Wallenius Wilhelmsen

7 November 2018

Q3 2018
Quarterly presentation

Highlights third quarter 2018

EBITDA of USD 152 million

Continued positive ocean volume development due to increased high & heavy volumes

Some weakening in volumes late in the quarter reflecting more volatile auto markets

Ocean results continue to be negatively impacted by higher and rising bunker cost

Vessel capacity reduced due to rationalization of voyages and weaker volumes

USD 120 million synergy target confirmed

Performance improvement program targeting USD 100 million initiated

Agenda

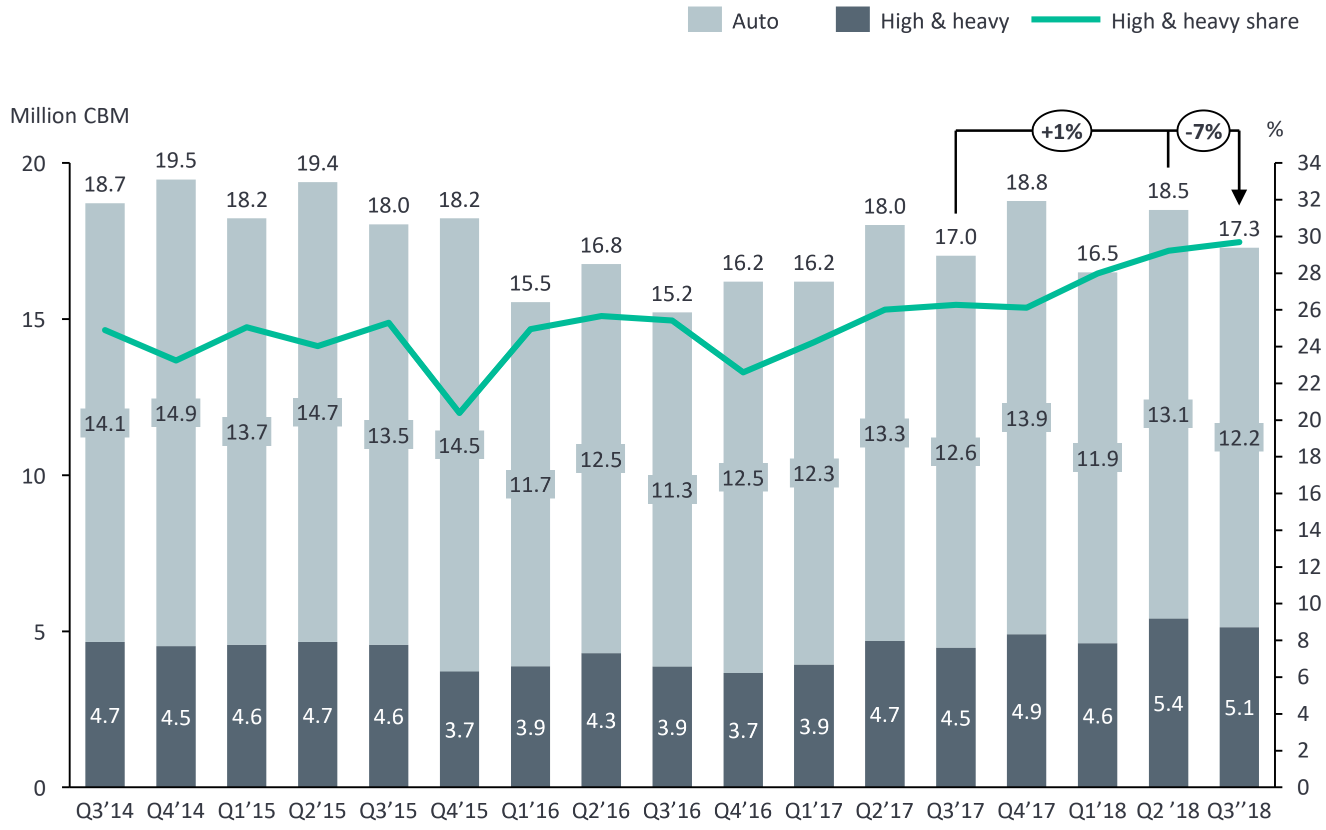
- Business update
- Financial performance
- Market outlook
- Outlook and Q&A

Business update

by Craig Jasienski

Slightly weaker volume development than previous quarters due to slow volumes late in the quarter

