

# THIRD QUARTER 2014 FINANCIAL RESULTS

21 November 2014



HIGHLIGHTS



EIMSKIP

## KEY HIGHLIGHTS Q3 2014

Q3 2014 compared to Q3 2013

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- ✓ Q3 2014 is the best quarter since 2009
- ✓ Revenue EUR 119.6 million, up by 5.3%
- ✓ EBITDA EUR 12.6 million, up by 4.2%
- ✓ Net earnings EUR 7.5 million, up by 48.0%
- ✓ Volume in liner services up by 7.3%
- ✓ Volume in reefer forwarding services up by 19.2%



## KEY HIGHLIGHTS 2014

The first nine months

- Transported volume in the company's North Atlantic liner services grew by 8.4% from the same period 2013
  - Eimskip's volumes to Iceland increased and export has stabilized
    - *Volumes are up in vehicles and construction supplies*
  - Increased volumes to and from the Faroe Islands
    - *Volumes are up in consumer goods, mackerel and salmon*
- Transported volume in the company's reefer forwarding services grew by 12.6% from the first nine months 2013
  - Mainly due to increased activity in inbound cargo and increased Intra Asia transport with shorter distances
- Changes of the Red Line and the new Gray Line in Q1 made the company's sailing system more efficient
- Adverse weather conditions in January and February and a strike on the ferry Herjólfur in Q1 negatively affected the results

