Wallenius Wilhelmsen

21 August 2019

Q2 and First Half 2019

Presentation

Highlights second quarter 2019

EBITDA of USD 211 million, showing continued positive improvement y-o-y

Ocean results driven by higher net freight/CBM, more efficient operations and lower net bunker cost

Ocean volume declined 8% y-o-y, driven in part by commercial priorities and in part by weaker auto markets

The landbased segment delivered overall stable performance, with strong results in H&H and APAC/EMEA

Continued progress on the performance improvement program with about USD 65 million of the USD 100 million target confirmed

Agenda

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

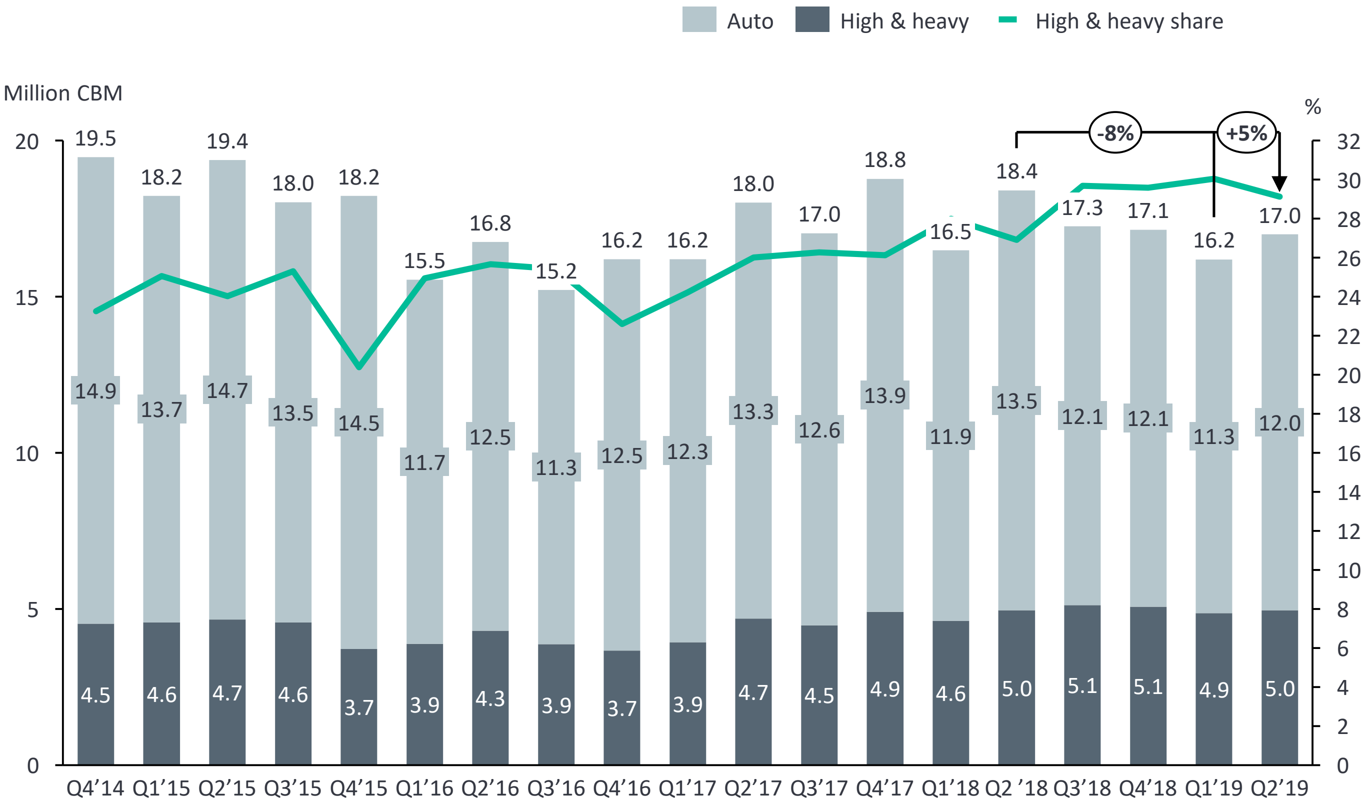
Business update

by Craig Jasienski

Volumes declined 8% compared to same period last year

- High & heavy share increases due to the decline in auto volumes

Volume and cargo mix development
Million CBM and %



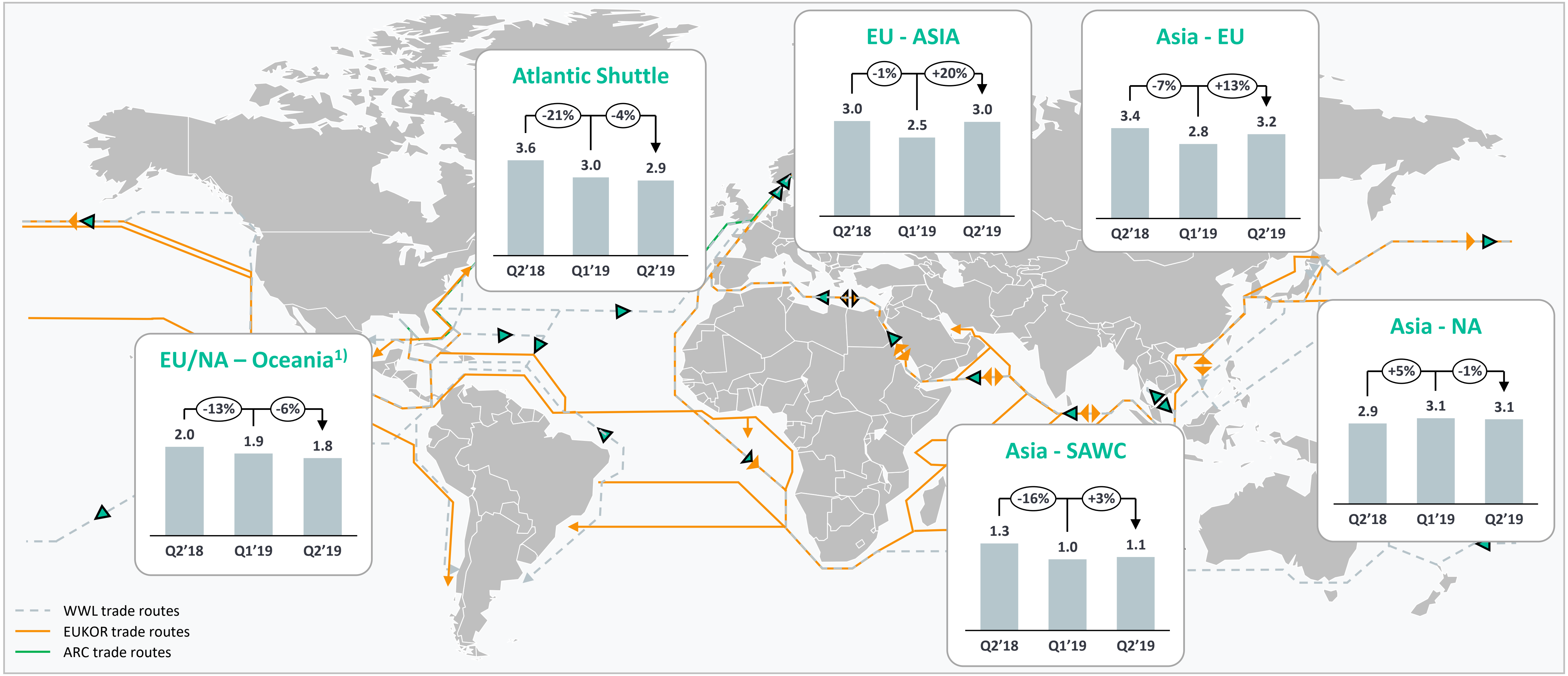
Comments

- Commercial prioritization of profitable volumes main factor behind the 8% volume drop
- Additionally, Q2 2018 volumes over-inflated ahead of WLTP introduction impact the y-o-y comparison, coupled with generally weaker auto markets
- Focusing on profitable cargo rather than volumes:
  - Unprofitable volumes not renewed in the Atlantic (effect from January 2019)
  - Prioritising winning better-paying cargo, and rationalising sailings to improve operational efficiency
- High & heavy share 29%, up from 27% in Q2 2018, driven by lower auto volumes

