306	5,784
EBIT	3,267	2,476	10,427	7,516	49
Net earnings for the period	1,845	2,289	8,474	5,515	1,524
EBITDA ratio	8.5%	7.5%	12.6%	10.5%	5.1%
EBIT ratio	2.9%	1.9%	8.0%	5.9%	0.0%
Balance Sheet	31.03.2016	31.12.2015	30.09.2015	30.06.2015	31.03.2015
Assets	368,468	355,157	370,650	357,667	341,538
Equity	220,796	228,124	225,958	219,400	214,879
Liabilities	147,672	127,033	144,692	138,267	126,659
Interest-bearing debt	80,764	71,401	81,769	77,012	64,703
Net debt	33,427	35,418	52,519	40,001	30,277
Equity ratio	59.9%	64.2%	61.0%	61.3%	62.9%
Cash Flow	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net cash from operating activities	12,680	15,574	6,889	11,811	3,083
Net cash (used in) from investing activities	(9,947)	4,032	(15,780)	(14,963)	(8,495)
Net cash from (used in) financing activities	8,861	(11,611)	1,876	5,929	(1,367)
Cash and cash equivalents at the end of period	47,337	35,983	29,250	37,011	34,426

INVESTIGATION OF THE ICELANDIC COMPETITION AUTHORITY

The investigation of the Icelandic Competition Authority is still ongoing and Eimskip has no further information on it than already disclosed. At this point the subject matter of the investigation is not known and any elaboration on the potential outcome of the investigation is premature. It is in the interest of the company that the investigation will be completed as soon as possible.

ABOUT EIMSKIP

Eimskip was founded in 1914 and is a publicly traded company with its shares listed at Nasdaq Iceland. The company runs a network of 57 offices in 19 countries, operates 20 vessels and has 1,590 employees. Approximately half of Eimskip's revenue comes from operations outside Iceland. The company's vision is to provide outstanding transportation services through a dependable transport system in the North Atlantic, as well as offering an extensive worldwide network of reefer logistics services.

INVESTOR MEETING 27 MAY 2016

Investors and market participants are invited to a meeting on Friday 27 May 2016 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 2016. The presentation from the meeting

will be available after the meeting on the company's investor relations website, www.eimskip.is/investors, and in the company news release distribution network of Nasdaq Nordic.

APPROVAL OF THE BOARD OF DIRECTORS

The Board of Directors of Eimskipafélag Íslands hf. approved the Condensed Consolidated Interim Financial Statements for the period 1 January to 31 March 2016 at its meeting on 26 May 2016.

FINANCIAL CALENDAR

- Results for the second quarter 2016 will be published on the 25 August 2016
- Results for the third quarter 2016 will be published on 17 November 2016
- Results for the fourth quarter 2016 will be published on 23 February 2017
- The Annual General Meeting 2017 will be held on 23 March 2017

FURTHER INFORMATION

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