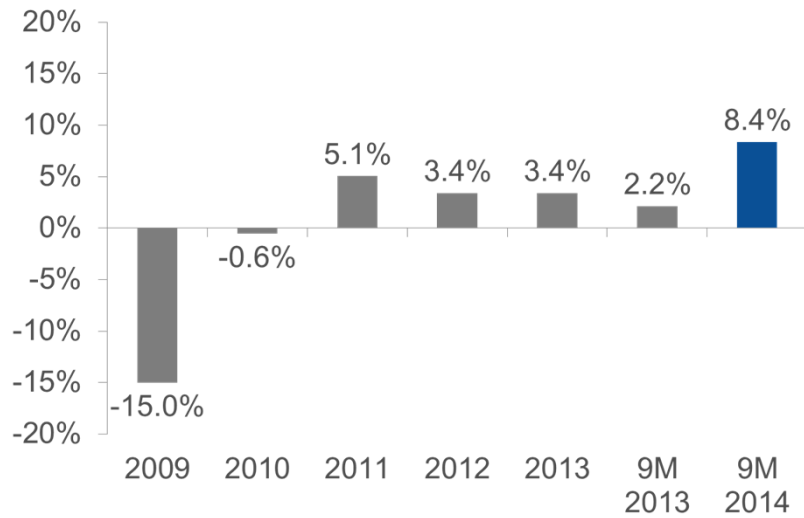




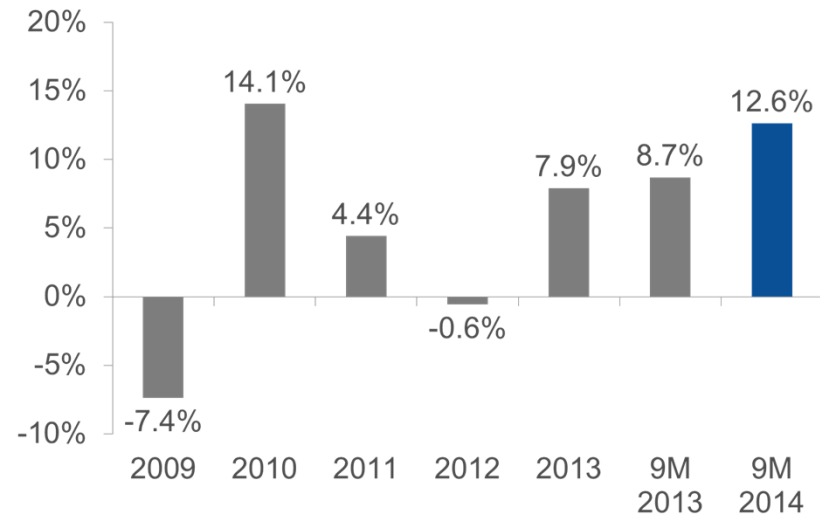
## TRANSPORTED VOLUME 2009 TO 2014

Changes from previous year

### Liner services



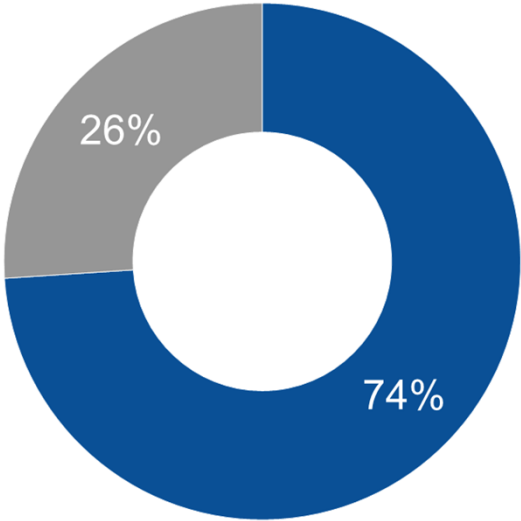
### Reefer forwarding



# OPERATING REVENUE BY SEGMENT

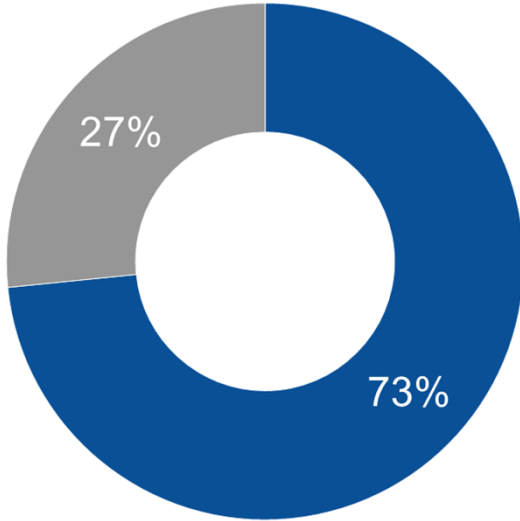
Liner services and forwarding services

9M 2014



■ Liner services ■ Forwarding services

9M 2013

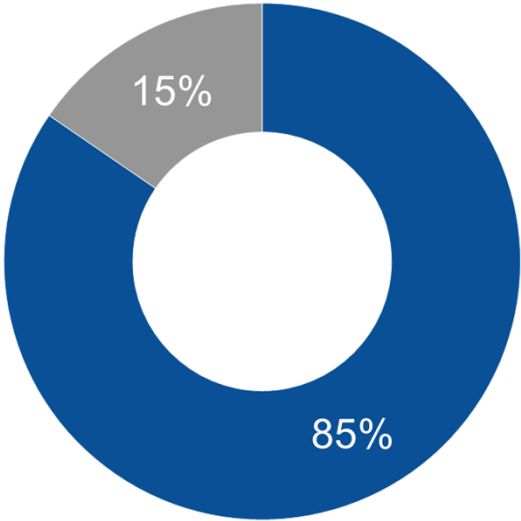


■ Liner services ■ Forwarding services

# EBITDA BY SEGMENT

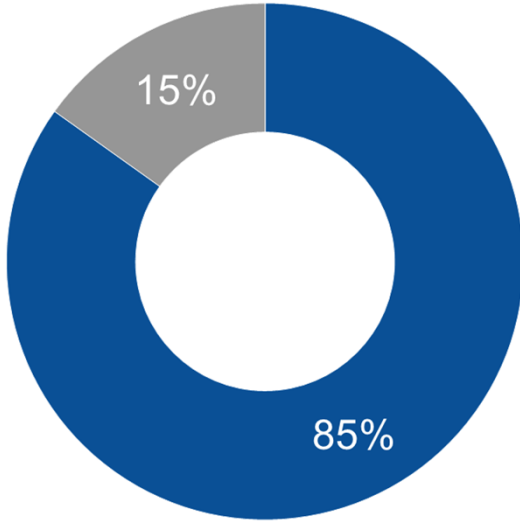
Liner services and forwarding services

9M 2014



■ Liner services ■ Forwarding services

9M 2013



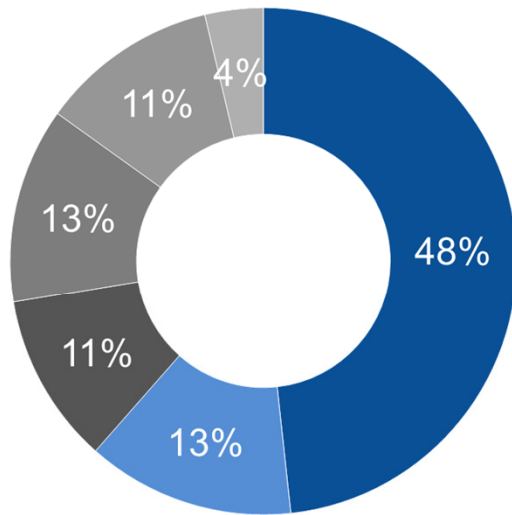
■ Liner services ■ Forwarding services



## GEOGRAPHICAL SPLIT OF OPERATING REVENUE

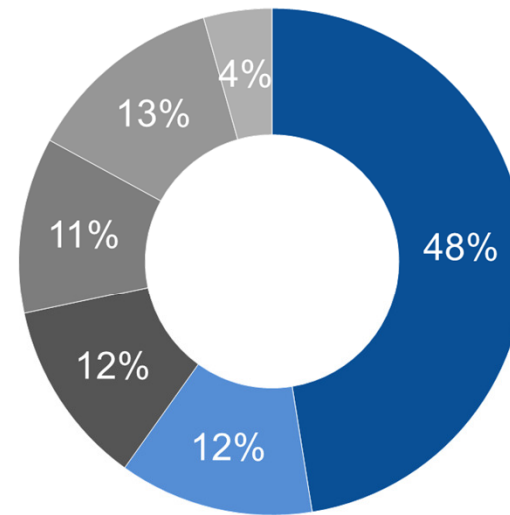
Less than half of operating revenue is related to Iceland

