Wallenius Wilhelmsen

May 7th 2019

Q1 2019

Quarterly presentation

Highlights first quarter 2019

EBITDA of USD 218 million, a significant improvement y-o-y

Ocean results positively impacted by performance improvement initiatives, lower net bunker cost and project cargo in the Atlantic

Underlying flat ocean volume development y-o-y

The landbased segment delivered stable performance

About USD 60 million of the USD 100 million performance improvement target confirmed

Wallenius Wilhelmsen

Agenda

- Business update
- Financial performance
- Market outlook
- Outlook and Q&A

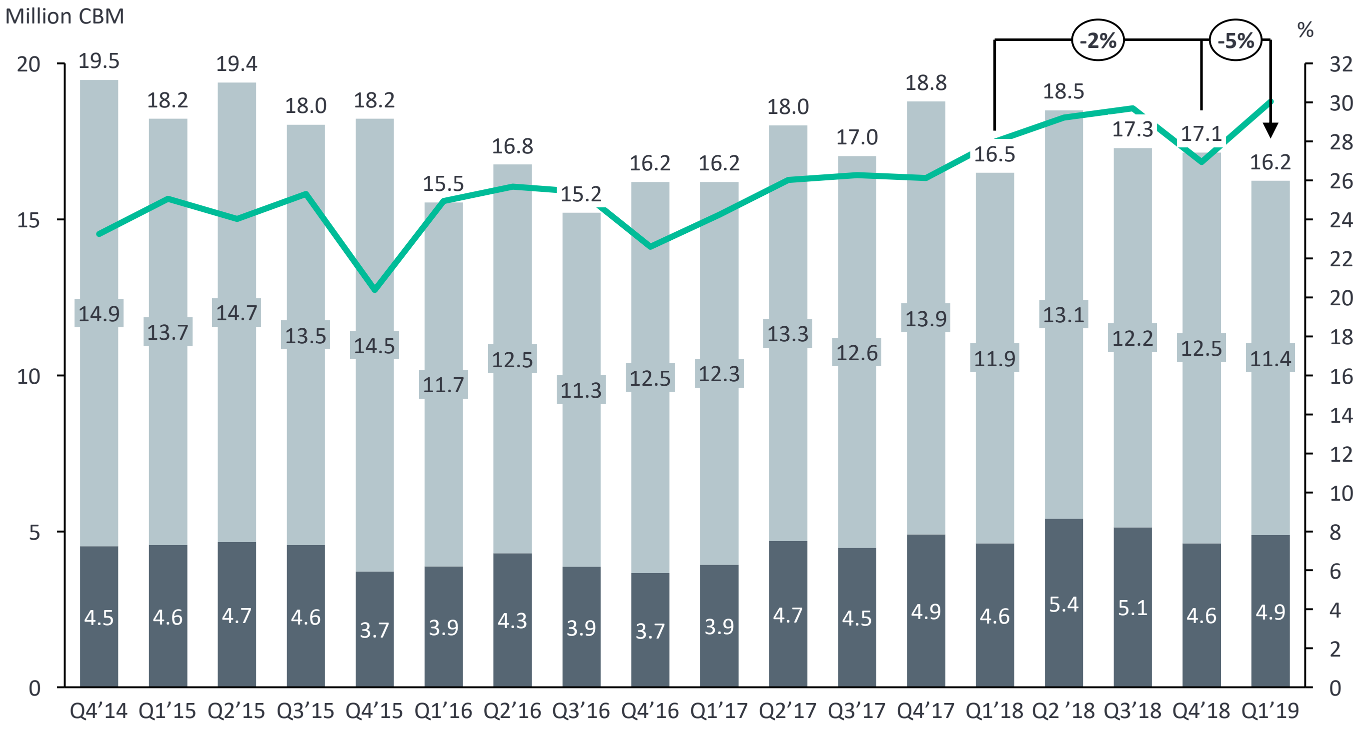
Wallenius Wilhelmsen

Business update

by Craig Jasienski

Underlying flat volume development in the quarter

Volume and cargo mix development
Million CBM and %

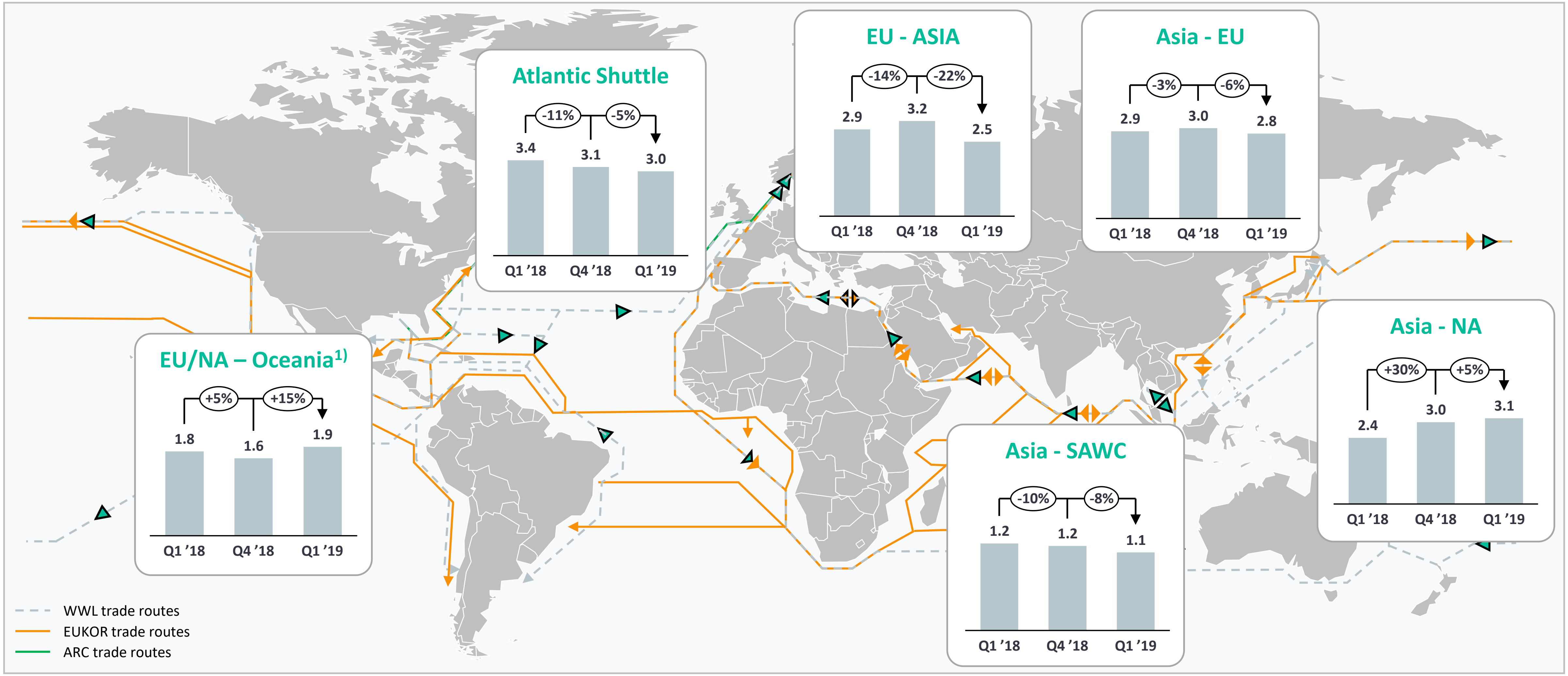


Comments

- Overall y-o-y Auto volumes pulled down by contractual choices in the Atlantic trade (effective January 2019)
- Increased High & Heavy (H&H) partly offset overall volume drop and improved H&H share to 30%, up from 27%
- Trade mix had a positive impact on net freight development in the quarters, supporting underlying results

1) *Prorated volume (WW Ocean, EUKOR, ARC and Armacup)*
2) *H&H share calculated based on unprorated volumes*

