



# PRESENTATION OF 2019 AND Q4 RESULTS

Vilhelm Már Þorsteinsson, CEO

# THIS IS 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

## ABOUT



56 OFFICES



17 VESSELS



18 COUNTRIES



200 TRUCKS



1770 EMPLOYEES



29 WAREHOUSES  
16 COLD STORAGES



41 NATIONALITIES



ACHIEVEMENT  
COOPERATION  
TRUST

## KEY FIGURES 2019

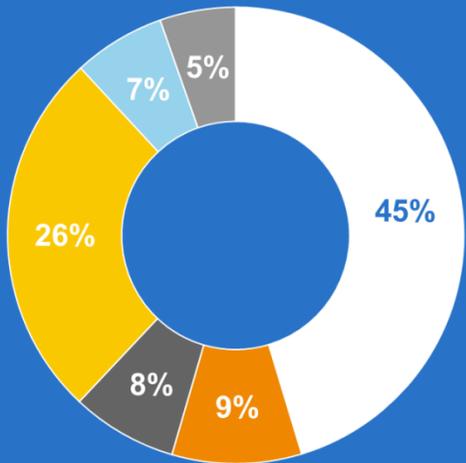
REVENUES: EUR 680 m

EBITDA: EUR 61 m  
(EUR 49.4 m excl. IFRS16)

TOTAL ASSETS: EUR 524 m

EQUITY: EUR 230.9 m

GEOGRAPHICAL SPLIT OF REVENUE



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

# KEY HIGHLIGHTS FOR 2019

- Cool down of Icelandic economy and reduced catch around Iceland affecting volume
- Continued growth in Trans-Atlantic services and improved results in Norway
- Improved results in forwarding despite lower volumes
- Streamlining and integration projects resulting in lower cost

# EVENTFUL YEAR

New **simpler** and more **reliable** container sailing system implemented – lowering **fixed** cost



Increased **transparency** and **flow of information** to investors



Sale of five vessels, for total EUR 14.2m

Offices/locations reduced from **65 to 56** during the year

Focus on streamlining measures leveraging on current platform

Improved automation by applying **robotic automation** – handling over **6,000 tasks** pr. month



**Successful** restructuring of the Eimskip **operation** in **Norway**



Increased **focus on** business origination and **holistic customer approach**



Various projects in progress to reach our goal to lower **CO<sub>2</sub> emissions** by 40% from 2015 to 2030. Emissions **down** by **14.2%**

“Paperless” & Electronic invoices projects **reducing** printed pages by **23%**



Organizational changes and operating structure simplified

Preparations for **consolidation** of Eimskip’s **headquarters** in Vöruhótel well underway

**Target capital structure** and a three-year target **CAPEX plan** developed

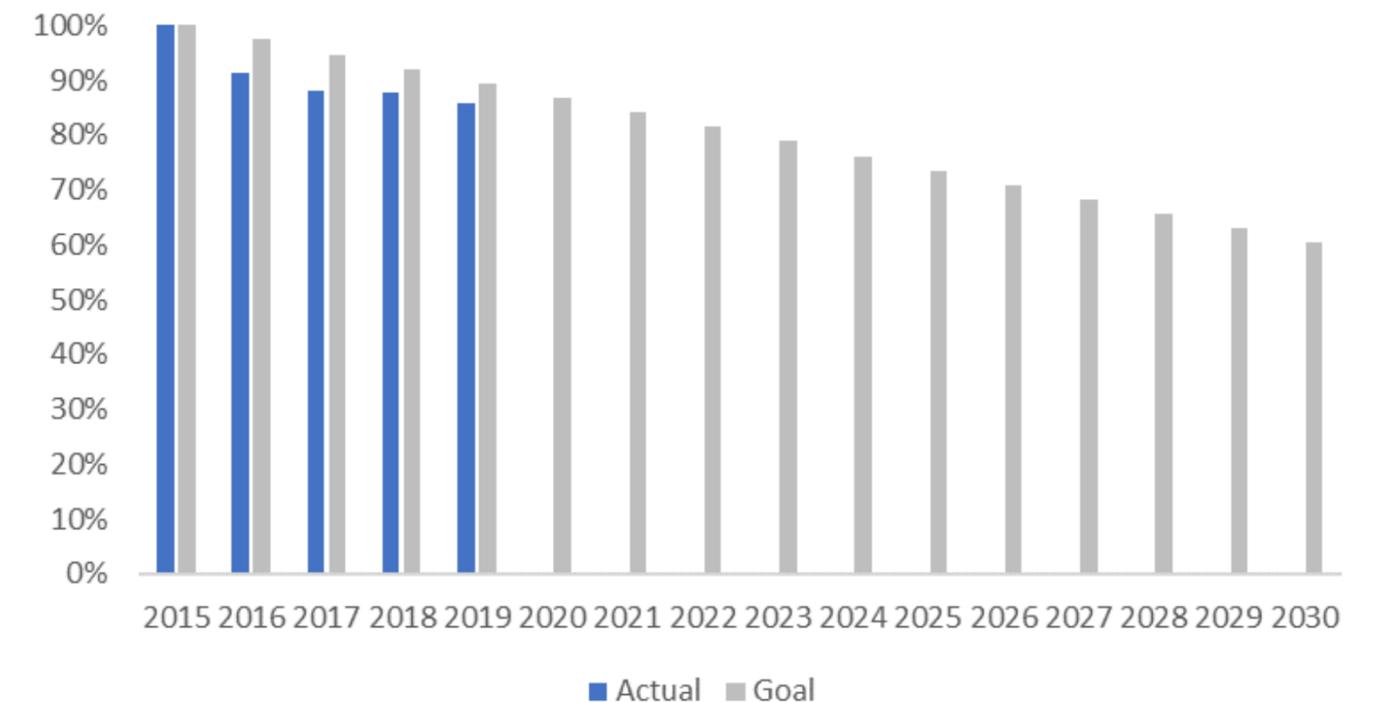
# CORPORATE SOCIAL RESPONSIBILITY

Leading in environmental matters for 29 years

- Eimskip became one of the first companies in Iceland to establish an environmental policy 29 years ago
- An ambitious goal to reduce carbon footprint by 40% from 2015 to 2030
- In line with Eimskip's aim to recycle and minimize waste the Company has signed an agreement with the unique recycling company Pure North in Iceland, which is powered by geothermal energy, to recycle plastic that accumulates in Eimskip's operation in Iceland
- Carbon calculator and environmental statements available for customers to monitor and report their carbon footprint from transportation
- The company has received a formal certification of operating the Equal Pay system in Iceland. In the process Eimskip developed a system that is used globally to monitor equal pay
- A new policy approved for support to society focusing on promoting safety and prevention projects and protection of life below water
  - Eimskip is especially proud of its bicycle helmet project that the Company has supported for 16 years. The Company has provided every six-year-old child in Iceland with a bicycle helmet, over 60.000 helmets, since 2004



CARBON FOOTPRINT DEVELOPMENT (tCO2e/transported ton)



CARBON FOOTPRINT

14.2% ↓

LOWER THAN 2015

PRINTED PAPER

22.7% ↓

BETWEEN YEARS

UNSORTED WASTE

8.9% ↓

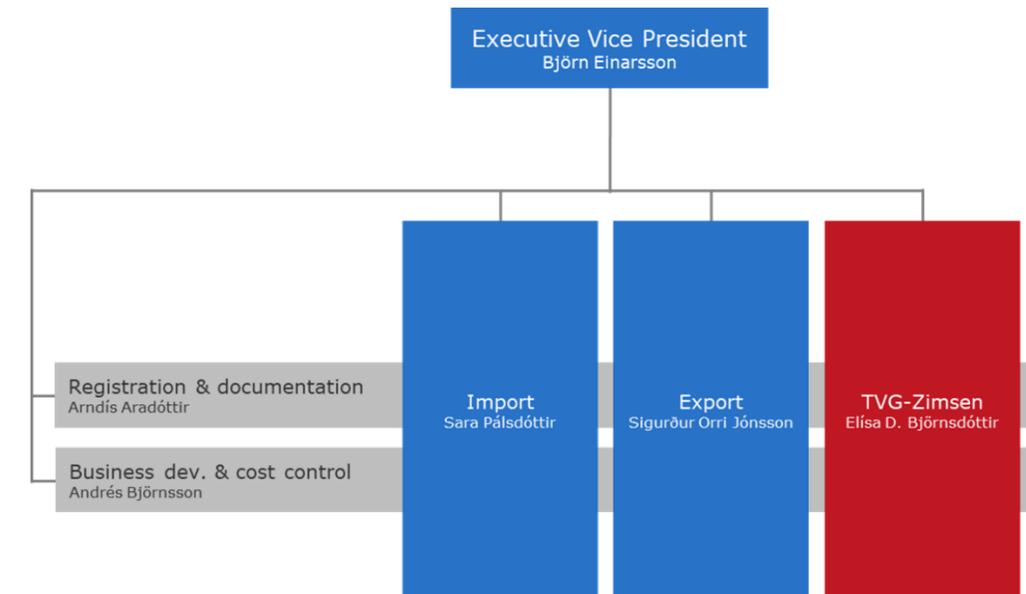
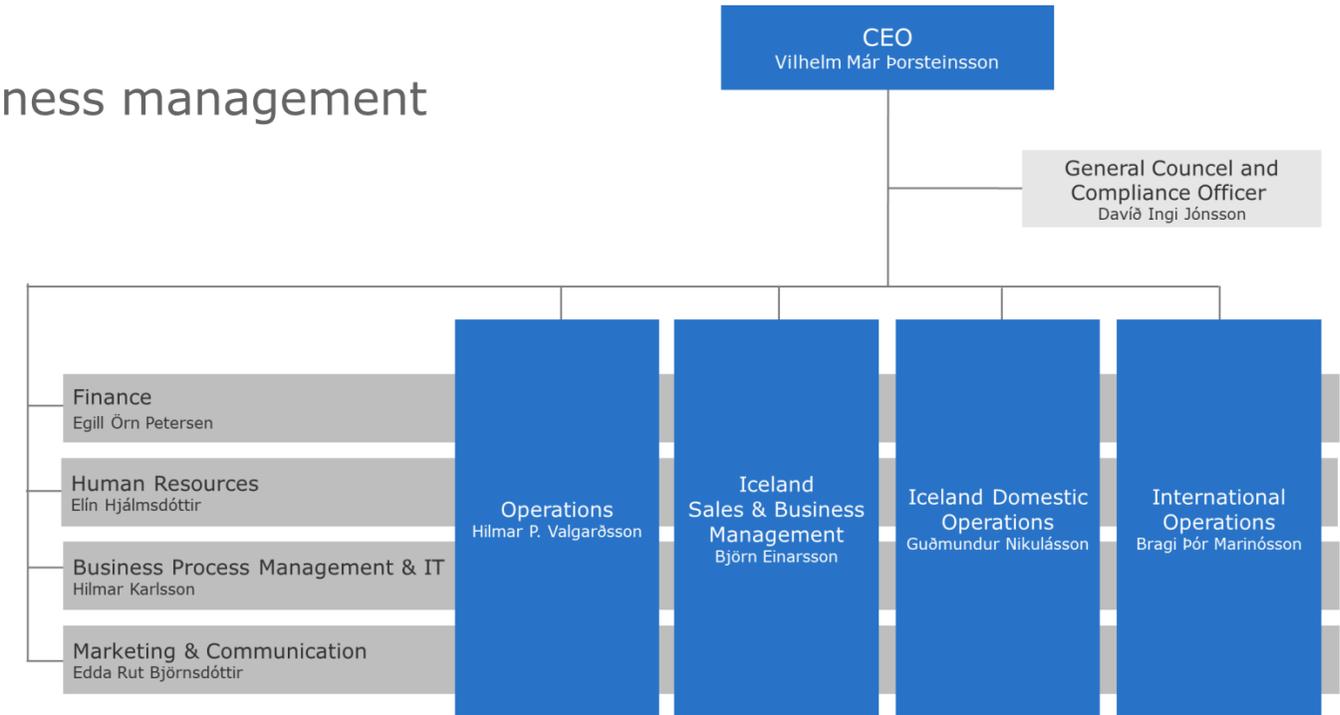
BETWEEN YEARS