Volume and cargo mix development
Million CBM and %

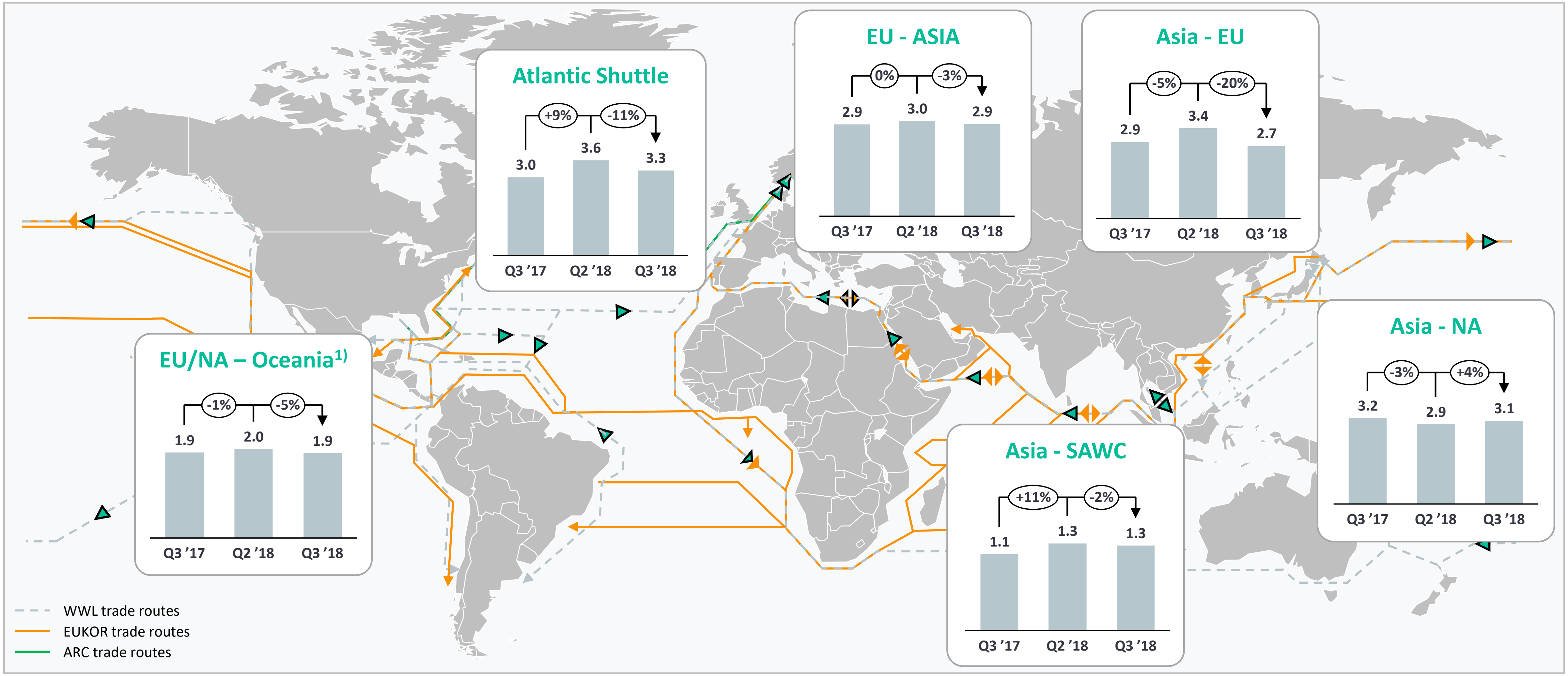


Comments

- Volumes moved sideways in the quarter, up 1% y-o-y
  - The Atlantic and Asia-South America trade experienced strong growth while the Europe-Oceania and Europe-Asia trade moved sideways
  - The Asia-Europe and Asia-North America trades was down with the latter due to reduction in HMG volumes partly offset by increased volumes from other customers
- Adjusted for reduced contracted HMG volumes (about 0.5 million CBM) volumes were up about 4% y-o-y
- Volumes down 7% q-o-q due to seasonality combined with relatively weak volumes in September
- Continued positive development for cargo mix with a high & heavy share of 29.7%, up from 29.2% in the previous quarter and 26.3% in same period last year