Mixed development for the foundation trades

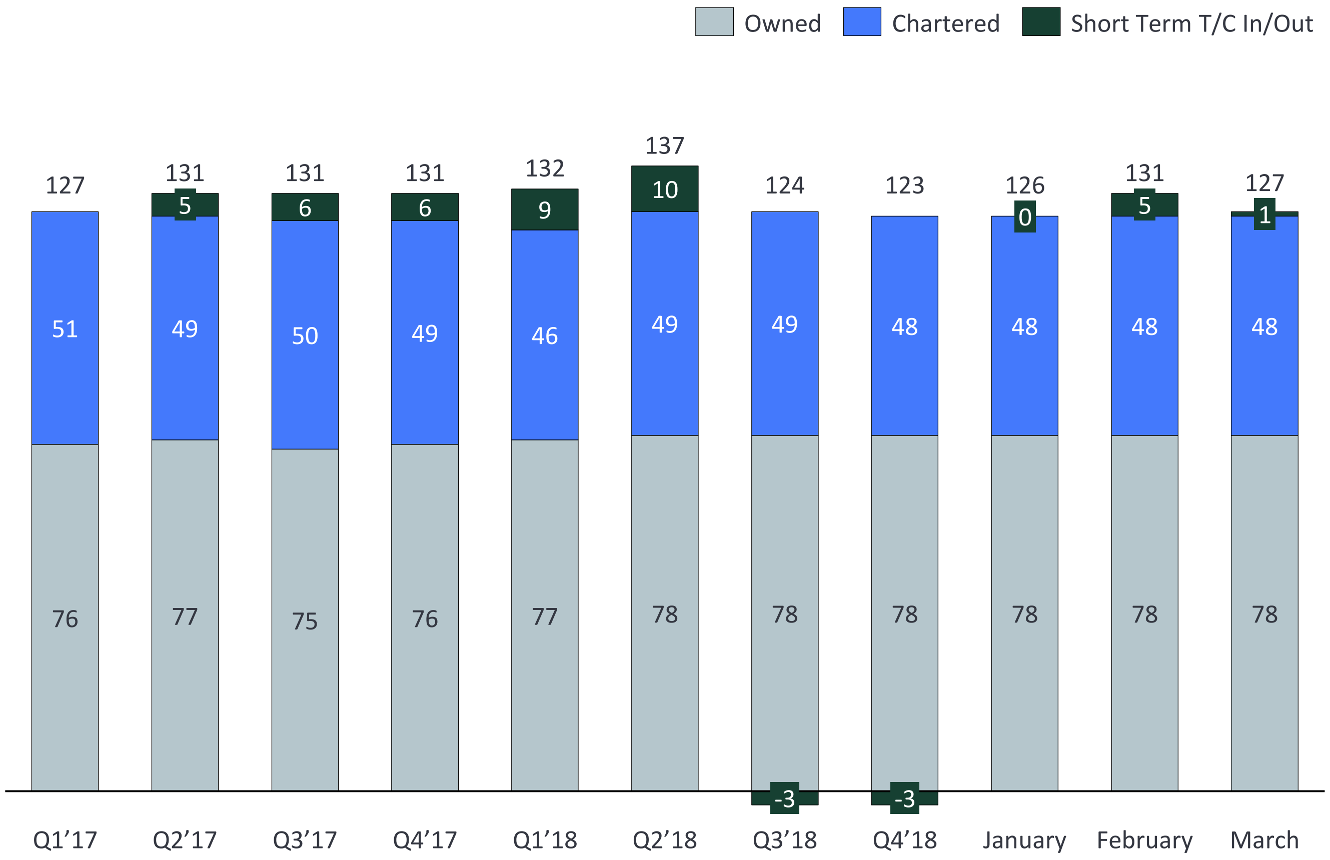


Note: Prorated volumes on operational trade basis in CBM

1) Including Cape sailings (South Africa). Volumes in first quarter benefited from volumes pushed over from the previous quarter due to Oceania sailings being delayed as a result of biosecurity challenges (~200k CBM)

Fleet capacity tightly managed
- voyage rationalization efforts helped to minimize use of tonnage

Fleet development
# of vessels



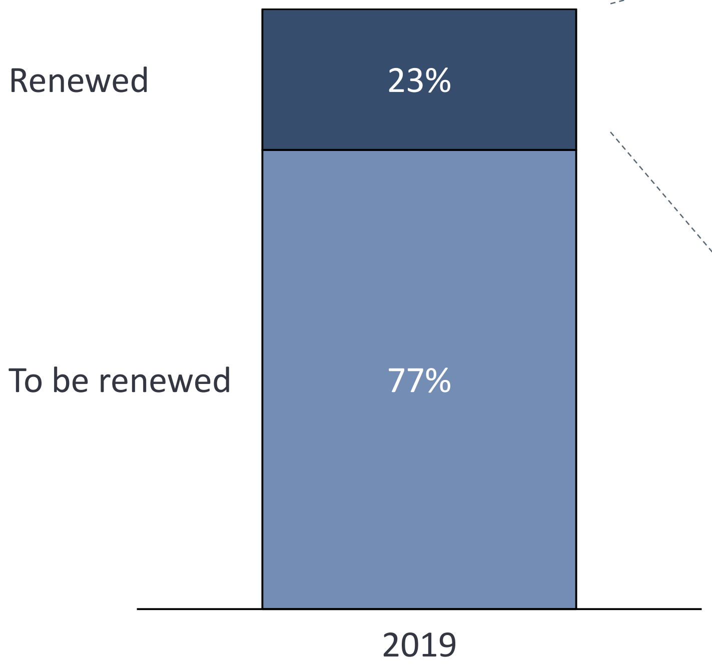
Comments

- Wallenius Wilhelmsen controlled a fleet of 123 vessels at the start of the quarter and 127 vessels at the end;
  - Fleet capacity managed tightly with position swaps and leveraging of the short-term charter market
  - Some operational delays early in the quarter caused by biosecurity challenges
- Flexibility to redeliver up to 12 vessels by 2020 (excluding vessels on short charter)
- Delivery of vessel number two of four in the Post-Panamax newbuilding program on 11 April 2019
- Remaining two vessels are under construction, next vessel expected delivery Q4 and last one due first half of 2020