9M 2014



■ Iceland  
■ Norway  
■ Asia  
■ Faroe Islands  
■ Europe  
■ Other

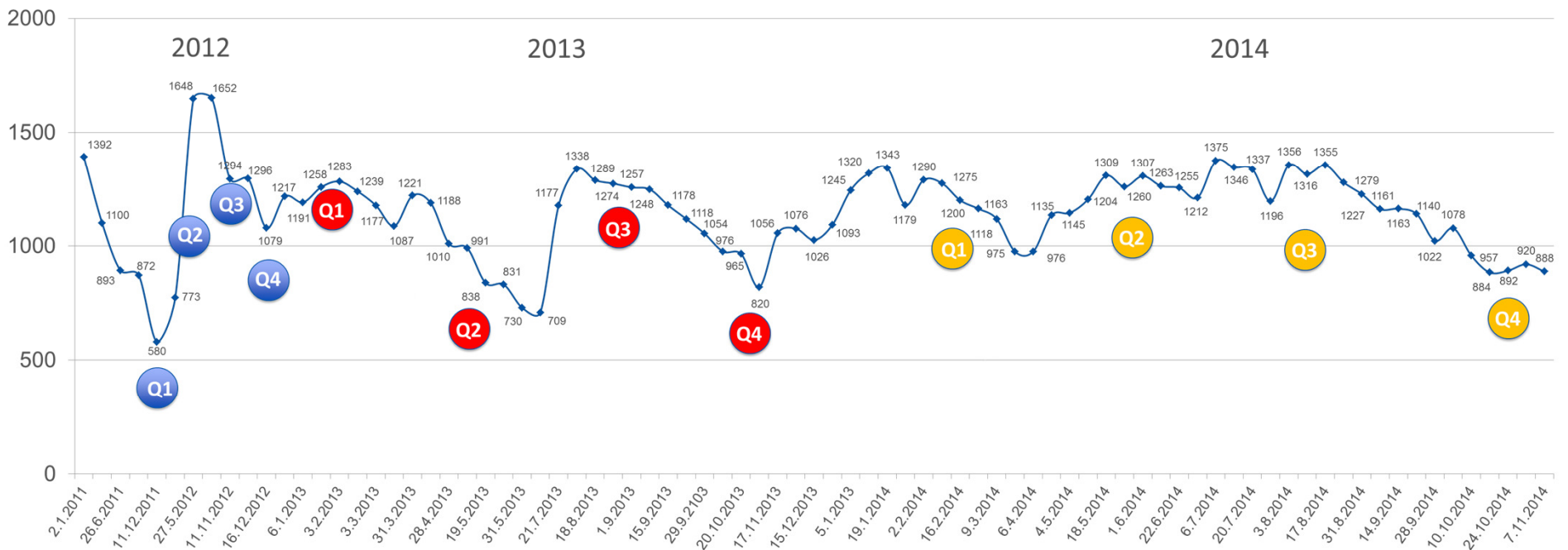
9M 2013



■ Iceland  
■ Norway  
■ Asia  
■ Faroe Islands  
■ Europe  
■ Other

# FREIGHT INDEX CHINA - EUROPE

Fluctuations in pricing from the deep sea carriers 2011 to 2014



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





Q3 AND 9M 2014 FINANCIAL RESULTS





## INCOME STATEMENT

Strong third quarter results

EUR thousands	Q3 2014	Q3 2013	Change	%	9M 2014	9M 2013	Change	%
Operating revenue	119,583	113,524	6,059	5.3%	332,761	326,949	5,812	1.8%
Operating expenses	106,949	101,405	5,544	5.5%	303,060	297,774	5,286	1.8%
<b>EBITDA</b>	<b>12,634</b>	<b>12,119</b>	<b>515</b>	<b>4.2%</b>	<b>29,701</b>	<b>29,175</b>	<b>526</b>	<b>1.8%</b>
Depreciation and amortization	(5,584)	(5,494)	(90)	(1.6%)	(17,143)	(15,656)	(1,487)	(9.5%)
<b>EBIT</b>	<b>7,050</b>	<b>6,625</b>	<b>425</b>	<b>6.4%</b>	<b>12,558</b>	<b>13,519</b>	<b>(961)</b>	<b>(7.1%)</b>
Net finance income (expense)	1,192	(1,274)	2,466	-	422	(2,392)	2,814	117.6%
Share in earnings of associated companies	171	0	171	-	259	0	259	-
<b>Net earnings before income tax</b>	<b>8,413</b>	<b>5,351</b>	<b>3,062</b>	<b>57.2%</b>	<b>13,239</b>	<b>11,127</b>	<b>2,112</b>	<b>19.0%</b>
Income tax	(896)	(272)	(624)	(229.4%)	(1,922)	(1,478)	(444)	(30.0%)
<b>Net earnings for the period</b>	<b>7,517</b>	<b>5,079</b>	<b>2,438</b>	<b>48.0%</b>	<b>11,317</b>	<b>9,649</b>	<b>1,668</b>	<b>17.3%</b>