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

Mixed volume development for the foundation trades y-o-y

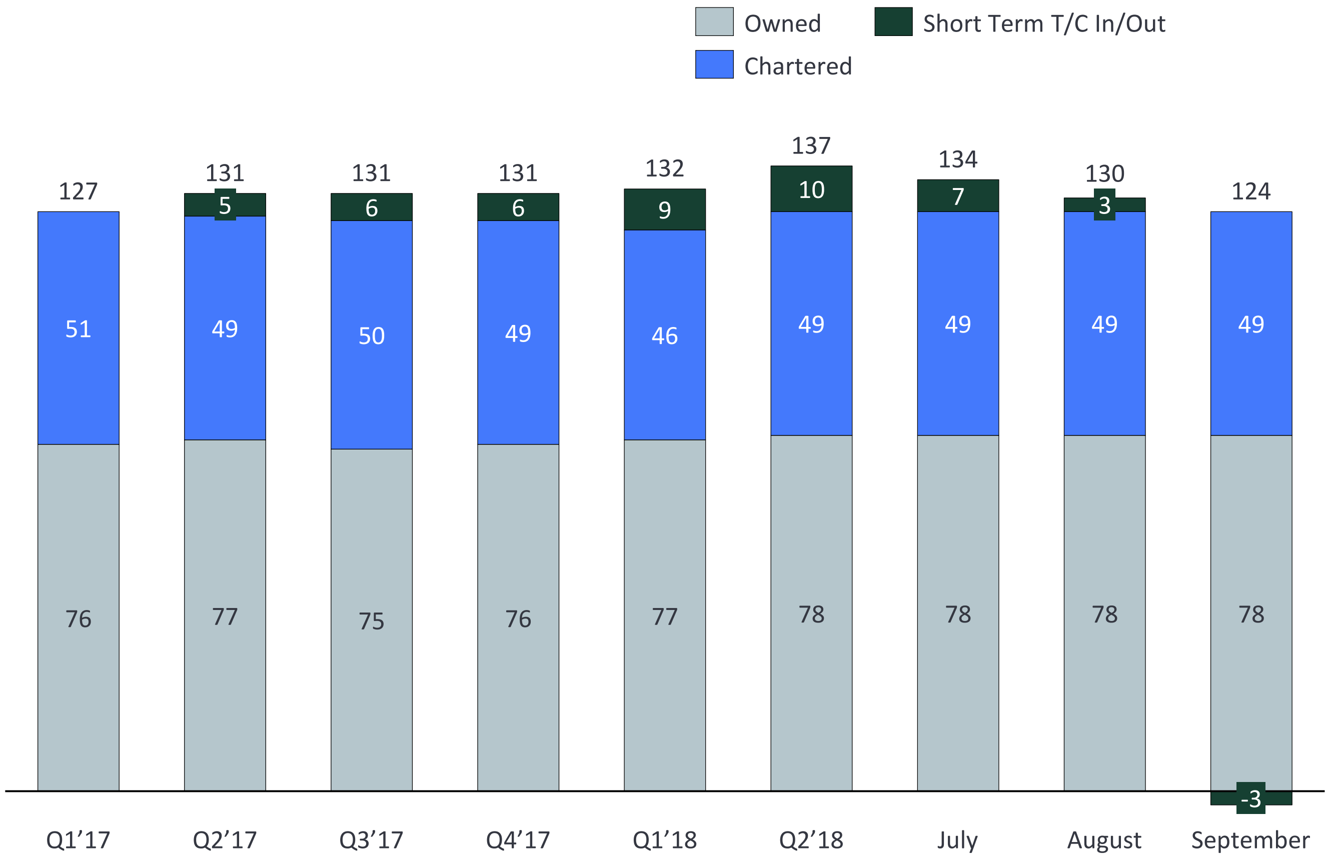


Note: Prorated volumes on operational trade basis in CBM

1) Including Cape sailings (South Africa)

Capacity gradually reduced due to rationalization of voyages and weaker volumes towards end of the quarter