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

Mixed development for the foundation trades

- overall volumes down y-o-y, but strong growth q-o-q in certain trades



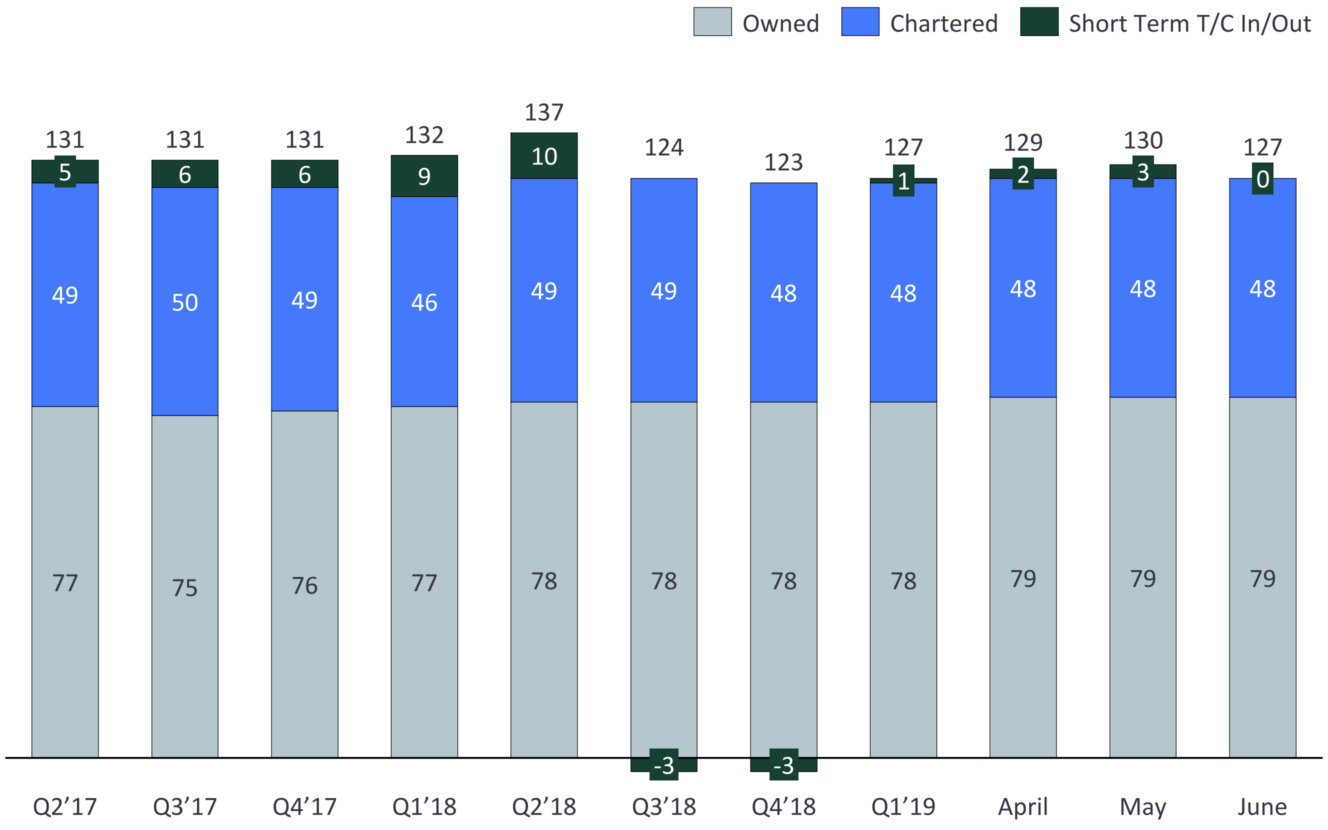
Note: Prorated volumes on operational trade basis in CBM

1) Including Cape sailings (South Africa)

Fleet capacity tightly managed

- voyage rationalization efforts continued to minimize use of tonnage

Fleet development
of vessels



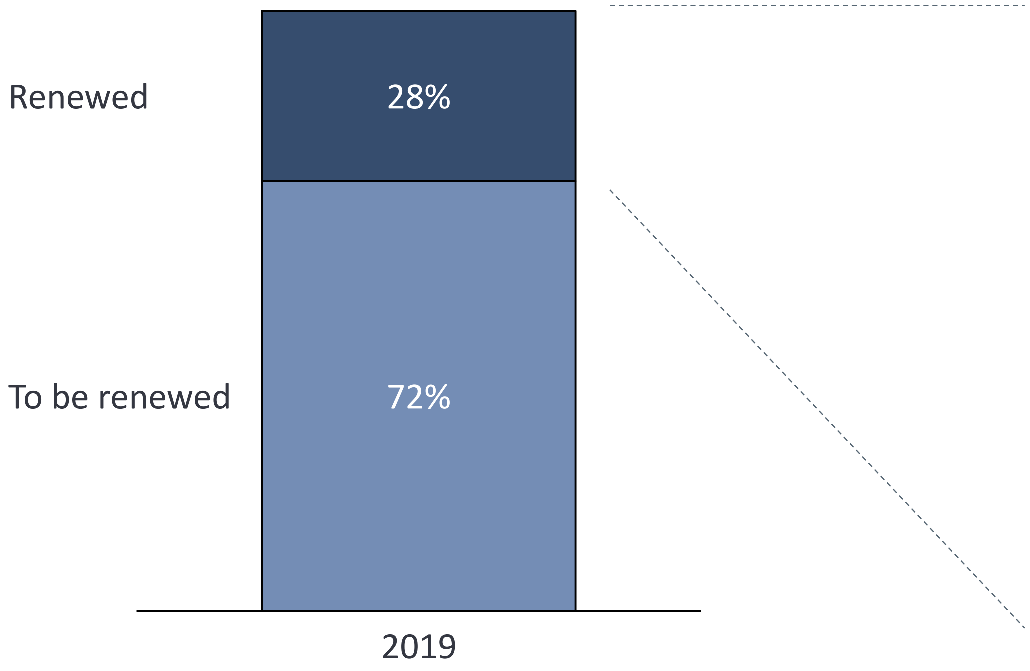
Comments

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

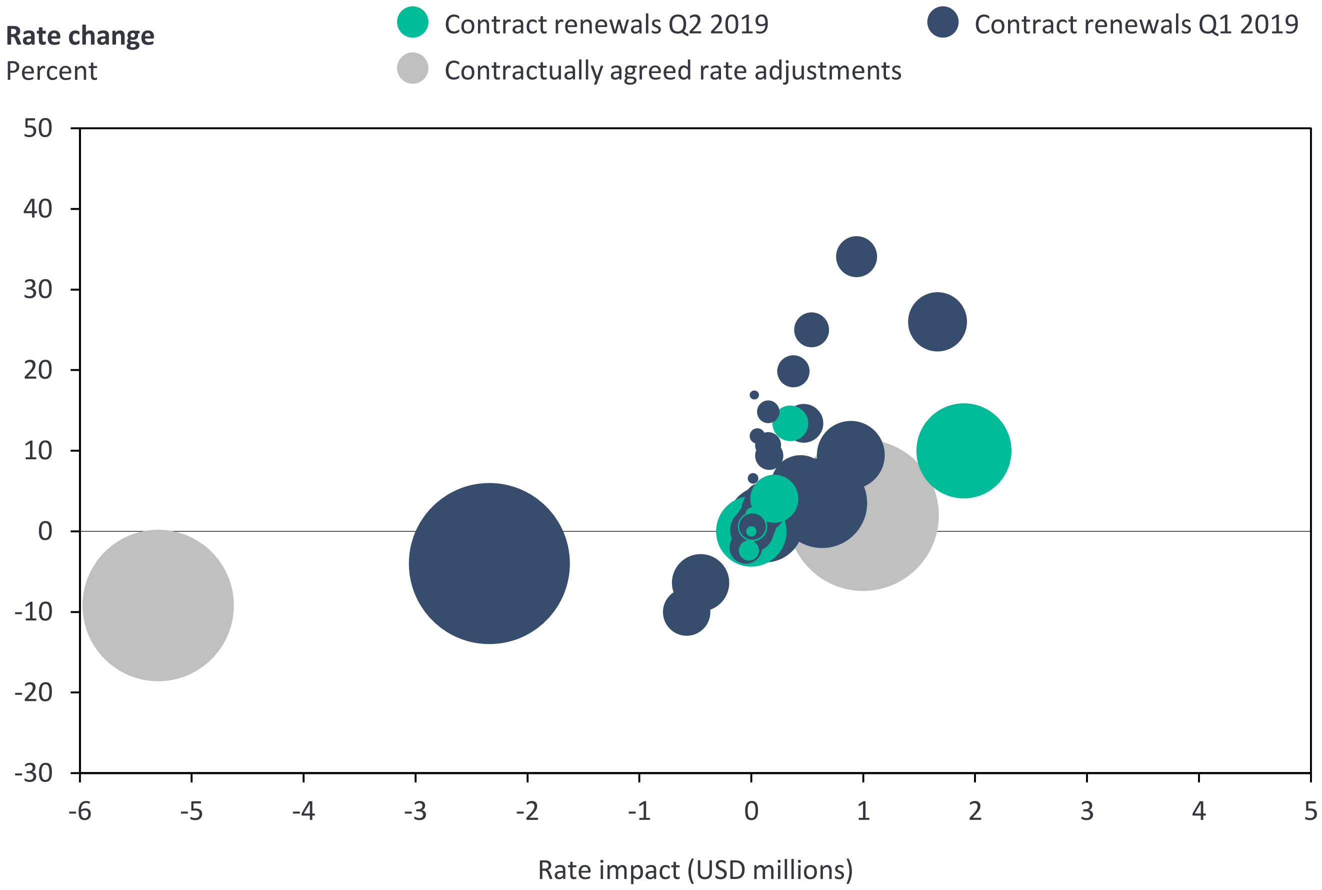
Some smaller renewals with positive rate development in Q2

