

# PRESENTATION OF Q2 RESULTS

Vilhelm Már Thorsteinsson, CEO







# NEW CONSOLIDATED HEADQUARTERS



# THIS IS EIMSKIP

Eimskip is a leading transportation company in the North Atlantic providing container and reefer liner services with connections to international markets and is specialized in worldwide freight forwarding services with focus on frozen and chilled commodities

## ABOUT



55 OFFICES



16 VESSELS



18 COUNTRIES



CONTAINERS  
REEFER 8.900 TEUs  
DRY&OTHER 21.300 TEUs



1612 EMPLOYEES



170 TRUCKS



43 NATIONALITIES



28 WAREHOUSES  
14 COLD STORAGES

## KEY FIGURES 6M 2020

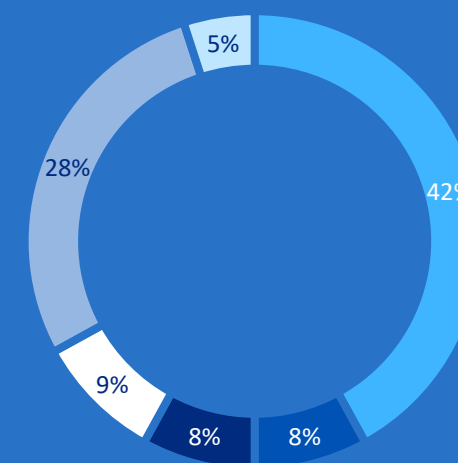
**REVENUES:**  
EUR 322 m

**EBITDA:**  
EUR 25 m

**TOTAL ASSETS:**  
EUR 541 m

**EQUITY:**  
EUR 222 m (41.1%)

## GEOGRAPHICAL SPLIT OF REVENUE



- Iceland
- Asia
- Europe
- Norway
- Faroe Islands
- N-America / TA

# KEY HIGHLIGHTS FOR Q2 2020

**1** EBITDA performance of Q2 is better than management expectations at the start of the quarter specially considering the impact of COVID-19