Fleet development
of vessels

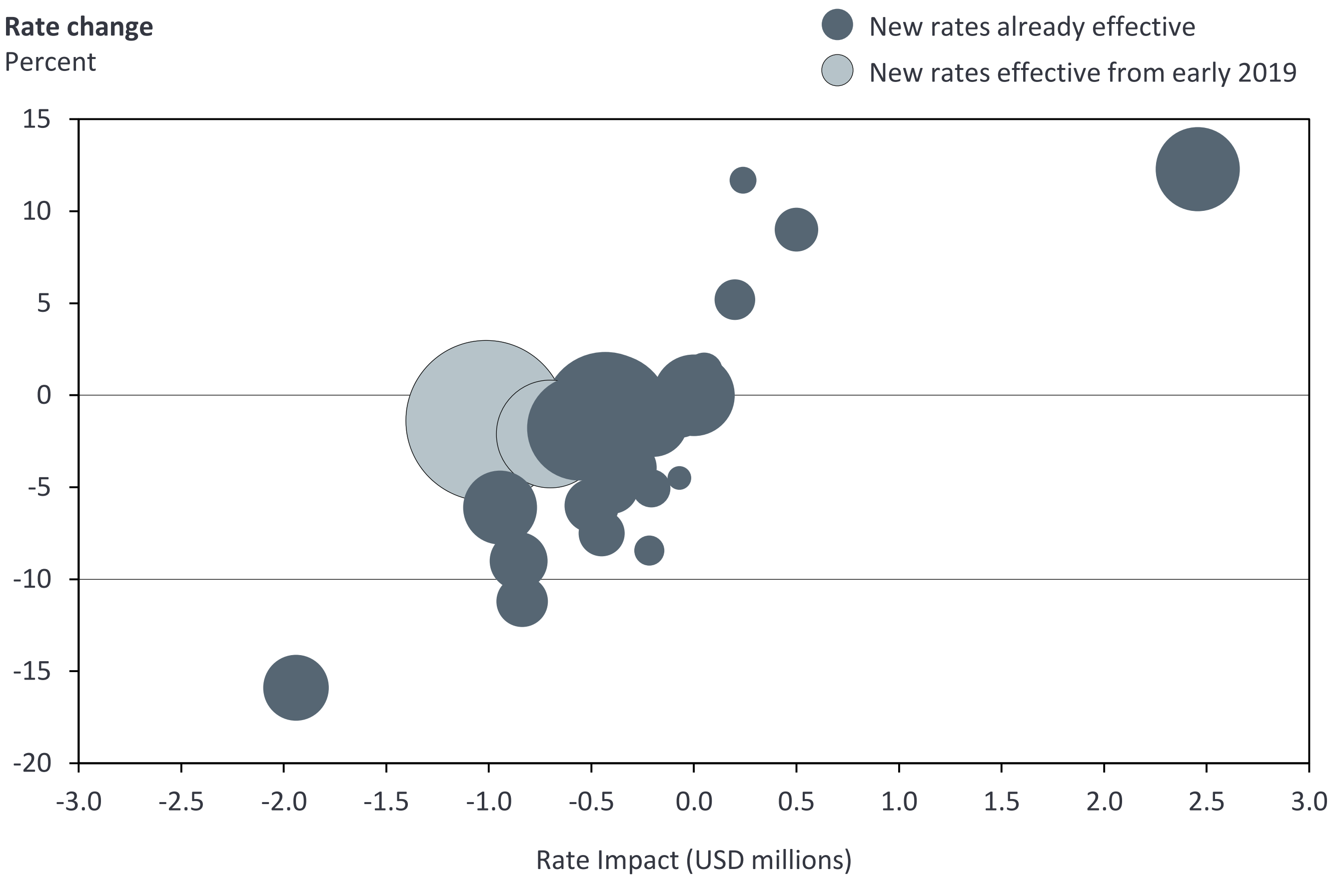


Comments

- Wallenius Wilhelmsen At the start of the quarter the group controlled a fleet of 137 vessels at the start of the quarter.
- The fleet which was gradually reduced to 124 vessels during the quarter due to rationalization of voyages and a weakening in volumes, especially towards the end of the quarter.
- As volumes in September remained relatively low, short-term chartered vessels fixed in the second quarter were mostly redelivered during the third quarter.
- Currently, the group retains flexibility to redeliver one vessel in 2018 and up to 18 vessels by 2022 (excluding vessels on short charter; less than 12 months).
- The group has three vessels on order and the outstanding instalments for these vessels are about USD 120 million. The vessels have been financed through regular bank facilities.

Rates remain under pressure, but outcome of 2018 contract renewals YTD expected to impact 2019 results positively

Rate changes and impact for 2018YTD contract renewals
(Circle indicate size of contract in millions)

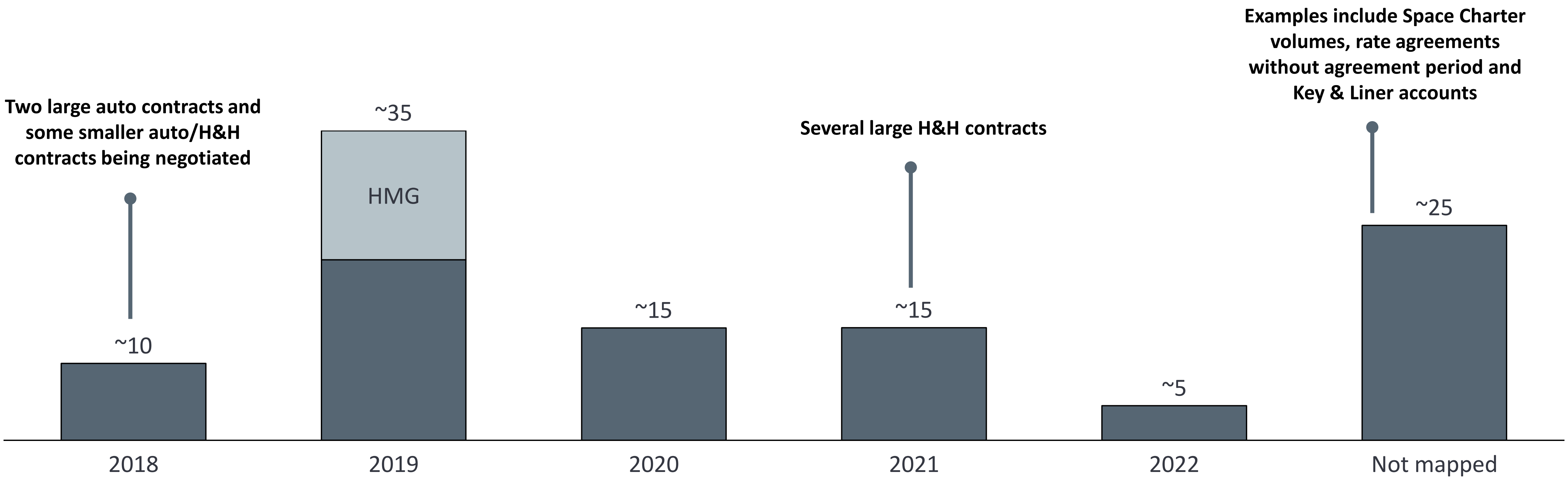


Comments

- Rates have been under pressure for the last 3-4 years and the trend has partly continued into 2018
- The majority of the contracts renewed 2018YTD are at a lower level, but there are also contracts with rate increases
- The annualized rate impact for contract renewals 2018YTD are about USD 5 million of which the majority of the negative effect is related to a few large contracts (with new rates first effective from early 2019).
- On the positive side, the group has as part of these negotiations walked away from certain unprofitable business, reduced certain service commitments and won selected new attractive business which more than offsets the negative rate development (net positive effect of up towards USD 30 million on an all things equal basis)