- majority of volume still remains to be renewed in the second half of 2019

Overview of 2019 contract renewals
USD and percent

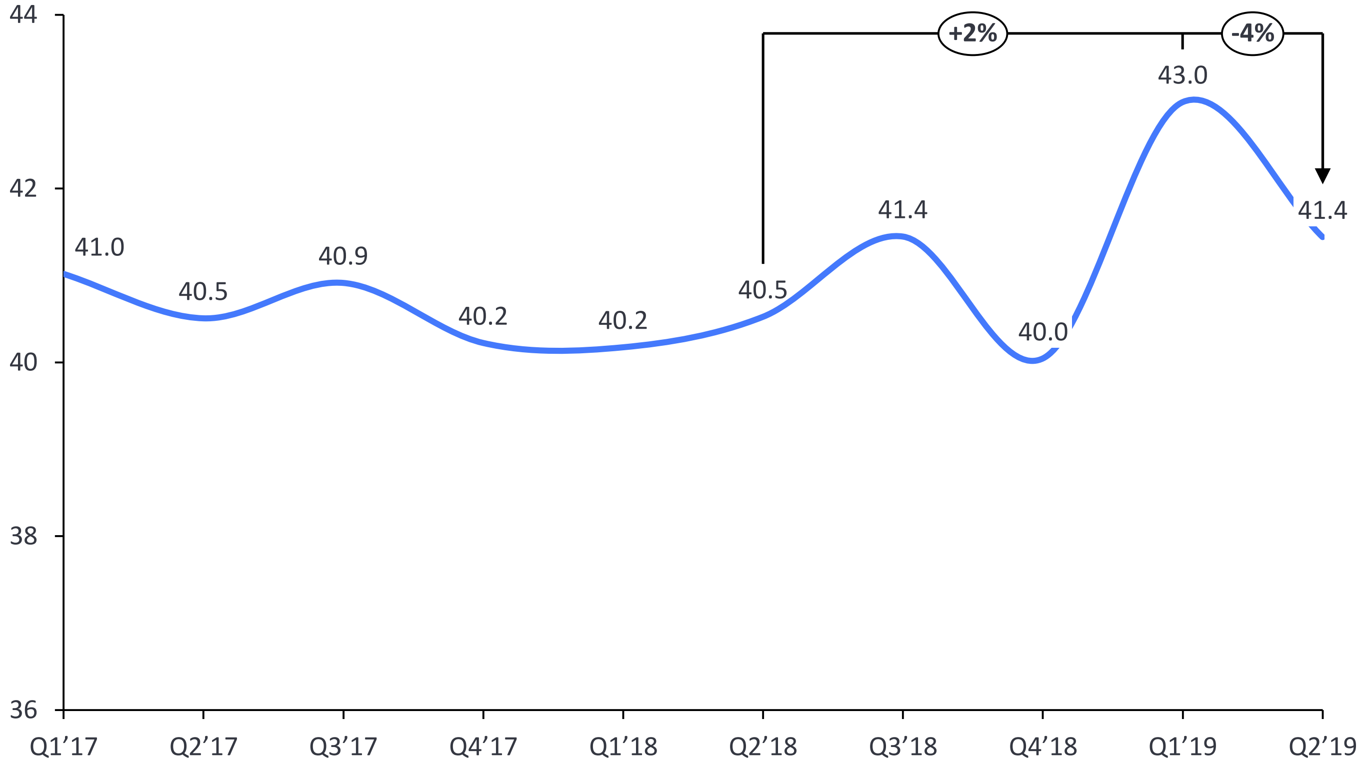


Rate changes and impact for 2019 contract renewals
(Circle indicate size of contract in millions)



Positive development for net freight/CBM
- driven by favourable cargo mix and commercial priorities

Net freight / CBM development[1)]



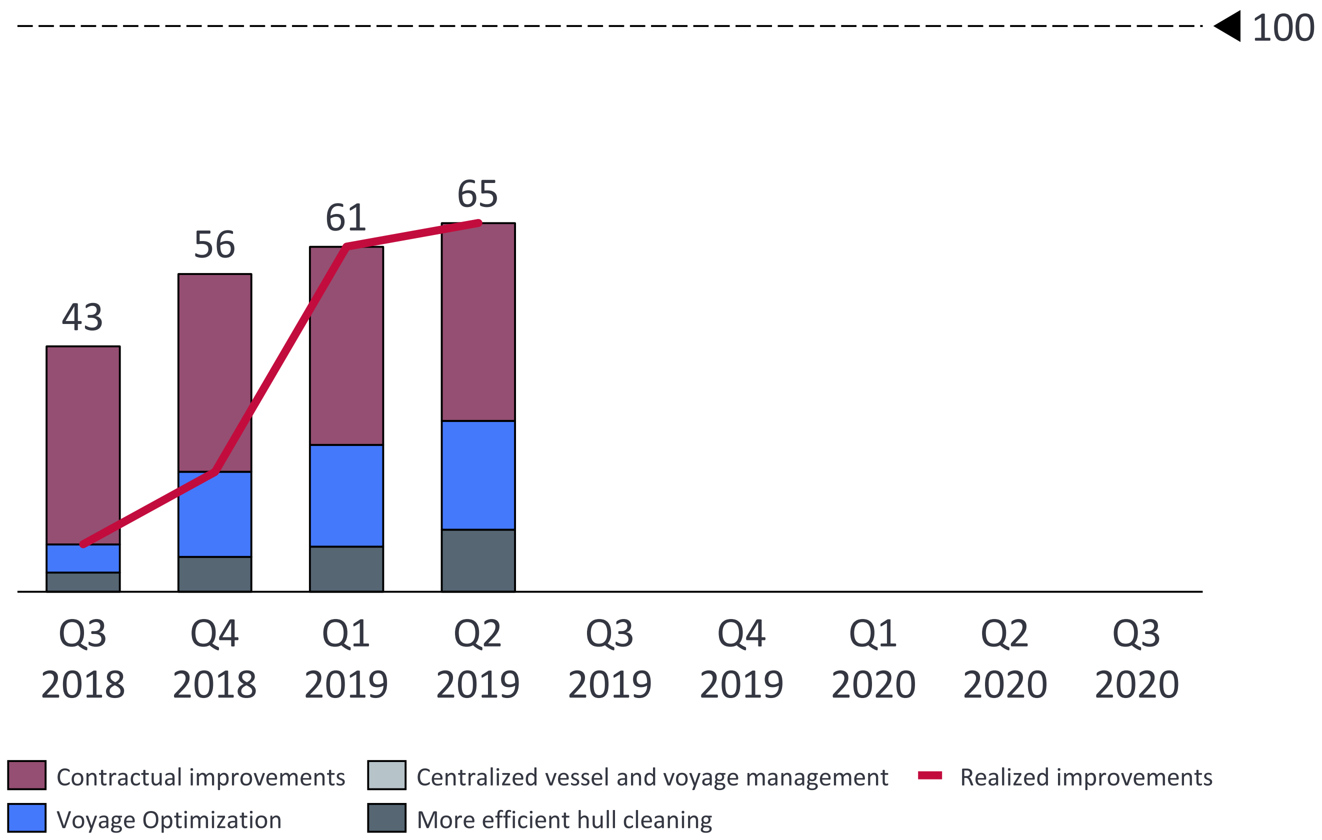
Comments

- Net freight/CBM increased 2% y-o-y, down 4% compared to the unusually high level in first quarter
- Improvement driven by cargo mix and commercial priorities;
  - Increased High & Heavy share due to lower auto volumes
  - Commercial priorities focused on profitability rather than volume (choosing not to carry low paying volumes, particularly in the Atlantic)
- Negative impact on the freight index from contract renewals in 2018 of about USD 2 - 3 million y-o-y

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

Continued progress on the performance improvement program
- although most of remaining improvements expected to carry a longer lead time

Confirmed and realized improvements
USD million in annualized effect



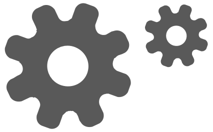
Comments

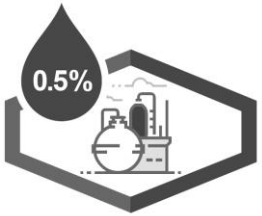
- USD 65 million of the USD 100 million performance improvement program confirmed (concrete improvement measures identified and quantified), up from USD 60 million in the previous quarter
- Annualised impact from improvement measures implemented (realized improvements) was also up to USD 65 million from USD 60 million in the previous quarter
- The increase of USD 5 million comes mainly through more efficient hull cleaning and further voyage optimization
- Majority of 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

Getting ready for IMO 2020

- well prepared for the transition, key uncertainty remains around price impact in Q4





	Key risk areas	Mitigating actions	Risk assessment
Technical readiness	**Change over to new fuel**	Tried and tested method involving no off-hire period	Low
	Quality of new fuel	Test runs on different types of compliant fuel with good results	Low
Fuel availability	**Availability of fuel**	Have entered and are negotiating contracts with major suppliers, back-up solution to run on MGO	Medium
Financial and commercial impact	**Financial impact in Q4[1]**	Financial hedges to manage lag impact in Q4, aim to minimise period of running on new fuel before 1 Jan 2020	High
	Updating BAFs[2]	Good progress on customer discussions, targeting special reference period in Q4	Medium
	Acceptance of scrubbers	Hybrid scrubbers chosen	Low