# SIMPLIFIED ORGANIZATIONAL STRUCTURE

Björn Einarsson new Executive Vice President of Iceland Sales and Business management

## MAIN CHANGES AND OBJECTIVES

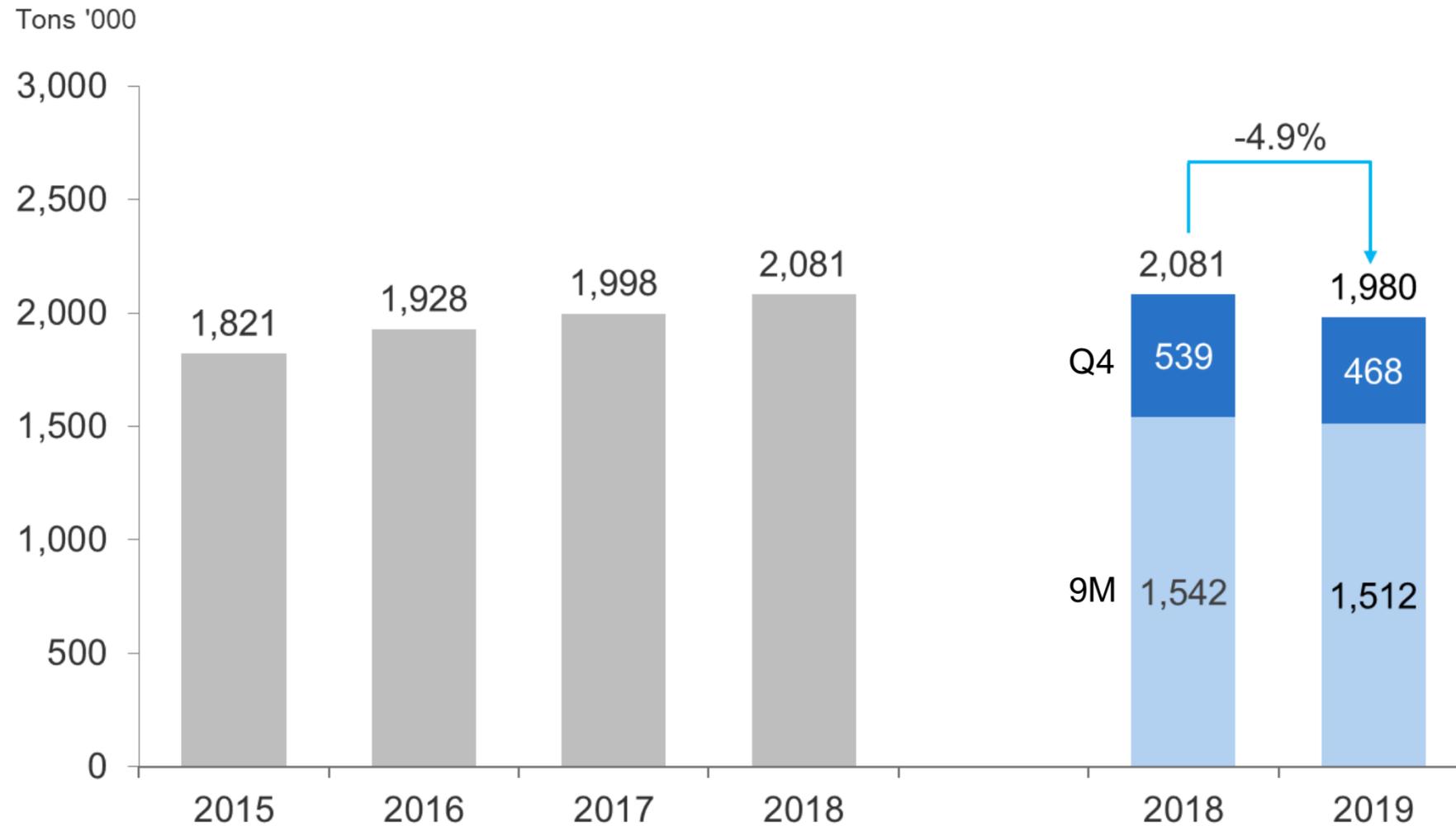
- An integration of the Liner division Sales & Services and the freight forwarder TVG-Zimsen
- The objective is to;
  - Simplify and integrate Eimskip's service offerings and brands
  - Increased emphasis on business origination offering a complete range of logistic services
  - Simpler structure is better equipped to further enhance service to our customers in Iceland and internationally in co-operation with our international offices and agents
  - Continue to streamline the operation
- These changes will lead to reduction of 14 FTE's in Eimskip and TVG-Zimsen



# OPERATING ACTIVITIES

# VOLUME DEVELOPMENT IN LINER SERVICES

Container liner volume down 3.3% YoY due to cooldown of Icelandic economy



## 2019

- Iceland import volume down by 10.7% in line with Statistics Iceland total import numbers
- Capacity reduction in Norway resulted in lower volumes but improved results
- Export from Iceland had a fairly good year despite no capelin season and adverse development in November and December
- Double digit growth in Trans-Atlantic
- Strong import growth to Faroe Island

## Q4

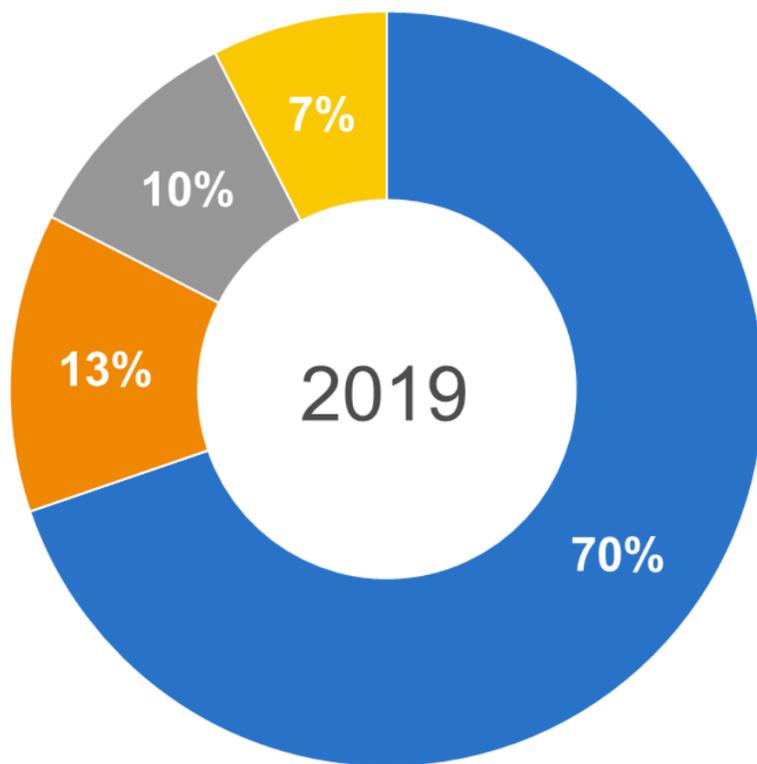
- Iceland import volume down by 19% while the overall market into Iceland was more down according to Statistics Iceland total import numbers
- Landed catch in Iceland 16% lower quarter on quarter
- Overall volume decrease of 13.2%, thereof container liner down 10.8%

# GEOGRAPHICAL SPLIT OF LINER VOLUME

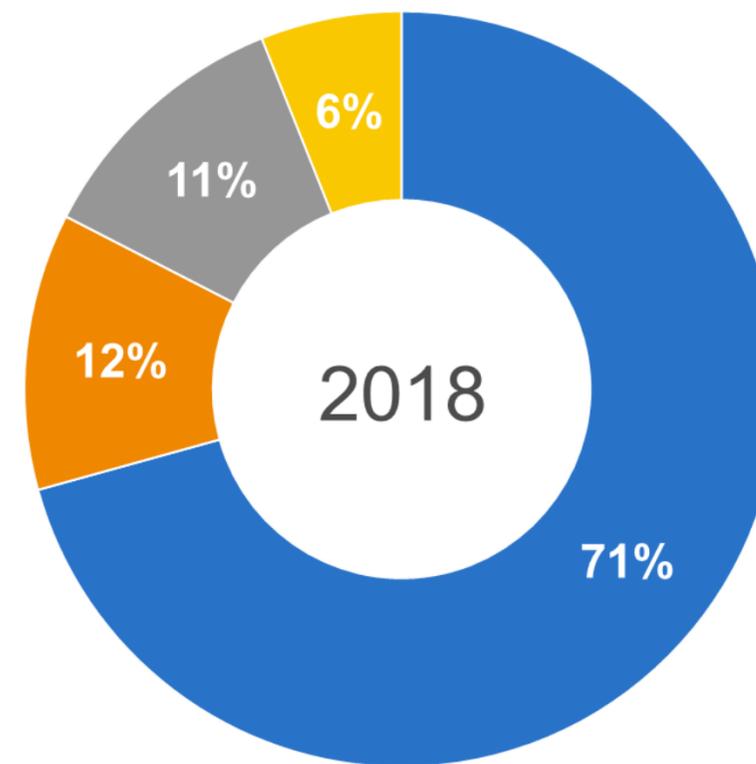
Increased share of Faroe Island and Trans-Atlantic