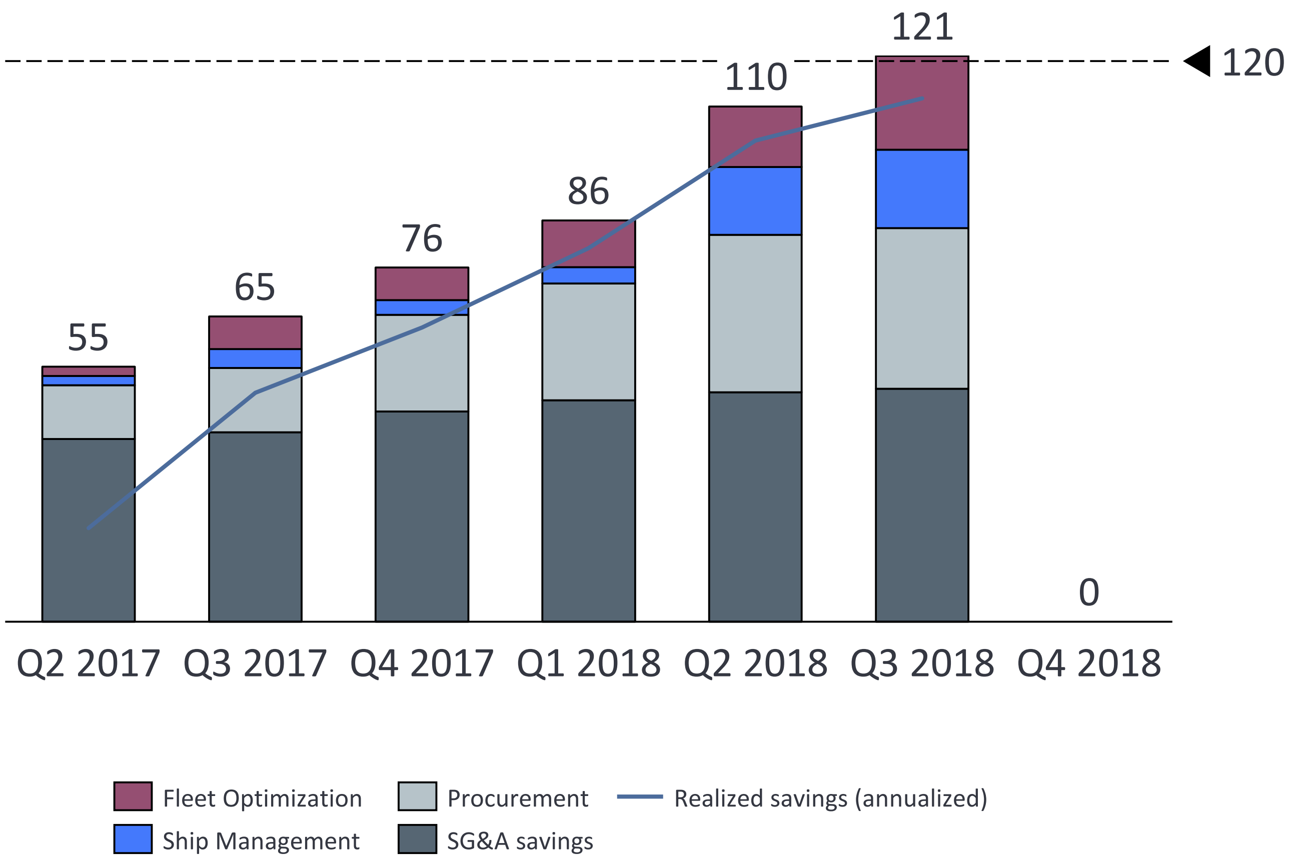
About 50% of revenues for the Ocean business will be renewed by end 2019

Contract maturity profile for WW Ocean and EUKOR
Percent of revenues maturing by year



USD 120 million synergy target confirmed ahead of schedule

Confirmed and realized synergy development
USD million



Comments

- At the end of the third quarter the USD 120 million synergy target was confirmed.
- During the quarter about USD 10 million was added to confirmed synergies, through mainly ship management and fleet optimization. The annualized run rate for synergies were more than USD 110 million, up from above USD 100 million in the previous quarter.
- The remaining part of the confirmed synergies will come into effect from Q1 2019.