1 Risk related to three factors: i) switching costs, ii) having to buy compliant fuel ahead of new regulation and new BAFs being applicable and 3) increased spread, i.e. higher MGO/VLSFO price outright and lag effect
2 Risk consists of three main parts: i) successfully negotiating change to new BAF, ii) uncertainty of reference period – should refer to a period when VLSFO has started trading, and iii) uncertainty wrt. reference price index – should be an index that is based on actual prices traded in the market

Financial performance

by Rebekka Herlofsen

Consolidated results – second quarter 2019

	Q2 2019	Q1 2019	Q2 2018
Total income	1 005	1 018	1 044
Operating expenses	(794)	(799)	(888)
EBITDA*	211	218	156
EBITDA adjusted	211	218	159
Depreciation	(124)	(123)	(86)
Other gain/losses	1	0	2
EBIT	88	95	72
Financial income/(expenses)	(83)	(70)	(45)
Profit before tax	6	25	27
Tax income/(expense)	(3)	(3)	(4)
Profit for the period	3	22	23
EPS	0.00	0.05	0.04
*IFRS 16 effect on EBITDA	42	42	n/a

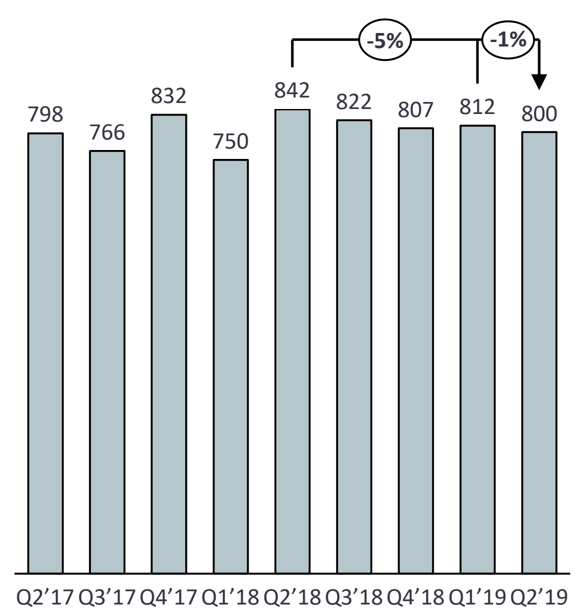
Comments

- Total income was USD 1 005 million in the second quarter, down 4% y-o-y due to lower revenues for the ocean segment
- EBITDA of USD 211 million, up USD 55 million y-o-y of which USD 42 million was due to IFRS16
- Underlying improved performance driven by the ocean segment
- Net financial expense of USD 83 million
  - Interest expense was USD 51 million, up USD 10 million y-o-y as a result of implementation of IFRS 16
  - Net financial expenses negatively impacted by USD 31 million interest rate derivatives
- Tax expense of USD 3 million in the quarter

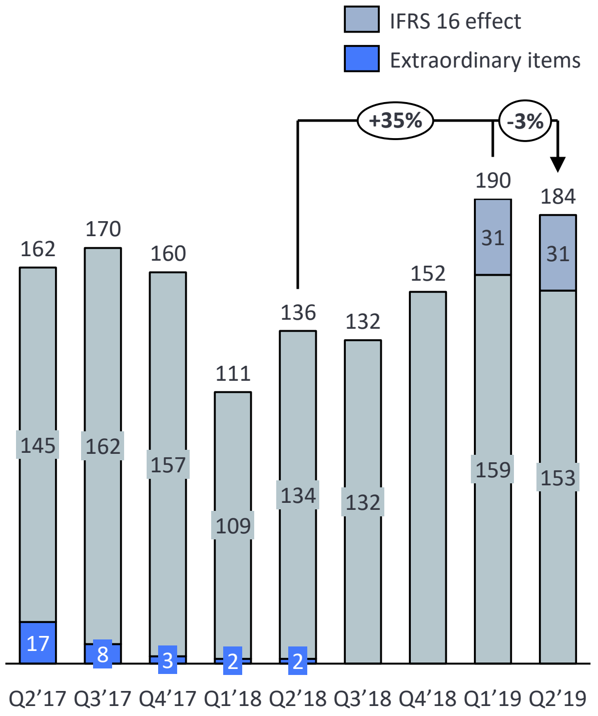
Ocean segment – second quarter 2019

Total income and EBITDA ocean segment[1]
USD million

Total income



EBITDA



Comments

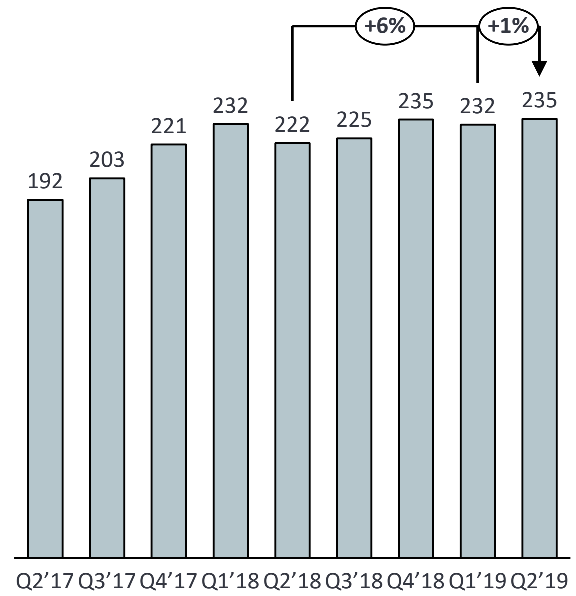
- Total income was USD 800, down 5% y-o-y as a result of lower auto volumes and reduced other operating revenue, while fuel cost compensation contributed positively
- EBITDA of USD 184 million, an improvement of USD 50 million y-o-y of which USD 31 million in IFRS 16 effect
- Performance improvement y-o-y driven by several factors:
  - Realization of synergies and performance improvements (about USD 18 million total)
  - Higher net freight/CBM due to more favourable cargo mix and better paying cargo
  - Lower net bunker cost (about USD 10 million)
  - Currency effect of about USD 8 million
- Lower volumes had a negative impact
- EBITDA decreased by 3% q-o-q despite higher volumes and further improved operational efficiency, mainly due to negative net bunker and higher SG&A

1) *Adjusted for extraordinary items*

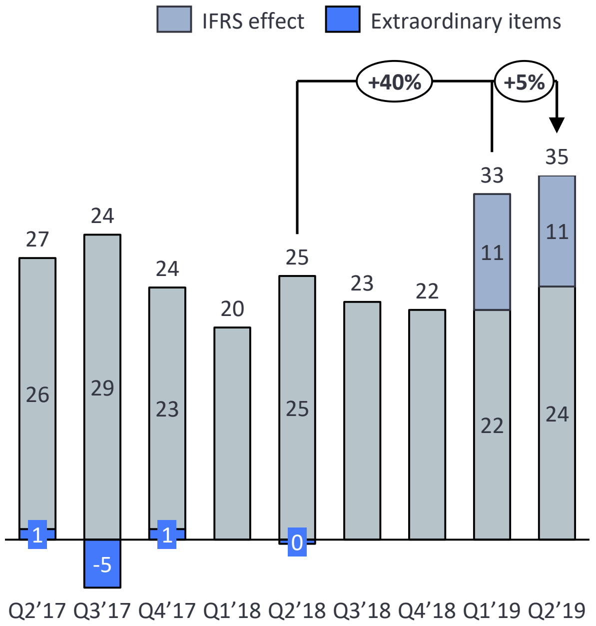
Landbased segment – second quarter 2019

Total income and EBITDA landbased segment
USD million

Total income



EBITDA



Comments

- Total income in the second quarter was USD 235 million, up 6% y-o-y, due to strong performance in Solutions Americas – H&H and Solutions APAC/EMEA
- EBITDA for the second quarter was USD 35 million, up USD 10 million y-o-y entirely due to IFRS 16 effect (positive USD 11 million)
- Strong performance for Solutions Americas – H&H and Solutions - APAC/EMEA, and acquisition of Syngin, contributed positively, while weak performance for Terminals pulled the underlying results down