## VOLUME SPLIT

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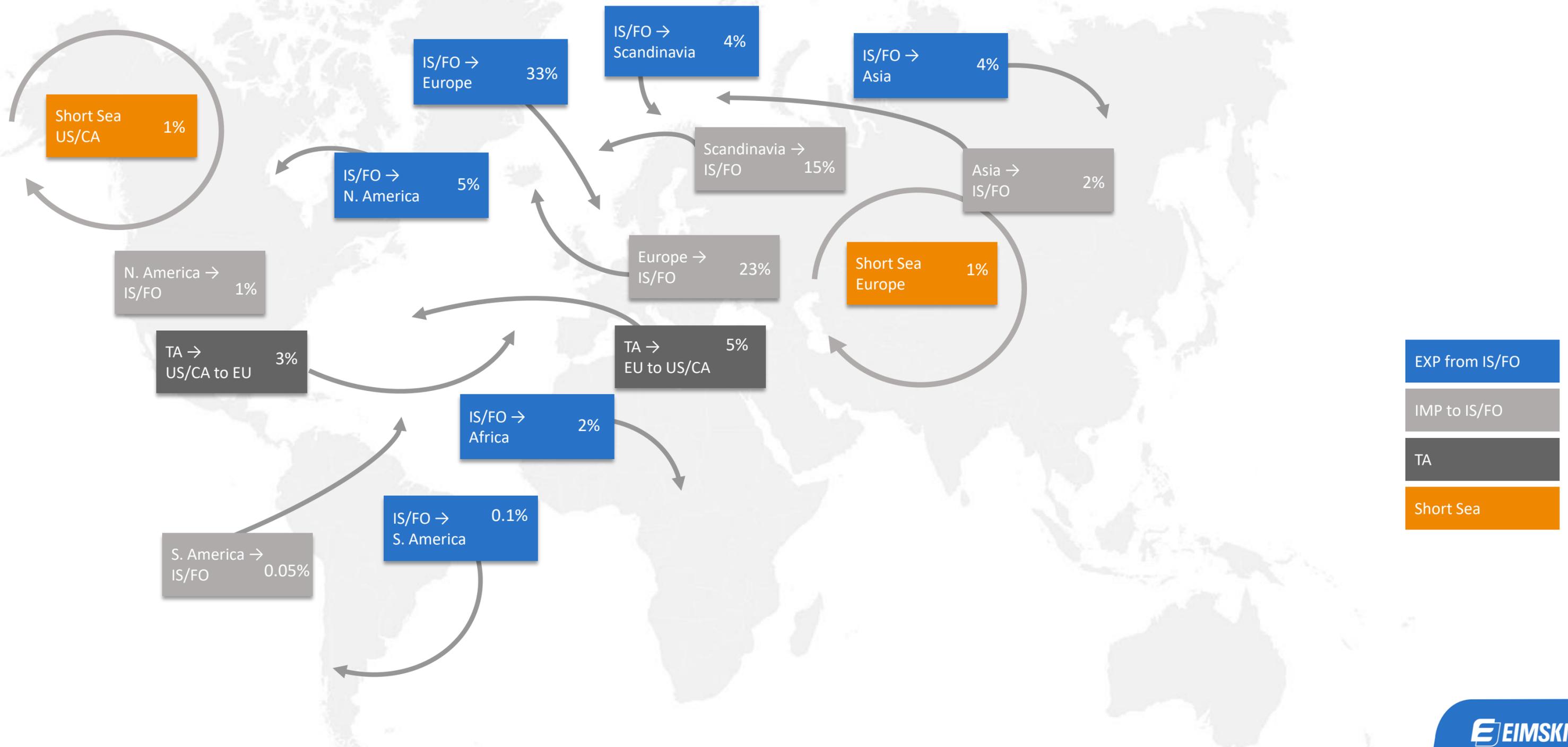
■ Iceland ■ Faroe Islands ■ Norway ■ Trans-Atlantic



■ Iceland ■ Faroe Islands ■ Norway ■ Trans-Atlantic

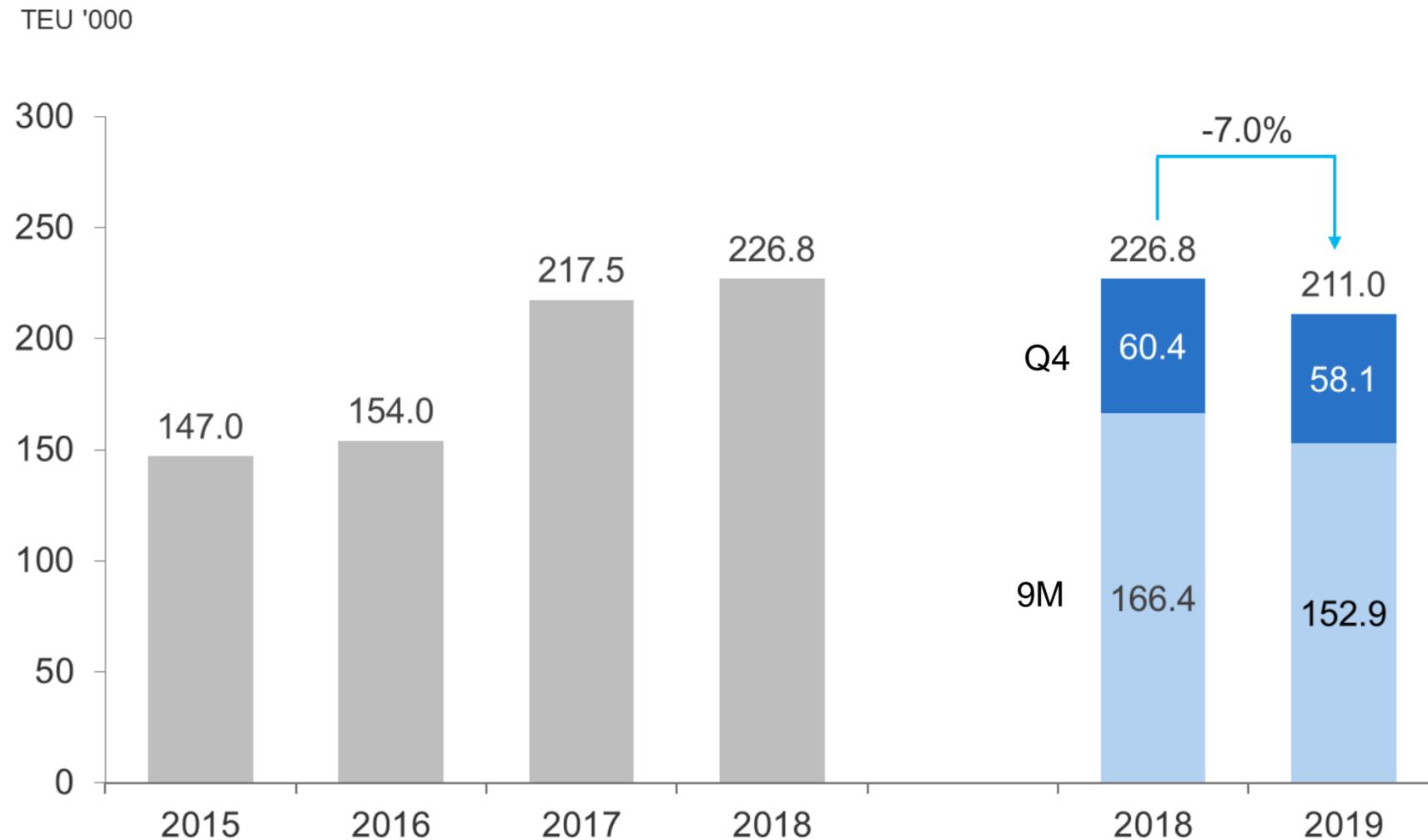
# VOLUME FLOW OF CONTAINER LINER (1.8 MILLION TONS)