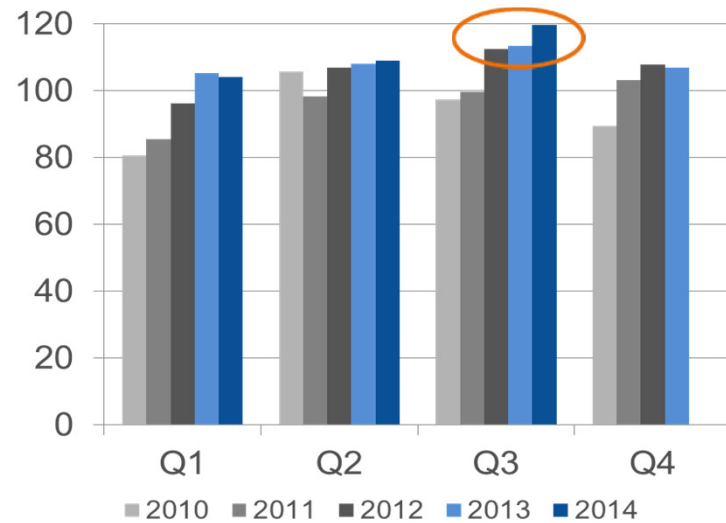
- Q3 2014 is the best quarter since 2009 in terms of revenue, EBITDA and net earnings
- 9M results affected by the following items
  - Revenue generally affected by rates, cargo combination and currency exchange rates
  - Growth in imported volume to Iceland and in volume to and from the Faroe Islands
  - Adverse weather conditions during the first two months 2014 increased costs but changes of the sailing schedule by repositioning vessels on routes decreased costs in Q2 and Q3
  - EUR 0.4 million extraordinary expenses due to M&A, dual listing and competition investigation
- Increased depreciation due to additions and renewal of containers and other equipment and irregular capitalization of dockings
- Net finance income compared to net finance expense last year due to EUR 2.2 million currency exchange gain this year compared to EUR 0.7 million currency exchange loss in 9M 2013

## OPERATING REVENUE AND EBITDA BY QUARTER

Adjusted for one-off items in 2011 and 2012

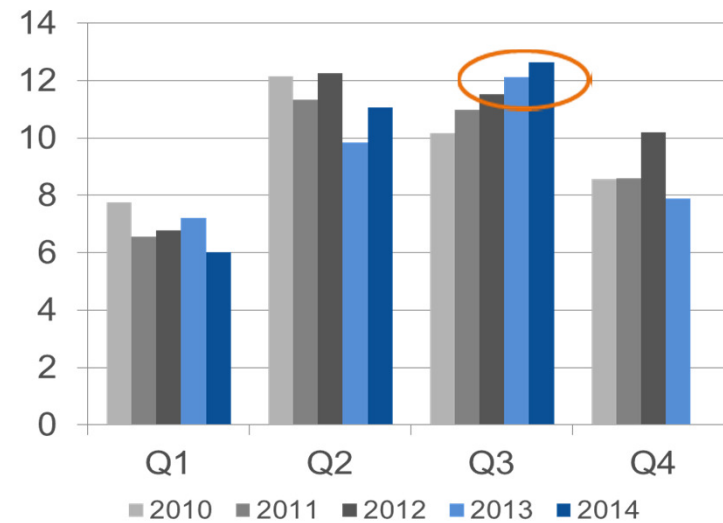
### Operating revenue

EUR million



### EBITDA

EUR million



## BALANCE SHEET

Solid with low leverage

- Total assets increased by 7.1% from year-end 2013 due to increased current assets
  - Trade and other receivables increased by EUR 13.8 million due to seasonal effect, increased sales in the third quarter 2014 and currency exchange differences
  - Cash and cash equivalents increased by EUR 7.8 million
- A dividend payment of EUR 3.1 million was made at the end of April
- Equity ratio was 64.0% at the end of September and has dropped from 65.5% at year-end 2013
- Total interest bearing debt amounted to EUR 66.5 million as at 30 September compared to EUR 59.4 million at the end of 2013
  - New long-term loan for the vessel Lagarfoss in the amount of EUR 10.3 million
- Net debt amounted to EUR 32.3 million at the end of September compared to EUR 33.0 million at year-end 2013