**2** Streamlining measures and integration projects resulting in lower cost

- Salary cost down EUR 4m QoQ
- Container system savings EUR 2m compared to Q1

**3** Generally strong performance of International division and improving results of reefer forwarding

**4** Co-operation with Royal Arctic Line commenced with arrival of the new vessel Dettifoss

REVENUE

**161** mEUR  
-4.1% YoY

EBITDA\*

**17** mEUR  
7.6% YoY

NET EARNINGS

**2** mEUR  
0.7% YoY

NET CASH FROM  
OPERATION

**22** mEUR  
10.5% YoY

EQUITY

**222** mEUR  
41.2%

NIBD

**201** mEUR  
3.5x LTM EBITDA

VOLUME

LINER  
**-5.3%**  
FORWARDING  
**-5.3%**

EMPLOYEES

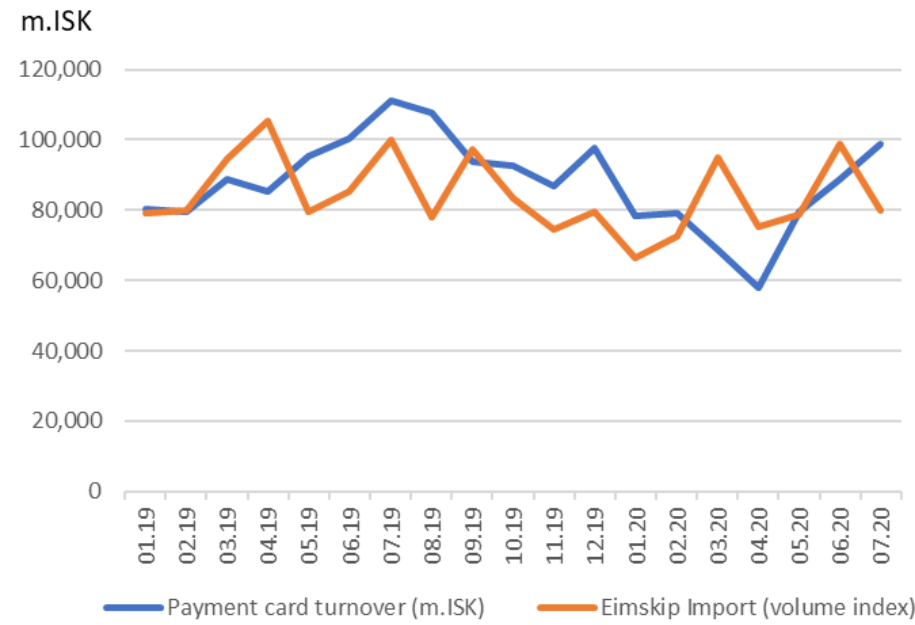
**1612**  
-9.7% from 1.1.2020

\*Adjusted for EUR 1 million redundancy cost

# ECONOMIC INDICATORS

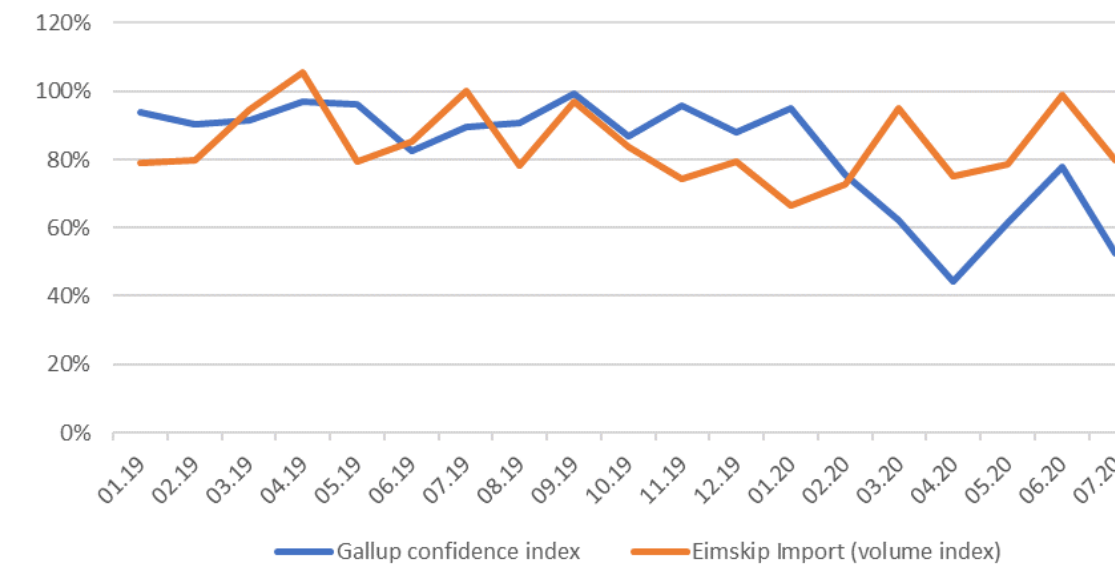
Relevant lead indicators

## PAYMENT CARD TURNOVER



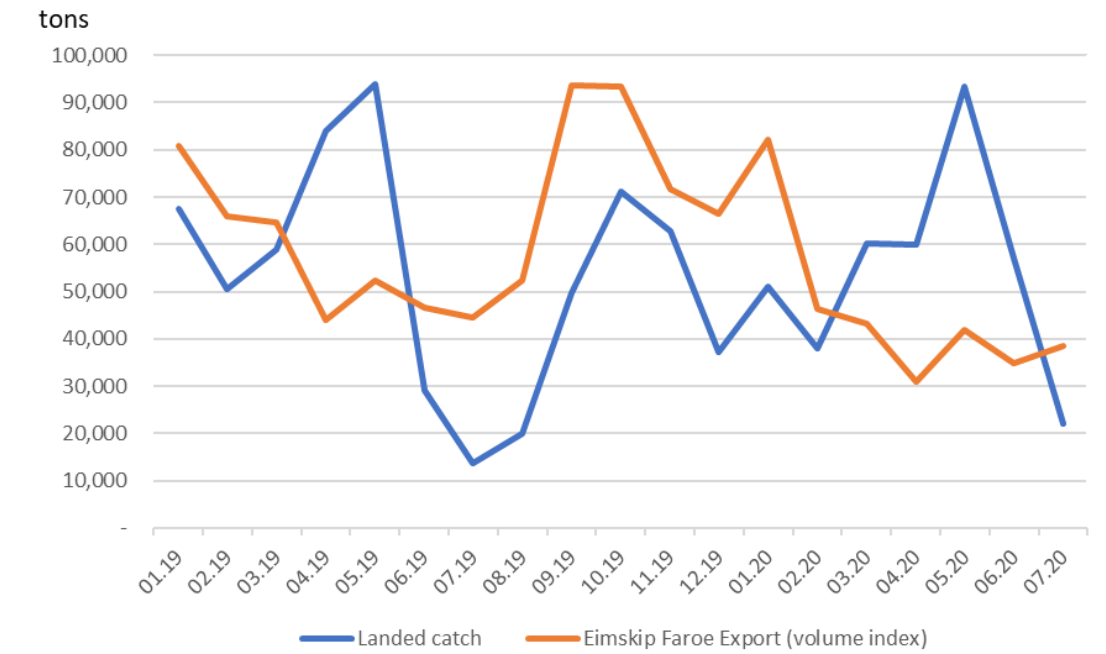
Source: Central bank of Iceland

## GALLUP CONFIDENCE INDEX



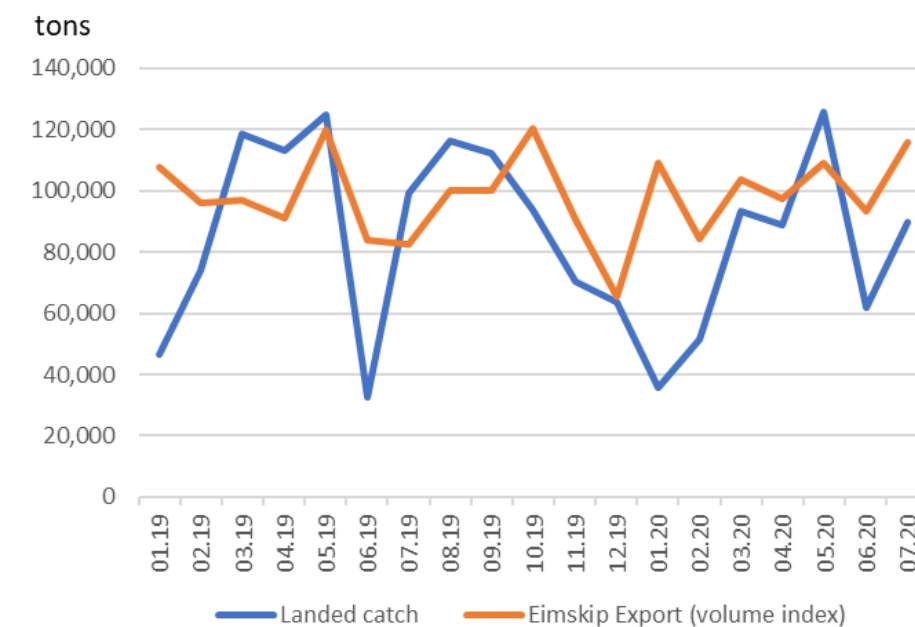
Source: Gallup Iceland

## LANDED CATCH – FAROE ISLANDS



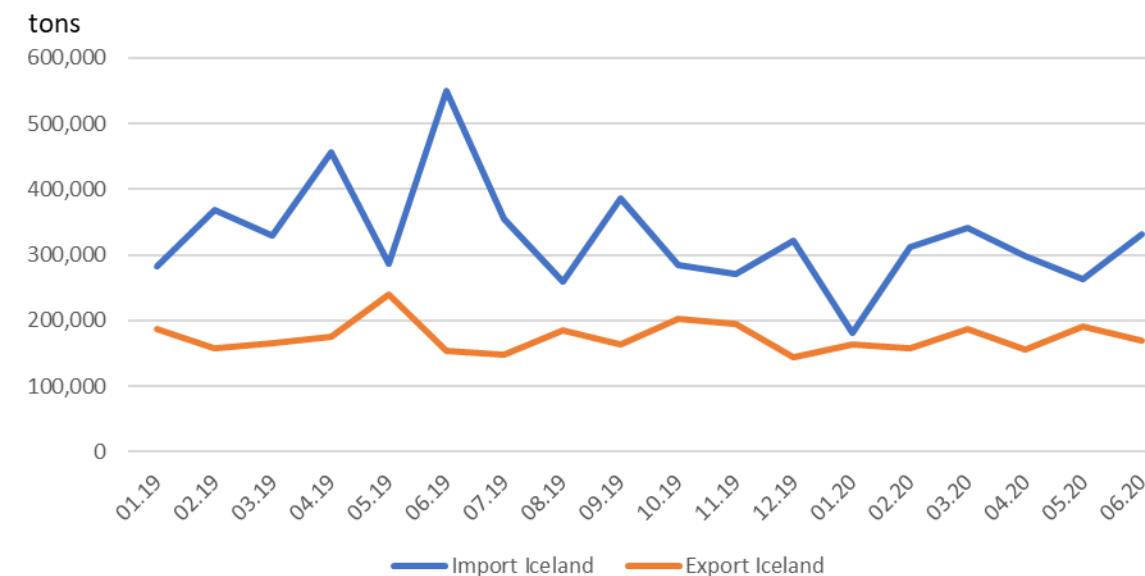
Source: www.vorn.fo

## LANDED CATCH – ICELAND



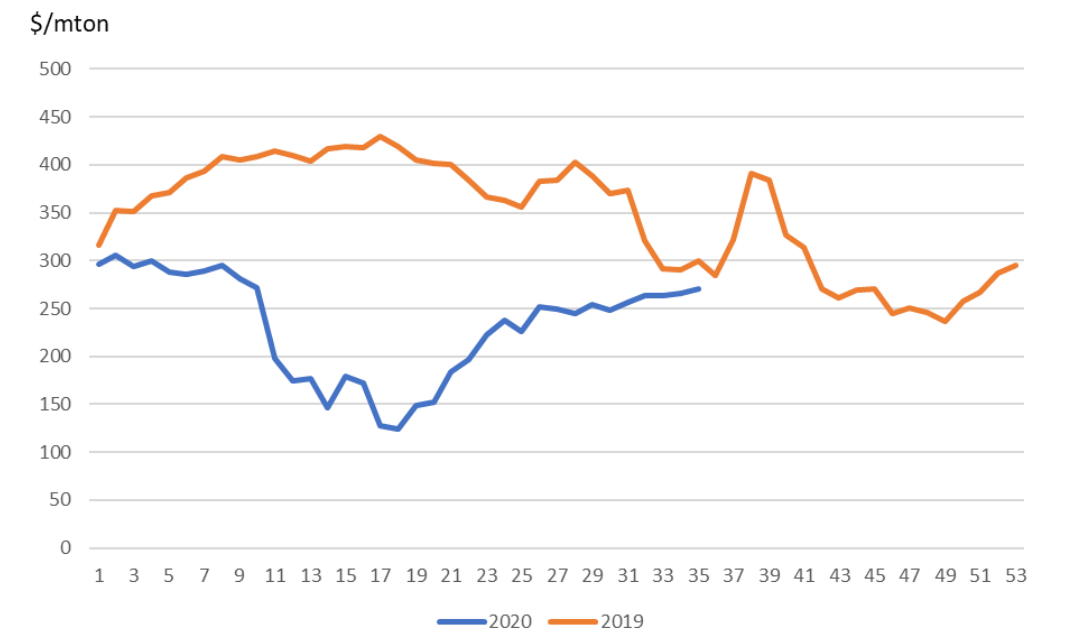
Source: Directorate of Fisheries

## TOTAL IMPORT – EXPORT ICELAND excl. fuel & gas



Source: Statistics Iceland

## FUEL PRICE DEVELOPMENT PR. WEEK



Source: www.mabux.com





# OPERATING ACTIVITIES



# VESSEL NEWBUILDING AND ROYAL ARCTIC LINE CO-OPERATION

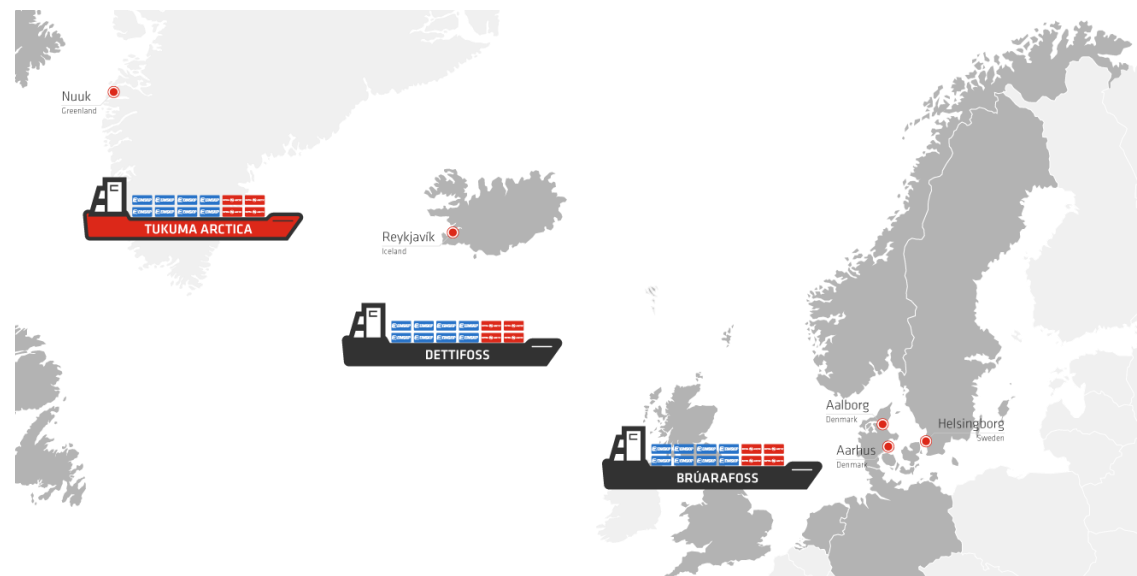
Phase-in Vessel Sharing Agreement launched in June

## The new 2150 TEUs vessels

- Dettifoss first scheduled voyage from Denmark on July 8<sup>th</sup>
- Estimated delivery of Bruarfoss in early Q4 and in service later in the quarter
  - Net inflow from financing of approx. EUR 6m expected upon delivery of the vessel

## Vessel Sharing Agreement (VSA)

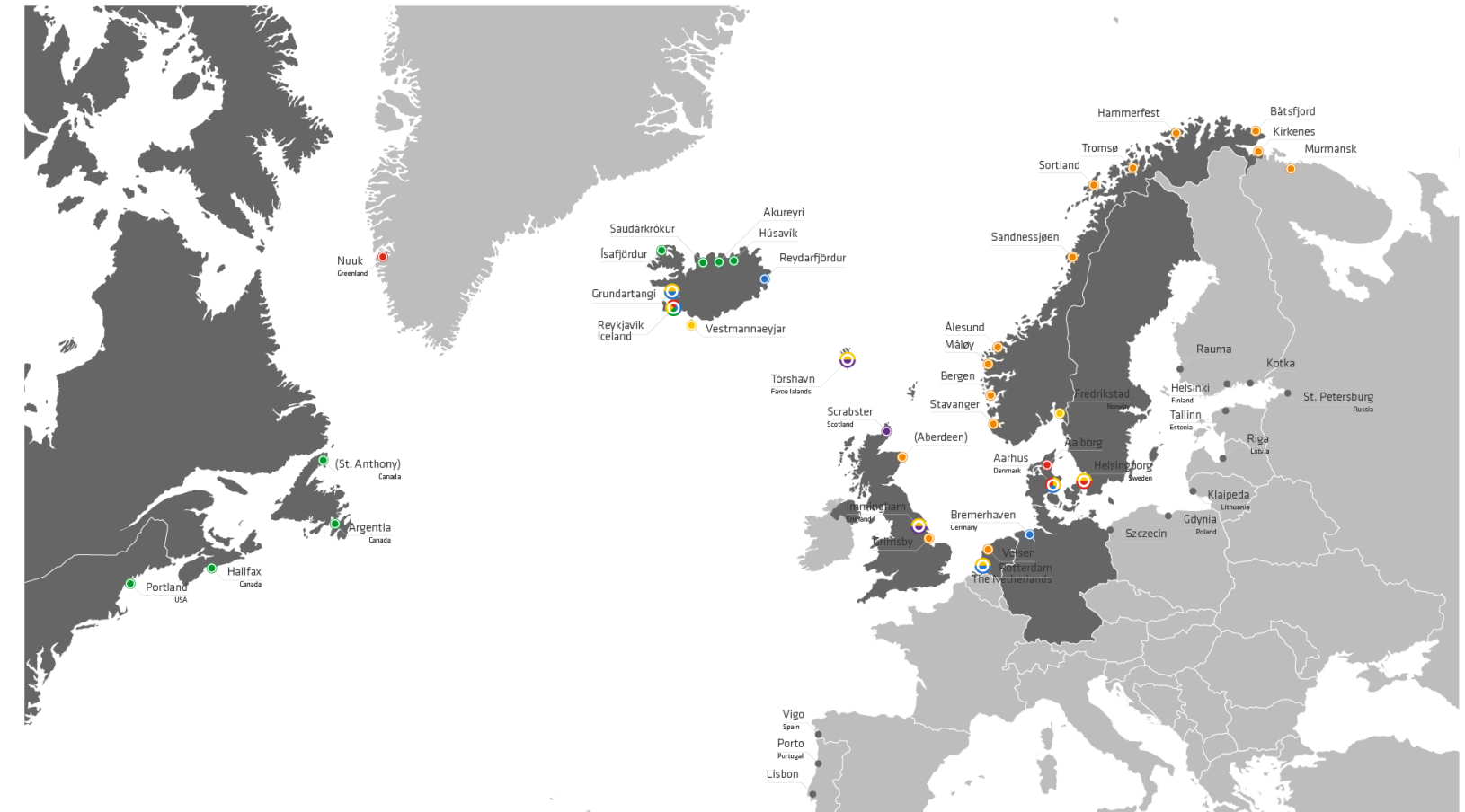
- Started in June with phase-in setup
  - The vessels in service are Dettifoss from Eimskip and Tukuma Arctica from Royal Arctic Line
  - Port calls in Nuuk, Reykjavík, Aalborg, Aarhus and Helsingborg
- Planned to launch the full version of the VSA late October with additional connection to Faroe Islands



