



Talbot Hughes McKillop advises the Icelandic Group Hf. Eimskipafelag Islands on its successful €1.6bn restructuring

Talbot Hughes McKillop is pleased to announce that a restructuring proposal by Hf. Eimskipafelag Islands (Eimskip), has achieved unanimous approval of its creditors at a meeting on 14 August 2009. A Talbot Hughes McKillop team led by Paul Horn and Matt Hinds have been working in Iceland with Eimskip since October 2008.

Eimskip is Iceland's leading shipping and logistics business and is one of the country's oldest companies. During the past few years it expanded via the acquisition of a global portfolio of transportation assets, leading to severe over-indebtedness. This situation was greatly exacerbated by the banking crisis in Iceland in October 2008.

The approval of the proposal marks the conclusion of a restructuring process which will see a reduction in the debt of the group from the €1.6bn to €100m in the core operating business. Key features of the transaction include:

- De-leveraging of the group via asset sales disposals.
- The formation of a new company, Eimskip Island ehf that will acquire the remaining business and assets of the group.
- One of the first inward investments into Iceland since the collapse of the economy, involving the US private equity investor Yucaipa taking a 32.3% share of Eimskip Island.
- A debt for equity swap through which the existing creditors of Eimskip will own the remaining 67.7% of the new company.

The restructuring is being implemented using a Composition under Icelandic Law (a process similar to a scheme of arrangement). On Friday 14 August 2009 those creditors eligible to vote granted 100% approval of the proposal. This vote marks a major milestone in the restructuring process. The restructuring will be completed in September 2009.

The transaction is of great significance to the Icelandic economy as Eimskip is one of Iceland's most significant employers, employing 1,500 people in Iceland, and provides a vital link in the country's supply chain. The stability provided by the revised capital structure will ensure that Eimskip is able to continue to provide services to both importers and exporters as the economy sets out on the road to recovery.

Talbot Hughes McKillop has provided a dedicated team working full time in Iceland throughout the ten month process and has assisted Eimskip with:

- Initial crisis stabilisation of the situation, cash management and the negotiation of a de-facto standstill with financial creditors.
- Assessing the value of the secured and unsecured claims to provide the economic parameters for the eventual restructuring proposals and negotiations.
- Supporting the board of Eimskip in negotiations with the existing creditors and new investors to agree the final terms of the composition proposal.
- Defining a composition proposal under the Icelandic Act of Bankruptcy in a case of unprecedented complexity that is expected to set a model for future restructurings within the corporate sector in Iceland.

The Talbot Hughes McKillop team was comprised of Paul Horn, Matt Hinds, Michael Vivian, Chris Davis and Helen Collier. The team worked closely with LOGOS Legal Services in Iceland and Freshfields Bruckhaus Deringer in London throughout the project.

Please contact Paul Horn or Matt Hinds at Talbot Hughes McKillop for more information on this transaction.

About Talbot Hughes McKillop

THM provides hands-on, senior level leadership to restructuring situations. We focus on working for companies in stressed and distressed situations to identify and deliver robust solutions that preserve stakeholder value. The THM approach is to deploy small dedicated teams in complex restructurings, bringing independence, trust and objectivity to negotiations with the stakeholders. Our role may be either advisory or involve THM individuals assuming a management or Board position, as appropriate.

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