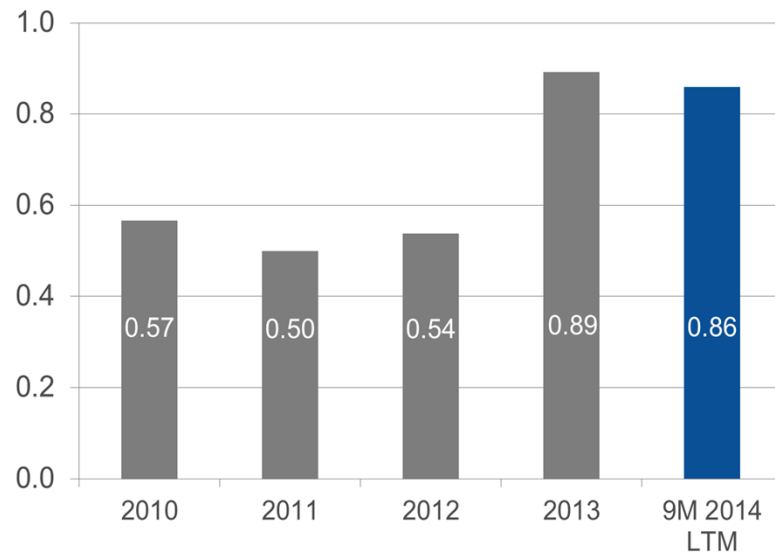
EUR thousands	30.9.2014	31.12.2013	Change	%
Non-current assets	216,639	216,096	543	0.3%
Current assets	120,110	98,269	21,841	22.2%
<b>Total assets</b>	<b>336,749</b>	<b>314,365</b>	<b>22,384</b>	<b>7.1%</b>
<b>Total equity</b>	<b>215,659</b>	<b>205,771</b>	<b>9,888</b>	<b>4.8%</b>
Non-current liabilities	51,133	44,436	6,697	15.1%
Current liabilities	69,957	64,158	5,799	9.0%
<b>Total liabilities</b>	<b>121,090</b>	<b>108,594</b>	<b>12,496</b>	<b>11.5%</b>
<b>Total equity and liabilities</b>	<b>336,749</b>	<b>314,365</b>	<b>22,384</b>	<b>7.1%</b>



## FINANCIAL RATIOS

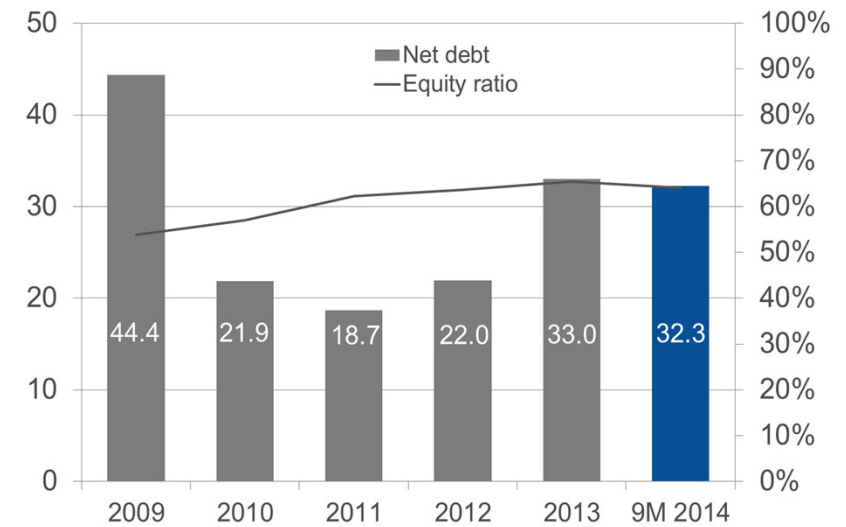
### Net debt / EBITDA (adjusted)