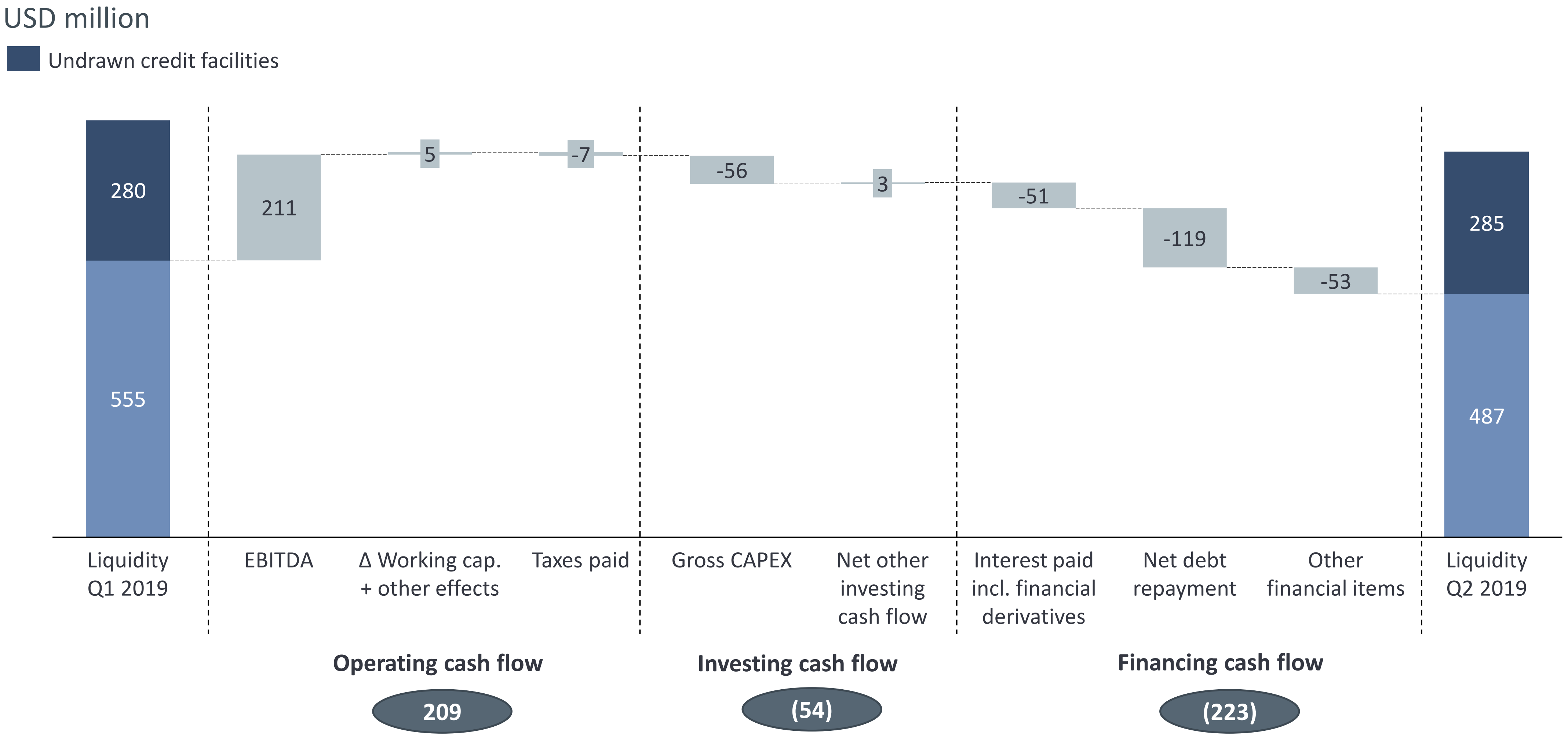
Consolidated results – first half year 2019

	1st half 2019	1st half 2018	% change
Total income	2 022	2 013	1%
Operating expenses	(1 593)	(1 731)	-8%
EBITDA	430	281	53%
EBITDA adjusted	430	286	50%
Depreciation	(247)	(170)	45%
Other gain/losses	1	(39)	n/a
EBIT	183	72	153%
Financial income/(expenses)	(153)	(51)	198%
Profit before tax	30	22	39%
Tax income/(expense)	(5)	(29)	n/a
Profit for the period	25	31	-24%
EPS	0.04	0.06	n/a
*IFRS 16 effect on EBITDA	84	n/a	n/a

Comments

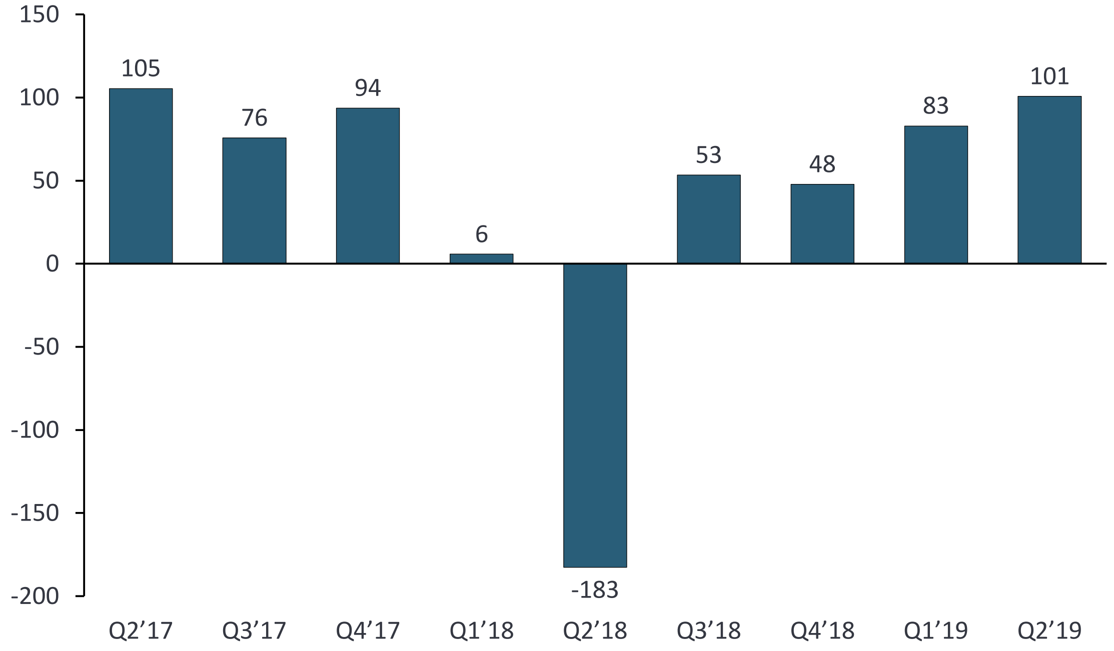
- Total income was USD 2 022 million in the first half of 2019, up 1% compared to the same period last year
- The revenues were negatively impacted by lower auto volumes, while increased fuel cost compensation contributed positively
- EBITDA of USD 430 million in the first half of 2019, up by USD 149 million from USD 281 million in the same period previous year, of which USD 84 million related to IFRS16 implementation
- Underlying improvement is mainly a result of the ocean segment synergy realization and impact of the performance improvement program, in addition to improved cargo mix, higher net freight/CBM and lower net bunker cost
- Biosecurity challenges in first quarter and lower auto volumes impacted EBITDA negatively

Cash flow and liquidity development – second quarter 2019

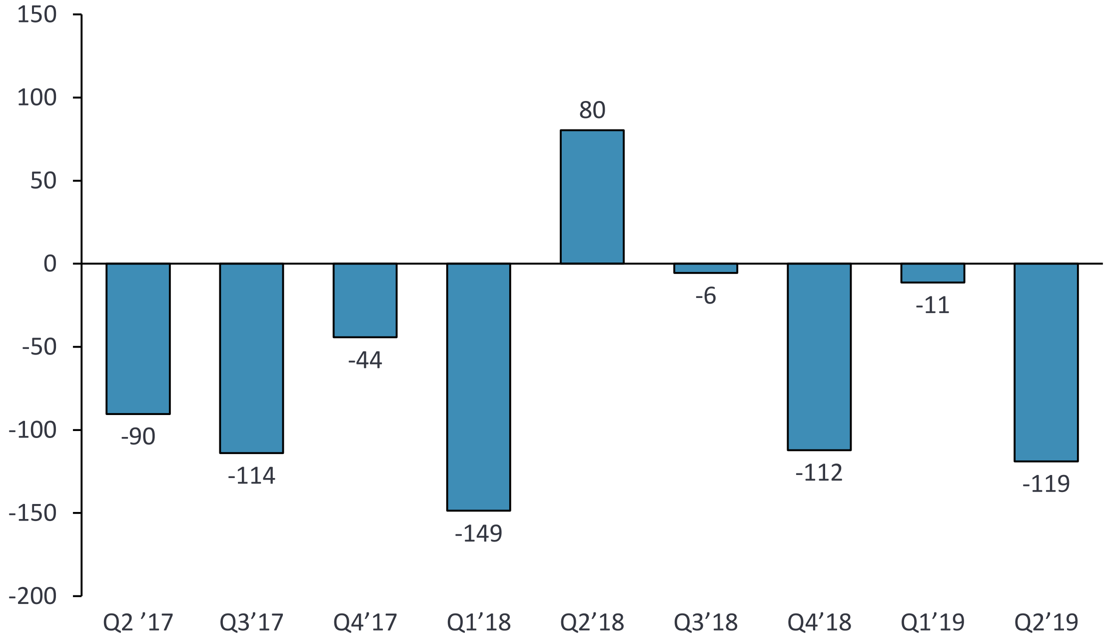


Strong free cash flow generation historically
- cash generated mainly applied towards reducing debt