Cargo delivered to and from Iceland and Faroe Islands all around the world



# VOLUME DEVELOPMENT IN FORWARDING SERVICES

Improved result YoY despite lower volume



## 2019

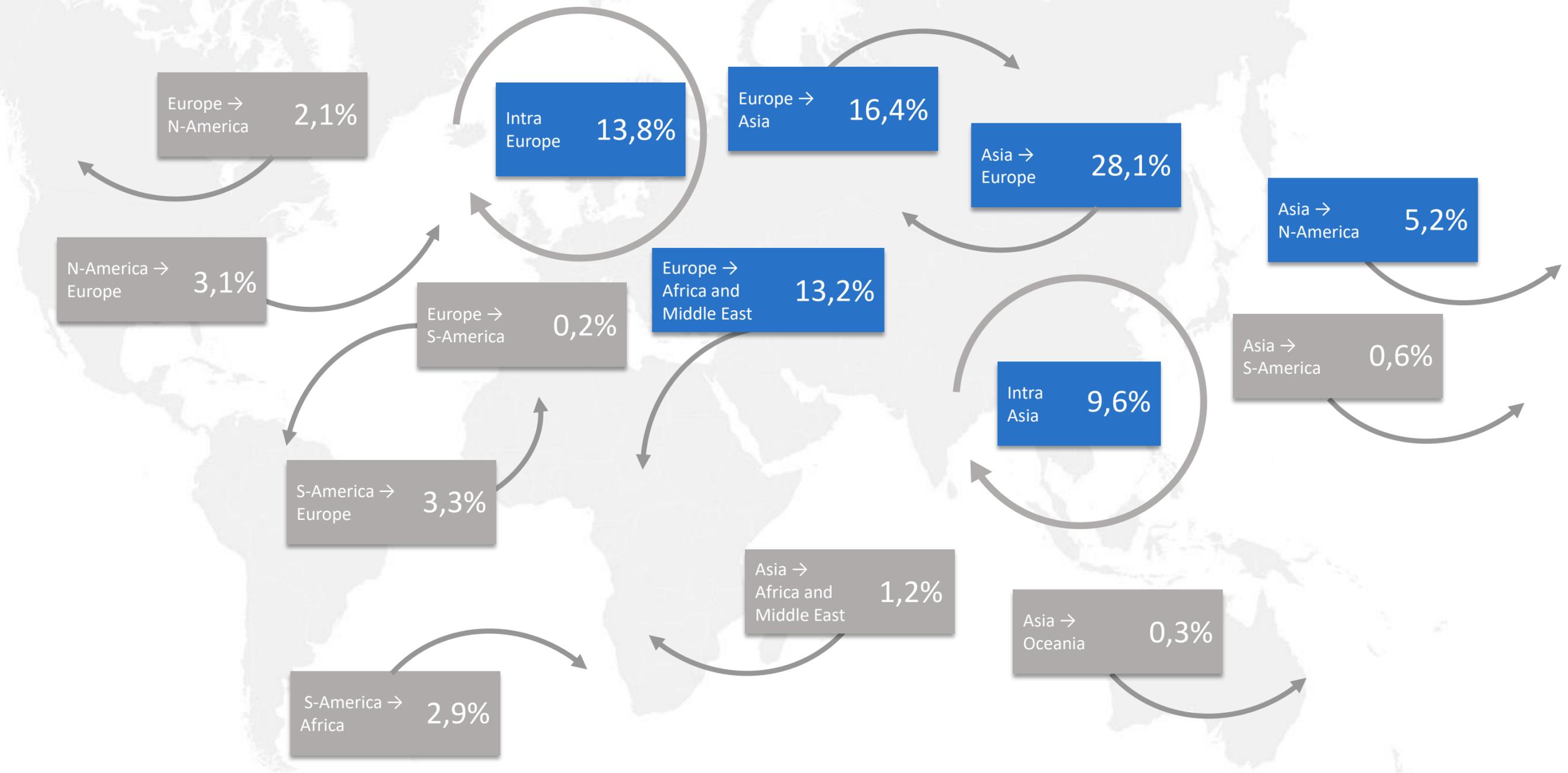
- Reefer forwarding volume down 3.9% however results improved YoY
- Volume drop of 14.7% in dry forwarding due to discontinued service in China with limited effect on results

## Q4

- Forwarding volume down 3.9% but improved results
  - Decline of 4.6% in reefer forwarding
  - Dry forwarding down 1.7% - affect of discontinued service fading out

# MAIN OUTBOUND FLOW OF FORWARDING VOLUME

Three out of four containers is reefer cargo



# VESSEL NEWBUILDING AND ROYAL ARCTIC LINE CO-OPERATION

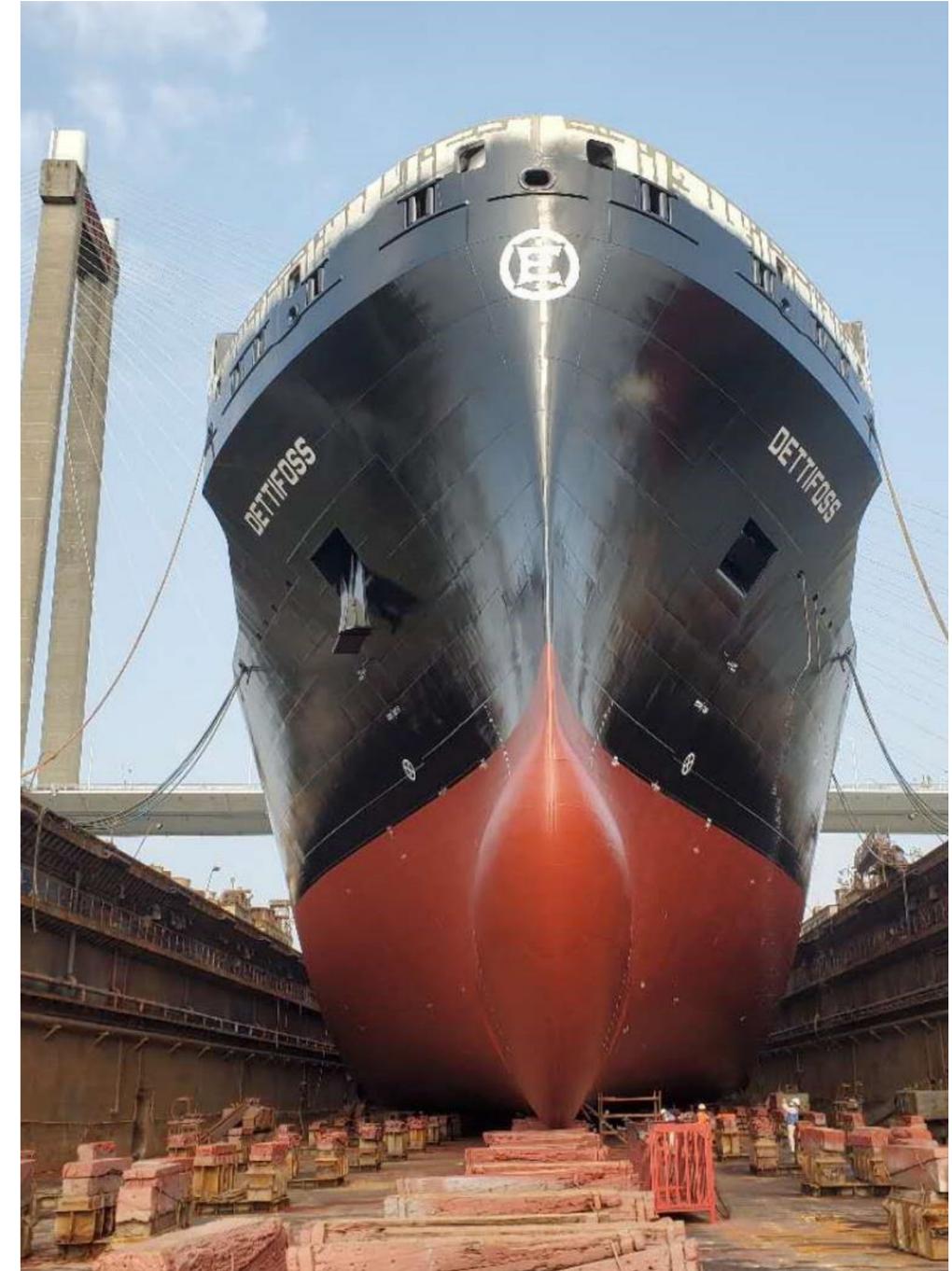
COVID-19 affecting the project and causing further delay

## NEW BUILDINGS AND CO-OPERATION WITH ROYAL ARCTIC LINE

- Dettifoss
  - The shipyard is working on the vessel
  - Uncertainty regarding the sea-trial due to the COVID-19
  - Estimated delivery to take place in middle of Q2
- Bruarfoss
  - New shaft generator being produced
  - Estimated delivery in Q3
- Tukuma Arctica
  - The Royal Arctic Line vessel was delivered in January
- Co-operation estimated to start in late Q2, depending on e.g. further development of the COVID-19, and will commence with vessels Dettifoss, Tukuma and a chartered vessel

## COVID-19 AFFECTS

- The COVID-19 is affecting the delivery of Dettifoss and therefore delaying the start of the co-operation
- Situation in China having slow-down effect on global logistic chains



Dettifoss in Dry dock in China. February 2020

# FINANCIAL RESULTS



# INCOME STATEMENT 2019

Operational improvements offset by volume decrease in container liner

EUR thousand	2019	IFRS 16 Impact	2019 Adjust.	2018	Change	%
Revenue	679,594		679,594	689,154	(9,560)	(1.4%)
Expenses	619,045	11,197	630,242	639,916	(9,674)	(1.5%)
<i>Salary and related expenses</i>	131,618		131,618	137,541	(5,923)	(4.3%)
<b>EBITDA</b>	<b>60,549</b>	<b>(11,197)*</b>	49,352	<b>49,238</b>	114	0.2%
Depreciation and amortization	(47,027)	10,151	(36,876)	(32,548)	8,456	5.4%
<b>EBIT</b>	<b>13,522</b>	<b>(1,046)</b>	12,476	<b>16,690</b>	<b>(4,214)</b>	-
Net finance expense	(4,787)	458	(4,329)	(4,923)	594	12.1%
Share of loss of equity accounted investees	(377)		(377)	(1,753)	1,376	78.5%
<b>Net earnings before income tax</b>	<b>8,358</b>	<b>(588)</b>	7,770	<b>10,014</b>	<b>(2,244)</b>	-
Income tax	(7,351)	118	(7,233)	(2,612)	(4,621)	-
<b>Net earnings for the year</b>	<b>1,007</b>	<b>(470)</b>	537	<b>7,402</b>	<b>(6,865)</b>	<b>(92.8%)</b>