EUR million



### Net debt and equity ratio

EUR million



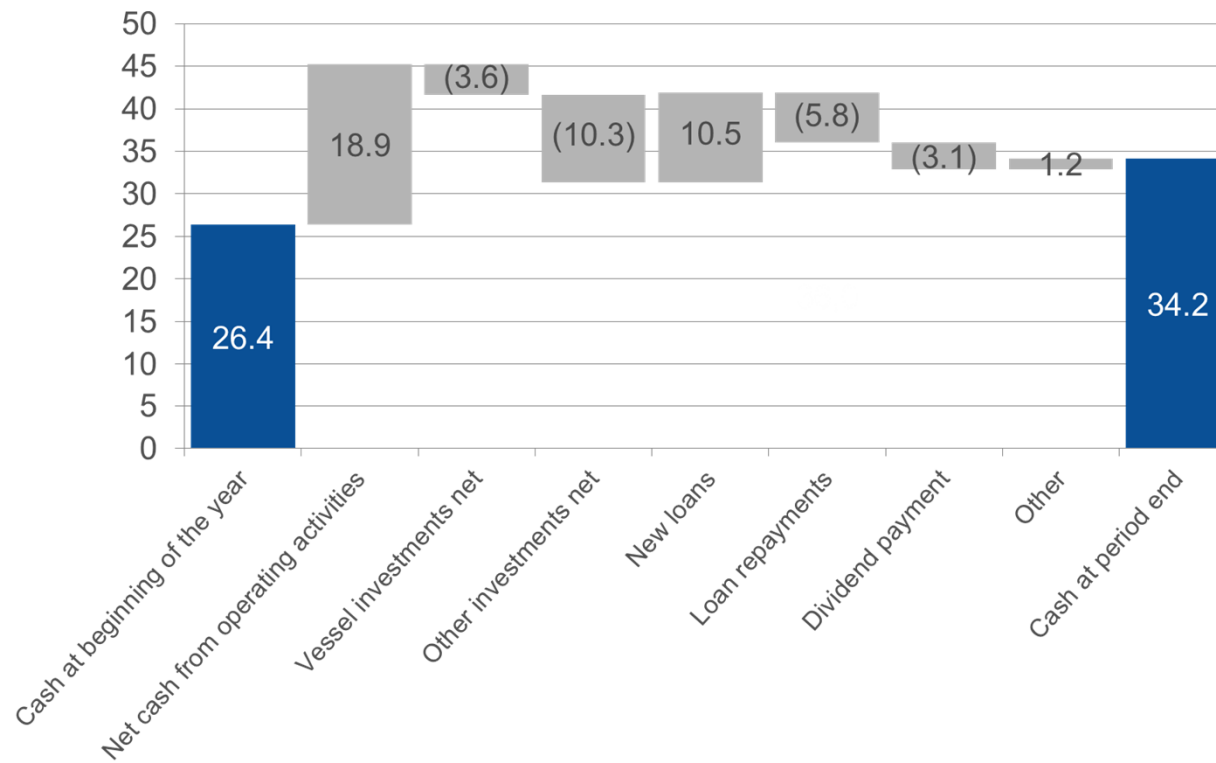
## STRONG CASH FLOW AND CASH POSITION

Increased cash and equivalents by EUR 7.8 million

EUR thousands	Q3 2014	Q3 2013	Change	%	9M 2014	9M 2013	Change	%
Cash flows from operations	4,968	7,420	(2,452)	(33.0%)	18,890	13,365	5,525	41.3%
Investing activities	(5,153)	(7,090)	1,937	27.3%	(13,929)	(21,621)	7,692	35.6%
Financing activities	8,483	(956)	9,439	-	1,536	(1,509)	3,045	-
<b>Changes in cash and cash equivalents</b>	<b>8,298</b>	<b>(626)</b>	<b>8,924</b>	<b>-</b>	<b>6,497</b>	<b>(9,765)</b>	<b>16,262</b>	<b>-</b>
Cash at the beginning of the period	24,818	27,462	(2,644)	(9.6%)	26,370	37,304	(10,934)	(29.3%)
Exchange rate fluctuations	1,057	(160)	1,217	-	1,306	(863)	2,169	-
<b>Cash at the end of period</b>	<b>34,173</b>	<b>26,676</b>	<b>7,497</b>	<b>28.1%</b>	<b>34,173</b>	<b>26,676</b>	<b>7,497</b>	<b>28.1%</b>