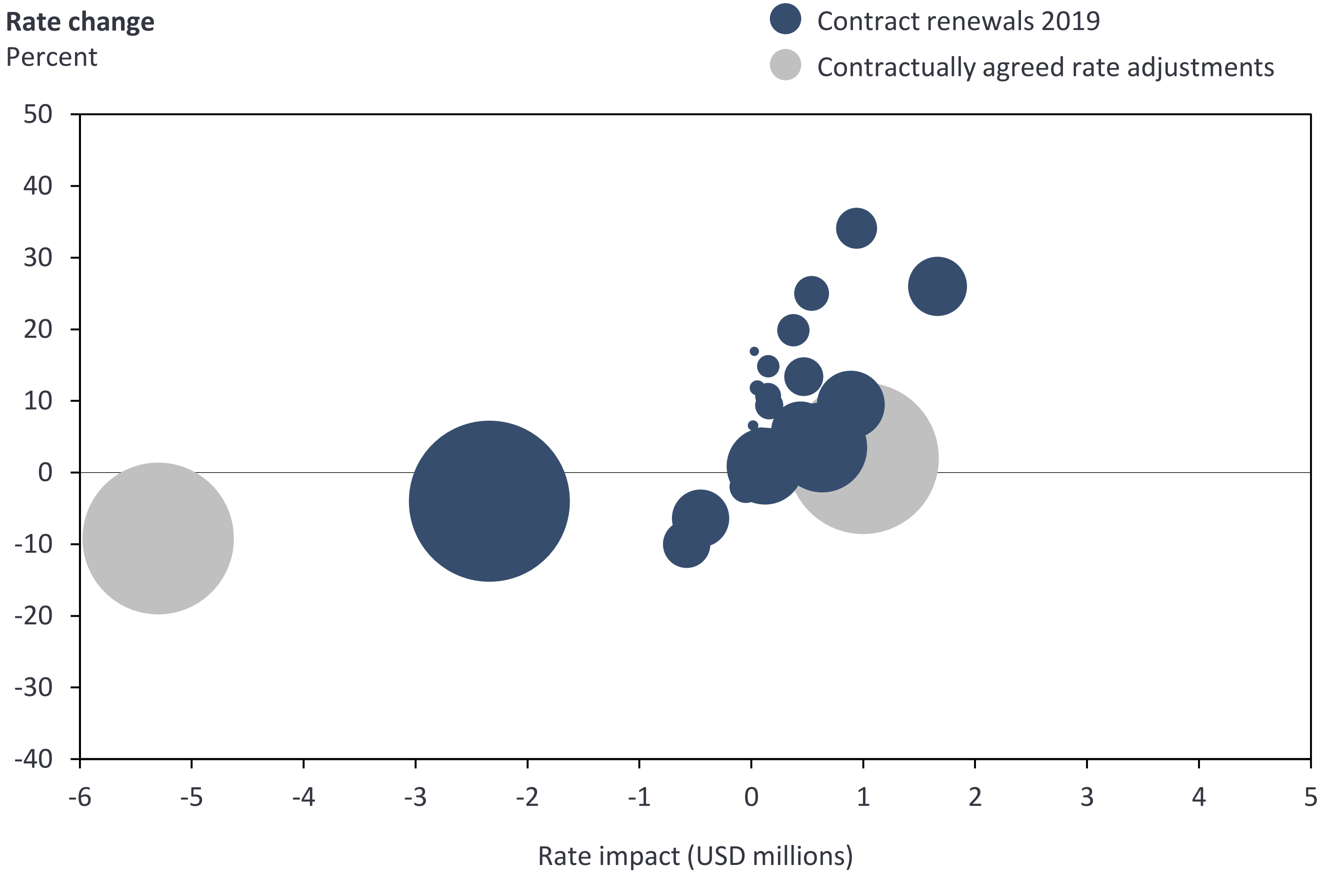
Some contractual wins in early 2019

- majority of volume yet to be renewed

Overview of 2019 contract renewals
USD and percent

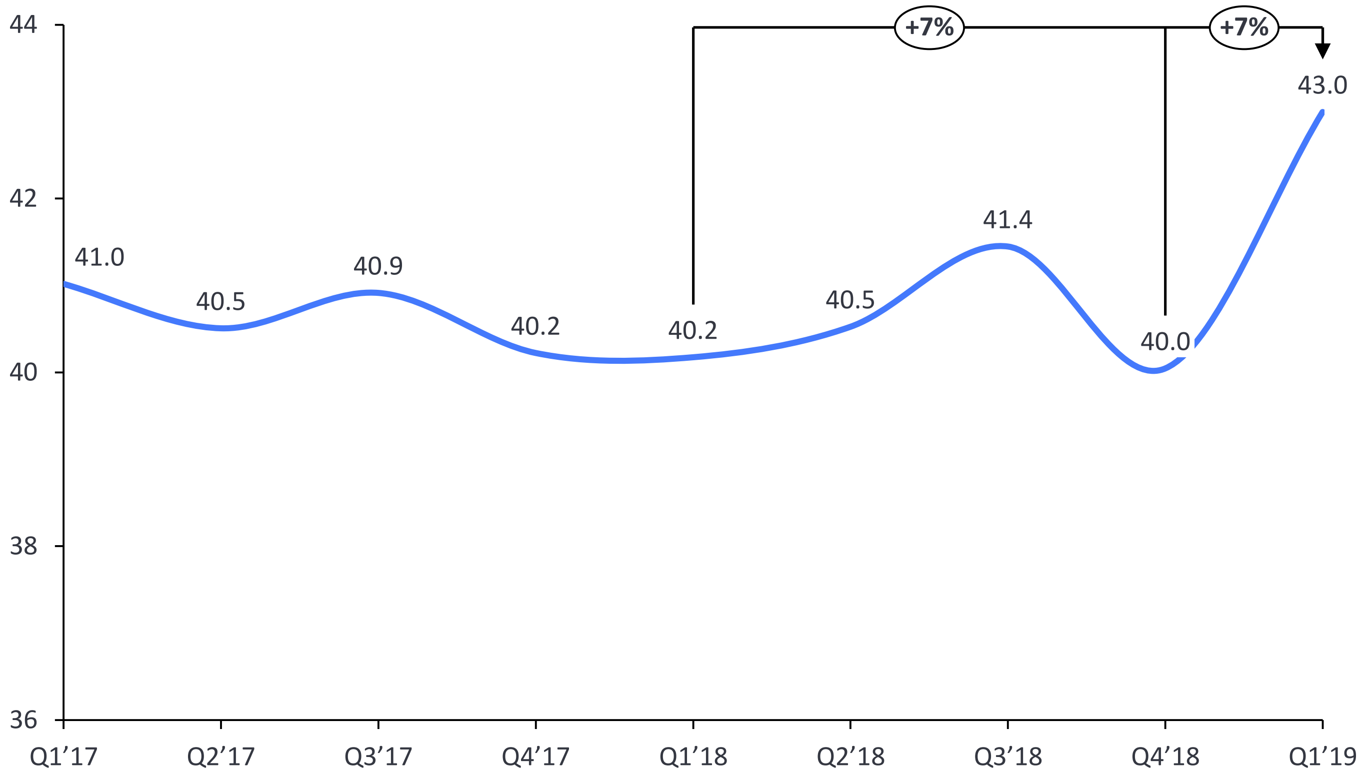


Rate changes and impact for 2019 contract renewals
(Circle indicate size of contract in millions)



Positive development for net freight/CBM
- some effects unlikely to continue in the following quarters

Net freight / CBM development[1)]



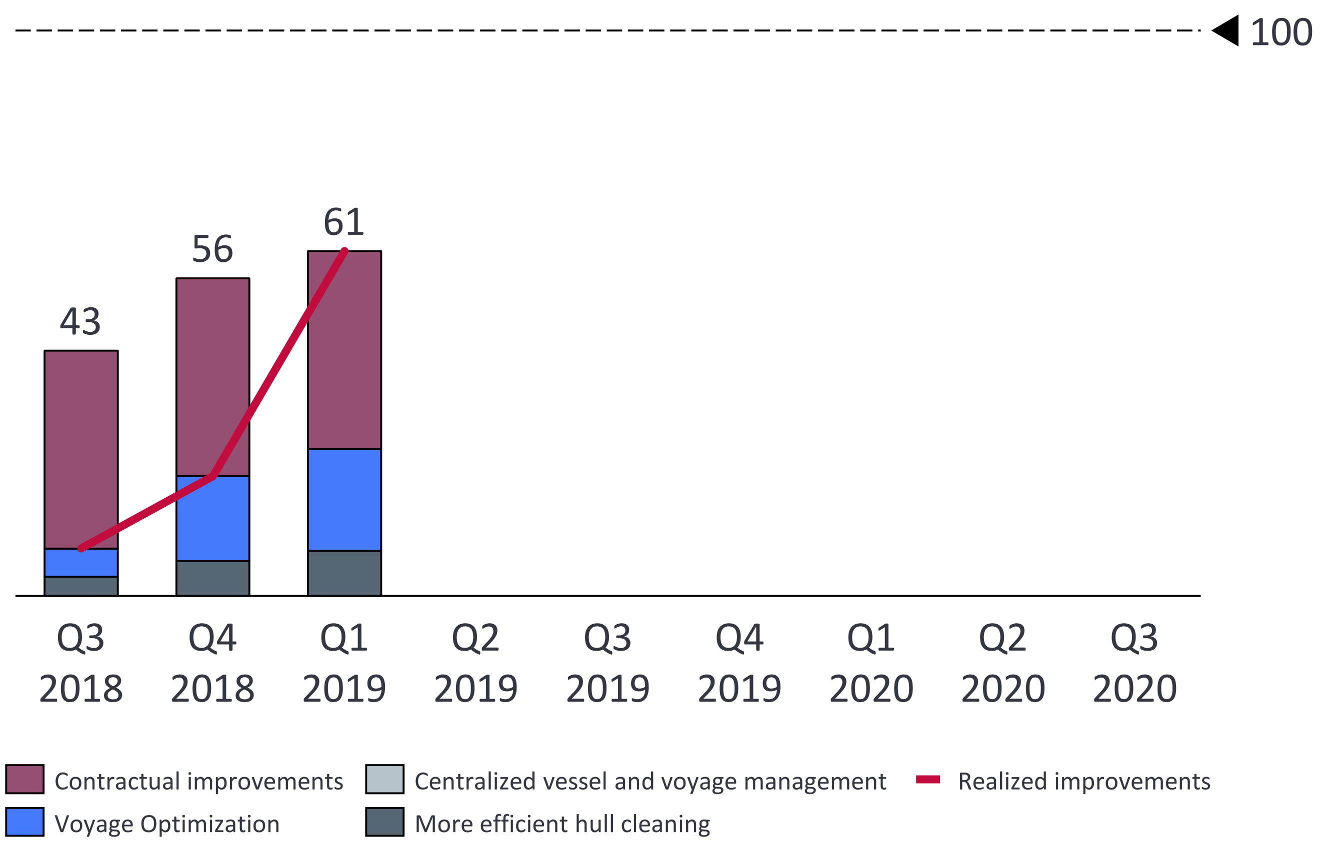
Comments

- Net freight/CBM increased 7% y-o-y and q-o-q mainly due to a favourable cargo mix;
  - Atlantic – strong project cargo shipments
  - Asia-North America – largest underlying volume growth
  - Oceania – good volumes in the quarter after some backlog from 2018 biosecurity challenges
  - H&H – improved portion due lower auto volumes
- Contractual improvements in the Atlantic, through non-renewal of relatively low rated cargo
- Negative impact on the freight index from contract renewals in 2018 of about USD 2 - 3 million y-o-y and q-o-q and will carry forward

1) Net freight = Freight revenues adjusted for surcharge elements such as BAF, SRC, THC etc.