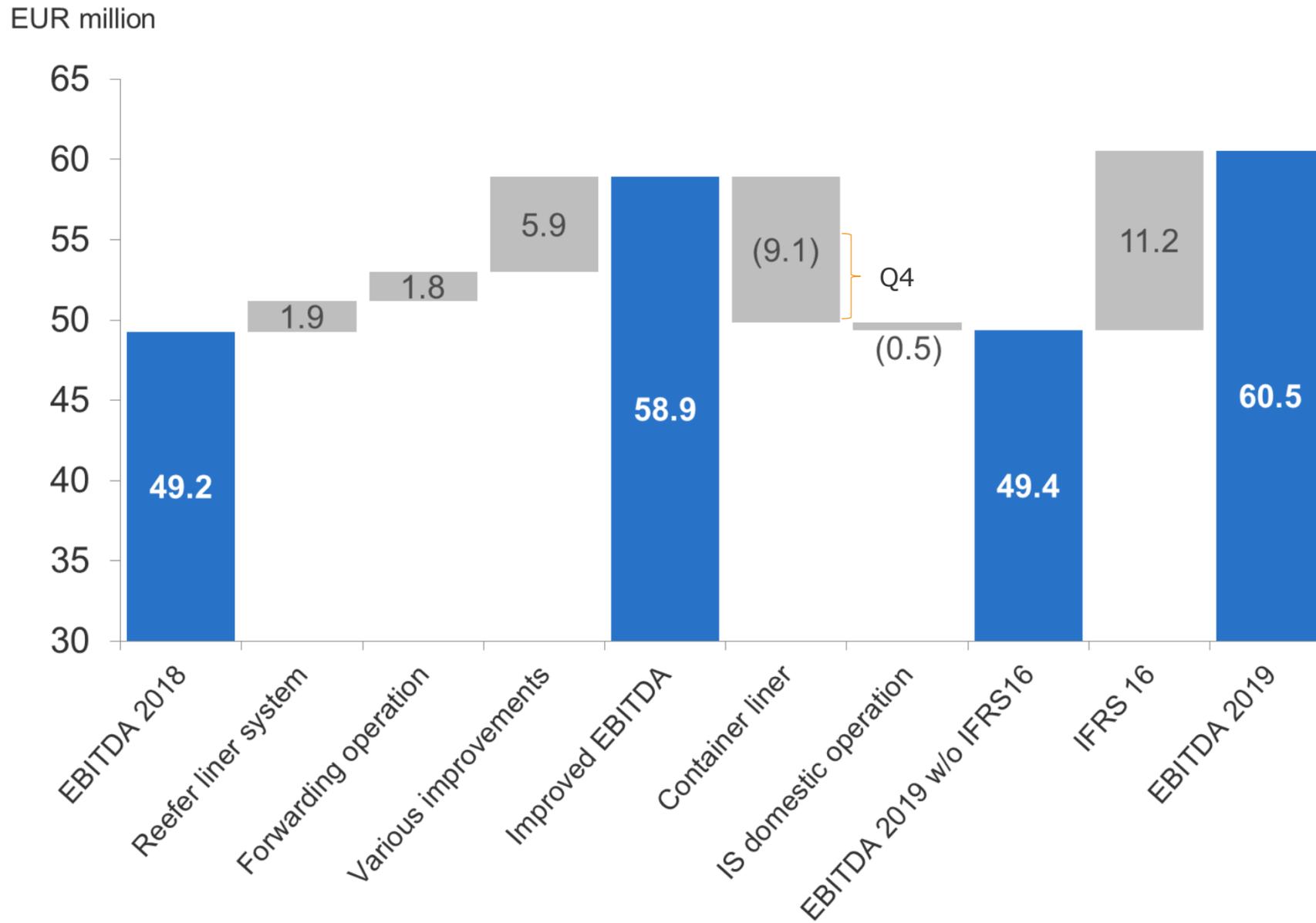
\* IFRS 16 accounting method changed in Q4 where OPEX components are identified and excluded from vessel charter agreements. EBITDA for the year and each quarter restated accordingly.

RESTATED OPERATING RESULTS	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Total
Revenue	163,988	167,535	172,522	175,549	679,594
Expenses	150,766	151,706	152,210	164,363	619,045
<b>EBITDA</b>	<b>13,222</b>	<b>15,829</b>	<b>20,312</b>	<b>11,186</b>	<b>60,549</b>
IFRS 16 effect	(2,590)	(2,679)	(2,660)	(3,268)	(11,197)
<b>EBITDA IFRS 16 adjusted</b>	<b>10,632</b>	<b>13,150</b>	<b>17,652</b>	<b>7,918</b>	<b>49,352</b>

- Revenue decrease of EUR 9.6 million or 1.4%
- Salaries and related expenses decrease by EUR 5.9 million or 4.3% despite general wage increase
- EBITDA EUR 49.4 million excluding IFRS 16 on level with 2018 despite volume decrease and cooldown of Icelandic economy
- Depreciation w/o IFRS16 effect, increase by 5.4%
  - Substantial investments in recent years and docking of vessels in 2018
  - Impairment of vessels sold but delivered in Jan/Feb 2020 amounting to EUR 2.6 million
- One-off tax expense amounting EUR 3.4 million following a ruling of Internal Revenue Board
- Excluding one-off tax item and impairment of vessels, Net earnings would have been EUR 7.0 million, on level with 2018

# EBITDA BRIDGE 2019

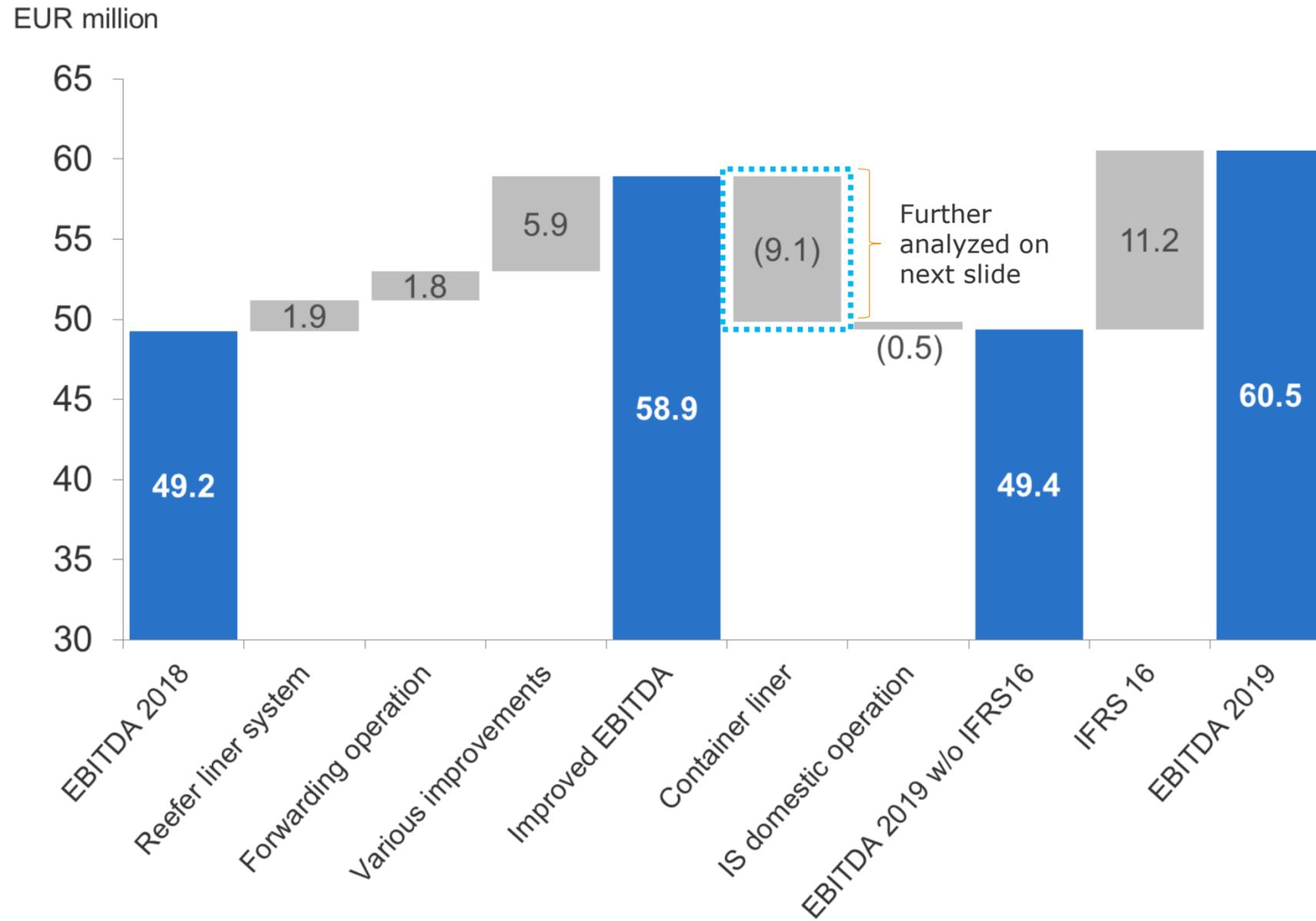
Operational improvements and streamlining offset by negative volume development in Container liner system



- Various streamlining measures delivered positively
  - Operational streamlining of Norway
  - Improvements in freight forwarding operation
  - Organizational changes and integration measures
- Volume decrease in Iceland negatively affecting container liner

# EBITDA BRIDGE 2019

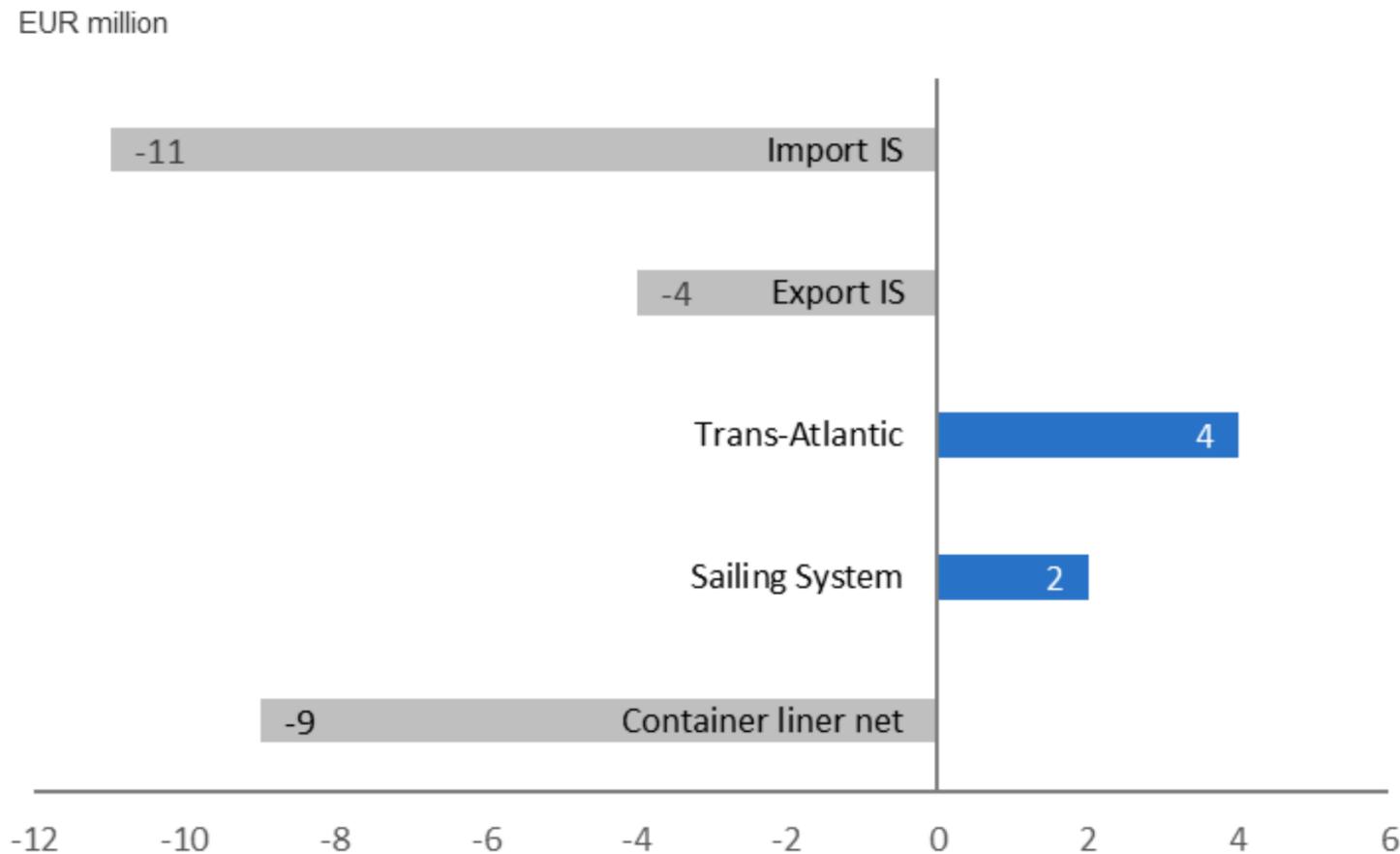
Operational improvements and streamlining offset by negative volume development in Container liner system