## CASH FLOW BRIDGE 9M 2014

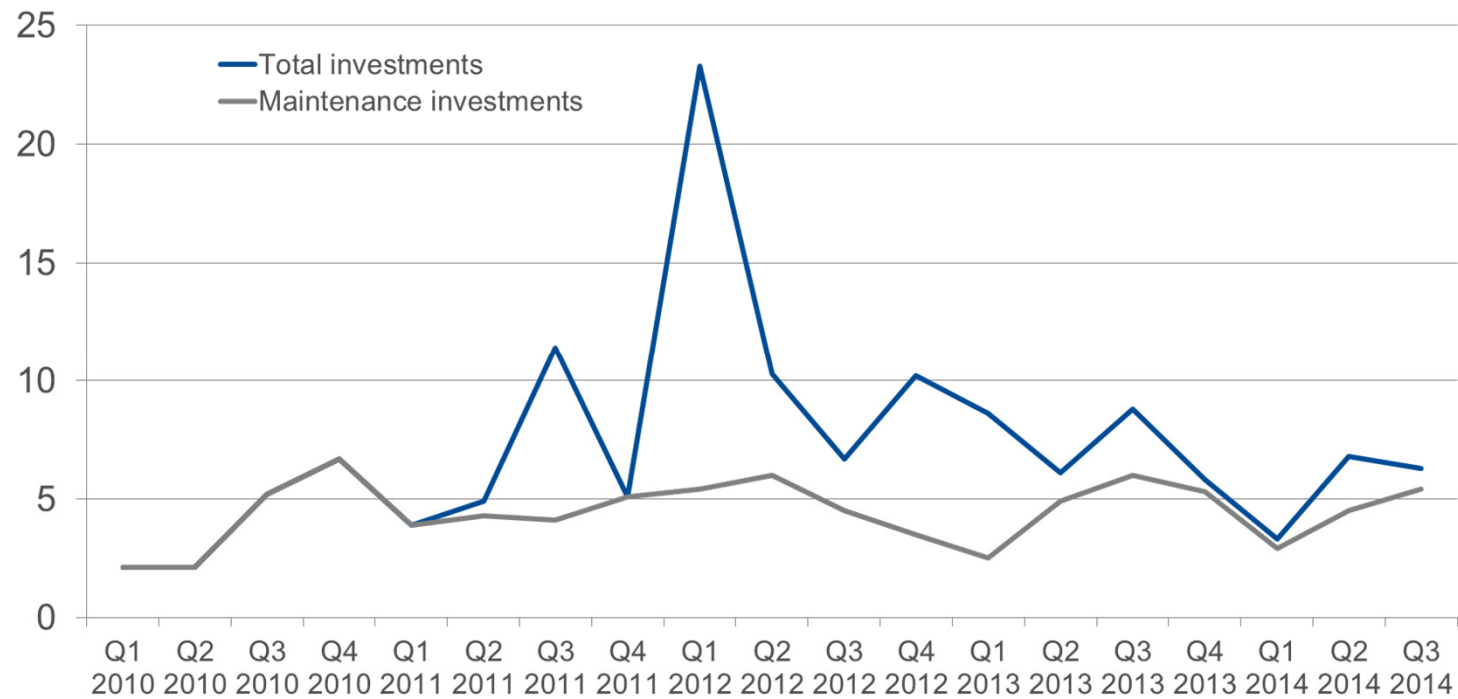
EUR million





## CAPEX 2010 TO 2014

Q3 affected by container investments



# OUTLOOK





## THE NEW VESSEL BAKKAFOSS

Estimated delivery in Q4 2015

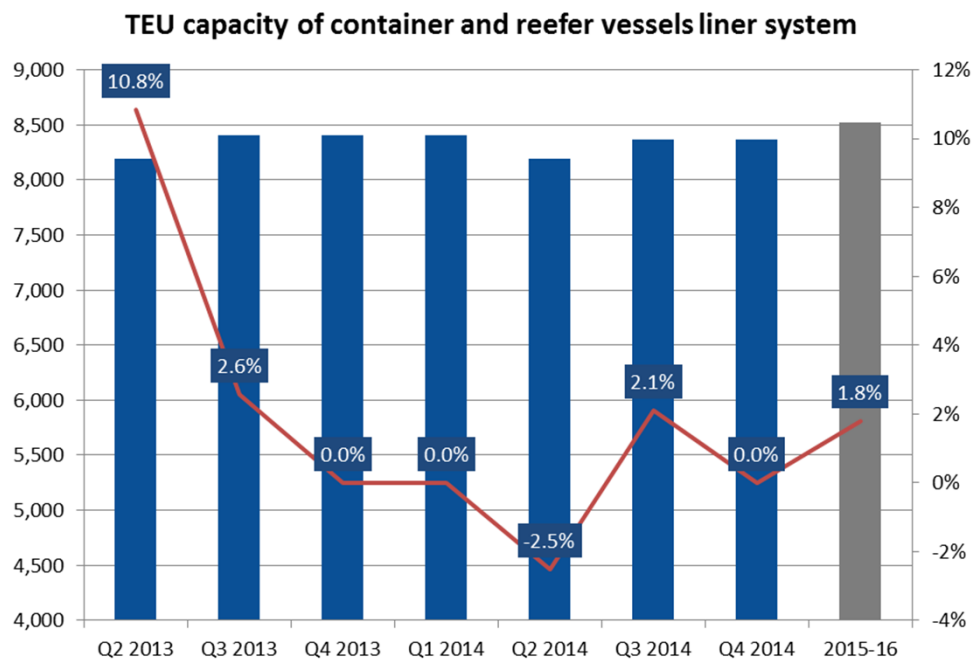
- Negotiations with the Chinese shipyard Rongcheng Shenfei on finishing the building of the 875 TEU container vessel Bakkafoss have been finalized
- Bakkafoss is the sister vessel of the Lagarfoss which was in service as from August
- Further discount of the vessel's purchase price amounts to USD 0.8 million, making the total contract price USD 18.0 million
- With the discount, the remaining obligation of the purchase price amounts to USD 4.9 million and the obligation is fully financed
- The estimated delivery of Bakkafoss is in the fourth quarter next year



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## ESTIMATED DEVELOPMENT OF TEU CAPACITY

Container and reefer vessels in liner trade in the North Atlantic



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## COLD STORAGE IN HAFNARFJÖRDUR

Expected to be in operation in the second half of 2015

- Fjarðarfrost, Eimskip's current cold storage facility in Hafnarfjörður in Iceland, has capacity of approximately 3,000 tons
- Eimskip announced in November building of a new 10,000 ton cold storage facility in Hafnarfjörður
- Considerable recent and future increases in the fishing and processing of pelagic fish require increased cold storage space and services
- Demand for warehouse services for frozen consumer goods is also growing
- An option to enlarge the facilities in stages to a total of 27,000 tons, according to customer needs
- Construction of the new facility is expected to start before the end of 2014 and it is expected to be in operation in the second half of 2015
- Estimated project cost for the new 10,000 ton facility is EUR 10 to 11 million