Performance improvement program off to a good start
- remaining improvements carry a longer lead time

Confirmed and realized improvements
USD million in annualized effect



Comments

- USD 60 million of the USD 100 million performance improvement program confirmed at end of Q1, up from USD 55 million in previous quarter
- The additional USD 5 million come mainly from;
  - Voyage optimization Asia-Europe & Atlantic
  - More efficient hull cleaning across the board
- Annualized run rate of realized improvements also reached USD 60 million, up from about USD 20 million in the previous quarter
- Remaining initiatives require longer lead-time;
  - Centralised voyage management
  - Further voyage optimisation

1 Not adjusted for USD 10 million in negative rate impact from 2018 contract renewals

Financial performance

by Rebekka Herlofsen

Consolidated results – first quarter 2019

	Q1 2019	Q4 2018	Q1 2018
Total income	**1 018**	**1 022**	**968**
Operating expenses	(799)	(854)	(843)
EBITDA*	**218**	**168**	**125**
EBITDA adjusted	218	168	128
Depreciation	(123)	(88)	(85)
Other gain/losses	0	36	(40)
EBIT	**95**	**116**	**0**
Net financial items	(70)	(82)	(5)
Profit before tax	25	34	(5)
Tax income/(expense)	(3)	11	(25)
Profit for the period	**22**	**45**	**(30)**
EPS	0.05	0.10	(0.07)
*IFRS 16 effect on EBITDA	42	n/a	n/a

Comments

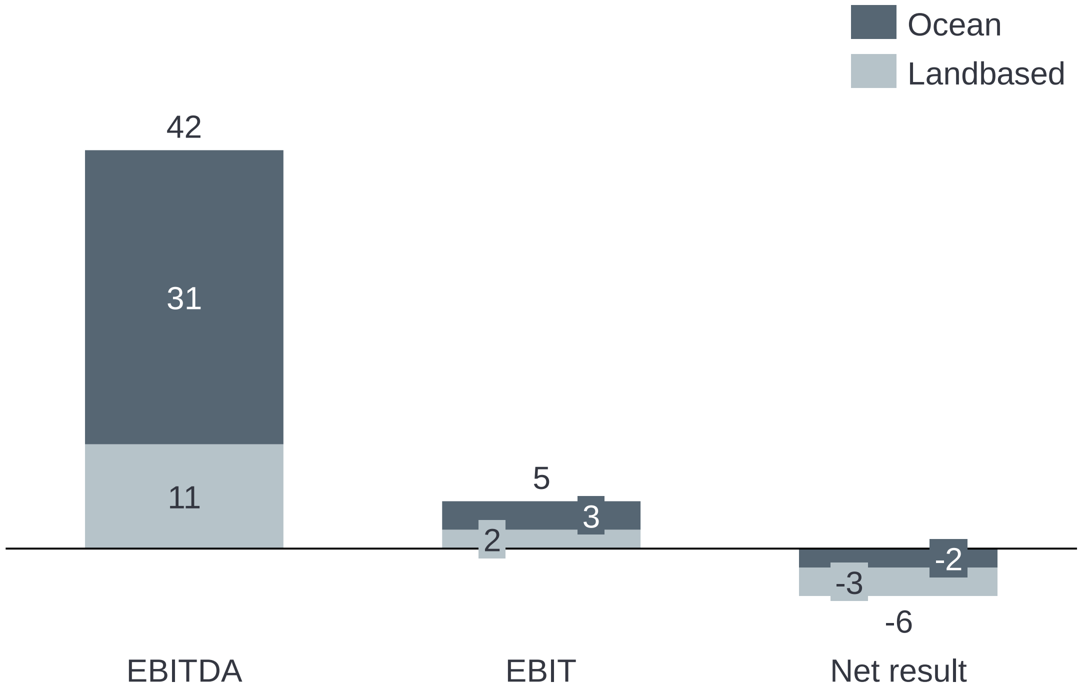
- Total income was USD 1 018 million in the first quarter, up 5% y-o-y due to increased revenues for the ocean segment
- EBITDA of USD 218 million, up USD 93 million y-o-y of which USD 42 million was the impact of IFRS 16 new accounting rules
- Underlying improved performance driven by the ocean segment
- Net financial items of USD 70 million in the quarter
  - Interest expense was USD 53 million, up 15% as a result of implementation of IFRS 16 (USD 10 million)
  - Net financial expenses negatively impacted by USD 22 million from unrealised interest rate derivates
- Tax expense of USD 3 million in the first quarter