# GREENLAND GAINING ACCESS TO EIMSKIP'S TRANS-ATLANTIC SAILING SYSTEM

Opportunities arising for increased trade between Iceland and Greenland

- Iceland's geographical position important factor towards Greenland
  - Opportunities to increase trade between the two countries
- Weekly sailings to Nuuk with short transit time from Reykjavík
  - Transit time from Reykjavík to Nuuk is ~4 days compared to 9 days between Aalborg and Nuuk
  - Opportunities to export fresh products from Iceland to Greenland and seafood from Greenland to various destinations through Eimskip's extensive sailing system



## EXAMPLES OF PRODUCTS FOR IMPORT/EXPORT TO AND FROM GREENLAND



FRESH PRODUCTS



INTERNATIONAL COMMODITY BRANDS



ICELANDIC PRODUCTION



SEAFOOD INDUSTRY

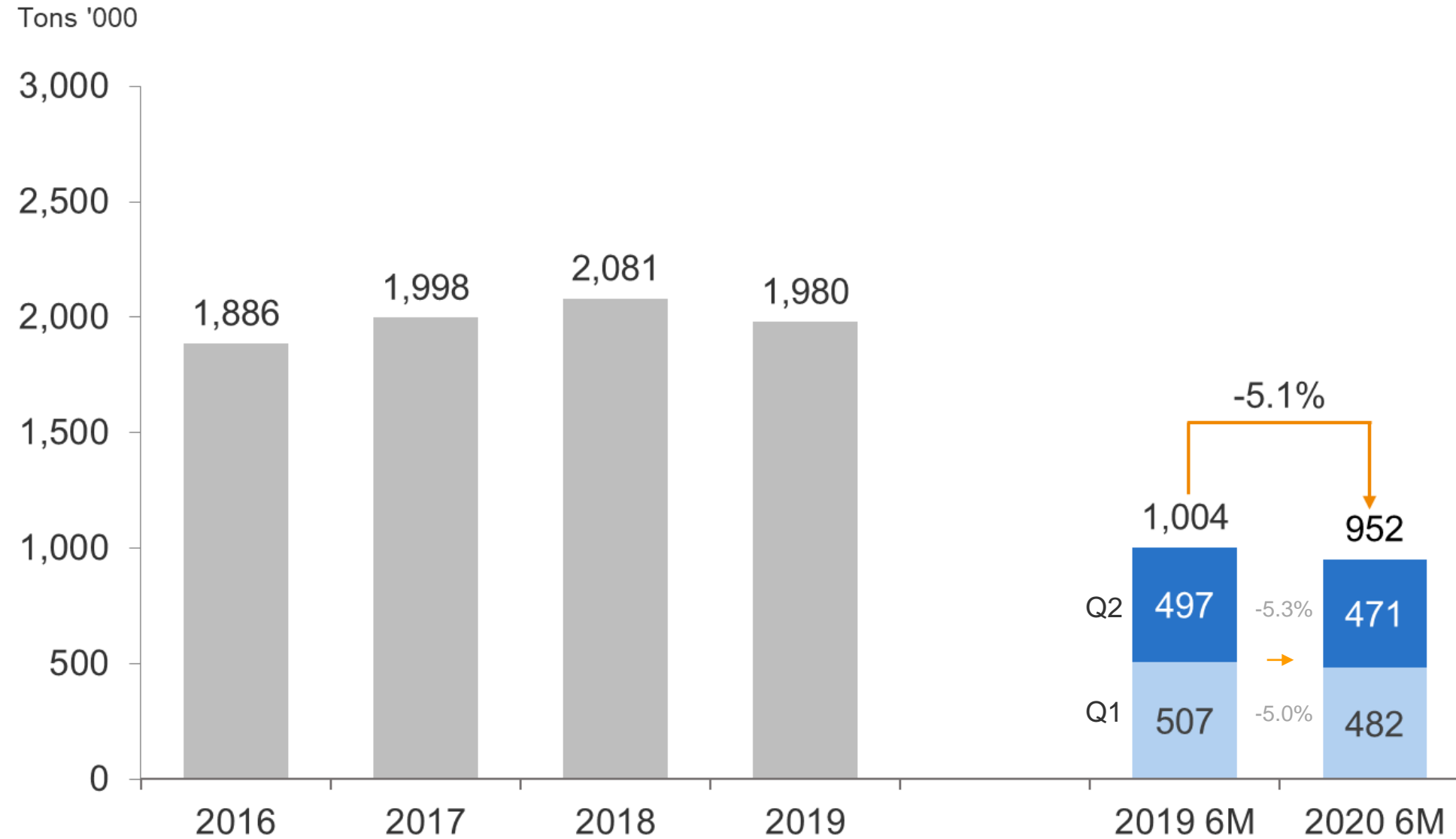


CONSTRUCTION PRODUCTS



# VOLUME DEVELOPMENT IN LINER SERVICES

Container liner volume down 4.6% and reefer liner down 11.4% YoY in Q2



## Q2

- Import to Iceland down by 6.4% YoY in line with expectations at beginning of the year despite COVID-19
  - Gradually picked up towards the end of the quarter
- Export from Iceland increased by 2.0% YoY, which is above expectations
  - In line with landed catch in the quarter (2.3% YoY)
- Faroe Islands volume down by 11.0% YoY which is below expectations mostly due to less export of fresh salmon due to COVID-19
- Reefer liner down by 11.4% YoY due to capacity reduction following the sale of reefer vessels

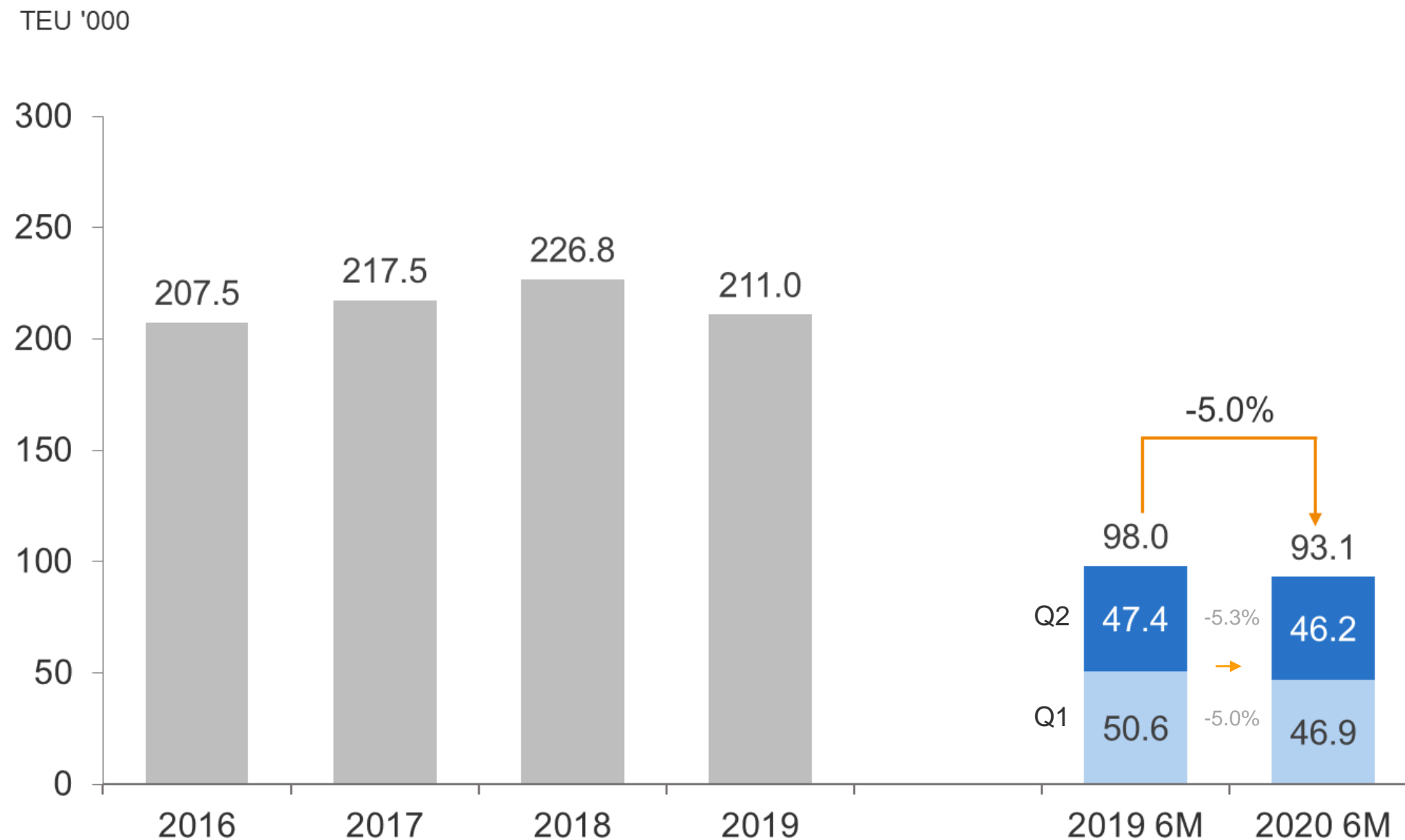
## 6M

- Export from Iceland up 0.5% despite landed catch being down by 10.2% YoY but less favorable volume mix
- Trans-Atlantic services down 5.3% which is below expectation and mostly due to COVID-19 impact in Q2