# DECREASE IN EBITDA YOY IN CONTAINER LINER

Affected by adverse development in external environment

## BREAKDOWN OF YOY CHANGE IN CONTAINER LINER



## CONTRIBUTING FACTORS

- Import to Iceland is the main driver of lower volume and reduced EBITDA in container liner
- Export from Iceland mainly affected at end of the year due to less catch
- Strong growth in Trans-Atlantic has delivered positively
- New sailing system and streamlining measure realizing benefits

## MANAGEMENT HAS RESPONDED WITH ACTIONS

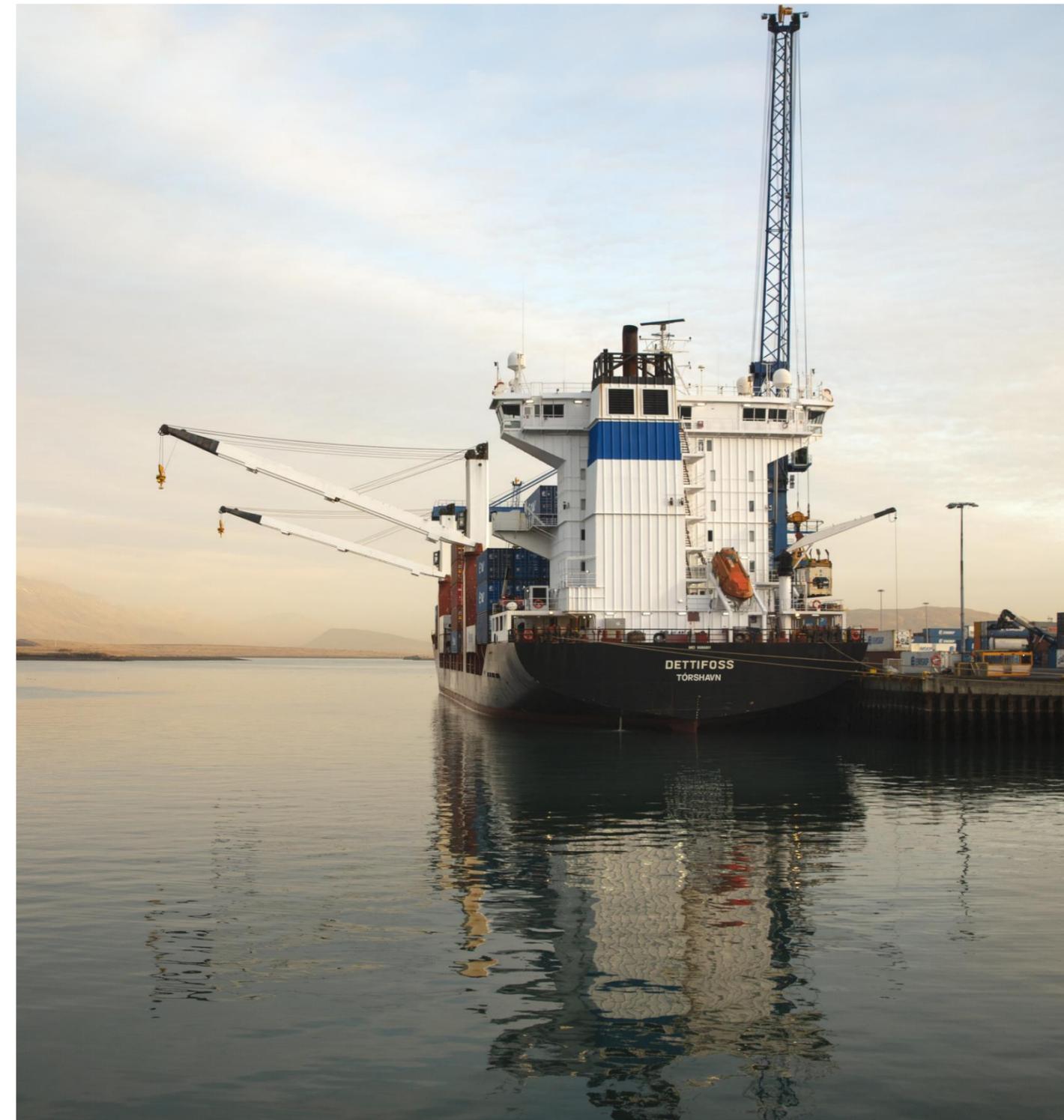
- Still to fully realize benefits of changes of sailing system in October 2019
- Benefits of Royal Arctic Line cooperation expected to start materialize in second half of the year
- Organizational changes in February 2020 with integration of two divisions and reduction in FTE's
- Increased emphasis on business origination by offering complete range of logistic services

## RESULTS BY BUSINESS SEGMENTS FOR 2019 AND Q4

Improved forwarding operation offset by decline in Iceland liner

EUR thousand	2019	IFRS 16 Impact	2019 Adjust.	2018	Change	%
<i>Liner Services:</i>						
Revenue	432.665		432.665	449.236	(16.571)	(3,7%)
Expenses	392.996	6.356	399.352	414.244	(14.892)	(3,6%)
<b>EBITDA</b>	<b>39.669</b>	<b>(6.356)</b>	<b>33.313</b>	<b>34.992</b>	<b>(1.679)</b>	<b>(4,8%)</b>
<i>Forwarding Services:</i>						
Revenue	246.929		246.929	239.918	7.011	2,9%
Expenses	226.049	4.840	230.889	225.672	5.217	2,3%
<b>EBITDA</b>	<b>20.880</b>	<b>(4.840)</b>	<b>16.040</b>	<b>14.246</b>	<b>1.794</b>	<b>12,6%</b>

EUR thousand	Q4 2019	IFRS 16 Impact	Q4 2019 Adjust.	2018	Change	%
<i>Liner Services:</i>						
Revenue	109.200		109.200	116.235	(7.035)	(6,1%)
Expenses	101.504	2.069	103.573	109.198	(5.625)	(5,2%)
<b>EBITDA</b>	<b>7.696</b>	<b>(2.069)</b>	<b>5.627</b>	<b>7.037</b>	<b>(1.410)</b>	<b>(20,0%)</b>
<i>Forwarding Services:</i>						
Revenue	66.349		66.349	62.592	3.757	6,0%
Expenses	62.299	1.199	63.498	60.189	3.309	5,5%
<b>EBITDA</b>	<b>4.050</b>	<b>(1.199)</b>	<b>2.851</b>	<b>2.403</b>	<b>448</b>	<b>18,6%</b>



# BALANCE SHEET

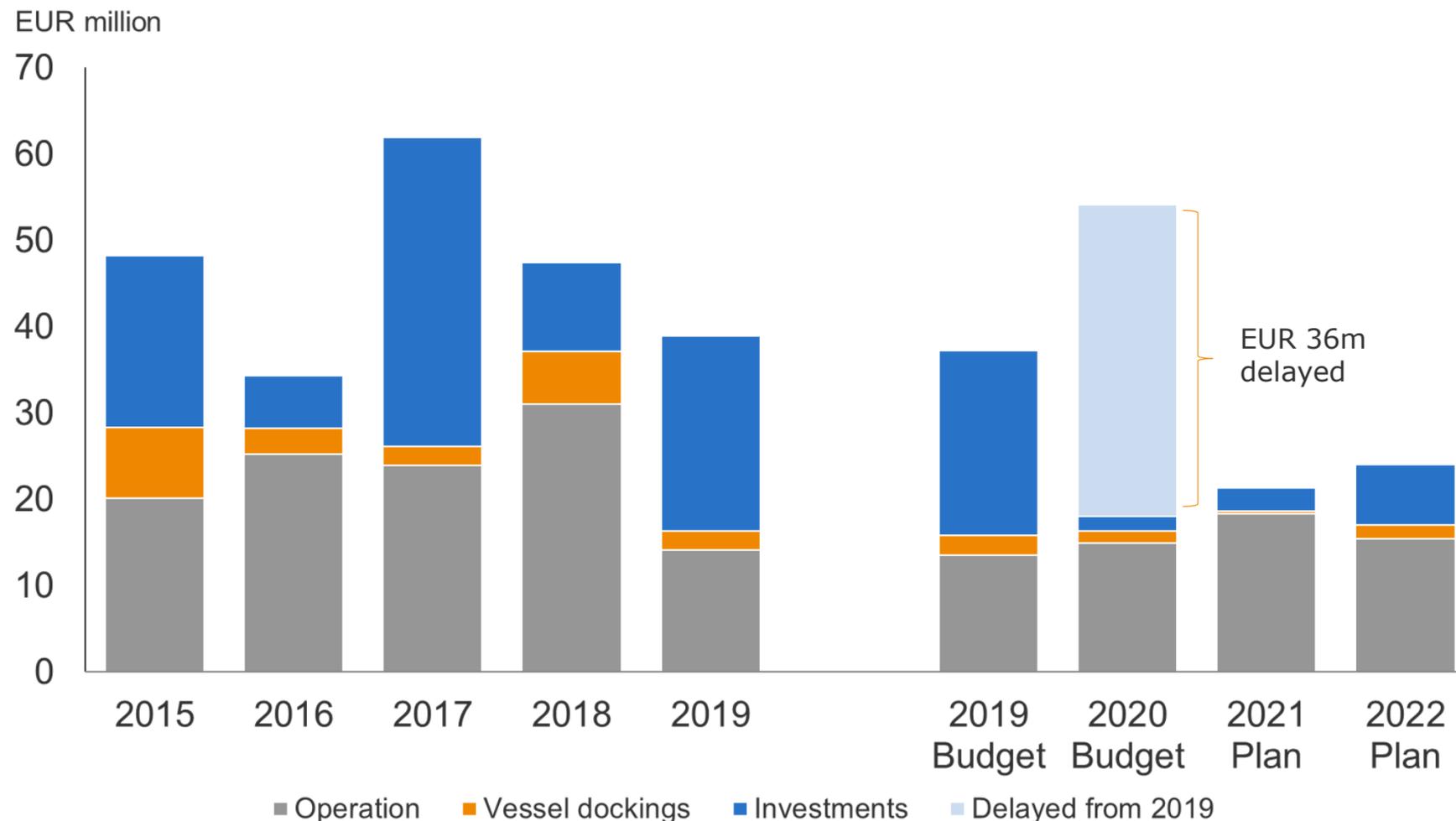
Balance sheet and equity ratio affected by new accounting standard IFRS 16