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## SULPHUR EMISSIONS

New regulation will apply as of 1 January 2015

- As of 1 January 2015 new rules will apply to sulphur emissions from vessels in Emission Control Areas (ECAs)
- Shipping companies are obliged to use bunker fuel with sulphur content no higher than 0.1%
  - The limit is currently 1.0%
- Originates from the United Nations' resolution on more environmentally friendly marine shipping, implemented by the International Maritime Organization
- Will apply to all of Eimskip's sailing routes and is expected to increase the company's fuel costs by USD 8.5 million on a yearly basis, based on current fuel rates
- Eimskip has announced a new surcharge to customers called LSS, or Low Sulphur Surcharge, that is intended to cover the additional fuel costs





## GROWTH IN LINE WITH STRATEGY

Through acquisitions and joint ventures

- Focus on operations in Eimskip's home market where synergy is a clear driver in evaluation of potential targets
- Reasonably sized acquisitions and joint venture projects
  - Container liner operations
  - Reefer and dry vessel operations
  - Vessel investment / management
  - Terminal operations
  - Port located cold storages with strong connection to the seafood industry
  - Trucking to serve Eimskip's needs and third party
  - Custom clearance / brokerage serving liner trade
- Reefer logistics worldwide
  - Freight forwarding companies
  - Continued focus on opening new offices supporting the existing network

## DUAL LISTING

Ongoing preparation

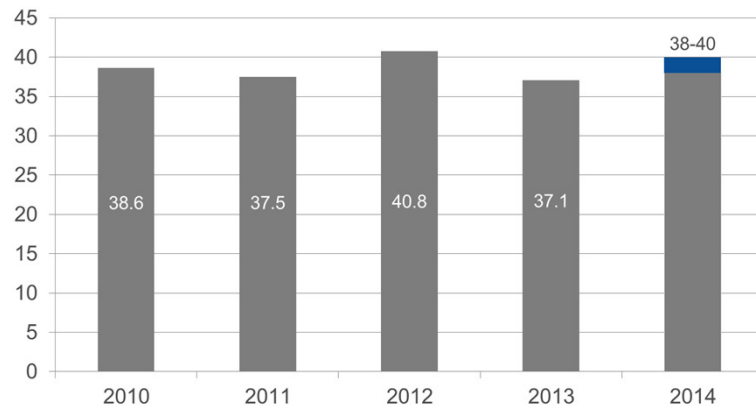
- Dual listing of Eimskip will provide
  - Source of foreign currency enabling Eimskip to make material acquisitions overseas and facilitate the use of stock in acquisitions
  - Improved access to investors and increased analyst coverage which should increase trading volumes
  - Better access to debt-financing alternatives
  - Help to enable Eimskip to diversify and grow its sales and profits outside Iceland
- Current status
  - Ongoing discussions with the Central Bank of Iceland
  - Ongoing discussions with Oslo Børs
  - Getting closer to selecting potential listing advisors
  - The leak of confidential information of the investigation's documents to the media and RÚV's media coverage have delayed further the preparation of the dual listing





## OUTLOOK FOR 2014

- Opportunities to benefit from increased volume to and from Iceland and the Faroe Islands
- The October results are in line with expectations
- Godafoss and Vidfoss have been going through unexpected maintenance work in November
- The EBITDA forecast for this year has been changed from EUR 37 to 41 million to EUR 38 to 40 million, which does not include any external growth





## FUTURE OUTLOOK

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- Volume to and from Iceland and the Faroe Islands is expected to grow
- Large projects in Iceland are slowly picking up after several years of recession
  - Grundartangi, Helguvík and Húsavík
- External growth through reasonably sized acquisitions and joint venture projects will start materializing in Q4 2014 and Q1 2015
- Growth opportunities in Asia, especially related to Intra Asia forwarding business and Qingdao activities
- Plan to open new offices to support Eimskip's network



## INVESTIGATION OF THE ICELANDIC COMPETITION AUTHORITY

The Company rejects all allegations of any violation against competition law

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- Eimskip has no further information on the Icelandic Competition Authority's investigation than has already been disclosed
- RÚV's media coverage based on leaked information does not cast light on the merits of the investigation
  - Among other, reference was made to emails and internal documents which were misrepresented and taken out of context
  - The company is of the opinion that the documents do not reveal the grounds of the investigation
- The Icelandic Competition Authority is investigating the domestic trucking market, container liner services and the freight forwarding market in Iceland
- Eimskip has demanded access to the leaked information from the Special Prosecutor and the Icelandic Competition Authority
  - The Special Prosecutor has denied to submit any information and the company cannot take any further action
  - The Icelandic Competition Authority has denied the company access to the leaked information and the company has appealed to the Competition Appeals Committee for the third time
- The investigation of the Icelandic Competition Authority, the leak of confidential information of the Icelandic Competition Authority's investigation to the media and RÚV's media coverage have harmed Eimskip's image and caused damage to the company's shareholders

# Q & A

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