# VOLUME DEVELOPMENT IN FORWARDING

Strong reefer forwarding during the quarter



## Q2

- Reefer forwarding volume up 3.9% from last year
  - Mainly driven by increase in outbound cargo handling which is higher margin volume than inbound cargo
  - Reefer cargo has been less affected by COVID-19 than dry cargo
- Dry forwarding volume down 19.0% from last year which is below expectations, mostly due to COVID-19

## 6M

- Dry volume down by 15.1% due to;
  - Eimskip Belgium closed at the end of 2019
  - COVID-19 effects





# FINANCIAL RESULTS





# INCOME STATEMENT Q2

Profitability improves with realization of streamlining measures

EUR thousand	Q2 2020	Q2 2019	Change	%
Revenue	160,615	167,535	(6,920)	(4.1%)
Expenses	144,614	151,706	(7,092)	(4.7%)
<i>Salary and related expenses</i>	29,802	33,827	(4,025)	(11.9%)
<b>EBITDA</b>	<b>16,001</b>	<b>15,829</b>	<b>172</b>	1.1%
Depreciation and amortization	(10,966)	(10,705)	(261)	2.4%
<b>EBIT</b>	<b>5,035</b>	<b>5,124</b>	<b>(89)</b>	-
Net finance expense	(2,402)	(1,526)	(876)	57.4%
Share of profit of equity accounted investees	473	85	388	456.5%
<b>Net earnings before income tax</b>	<b>3,106</b>	<b>3,683</b>	<b>(577)</b>	-
Income tax	(651)	(929)	278	-
<b>Net earnings for the period</b>	<b>2,455</b>	<b>2,754</b>	<b>(299)</b>	-

Key ratios	Q2 2020	Q2 2019
EBITDA ratio	10.0%	9.4%
EBIT ratio	3.1%	3.1%
Profit margin	1.5%	1.6%
Return on equity	4.3%	4.7%

## Q2

- Revenue decrease by 4.1%
  - Volume decrease however, partly offset by higher forwarding prices
  - Decrease in BAF due to lower bunker prices
  - Negative effect of COVID-19 on cruise agency and ferry operation
- Expenses down by 4.7%
  - Bunker price decrease
  - Cost savings in liner and equipment operation
  - Salaries decrease by 11.9% or EUR 4m despite EUR 1m redundancy cost
    - Managed FTE reduction EUR -3.1m
    - Currency effect EUR -2.3m
  - Savings in administrative expenses, somewhat related to COVID-19 e.g. travel expenses
- **EBITDA adjusted for redundancy cost amounts to EUR 17m an increase of 7.6% YoY**
  - Adjusted EBITDA ratio 10.6%
- Net finance expenses increased due to lease liabilities and currency exchange losses

# INCOME STATEMENT 6M

The first six months affected by a slow start of the year

EUR thousand	6M 2020	6M 2019	Change	%
Revenue	322,285	331,523	(9,238)	(2.8%)
Expenses	296,946	302,472	(5,526)	(1.8%)
<i>Salary and related expenses</i>	59,555	66,547	(6,992)	(10.5%)
<b>EBITDA</b>	<b>25,339</b>	<b>29,051</b>	<b>(3,712)</b>	<b>(12.8%)</b>
Depreciation and amortization	(21,898)	(21,458)	(440)	2.1%
<b>EBIT</b>	<b>3,441</b>	<b>7,593</b>	<b>(4,152)</b>	<b>(54.7%)</b>
Net finance expense	(5,042)	(2,837)	(2,205)	77.7%
Share of profit of equity accounted investees	156	1	155	-
<b>Net (loss) earnings before income tax</b>	<b>(1,445)</b>	<b>4,757</b>	<b>(6,202)</b>	-
Income tax	(1,051)	(4,504)	3,453	-
<b>Net (loss) earnings for the period</b>	<b>(2,496)</b>	<b>253</b>	<b>(2,749)</b>	-

Key ratios	6M 2020	6M 2019
EBITDA ratio	7.9%	8.8%
EBIT ratio	1.1%	2.3%
Profit margin	(0.8%)	0.1%
Return on equity	(2.2%)	0.2%

## 6M

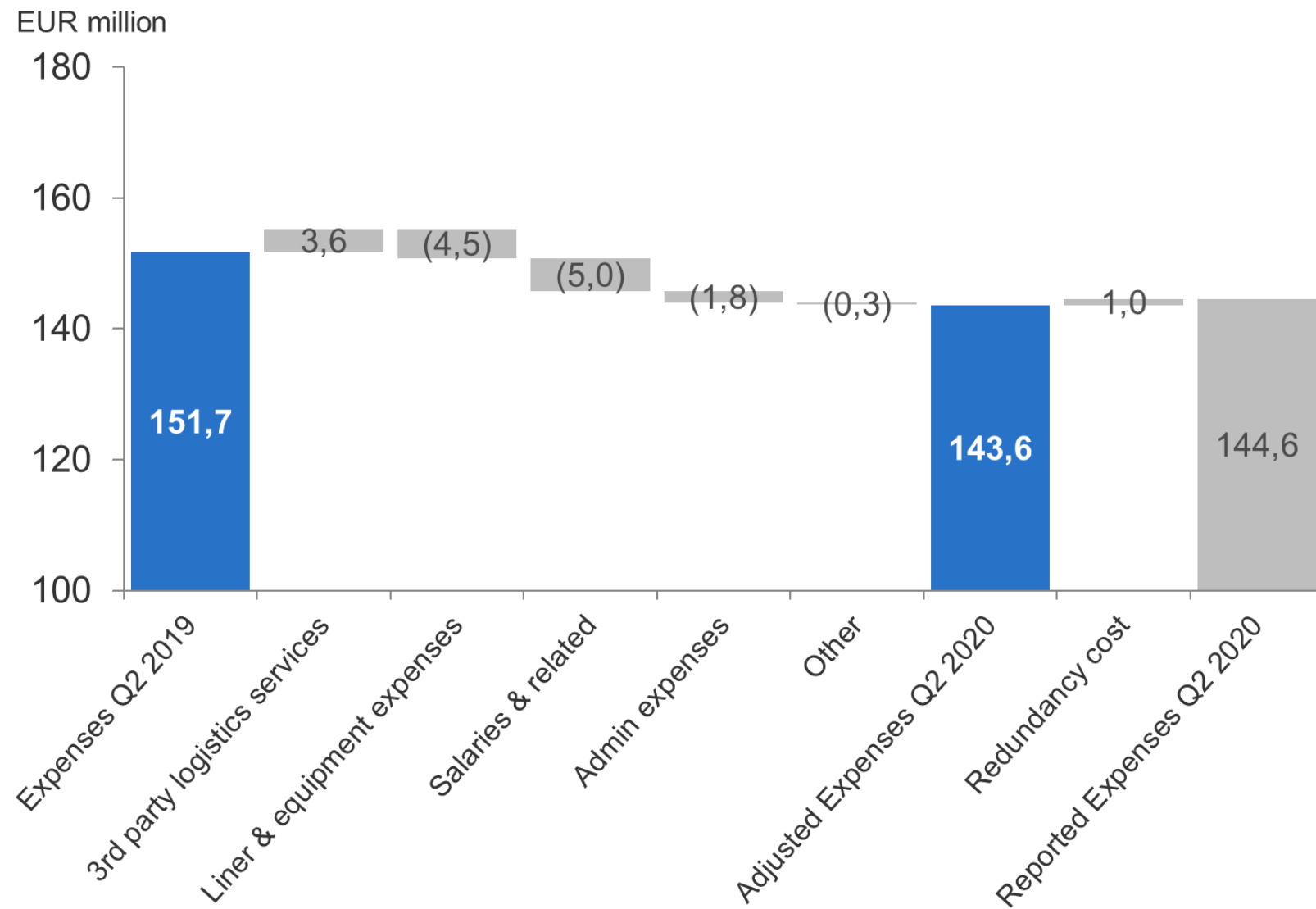
- Revenues decrease by 2.8% as a result of less volume, bunker effects and discontinued operation of ferry Herjólfur
- Expenses
  - Salaries decrease by 10.5% or EUR 7m mostly as a result of managed FTE reduction, despite of EUR 1m redundancy cost
  - Realization on track of previously announced salary reduction amounting to EUR 11m on an annual basis
  - Cost of container sailing system reduced by EUR 2m in Q2 as estimated in Q1 investor presentation
- One-off tax expense amounting to EUR 3.4m in Q1 2019