EUR thousand	31.12.2019	31.12.2018	Change	%
<b>Non-current assets</b>	<b>355,712</b>	<b>335,172</b>	<b>20,540</b>	<b>6.1%</b>
Fixed assets	292,470	313,765	(21,295)	(6.8%)
Right-of-use assets	44,486	0	44,486	-
Other non-current assets	18,756	21,407	(2,651)	(12.4%)
<b>Current assets</b>	<b>168,802</b>	<b>151,124</b>	<b>17,678</b>	<b>11.7%</b>
Vessels held for sale	14,907	0	14,907	-
<b>Assets</b>	<b>524,514</b>	<b>486,296</b>	<b>38,218</b>	<b>7.9%</b>
<b>Equity</b>	<b>230,868</b>	<b>238,926</b>	<b>(8,058)</b>	<b>(3.4%)</b>
Non-current liabilities	191,927	140,753	51,174	36.4%
Current liabilities	101,719	106,617	(4,898)	(4.6%)
<b>Liabilities</b>	<b>293,646</b>	<b>247,370</b>	<b>46,276</b>	<b>18.7%</b>
<b>Equity and liabilities</b>	<b>524,514</b>	<b>486,296</b>	<b>38,218</b>	<b>7.9%</b>

- Decrease in fixed assets mainly due to reclassification of vessels held for sale
- Total assets and liabilities mainly increase due to IFRS 16 effects
- Equity ratio 44.0%, but adjusted for IFRS 16 47.2% compared to 49.1% at end of 2018
  - Dividend payment amounting to EUR 4.7 million
  - Share buy-back amounting to EUR 5.0 million

# DEVELOPMENT IN CAPEX

Vessel investments originally planned in 2019 delayed to 2020



- Maintenance CAPEX in 2019 at a different level than previous years and in line with budget
  - EUR 16.3 million compared to EUR 37.1 million in 2018
  - Maintenance CAPEX items mostly relate to renewal of containers, trucks, terminal equipment, docking of vessels and IT related expenditures
- Investments in 2019 in line with budget, and amounting to EUR 22.6 million compared to EUR 10.3 million in 2018
  - Investments include installments on the new vessels, new gantry crane and terminal area construction and equipment
  - Investments delayed to 2020 amounting to EUR 36 million, mostly due to delay in delivery of the two new vessels
- Total CAPEX, other than delayed 2019 investments, expected to be substantially lower in 2020-2022, as introduced in Q3 2019, compared to last years

# CASH FLOW IN 2019

Substantial increase in cashflow before debt service continues

Million EUR	2019	2018
EBITDA	60.5	49.2
Working capital changes & EBITDA adjustments	(1.3)	(13.4)
Paid taxes	(2.8)	(1.7)
Repayment and interest of lease liabilities	0.0	0.0
Maintenance CAPEX net of sale	(14.7)	(33.6)
<b>Cash flow before debt/lease service</b>	<b>41.7</b>	<b>0.6</b>
Debt and lease repayment and interests	(26.9)	(14.1)
<b>Cash flow before Investments</b>	<b>14.8</b>	<b>(13.5)</b>
Net investments	(21.8)	(18.3)
Debt funding	16.4	40.7
Dividend to minority	(0.5)	(0.7)
Share buy-back	(5.0)	0.0
Dividend to Shareholders of the Company	(4.7)	(10.4)
<b>Change in Cash</b>	<b>(0.9)</b>	<b>(2.2)</b>

- Management has had increased focus on cash generation which has improved year on year
- Positive development in working capital
- Strong cashflow after debt service
- Substantially less debt funding
- Two share buy-back programs initiated in Q2 and Q4
  - Total share buy-back in the year amounting EUR 5.0 million
  - Second share buy-back program completed in January 2020
  - Classified as treasury shares

# DIVIDEND AND SHARE CAPITAL REDUCTION PROPOSALS TO THE AGM

Moving towards target capital structure

## DIVIDEND POLICY

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- The policy of Eimskip is to pay annual dividend that equals an amount in the range of 10-65% of net profit after taxes
- Decisions on dividend payment, and the exact amount, are subject to the company's future investment plans, market outlook and satisfactory capital structure at any given time

## DIVIDEND PROPOSAL 2020

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- The Board of Directors will propose to the AGM that no dividend will be distributed for the year 2019
  - Relatively low amount due to one-off items could be paid out according to the policy
  - A proposal of share capital reduction will be proposed to the AGM

## TARGET CAPITAL STRUCTURE

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- Target equity ratio is ~40%
- Target leverage ratio – NIBD/EBITDA is 2-3x EBITDA

## SHARE CAPITAL REDUCTION PROPOSAL

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- Reduce share capital equaling distribution to shareholders amounting to approximately EUR 12.5 million in payout
- Main reasons
  - Sale of five vessels and delivery of new buildings delivers one off extra cash in excess of operational needs
  - Cash flow generation 2019 and the plan for 2020 supports the payout
  - Next three-year CAPEX plan does not anticipate substantial investments
  - Moving closer to target equity ratio of 40%
- Given current equity ratio of 44.0% the share capital reduction will decrease the ratio to 42.6%

# EBITDA GUIDANCE

EBITDA in the range of EUR 51-58 million excluding IFRS 16

- General operating activities
  - Continued focus on operating cost and improving current business platform
  - Benefitting from recent streamlining measures
    - Cost related to FTE reduction will be expensed in Q1
  - Successful implementation of Royal Arctic Line co-operation – however commencing later than previously anticipated
- Liner services
  - Expecting continued growth in Trans-Atlantic services
  - Not anticipating significant volume decline in import to Iceland
  - Leverage on new sailing system but uncertainty regarding utilization
  - Reduced capacity in reefer liner operation
  - No material changes in transportation volume to and from Faroe Islands
- Forwarding services
  - Assumptions anticipate moderate growth and improved margins, however uncertainty in global markets increasing
- External factors and general reservation
  - Uncertainty regarding development of COVID-19 outbreak and impact on transportation industry and global economy
  - Availability of reefer containers from deep sea lines
  - General reservations such as trade tensions & global economic conditions, liner & forwarding volumes, development of freight rates & bunker prices, interest- & currency exchange rates and competition



# SUMMARY

- 1** Cooldown of the Icelandic economy and lower catch affecting Iceland volume
- 2** Improved operational results of freight forwarding and in Norway
- 3** Focus on operational efficiency and streamlining measures compensating for decreased results of container liner
- 4** Delivery of new vessels and cooperation with Royal Arctic Line commencing in coming months
- 5** Increase emphasis on proactive sales and more holistic customer service