IFRS 16 – Impact for Wallenius Wilhelmsen

Impact of Change in Lease Accounting (IFRS 16) – Q1 2019
USD million

Effect on balance sheet

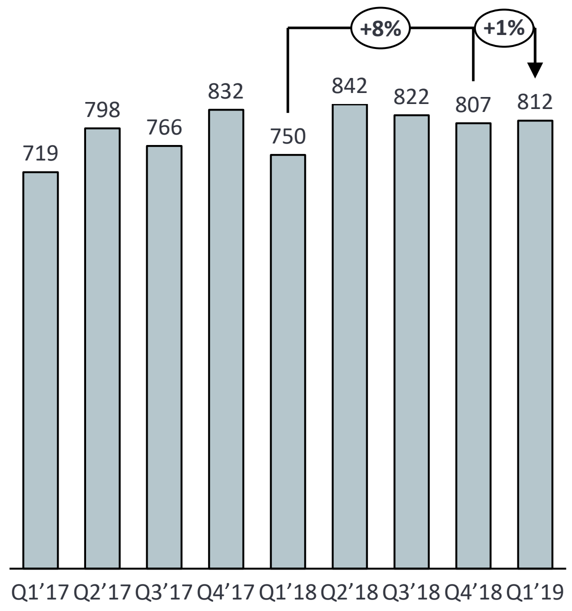
Effect on income statement



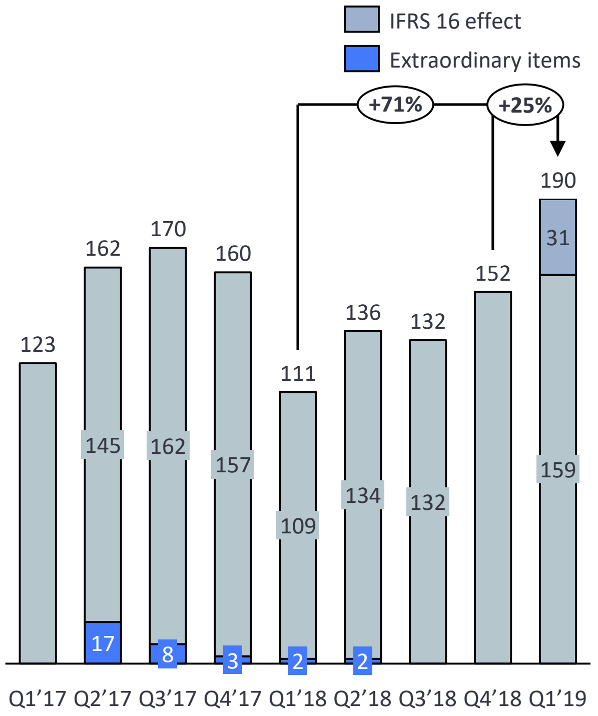
Ocean segment – first quarter 2019

Total income and EBITDA ocean segment[1]
USD million

Total income



EBITDA



Comments

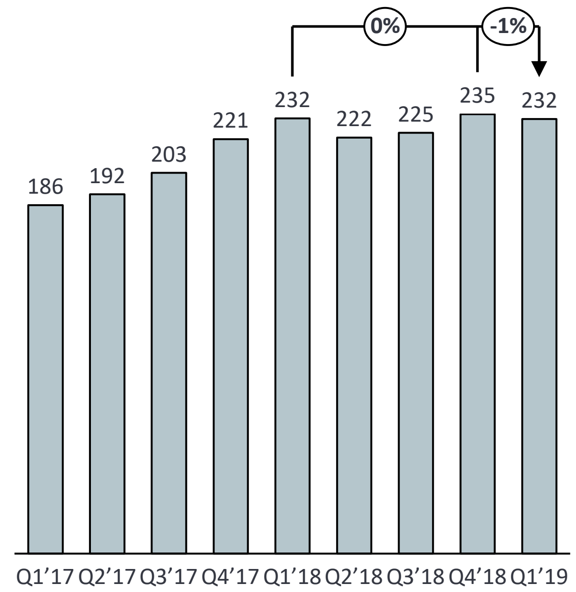
- Total income was USD 812, up 8% y-o-y driven by higher net freight/CBM and fuel cost compensation from customers
- EBITDA of USD 190 million, an improvement of USD 81 million y-o-y of which USD 31 million in IFRS 16 effect
- Performance improvement driven by several factors:
  - Full realization of synergies and early wins on the performance improvement program (about USD 25 million in total)
  - Higher net freight/CBM due to more favourable cargo mix and strong project cargo in the Atlantic
  - Lower net bunker cost (about USD 10 million)
  - Favourable currency developments (about USD 10 million)
- Biosecurity challenges continued and impacted the results with about USD 5 million in the quarter
- EBITDA increased by USD 38 million q-o-q of which USD 31 million is explained by the IFRS 16 implementation

1) *Adjusted for extraordinary items*

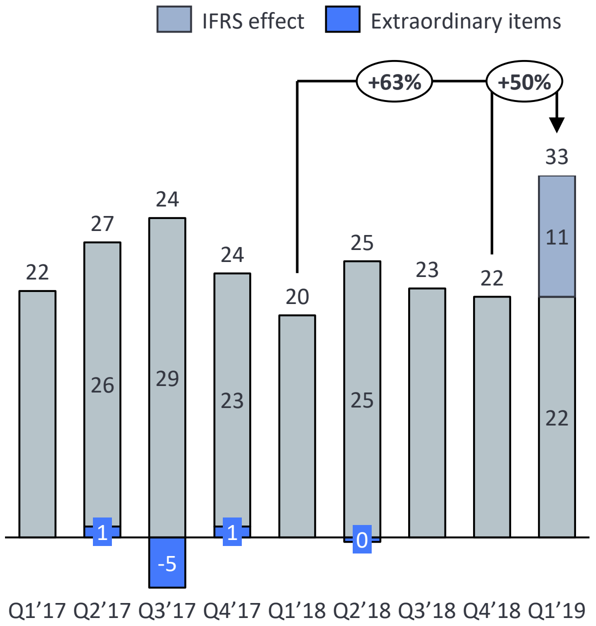
Landbased segment – first quarter 2019

Total income and EBITDA landbased segment
USD million

Total income



EBITDA

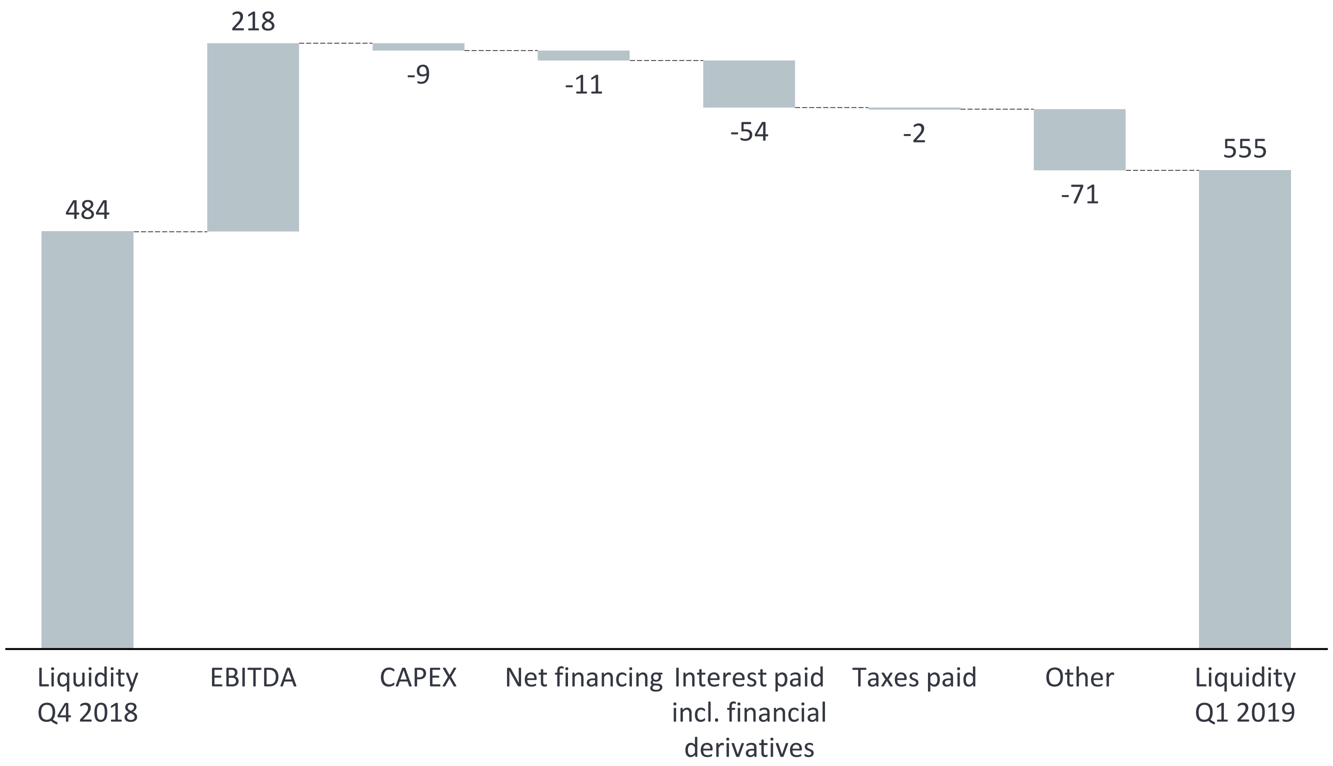


Comments

- Total income in the first quarter was USD 232 million with all business segments delivering revenues in line with first quarter last year
- EBITDA for the first quarter ended at USD 33 million, up USD 13 million y-o-y of which USD 11 million in IFRS 16 effect
- The improvement was driven by stronger performance of Solutions Americas – H&H which benefitted from full realization of synergies combined with strong volumes and favourable customer and service mix
- Underlying development in other products was flat both y-o-y and q-o-q