Free cash flow[1,2]
USD million



Net debt repayment (debt uptake less debt repayment)
USD million

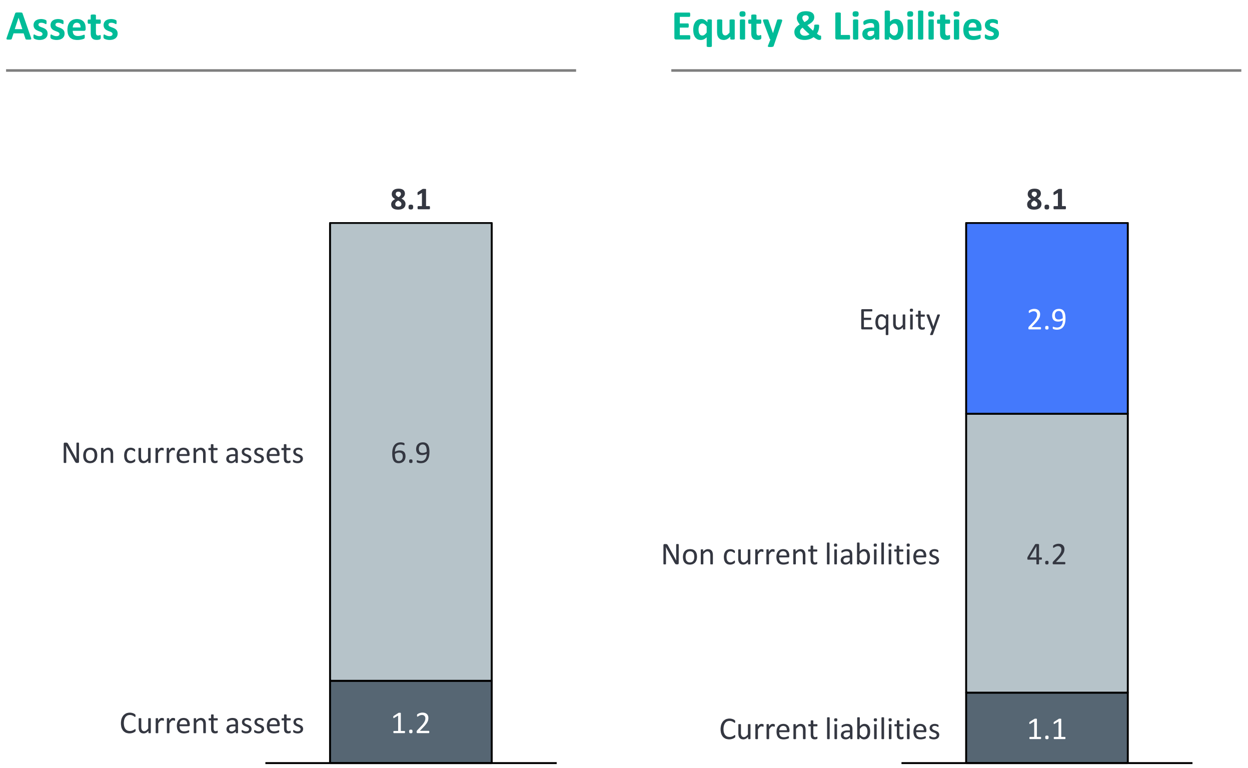


1 Free cash flow defined as Net cash flow from operating activities, less Interest paid including interest derivatives, less Investments in vessels, other tangible and intangible assets.

2 Note that free cash flow is positively impacted by the implementation of IFRS16 from January 2019 as lease payments previously classified as operating expenses will be reclassified as interest expense and repayment of debt

Balance sheet review – second quarter 2019

Balance Sheet 30.06.2019
USD billion



Comments

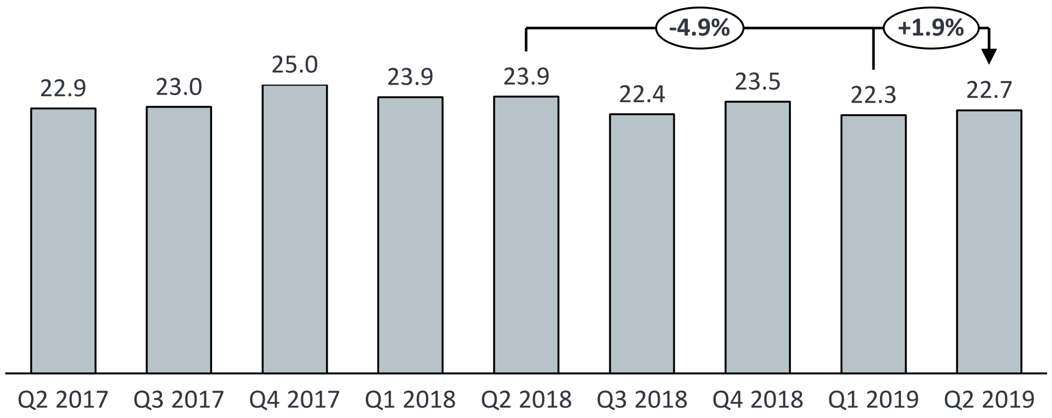
- Total assets of USD 8.1 billion with equity ratio of 35.3%, up from 35.0% in the previous quarter
- Net interest bearing debt of USD 3 851 million
- Continued solid cash and liquidity position with USD 487 million in cash and about USD 285 million in undrawn credit facilities
- In June, Wallenius Wilhelmsen Solutions refinanced and increased its revolving credit facility for general corporate and investment purposes

Market outlook

by Craig Jasienski

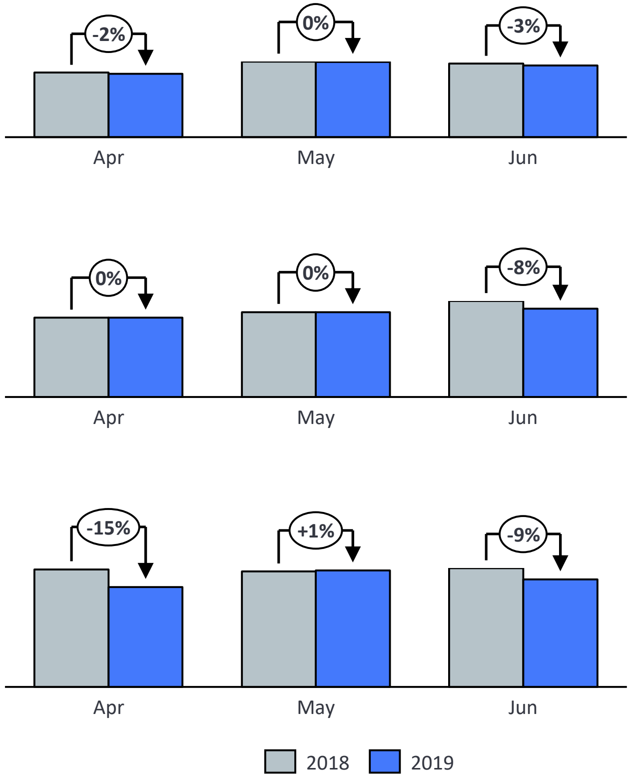
Auto sales continue decline, down 4.9% y-o-y
- but some improvement compared to last quarter

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



- North American sales declined 3.2% y-o-y and up 11.6% q-o-q partly explained by higher loan costs and slowing OEM incentives. Retail sales were down while fleet sales were up.
- Sales in Western Europe dropped 6.0% y-o-y and was down 0.7% q-o-q. The drop was driven by high comparison base due to the implementation of the EU WLTP emission testing scheme, UK's unsteady Brexit plans and confusion around Diesel powered vehicles.
- Chinese auto market is marked by the US trade tensions, currency depreciation and reduced consumer confidence and was down 6.2% y-o-y and up 0.2% q-o-q.
- The Brazilian market recorded another quarter of growth while Russia was modest down.

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



USA (-2.4% YTD):

June sales continued down 2.6% y-o-y, as the sales level is still solid in absolute terms

Western Europe (-2.9% YTD):

June sales down, 8.1% as base is high, still struggle around WLTP implementation and continued uncertainty around Brexit

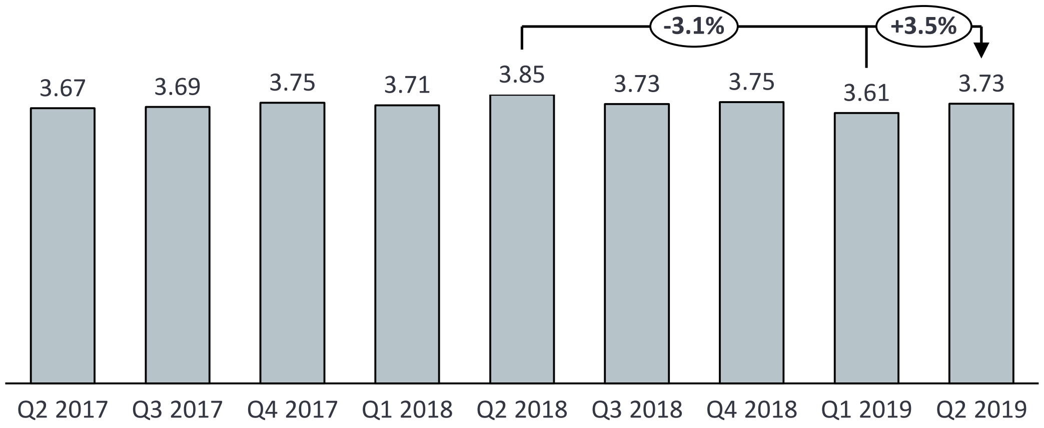
China (-12.4% YTD):

China LV sales still soft -9.3% in June, as consumer did not respond on the general VAT decline. Still inventory / restocking issues.