# DEVELOPMENT AND NATURE OF EXPENSES Q2

Streamlining measures positively affecting salaries and admin expenses

## EXPENSE BRIDGE Q2



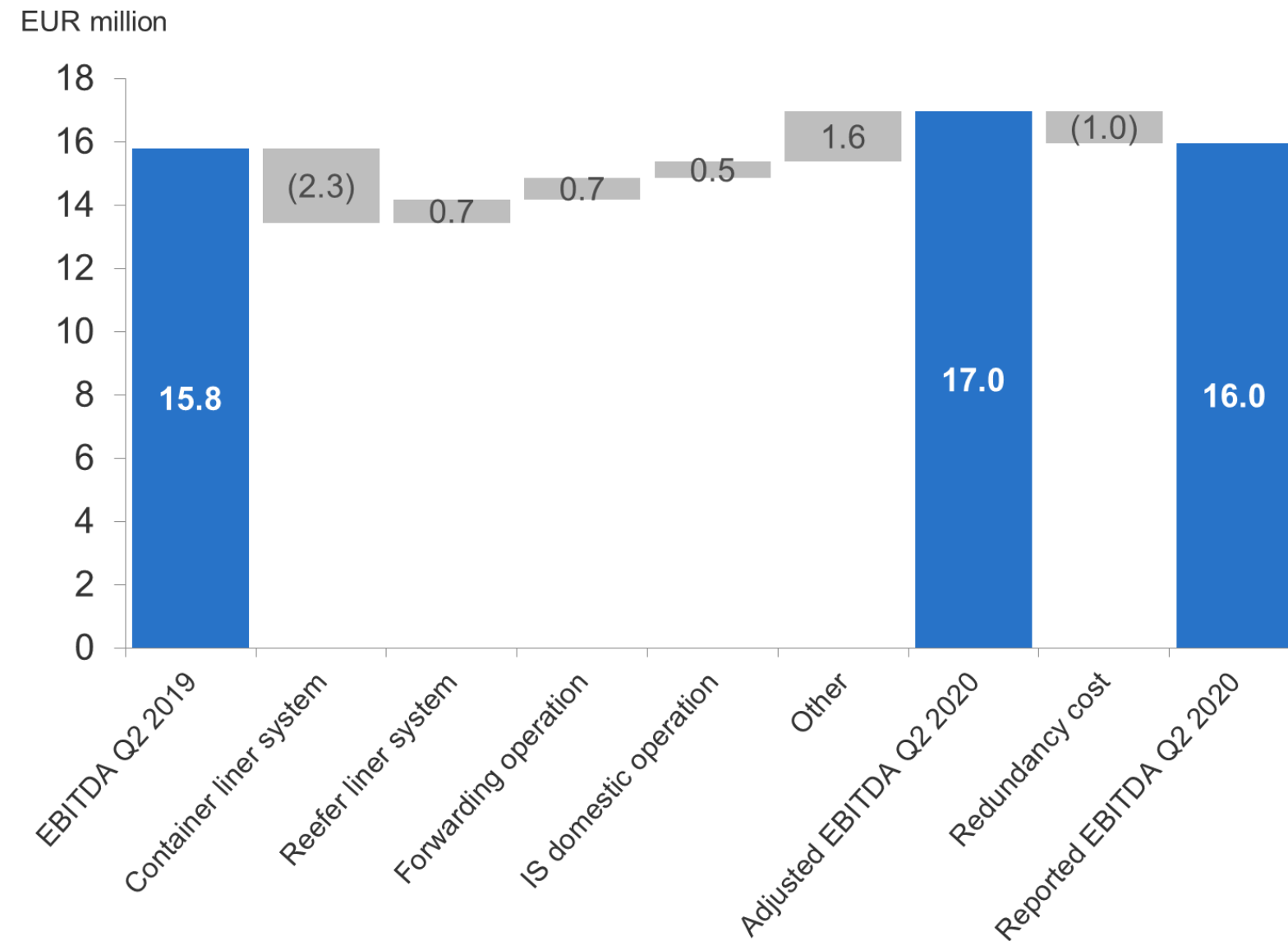
## Q2

- In general, increase/decrease in 3<sup>rd</sup> party expenses is offset by higher/lower revenues e.g. in forwarding
- Savings in liner services and lower bunker prices positively affecting liner & equipment expenses
- Material decrease in salaries and admin expenses quarter on quarter
  - EUR 5m in salary reduction, thereof EUR 2m currency effects

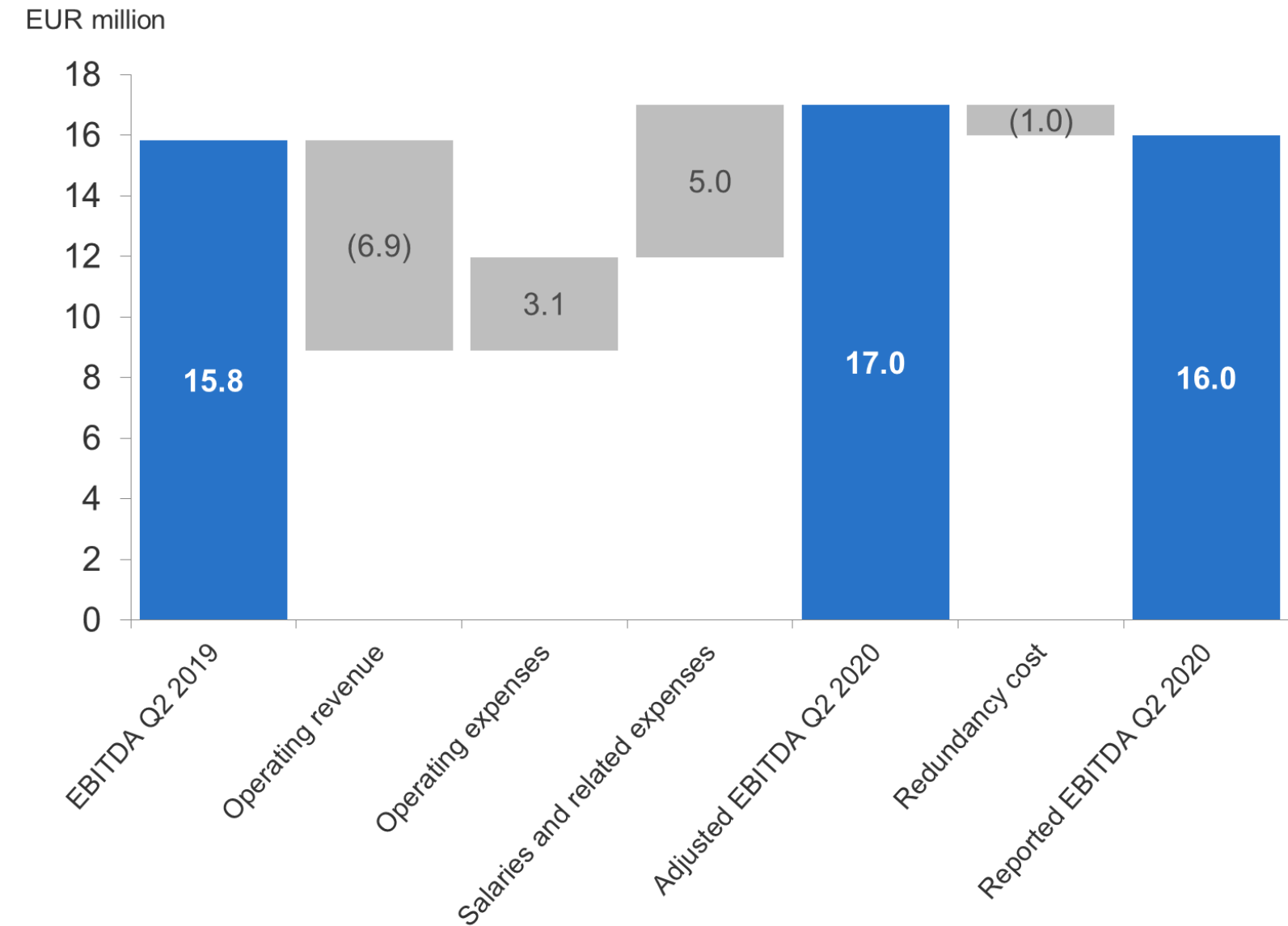
# EBITDA BRIDGE Q2

Negative volume development affecting container liner performance but offset by streamlining measures and improved margins in reefer forwarding

## EBITDA BRIDGE BY BUSINESS ACTIVITY



## EBITDA BRIDGE BY OPERATING ITEMS





# RESULTS BY BUSINESS SEGMENTS

Profitability increasing in the quarter

EUR thousand	Q2 2020	Q2 2019	Change	%	6M 2020	6M 2019	Change	%
<i>Liner Services:</i>								
Revenue	98,531	107,568	(9,037)	(8.4%)	195,691	213,280	(17,589)	(8.2%)
Expenses	89,072	97,570	(8,498)	(8.7%)	181,838	194,887	(13,049)	(6.7%)
<b>EBITDA</b>	<b>9,459</b>	<b>9,998</b>	<b>(539)</b>	<b>(5.4%)</b>	<b>13,853</b>	<b>18,393</b>	<b>(4,540)</b>	<b>(24.7%)</b>
	9.6%	9.3%			7.1%	8.6%		
<i>Forwarding Services:</i>								
Revenue	62,084	59,967	2,117	3.5%	126,594	118,243	8,351	7.1%
Expenses	55,542	54,136	1,406	2.6%	115,108	107,585	7,523	7.0%
<b>EBITDA</b>	<b>6,542</b>	<b>5,831</b>	<b>711</b>	<b>12.2%</b>	<b>11,486</b>	<b>10,658</b>	<b>828</b>	<b>7.8%</b>
	10.5%	9.7%			9.1%	9.0%		

## Q2 AND 6M

- Liner revenue affected by volume and devaluation of ISK
- Forwarding revenues increase despite lower volume on back of strong reefer business
- Profitability improving in Q2 both in liner and in forwarding
- Profitability increasing in forwarding for 6M while liner services is affected by poor Q1

# BALANCE SHEET

Lease liabilities increasing the balance sheet but partially offset by delivery of sold vessels

EUR thousand	30.6.2020	31.12.2019	Change	%
<b>Non-current assets</b>	<b>393,214</b>	<b>355,712</b>	<b>37,502</b>	<b>10.5%</b>
Fixed assets	301,617	292,470	9,147	3.1%
Right-of-use assets	67,583	44,486	23,097	-
Other non-current assets	24,014	18,756	5,258	28.0%
<b>Current assets</b>	<b>147,388</b>	<b>168,802</b>	<b>(21,414)</b>	<b>(12.7%)</b>
Vessels held for sale	0	14,907	(14,907)	-
<b>Assets</b>	<b>540,602</b>	<b>524,514</b>	<b>16,088</b>	<b>3.1%</b>
<b>Equity</b>	<b>222,408</b>	<b>230,868</b>	<b>(8,460)</b>	<b>(3.7%)</b>
Non-current liabilities	215,569	191,927	23,642	12.3%
Current liabilities	102,625	101,719	906	0.9%
<b>Liabilities</b>	<b>318,194</b>	<b>293,646</b>	<b>24,548</b>	<b>8.4%</b>
<b>Equity and liabilities</b>	<b>540,602</b>	<b>524,514</b>	<b>16,088</b>	<b>3.1%</b>

Key ratios	30.6.2020	31.12.2019
Tangible assets / Total assets	88.0%	87.4%
Equity ratio	41.1%	44.0%
Net debt / LTM-EBITDA	3.54	3.03
- excl. operational leases	3.30	2.99