Cash flow and liquidity development – first quarter 2019

Cash flow and liquidity development
USD million

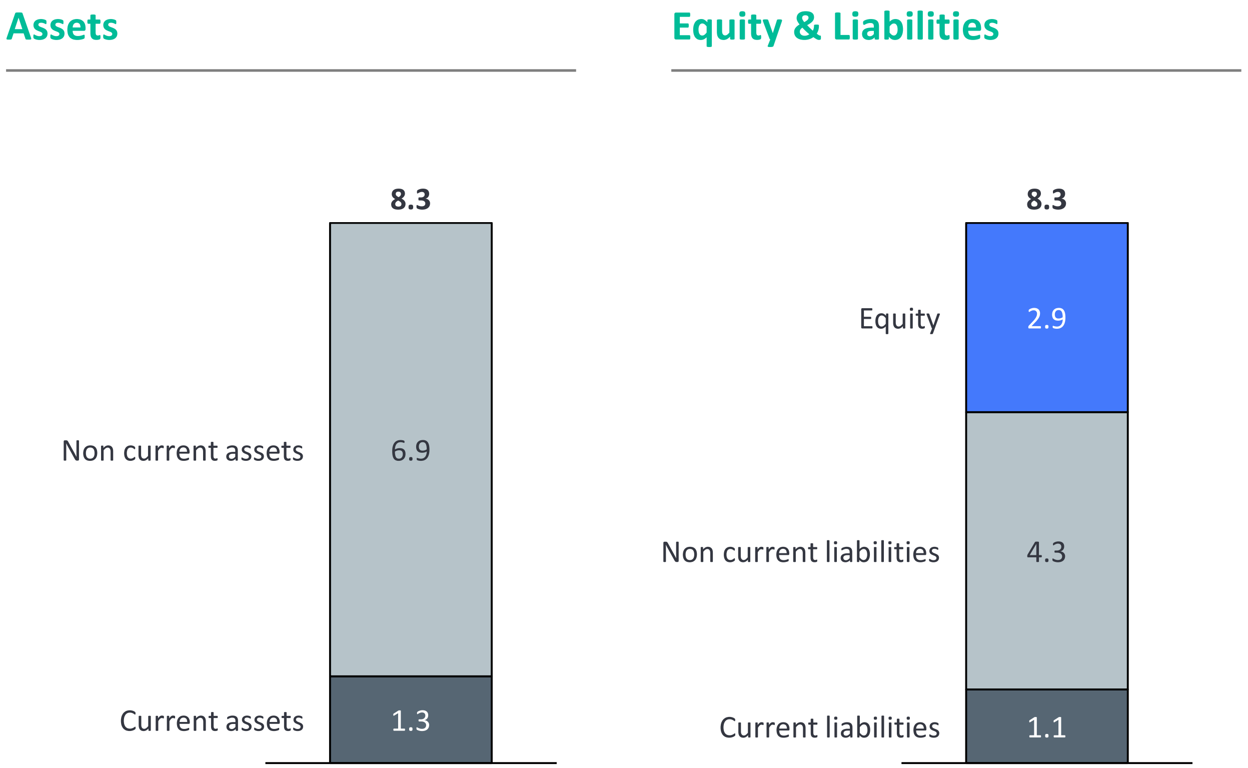


Comments

- CAPEX of about USD 9 million includes
  - Dry docking and newbuildings (USD 2 million)
  - Landbased maintenance and equipment (USD 6 million)
- Net financing of USD -11 million mainly relates to
  - Regular instalments of about USD 80 million
  - Refinancing of three vessels in EUKOR of about USD 126 million with net proceeds of USD 10 million
  - Utilisation of credit facilities of about USD 90 million
  - Payments on lease contracts classified as repayment of debt of about USD 30 million
- Other includes increased accounts receivable of about USD 55 million, reduced accounts payable by about USD 20 million and reduced inventory of about USD 30 million

Balance sheet review – first quarter 2019

Balance Sheet 31.03.2019
USD billion



Comments

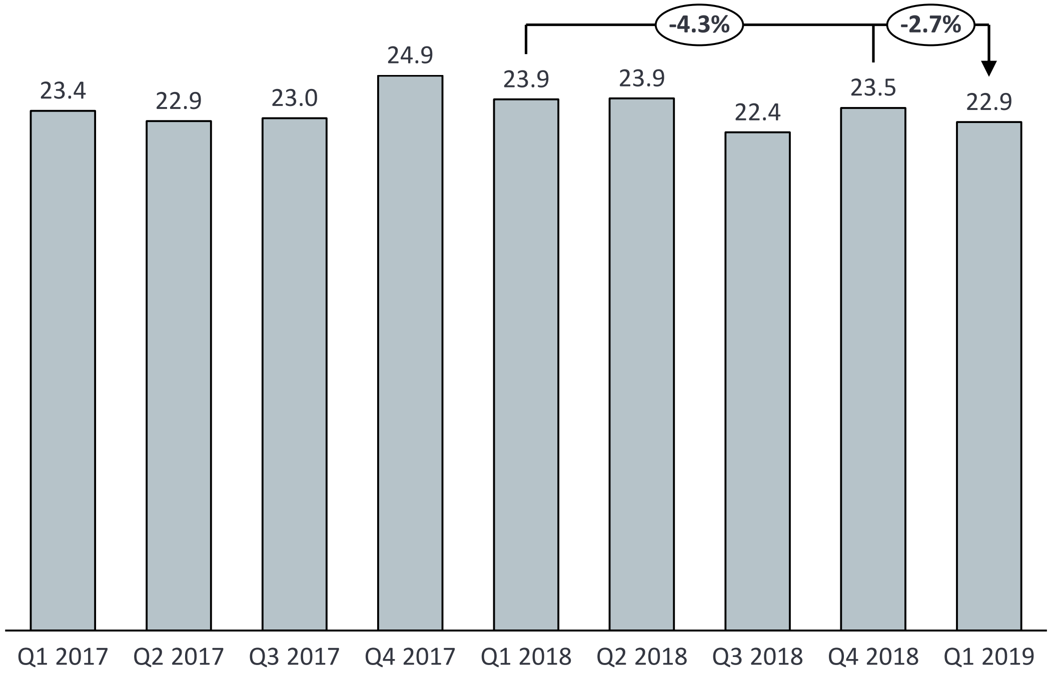
- Total assets of USD 8.3 billion with equity ratio of 35.0%, down from 38.8% in the previous quarter due to implementation of IFRS 16
- Net interest bearing debt of USD 3.8 billion, of which reclassification of operational leases (IFRS 16 effect) represents USD 855 million
- Continued strong cash and liquidity position with USD 555 million in cash and about USD 280 million in undrawn credit facilities
- On 9 April 2019, remaining outstanding amounts under the NOK 800 million bond was repaid

Market outlook

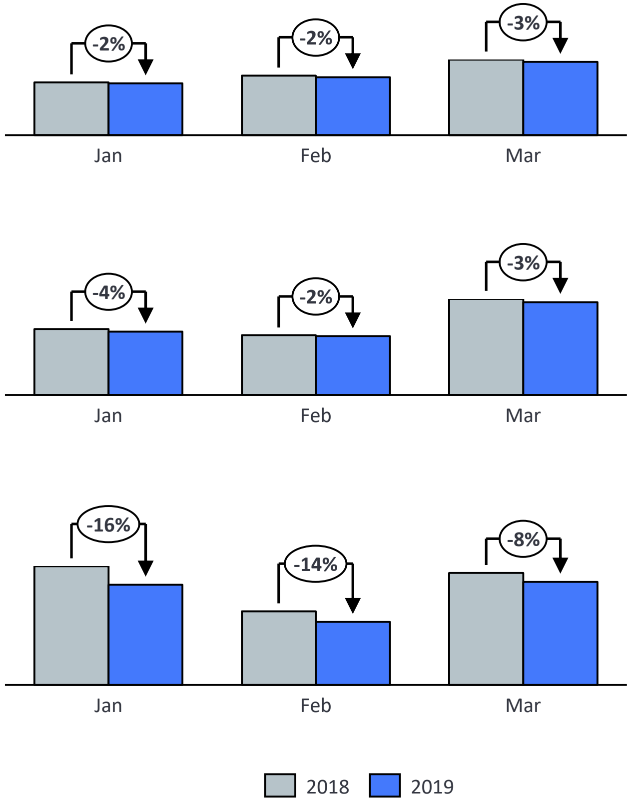
by Craig Jasienski

Auto sales down 4.3% y-o-y
- driven by slow sales in all major markets

Global light vehicle (LV) sales per quarter[1,2)]
Units



Regional LV sales per month[1,2)]
Growth (y-o-y)



USA -3.0%

Sales continued down, however market size still solid in absolute terms

Western Europe -2.9%

Sales continued down; several OEMs continue WLTP struggles, uncertainty around Brexit