Source: 1) IHS Markit 2) LMCA Automotive

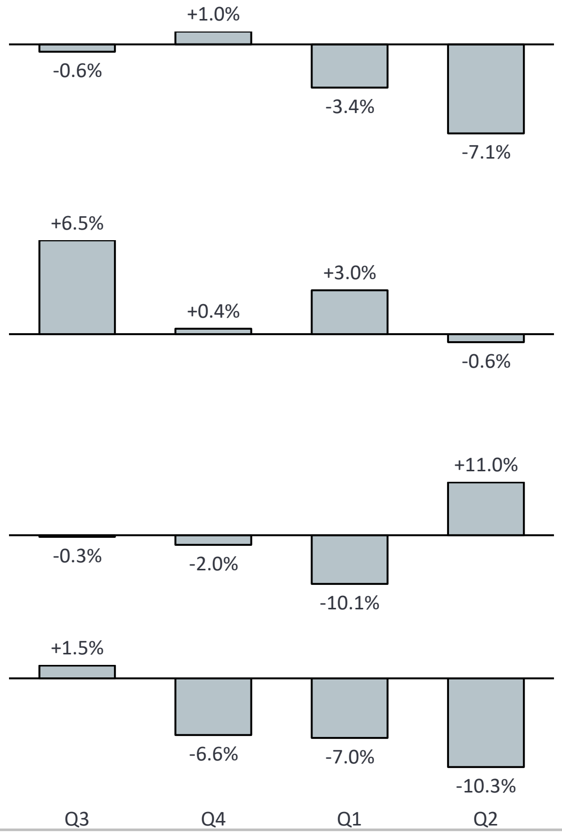
Auto exports down 3.1% y-o-y
- but some improvement since first quarter

Global LV export per quarter
Units



- North American exports were down 9.2% y-o-y (up 2.8% q-o-q) as Chinese imports were hit by tariffs and the W European sales were slow
- Exports out of Europe declined 0.6% y-o-y and 1.1% q-o-q, as reduced volume on North America-bound exports dragged the figure down
- Japanese exports declined 1.4% y-o-y (+5.4% q-o-q), as exports to US contributed to most of the decline, while South Korean exports declined 4.9% y-o-y (up 6.2% q-o-q)
- Chinese exports grew 7.0% y-o-y and 2.8% q-o-q on continued production ramp-up, with broad geographic growth despite U.S. tariff issues

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



North America (-5.3% YTD):

Imports declined 7.1% in the quarter (y-o-y), following NA production ramp up and a softening US market

Europe (+1.2% YTD):

Imports declined 0.6% in the quarter (y-o-y), but comparison impacted by WLTP push in Q2’18. Regulation changes still creating uncertainty

China (-0.2% YTD):

Imports increased 11.0% in the quarter (y-o-y), mainly due to low comparison base as consumers were awaiting gov’t stimulus

Australia (-8.7% YTD):

Imports declined -10.3% in the quarter, as sales of LV and passenger vehicles in particular has got off to a weak start of 2019

Source: IHS Markit. Imports/Exports are sales based

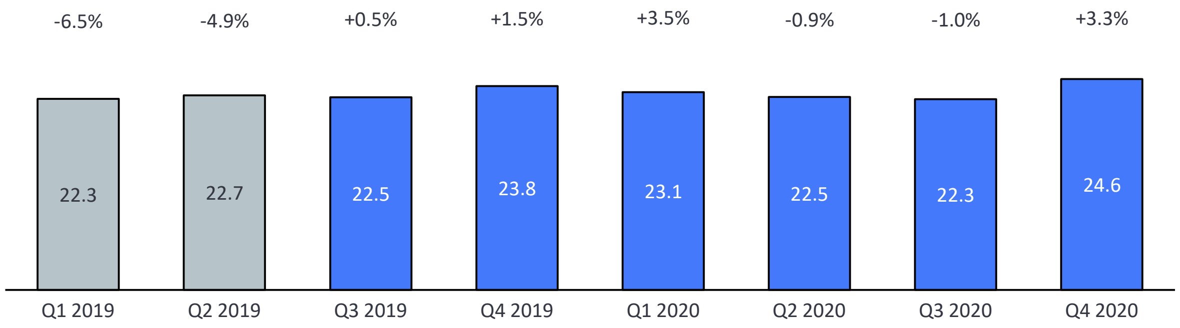
Market uncertainty increasing

- auto analysts remain positive about medium-term growth prospects

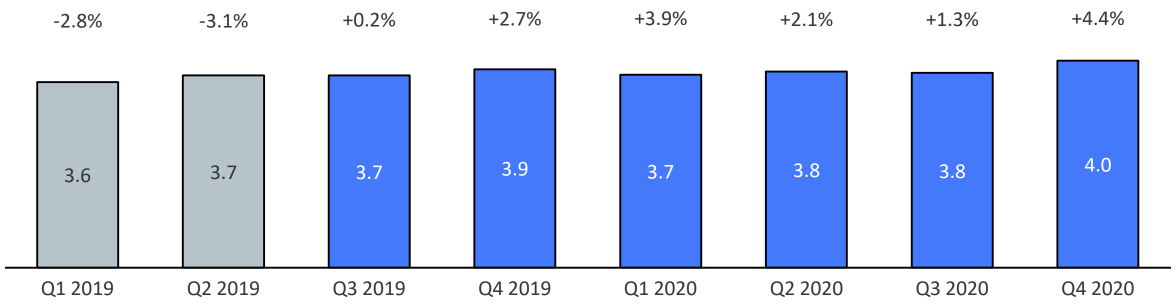
Global LV forecasts

Units and growth (y-o-y)

Global LV sales



Global LV exports



Several factors fuel uncertainty in short and medium term:

- Trade barriers – heightened risk with implications for both sales and sourcing shifts globally
- WLTP introduction Europe – distortions on both supply and demand side (incl. imports)
- Brexit - increased uncertainty raising risk of temporary and permanent production changes
- Softening Chinese momentum – governmental general VAT reductions from April did not influence LV sales as positively as analysts expected
- US vehicle prices – higher prices due to increased finance cost, despite FED lowering interest rate
- Emerging markets – continued risk, most notably Turkey and Argentina with severe near-term macroeconomic instability, and geopolitical developments in the Middle East

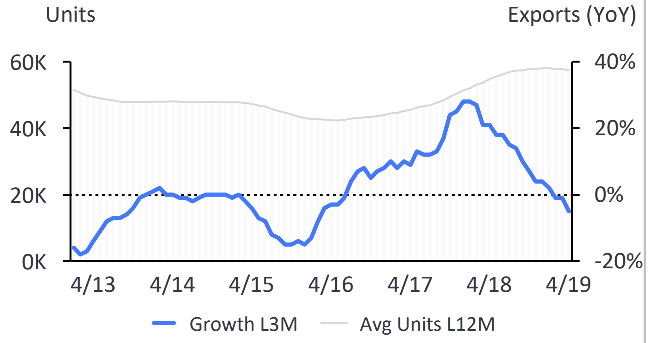
Source: IHS Markit. Exports are sales based

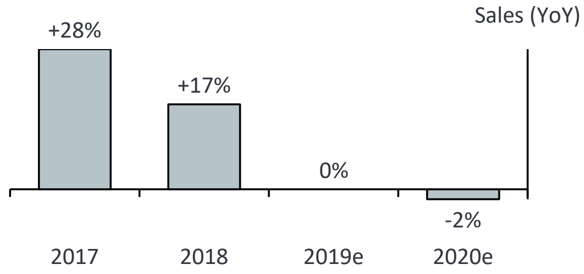
High & heavy trade has weakened, but remain at high levels

EXPORT[1] & SALES DATA[2]

OEM SALES ESTIMATES[3]

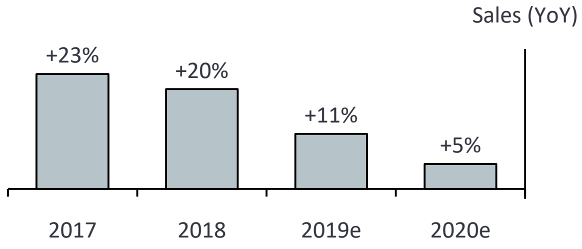
Construction Machinery





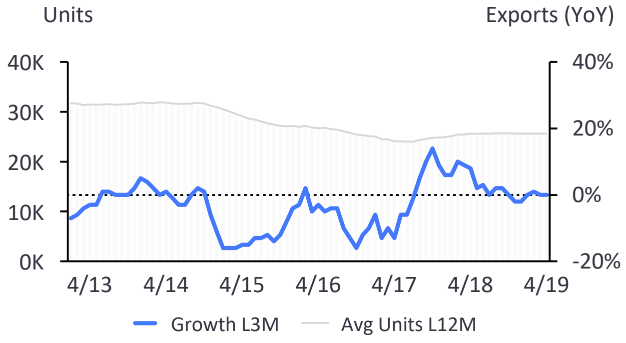
Exports growth continue to soften y-o-y, but global sales levels are expected to be more or less maintained over the next 18 months

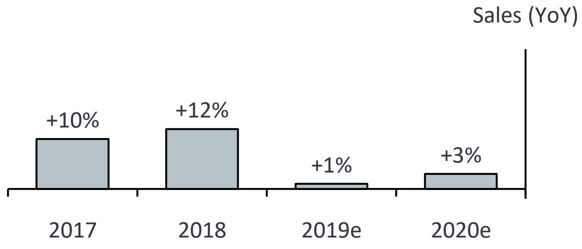
Mining Machinery



Sustained growth backed by commodity prices that are generally supportive of reinvestment