## 6M

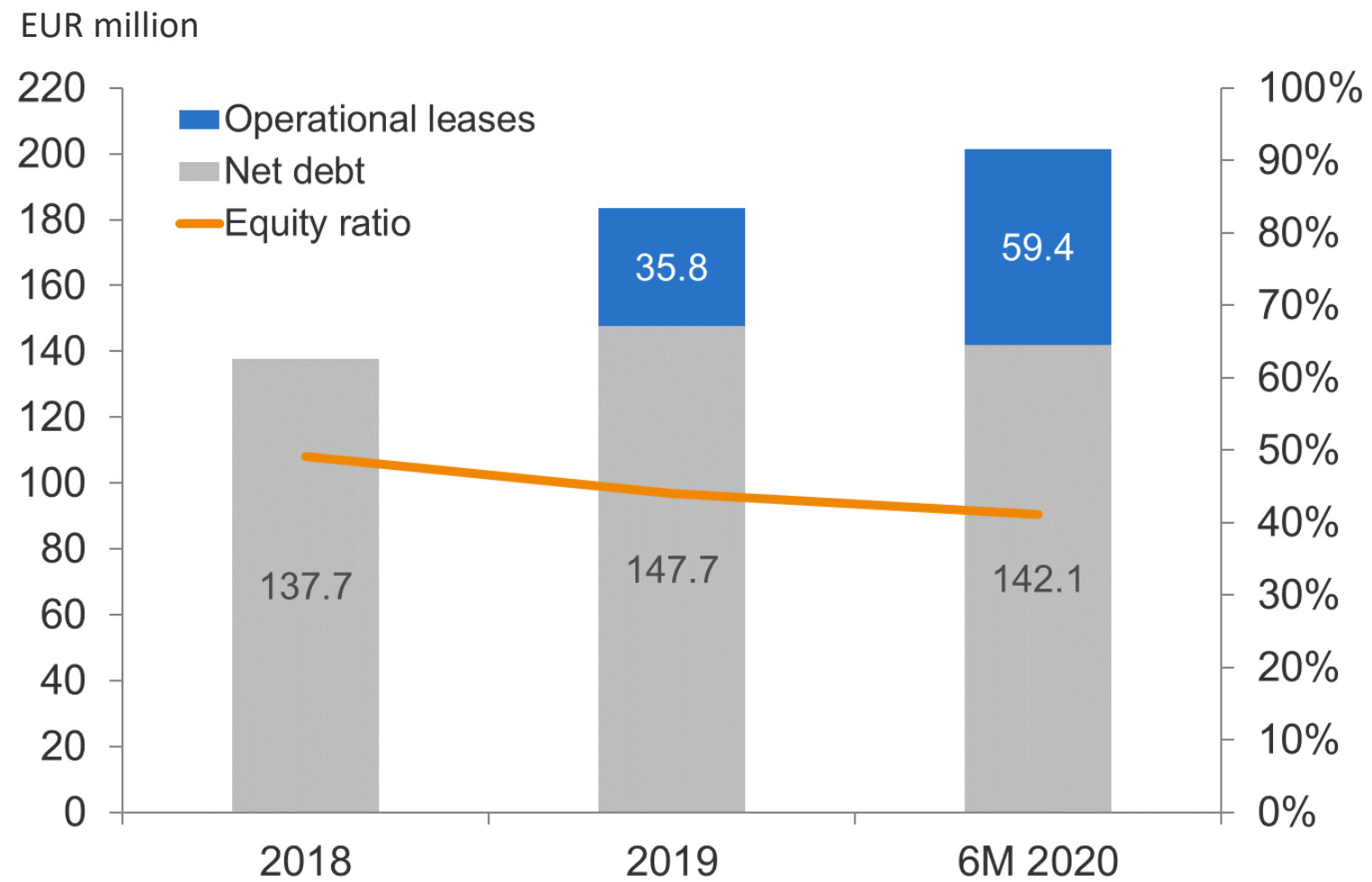
- Fixed assets increase with Dettifoss being delivered to Eimskip
- Right of use assets increase
  - Tromsøterminalen in Norway started operation in January 2020 on long term lease
- Five sold vessels delivered to new owners
- Equity ratio 41.4% compared to 44.0% at year end 2019
- Net debt excluding operational lease liabilities was EUR 142.1m compared with EUR 147.7m at year-end
- Leverage ratio above long-term target partly due to vessel funding and new leases with return not reflected yet in EBITDA



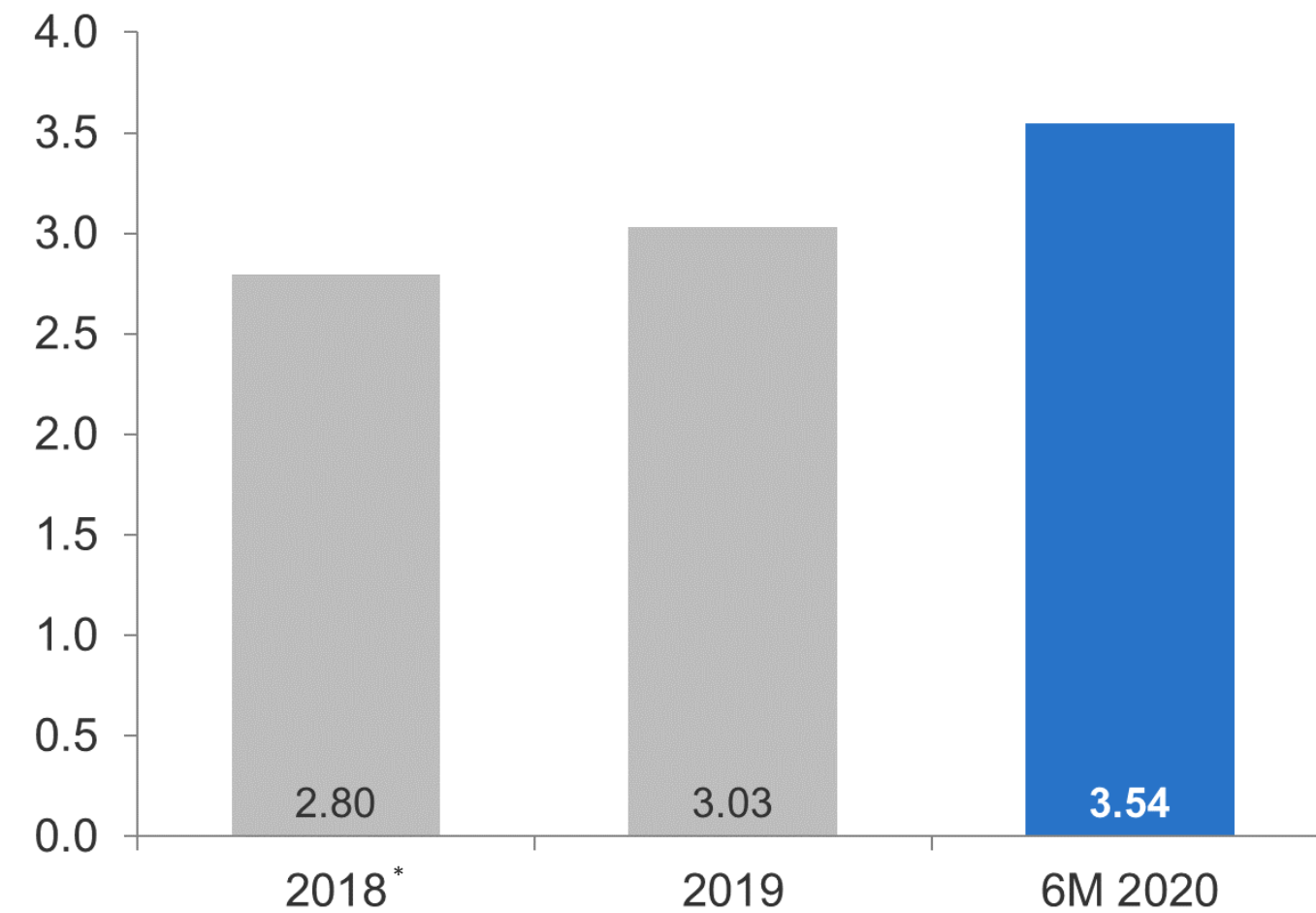
# NET DEBT, EQUITY AND LEVERAGE RATIOS

Equity ratio above long-term 40% target – leverage ratio above long-term target of 2-3x EBITDA due to recent investments

## NET DEBT AND EQUITY RATIO



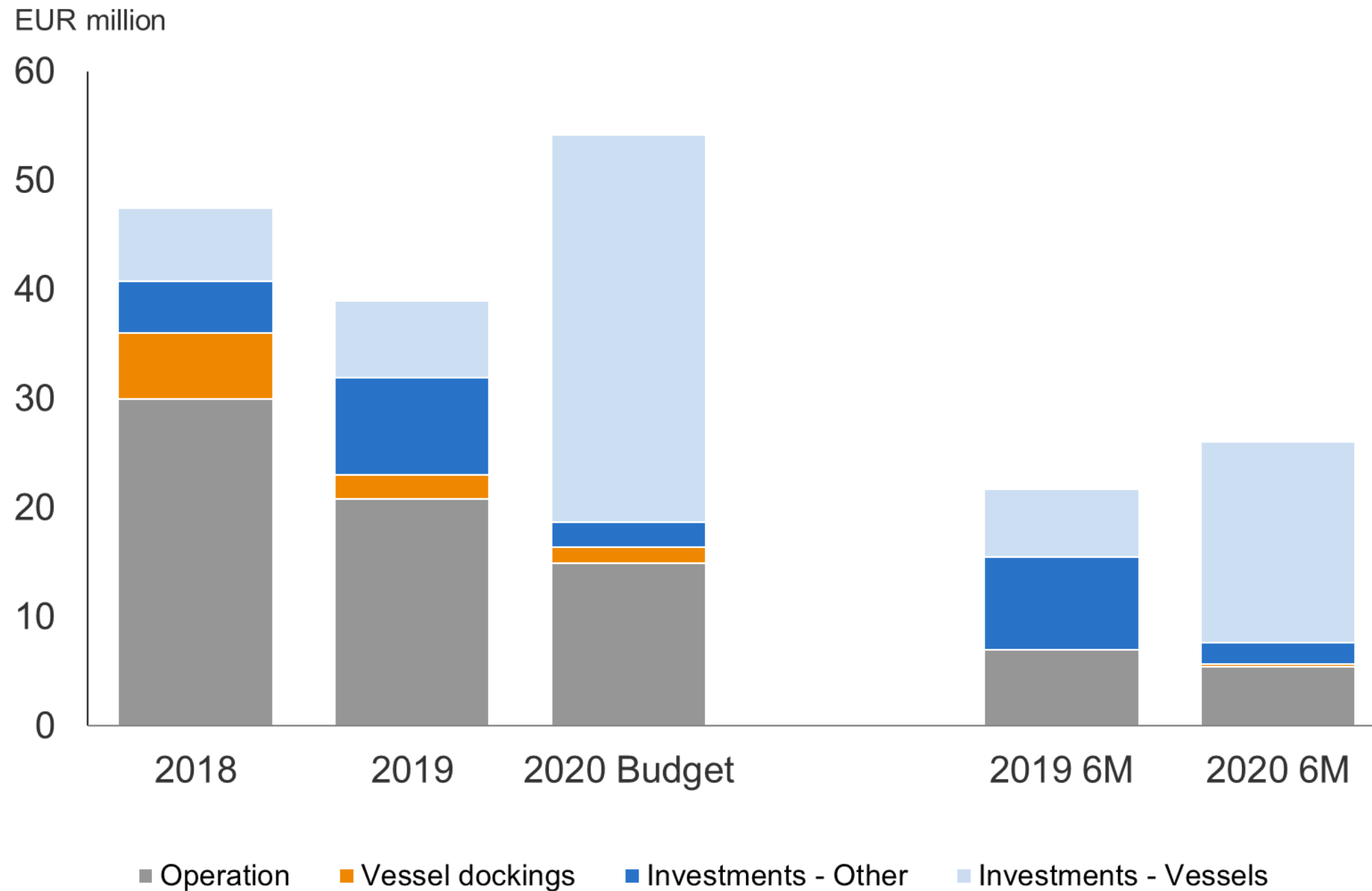
## NET DEBT EBITDA RATIO



\*2018 not including IFRS 16 effects

# DEVELOPMENT IN CAPEX

Investments in 2020 primarily related to vessel investments – Dettifoss and Brúarfoss