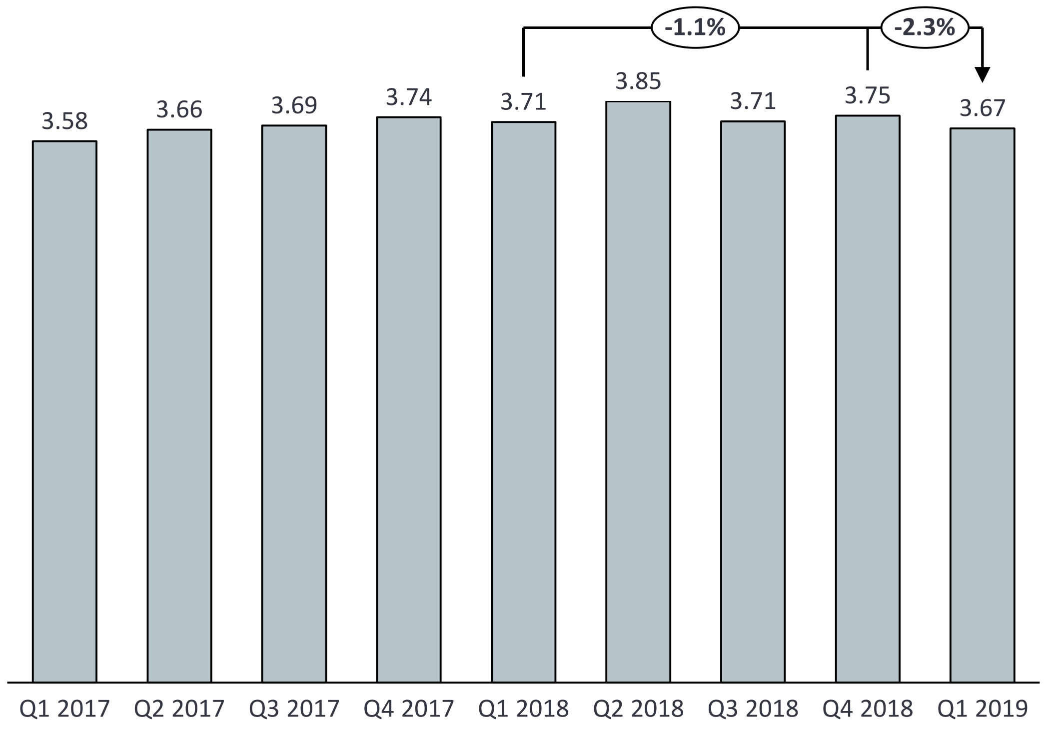
China -12.8%

China LV sales off to a weak start, softened consumer confidence and awaiting potential governmental stimulus

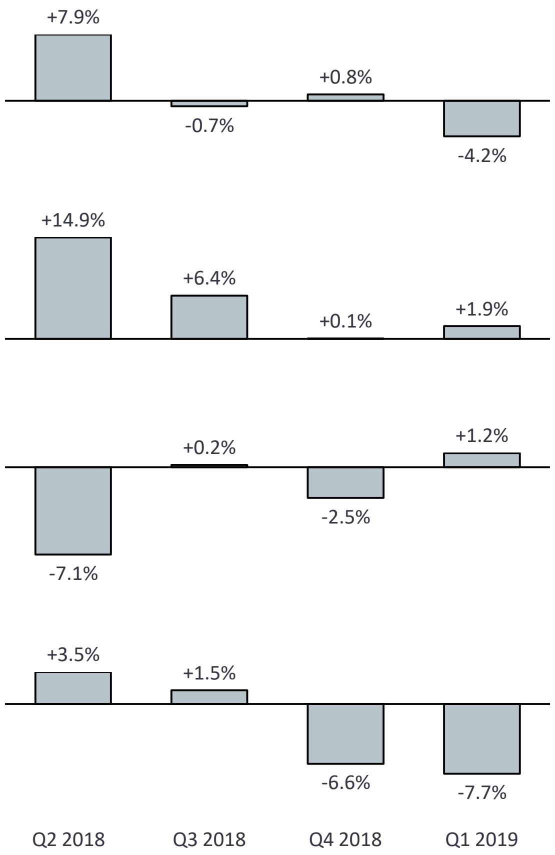
Source: 1) IHS Markit 2) LMCA Automotive

Auto exports down 1.1% y-o-y

Global LV export per quarter
Units



Regional LV import per quarter
Growth (y-o-y)



North America -4.2% YTD

Imports declined in the quarter, following NA production ramp up and a softening US market

Europe +1.9% YTD

Imports increased despite a soft market, driven by higher volumes out of of S.Africa

China +1.2% YTD

Imports increased y-o-y in Q1, following decline over past 3 quarters

Australia -7.7% YTD

Imports declined in the quarter, as sales of LV and passenger vehicles has got off to a weak start of 2019

Source: IHS Markit. Imports/Exports are sales based

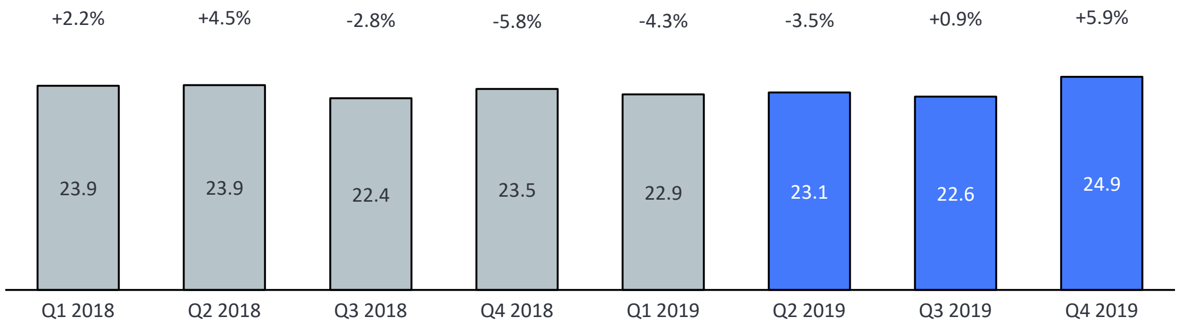
Market uncertainty has increased

- auto analysts remain positive about medium-term growth prospects

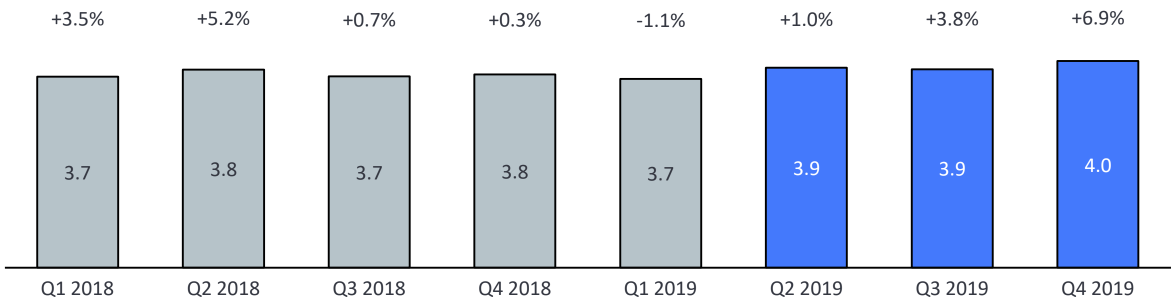
Global LV forecasts

Units and growth (y-o-y)