USD 100 million to be to be targeted through a new 2-year Performance improvement program – a few examples

Contractual improvements

- Review un-profitable business
- Reduce service commitments
- Introduction of BAF where missing
- Rate increases

Voyage rationalization

- Trade optimization through optimal tonnage allocation, space chartering and prioritization of cargo, e.g.
  - AS-EU
  - AS-NA
  - EU-AS

Centralized vessel and voyage management

- In the process of increasing sensor data capture in the fleet
- Initial focus on vessel, voyage and cargo cost optimization
- Target end-state is a digital support centre optimizing vessel and voyage management

Financial performance

by Rebekka Herlofsen

Consolidated results – third quarter 2018

	Q3 2018	Q2 2018	Q3 2017
Total income	**1 031**	**1 044**	**955**
Operating expenses	(879)	(888)	(766)
EBITDA	**152**	**156**	**189**
EBITDA adjusted	152	159	192
Depreciation	(87)	(86)	(84)
EBIT	**65**	**70**	**105**
Net financial items	(34)	(45)	(22)
Profit before tax	30	25	83
Tax income/(expense)	(1)	(4)	(28)
Profit for the period	**30**	**21**	**55**
EPS	0.07	0.04	0.12

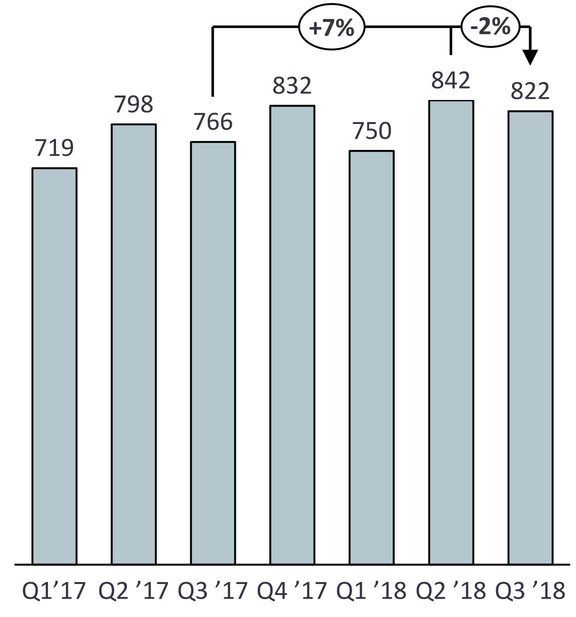
Comments

- EBITDA adjusted of USD 152 million, down 21% y-o-y and down 4% q-o-q mainly driven by the ocean segment
- Net financial items of USD 34 million in the quarter
  - Net interest expense in line with the previous quarter at USD 45 million
  - Positive unrealized gains on interest rate hedges partly offset by negative movements in currency / currency derivatives
- Tax expense of USD 1 million in the third quarter, primarily related to income tax