## 6M

- Maintenance CAPEX EUR 5.4m or slightly lower than budget and last year as management intentions due to COVID-19
- Approximately third of planned maintenance CAPEX, EUR 5.0m, were put on hold due to COVID-19 to preserve financial strength of the Company
- Investments EUR 20.4m on budget
  - EUR 18.5m in the vessels Dettifoss and Brúarfoss
  - Investments for the year 2020 will be close to budget



# CASH FLOW

Strong cash flow generation during the second quarter

Million EUR	Q2 2020	Q2 2019	6M 2020	6M 2019
EBITDA	16.0	15.8	25.3	29.1
Working capital changes & EBITDA adjustments	12.7	11.5	7.1	13.0
Paid taxes	(0.6)	(0.4)	(1.3)	(0.9)
Maintenance CAPEX net of sale	(1.5)	(1.7)	(4.8)	(5.5)
<b>Cash flow before debt/lease service</b>	<b>26.6</b>	<b>25.2</b>	<b>26.4</b>	<b>35.7</b>
Debt and lease repayment and interests	(7.9)	(6.7)	(16.1)	(12.7)
<b>Cash flow before Investments</b>	<b>18.8</b>	<b>18.6</b>	<b>10.3</b>	<b>23.0</b>
Net investments	(19.0)	(10.6)	(10.9)	(14.7)
Debt funding	24.7	5.5	24.7	9.7
Pre-payments on revolver facility	(14.0)	0.0	(14.0)	0.0
Dividend to minority	(0.2)	(0.0)	(0.8)	(0.2)
Share buy-back	0.0	(1.6)	(1.5)	(1.6)
<b>Change in Cash</b>	<b>5.5</b>	<b>1.5</b>	<b>3.0</b>	<b>5.8</b>

## Q2

- Investment in Dettifoss finalized during the quarter
- Excess cash used to pay down revolver facility
- Additional EUR 10m of revolving liquidity facility secured
- Current cash status is good, at approx. EUR 20m with head-room (cash and undrawn revolving facilities) in excess of EUR 50m
  - Net proceeds of approx. EUR 6m on delivery of Brúarfoss in Q4

## 6M

- Net investments include investment in Dettifoss and divestment of reefer and container vessels

# MANAGEMENT ASSESSMENT OF PERFORMANCE AND STATUS

## PUBLISHED QUARTER

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- Overall acceptable results in a challenging environment
- Streamlining measures resulting in lower cost and improved profitability
- Generally strong performance of International division especially in reefer forwarding
- Container sailing system capacity adjusted, partly offsetting lower volume and revenue
- Valuable contribution from employees during challenging times in securing customer service and the logistic chain

## CURRENT QUARTER

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- Export from Iceland has been strong and import on level with last year
- Volume picking up in Faroe Islands in August and outlook for September promising
- Challenging environment for Trans-Atlantic services due to COVID-19
- Improving profitability of container sailing system is a high priority project
- Domestic Iceland with a good start and better than expected
- International division on track
- Strong cash head-room

## NEAR TERM OUTLOOK

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- Cost benefit of FTE reduction in 1H 2020 being realized in 2H and sustainability of streamlining measures secured
- Re-adjustment of the container sailing system
  - Estimated delivery of Brúarfoss in early Q4 and into schedule later that quarter
  - Continued focus on improving profitability of container sailing system
- Effects of COVID-19 remain uncertain and likely to have negative effect on demand for cargo services throughout the year however, reefer cargo likely to be relatively less impacted than dry



**THANK YOU**



# APPENDIX I



# OPERATING RESULTS BY QUARTER

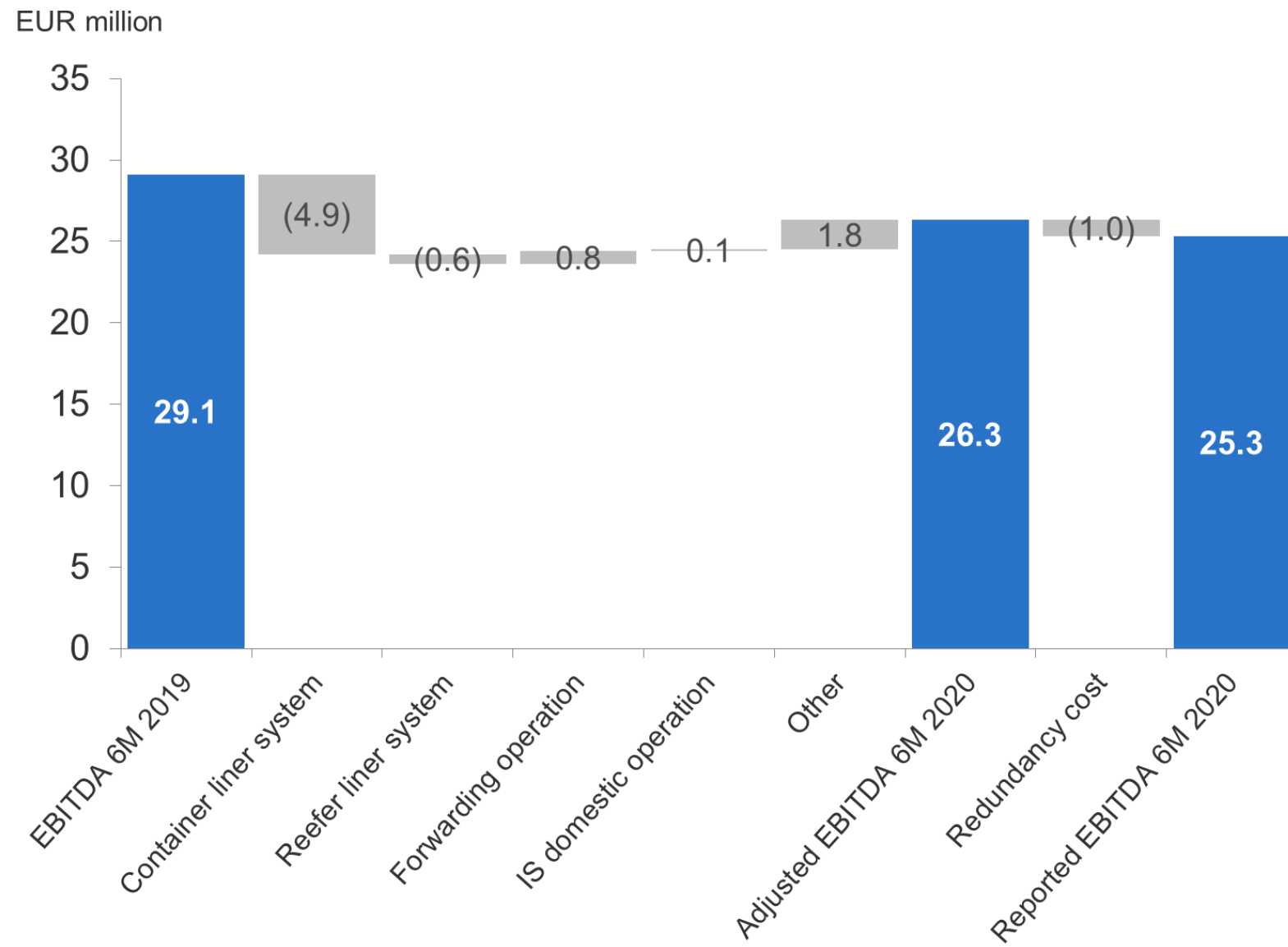
Amounts are in thousands of EUR

OPERATING RESULTS	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Revenue	160,615	161,670	175,549	172,522	167,535
Expenses	144,614	152,332	164,363	152,210	151,706
EBITDA	16,001	9,338	11,186	20,312	15,829
EBIT	5,035	(1,594)	(3,319)	9,248	5,124
Net earnings (loss) earnings for the period	2,455	(4,951)	(6,449)	7,203	2,754
EBITDA ratio	10.0%	5.8%	6.4%	11.8%	9.4%
EBIT ratio	3.1%	(1.0%)	(1.9%)	5.4%	3.1%
BALANCE SHEET	30.06.2020	31.03.2020	31.12.2019	30.09.2019	30.06.2019
Assets	540,602	524,681	524,514	522,507	520,227
Equity	222,408	217,014	230,868	233,119	232,972
Liabilities	318,194	307,667	293,646	289,388	287,255
Interest-bearing debt	229,917	221,860	204,263	189,207	189,207
Net debt	201,457	197,366	183,526	162,523	170,761
Equity ratio	41.1%	44.0%	44.0%	44.6%	44.8%
CASH FLOW	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Net cash from operating activities	21,965	1,249	16,903	1,406	19,872
Net cash (used in) provided by investing activities	(20,470)	4,737	(5,827)	(10,569)	(12,290)
Net cash provided by (used in) financing activities	4,033	(8,506)	(8,903)	311	(6,091)
Cash and cash equivalents at the end of the period/year	23,904	18,563	20,737	18,673	26,973