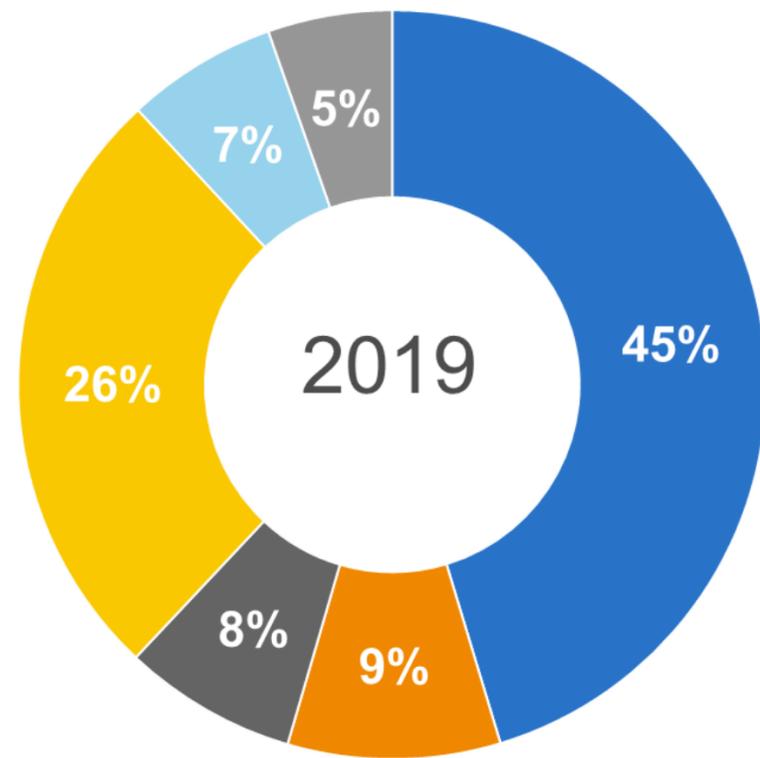
THANK YOU

# APPENDIX I

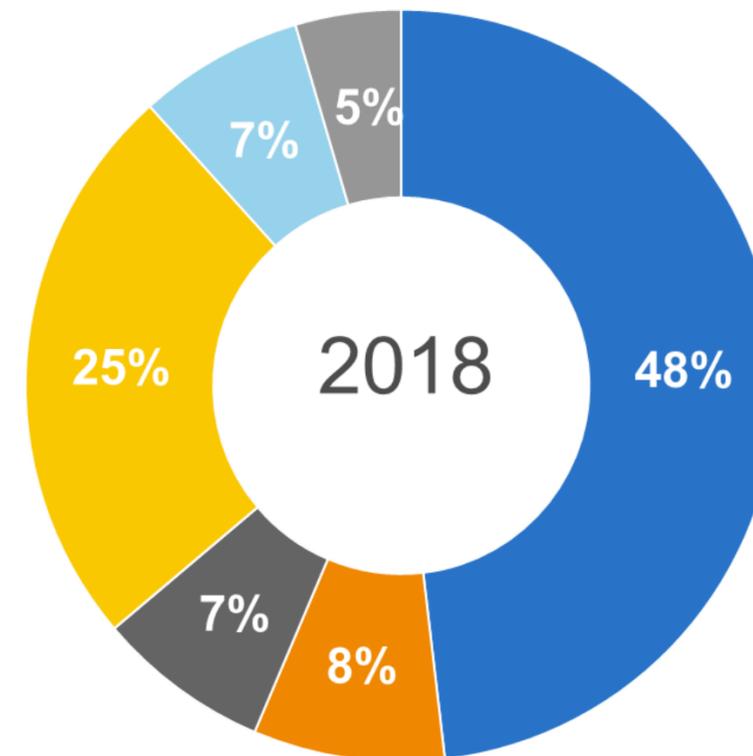
# GEOGRAPHICAL SPLIT OF REVENUE

Iceland affected by lower import volume

## REVENUE SPLIT



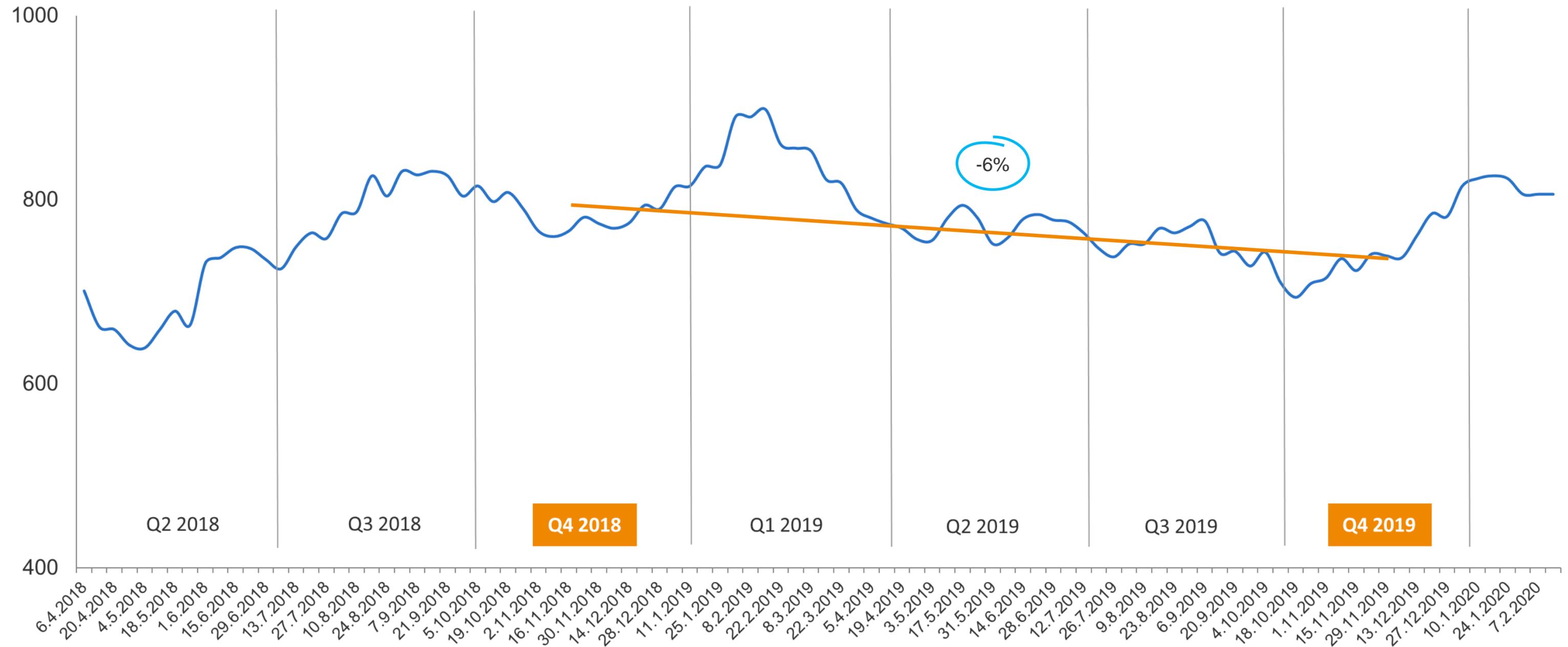
- Iceland
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# CHINA FORWARDERS FREIGHT INDEX

Average prices decreased by 6% between Q4 2018 and Q4 2019



Source: [www.shippingchina.com](http://www.shippingchina.com)

# INCOME STATEMENT Q4

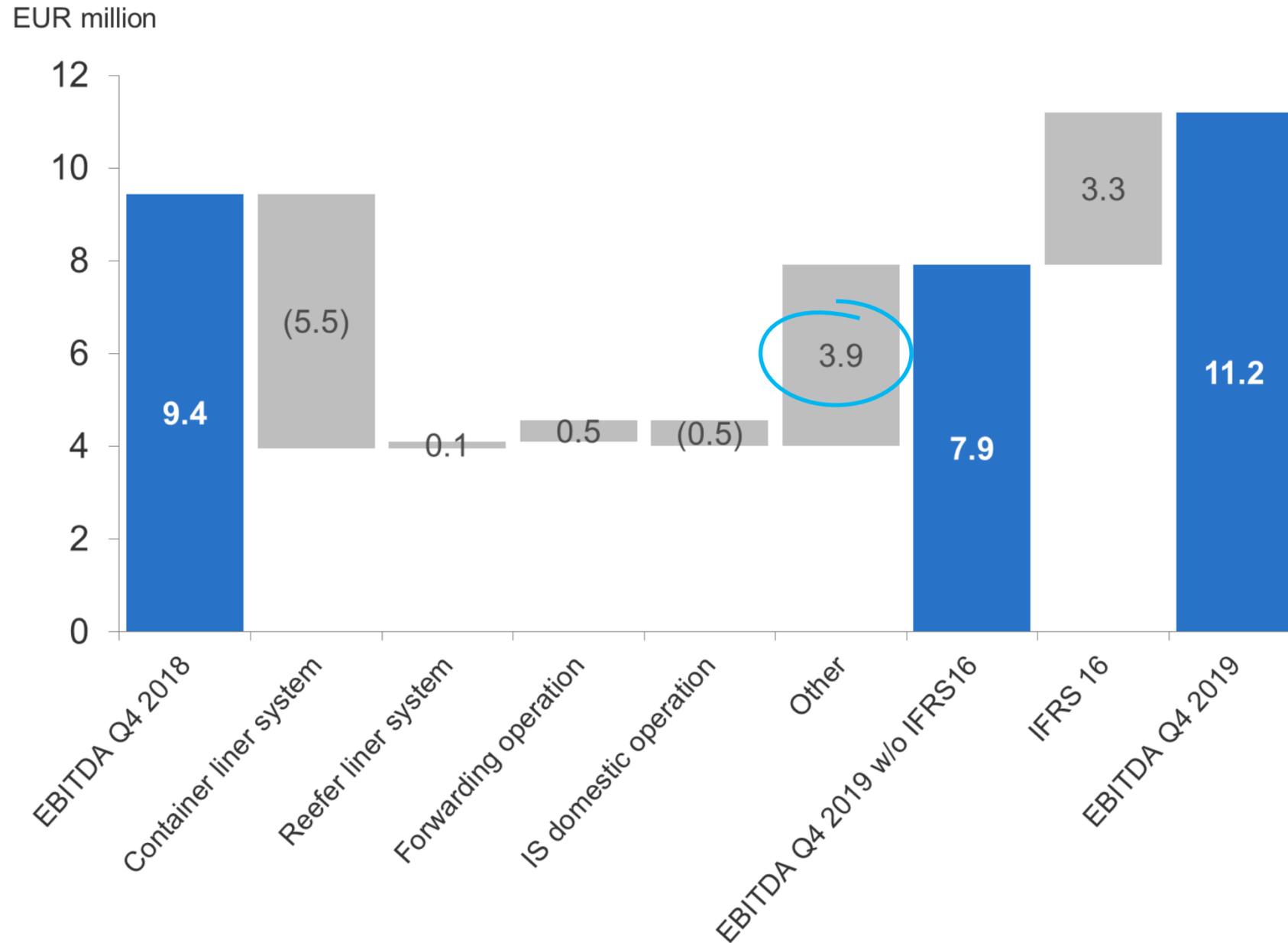
Lower volume in Iceland import and export affected Q4 results

EUR thousand	Q4 2019	IFRS 16 Impact	Q4 2019 Adjust.	Q4 2018	Change	%
Revenue	175,549		175,549	178,827	(3,278)	(1.8%)
Expenses	164,363	3,268	167,631	169,387	(1,756)	(1.0%)
<i>Salary and related expenses</i>	33,499		33,499	34,770	(1,271)	(3.7%)
<b>EBITDA</b>	<b>11,186</b>	<b>(3,268)</b>	7,918	<b>9,440</b>	<b>(1,522)</b>	<b>(16.1%)</b>
Depreciation and amortization	(14,505)	2,752	(11,753)	(8,927)	(2,826)	-
<b>EBIT</b>	<b>(3,319)</b>	<b>(516)</b>	(3,835)	<b>513</b>	<b>(4,348)</b>	-
Net finance expense	(1,979)	231	(1,748)	(1,577)	(171)	(10.8%)
Share of loss of equity accounted investees	(294)		(294)	(568)	274	48.2%
<b>Net (loss) earnings before income tax</b>	<b>(5,592)</b>	<b>(285)</b>	(5,877)	<b>(1,632)</b>	<b>(4,245)</b>	-
Income tax	(857)	57	(800)	(264)	(536)	-
<b>Net (loss) earnings for the period</b>	<b>(6,449)</b>	<b>(228)</b>	(6,677)	<b>(1,896)</b>	<b>(4,781)</b>	-

- EBITDA down EUR 1.5 million due to considerable decrease in volume in last weeks of the year
  - Catch around Iceland 16% down resulted in lower export volume and less domestic transport
  - Continued decline in import to Iceland
  - Unusually adverse weather conditions
- One-off expenses related to the closing of Eimskip's office in Belgium higher than expected
- Moving stevedoring services in Rotterdam earlier than expected resulted in considerable cost
- EUR 2.6 million impairment of vessels sold affecting depreciation

# EBITDA BRIDGE Q4

Lower volume in Iceland import and export affected Q4 results



- EBITDA affected by decreased volume in container liner
  - Mainly import and export to and from Iceland
- Lower admin and operating cost positively compensate for decreased results of container liner

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