Agriculture Machinery



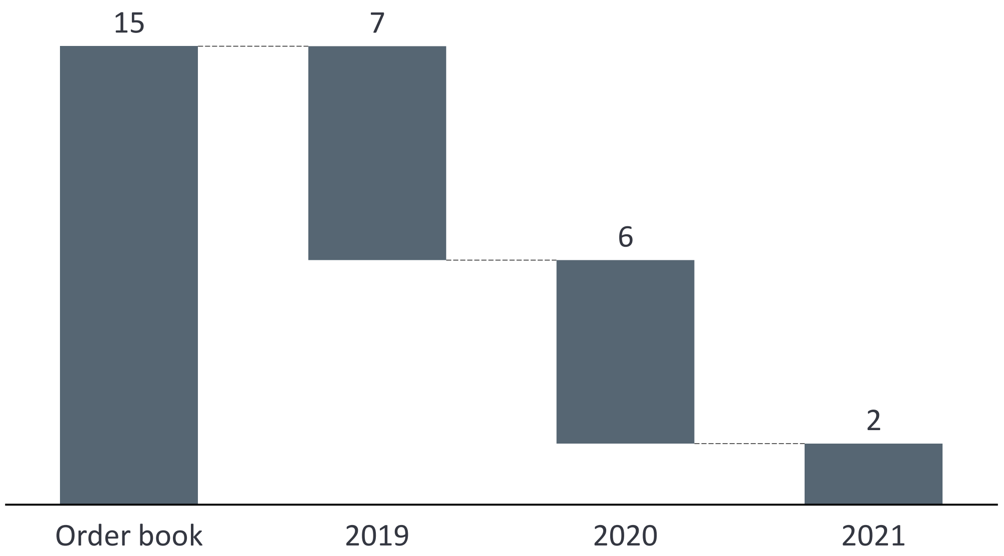


Flat growth in exports as lingering trade issues and unfavourable weather conditions are weighing on farmer sentiment and demand

Source: [1]IHS Markit | World (major exporters) construction & rolling mining equipment and agriculture equipment exports (Avg. equipment value >20 kUSD) (Units last 3 months y-o-y) (Rolling average units last 12 months) [2]Caterpillar | 3 month rolling retail sales (Units last 3 months y-o-y) [3]Factset data and Analytics (19.08.19). | OEM Revenue Consensus Estimate (y-o-y). Construction: Volvo, Caterpillar, CNH, Komatsu, Hitachi, Terex. Mining: Sandvik, Caterpillar, Hitachi, Atlas Copco(<2018), Epiroc (≥2018). Agriculture: AGCO, CNH, Deere. Sales in construction/agriculture/mining equipment divisions only

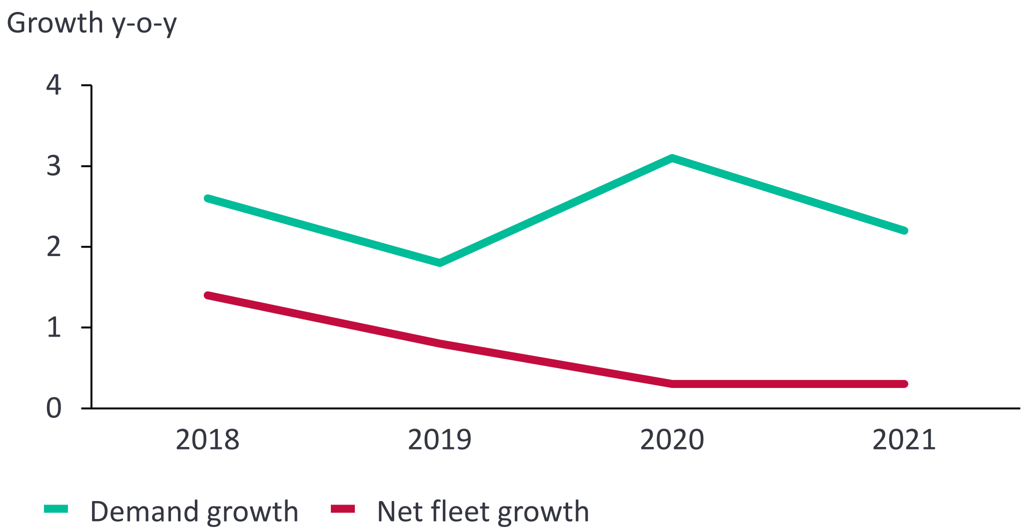
Current markets do not justify new ordering activity

Car Carrier Fleet Orderbook
vessels equal or above 4000 CEU



- Two new orders were confirmed in the quarter*
- Two vessels were delivered, two vessels recycled in the quarter
- Current markets and earnings do not justify new ordering activity

Fleet and demand growth
Percent



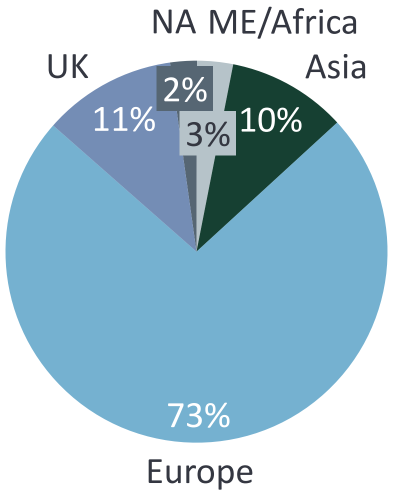
- Deep-sea shipments forecasted to increase with about 2% per year
- New regulation (IMO 2020) could create extra demand for tonnage
- Marginal net fleet growth (if any) expected for several years

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

Brexit – marginal impact on deep-sea shipments

UK LV sales by production origin

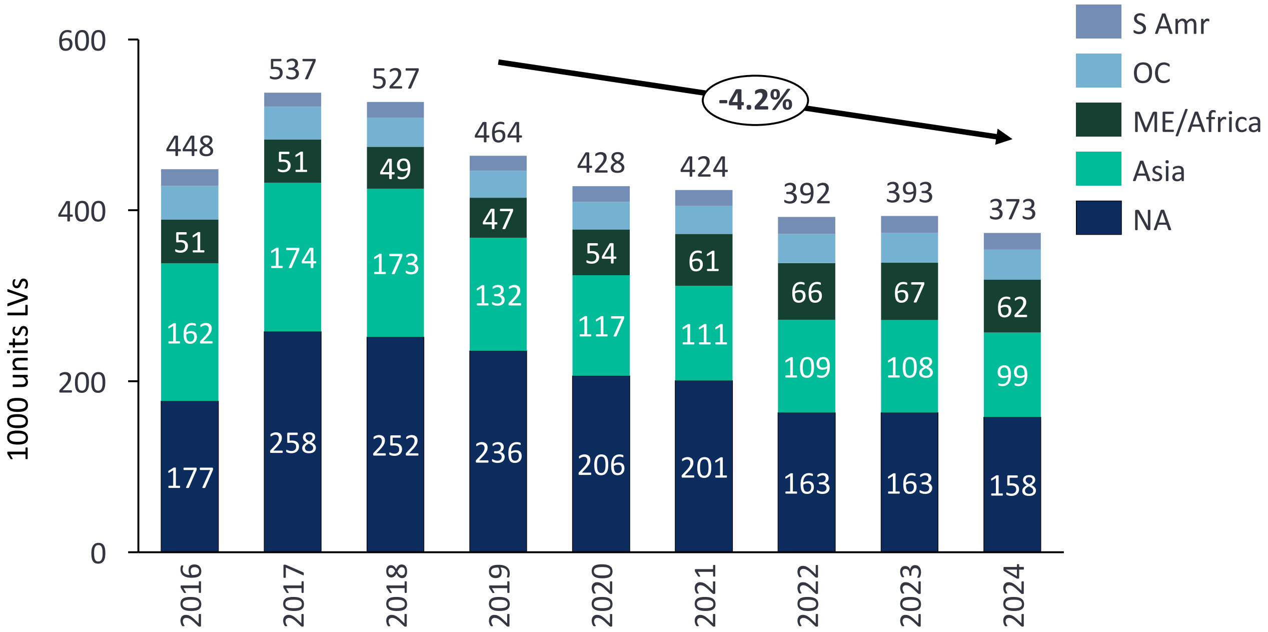
Total units 2018: 2.7 million



- Small part of UK auto sales are from outside Europe (approx. 420k units)
- Of this, Wallenius Wilhelmsen carries approx. 30%

UK LV export to outside Europe

1000 units, sales by region, 2016-2024



- Auto manufacturers in UK have alternative production facilities in Europe, around which we already have well-established networks
- Brexit just one of several factors driving continuous variations in sales and sourcing for OEMs

Source: IHS Markit

Outlook and Q&A

by Craig Jasienski

Outlook

Volume outlook remains uncertain due to macro picture and heightened trade tensions

Gradual improvement in tonnage balance expected to continue, but with more uncertain volume outlook rate improvements may take longer to materialise

Terminals impacted by lower volumes, while landbased overall expected to show stable performance

Continued progress in the performance improvement programme and focus on operational efficiency to support profitability going forward

Preparations for IMO 2020 a key focus toward end of year

Wallenius Wilhelmsen

Thank you!