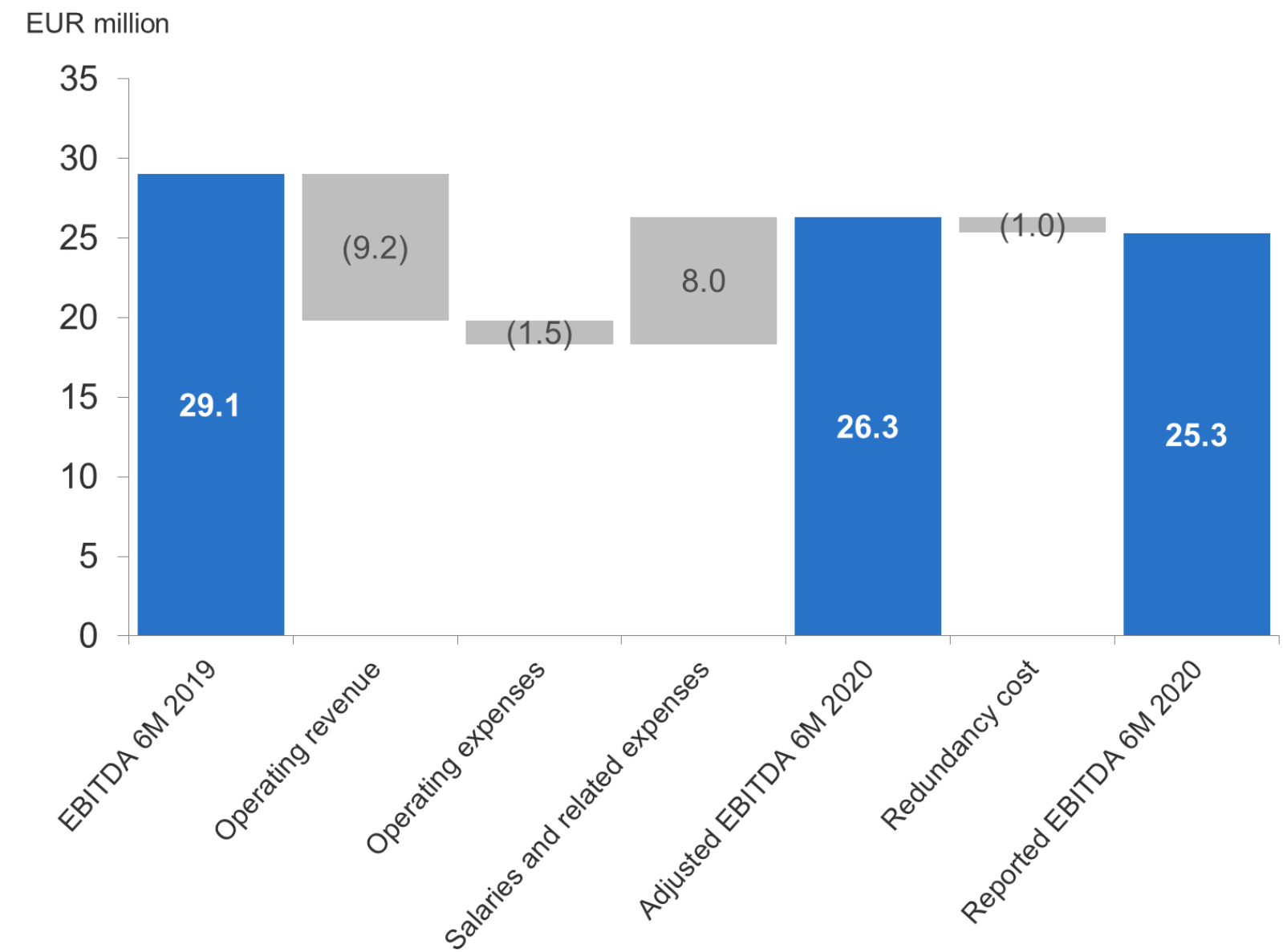
# EBITDA BRIDGE 6M

Slow first quarter affecting six-month YoY EBITDA

## EBITDA BRIDGE BY BUSINESS ACTIVITY



## EBITDA BRIDGE BY OPERATING ITEMS

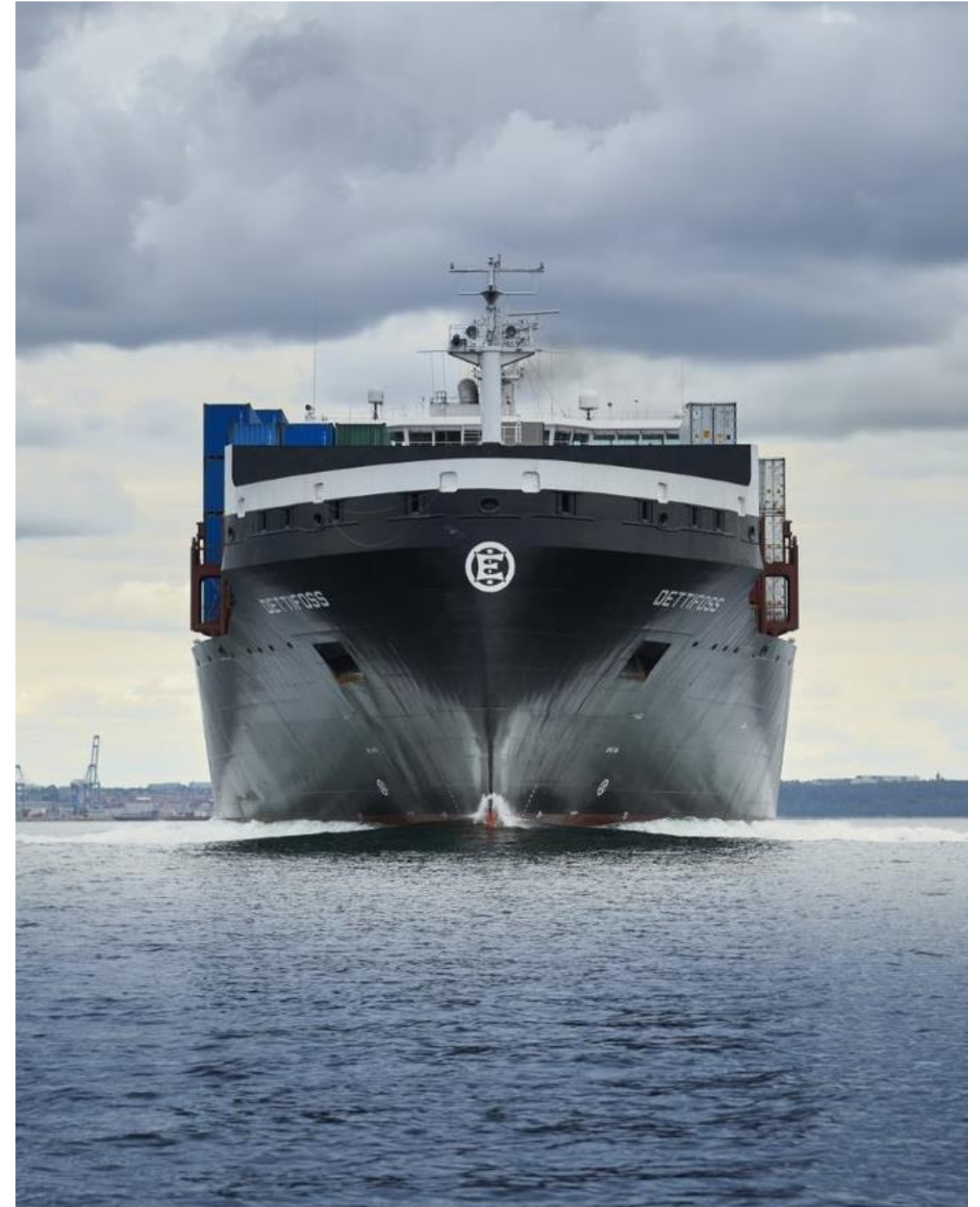




# SHAREHOLDERS LIST

20.8.2020

Shareholder	Country	Shares	%
Samherji Holding ehf.	Iceland	50,600,000	27.06%
Lífeyrissjóður verslunarmanna	Iceland	27,485,070	14.70%
Gildi - lífeyrissjóður	Iceland	25,116,139	13.43%
Lífeyrissj.starfsm.rík. A-deild	Iceland	12,750,000	6.82%
Birta lífeyrissjóður	Iceland	11,403,215	6.10%
Stapi lífeyrissjóður	Iceland	9,331,897	4.99%
Global Macro Absolute Return Ad	USA	7,866,970	4.21%
Arion banki hf.	Iceland	5,820,000	3.11%
Lífeyrissj.starfsm.rík. B-deild	Iceland	4,013,700	2.15%
Global Macro Portfolio	USA	3,639,045	1.95%
Almenni lífeyrissjóðurinn	Iceland	3,611,558	1.93%
Söfnunarsjóður lífeyrisréttinda	Iceland	3,302,823	1.77%
Lífeyrissjóður Vestmannaeyja	Iceland	1,297,800	0.69%
Sjóvá-Almennar tryggingar hf.	Iceland	1,235,653	0.66%
Lífsverk lífeyrissjóður	Iceland	968,500	0.52%
ÍV Stokkur	Iceland	695,672	0.37%
Vörður tryggingar hf.	Iceland	604,075	0.32%
Lífeyrissjóður starfsm Akureyrb	Iceland	454,668	0.24%
Íslandsbanki hf.	Iceland	438,836	0.23%
Fles ehf.	Iceland	387,180	0.21%
<b>Top 20 shareholders</b>		<b>171,022,801</b>	<b>91.46%</b>
Other shareholders		9,844,442	5.26%
<b>Total outstanding shares</b>		<b>180,867,243</b>	<b>96.72%</b>
Treasury shares		6,132,757	3.28%
<b>Total shares</b>		<b>187,000,000</b>	<b>100.00%</b>



# OTHER MATTERS

## SHAREHOLDERS

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- Eimskip's market capitalization was EUR 149.1 million or ISK 24.3 billion at the end of trading on 27 August 2020.
- Closing price at year end 2019 was ISK 189.5 per share and the average closing price for the year 2019 was ISK 183.9 per share. The closing price on 27 August 2020 was ISK 134.5 per share, a decrease of 29.0% from the beginning of the year.
- The total number of shares is 187,000,000, thereof 180,867,243 shares are outstanding and 6,132,757 are treasury shares. There were 664 shareholders at year end 2019 and they were 738 on 27 August 2020.

## OTHER

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- The Company submitted objections to statement of objections II from the Icelandic Competition Authority on 15 June 2020.



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