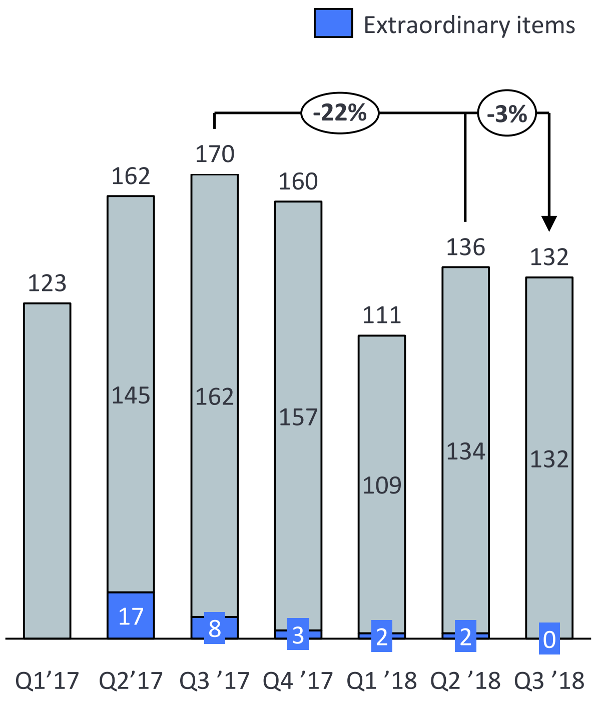
Ocean segment – third quarter 2018

Total income and EBITDA ocean segment[1]
USD million

Total income



EBITDA



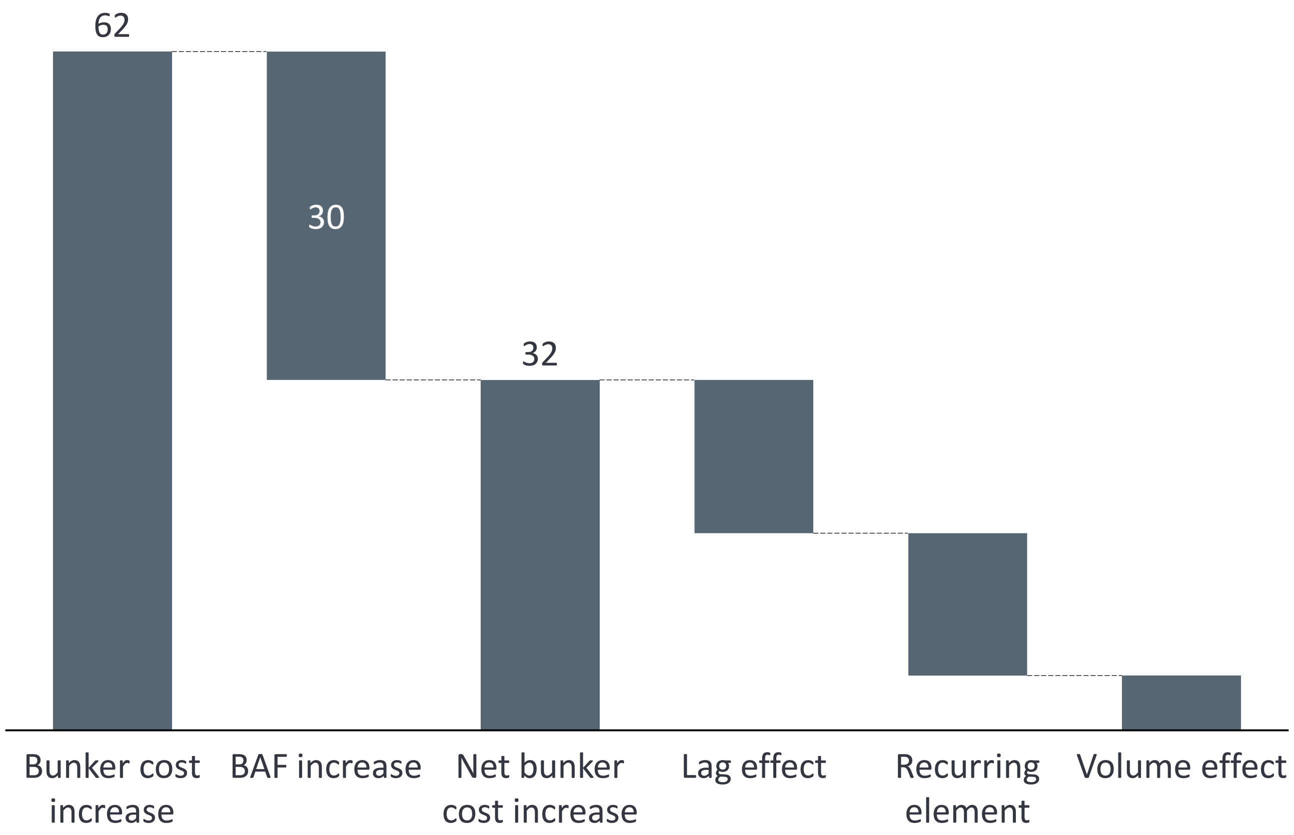
Comments

- Total income was USD 822 million, up 7% y-o-y due to a combination of increased net freight and increased fuel cost compensation from customers
- EBITDA of USD 132 million, down 22% y-o-y
  - Higher net bunker cost (USD 30 million)
  - Relatively weak HMG volumes due contracted reduction (500k CBM) combined with partial strike and holiday season in South Korea (about 250k CBM)
  - Lower rates (USD 7 million)
  - Trade imbalance and less optimal trade mix
- The negative impact from above factors partly offset by positive volume development driven by the high & heavy segment and increased realization of synergies
- EBITDA adjusted in the third quarter was down 3% compared to the previous quarter due to seasonality and the continued increase in bunker costs

1) *Adjusted for extraordinary items*

Net bunker costs increased with about USD 35 million y-o-y

Net bunker cost development y-o-y



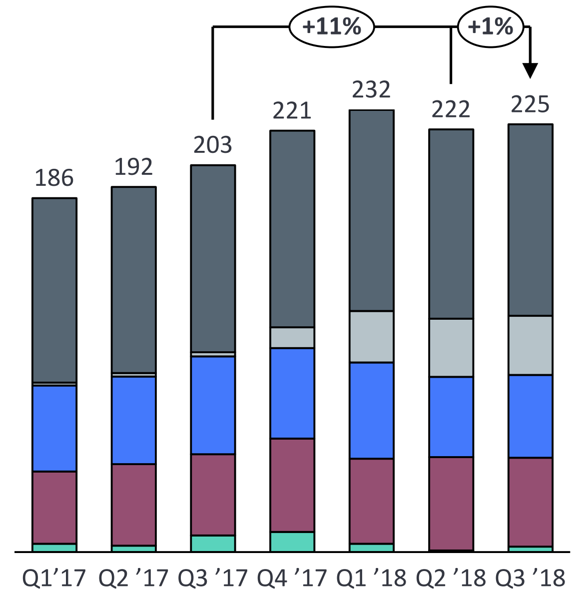
Comments

- Net bunker cost in the quarter increased by about USD 35 million y-o-y driven by increased bunker prices and higher bunker consumption (due to more voyage days and higher activity level)
- In the third quarter, the increased bunker prices had about USD 30 million negative impact on results y-o-y of which about half is related to the lag effect and the other half relates to lack of BAF and/or structure of the BAF in some customer contracts