Global LV sales



Global LV exports

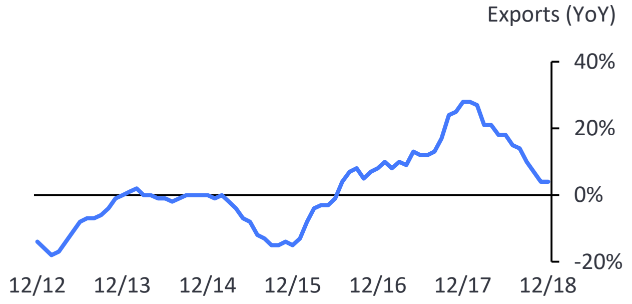
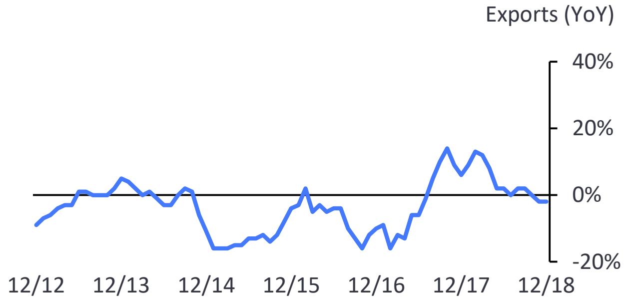
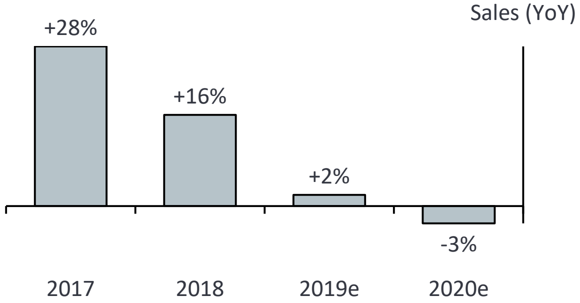
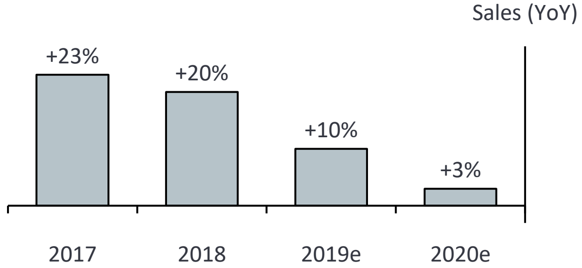
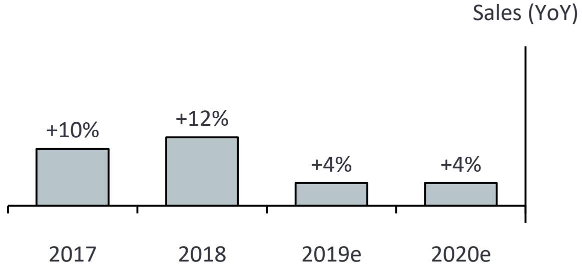


Several factors fuel uncertainty in short and medium term:

- Trade barriers – continued risk with implications for both sales and sourcing shifts globally
- WLTP introduction Europe – distortions on both supply and demand side (incl. imports), effects in Q2 and possibly longer
- Brexit – continued uncertainty triggering temporary and permanent production shutdowns
- China – continued softening driven by overall economy and high inventories, but expected stimulus packages to influence positively
- US Vehicle prices – rising due increased finance cost, also high inventories
- Emerging markets – continued risk with macro-economic instability in markets like Turkey and Argentina and geopolitical developments in the Middle East

Source: IHS Markit. Exports are sales based

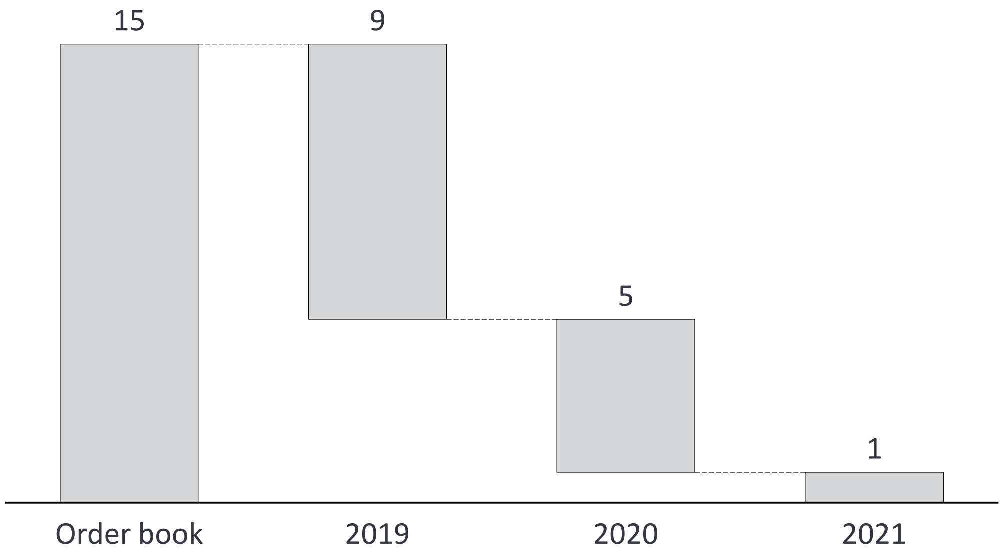
High & heavy trade remained solid
- momentum keeps softening

	Construction Machinery	Mining Machinery	Agriculture Machinery
EXPORT[1] & SALES DATA[2]			
OEM SALES ESTIMATES[3]			
	Weakened momentum, as growth is increasingly unsynchronised globally	*Fragile growth backed by recovering commodity prices and significant underinvestment during previous downturn*	*Mixed picture with last years drought in key markets weighing in on sentiment*

Source: [1]IHS Markit | World (major exporters) construction/rolling mining equipment and agriculture equipment exports (>20 kUSD) (Units last 3 months y-o-y) [2]Caterpillar | 3 month rolling retail sales (Units last 3 months y-o-y) [3]Factset data and Analytics (25.04.19). | OEM Revenue Consensus Estimate (y-o-y). Construction: Volvo, Caterpillar, CNH, Komatsu, Hitachi, Terex. Mining: Sandvik, Caterpillar, Hitachi, Atlas Copco, Epiroc (>2018). Agriculture: AGCO, CNH, Deere. Sales in construction/agriculture/mining equipment divisions only.

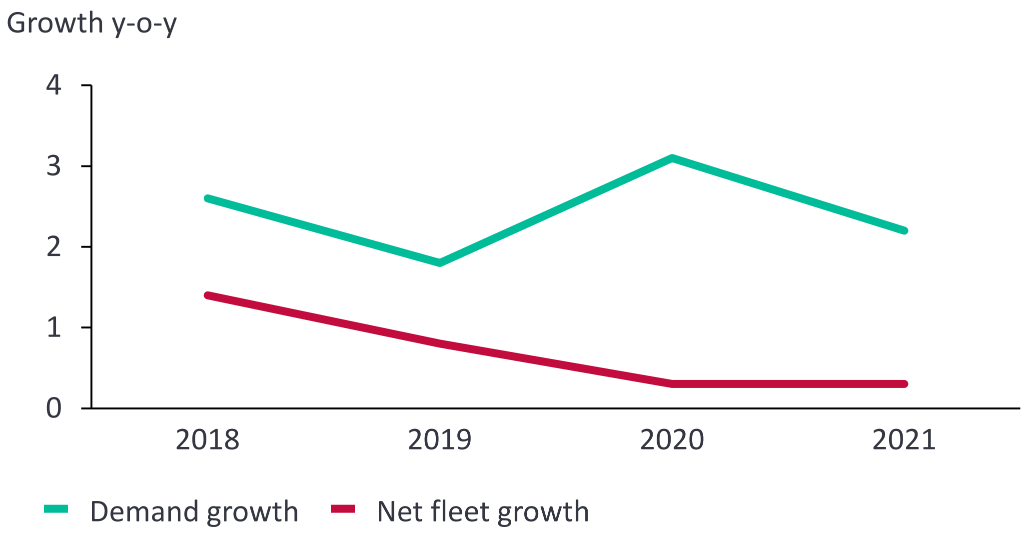
Orderbook remained thin

Car Carrier Fleet Orderbook
vessels equal or above 4000 CEU



- No new orders were confirmed in the quarter*
- One vessel was delivered, three vessels recycled in the quarter
- Current markets and earnings do not justify new ordering activity

Fleet and demand growth
Percent



- Deep-see shipments forecasted to increase with about 2% per year
- New regulation (IMO 2020) could create extra demand for tonnage
- Marginal net fleet growth (if any) expected for several years

*Source: Clarksons Platou *for vessels above 4000 CEU*

Wallenius Wilhelmsen took delivery of MV Traviata on 11 April 2019

- A High Efficiency RoRo (HERO) class vessel with capacity of 8,000 CEU
- The design ensures efficient operations under a wide range of sea conditions, and reduces energy consumption by 15%, resulting in considerably lower emission levels compared to similar vessels in the global fleet
- MV Traviata is the second of a series of four Post-Panamax vessels, with the third vessel scheduled for delivery in Q4, and the fourth in early 2020

Wallenius Wilhelmsen

Outlook and Q&A

by Craig Jasienski

Outlook

Volume outlook remains uncertain – due to macro picture

Market rates remain at a low level – but tonnage balance gradually improving

Net freight/CBM and project cargo shipments – not expected to remain at first quarter levels

Solutions Americas – Auto (VSA) continued impacts by weaker US auto market, while other landbased business segments are expected to perform well

Performance improvement program – good progress will support profitability in 2019

Wallenius Wilhelmsen

Thank you!