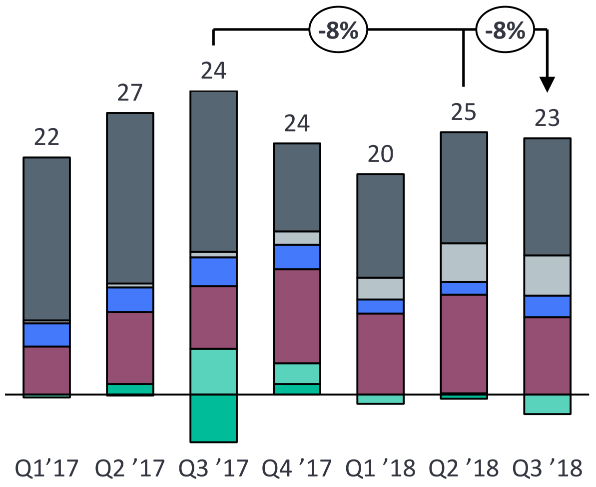
Landbased segment – third quarter 2018

Total income and EBITDA landbased segment
USD million

Total income



EBITDA



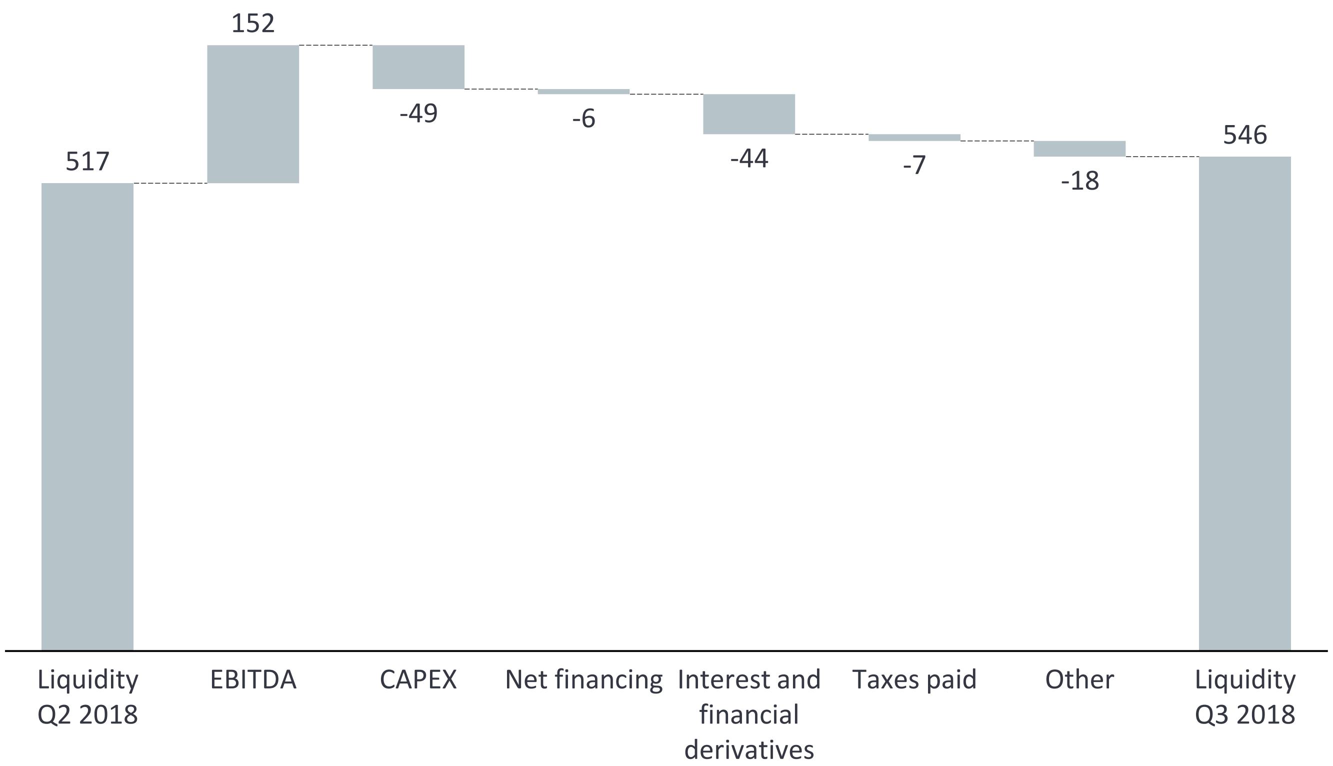
Solutions Americas (auto) | Solutions APAC/EMEA | Other / adjustments
Solutions Americas (H&H) | Terminals | Extraordinary items

Comments

- Total income was USD 225, up 11% y-o-y primarily driven by the Melbourne terminal and the acquisition of Keen Transport and Syngin
- EBITDA adjusted was USD 23 million, down 8% y-o-y
  - Increased SG&A allocations of USD 3 million
  - Less profitable customer and service mix for Solutions Americas – Auto (VSA)
- The negative impact of above factors was partly offset by improved contribution from the terminals (Melbourne terminal fully operational from Jan 2018) and the acquisition of Keen transport (acquired late 2017) and Syngin (July 2018)
- EBITDA adjusted in the third quarter was down 8% compared to the previous quarter mainly due to seasonally lower volumes and results for the terminals

Cash flow and liquidity development – third quarter 2018

Cash flow and liquidity development
USD million



Comments

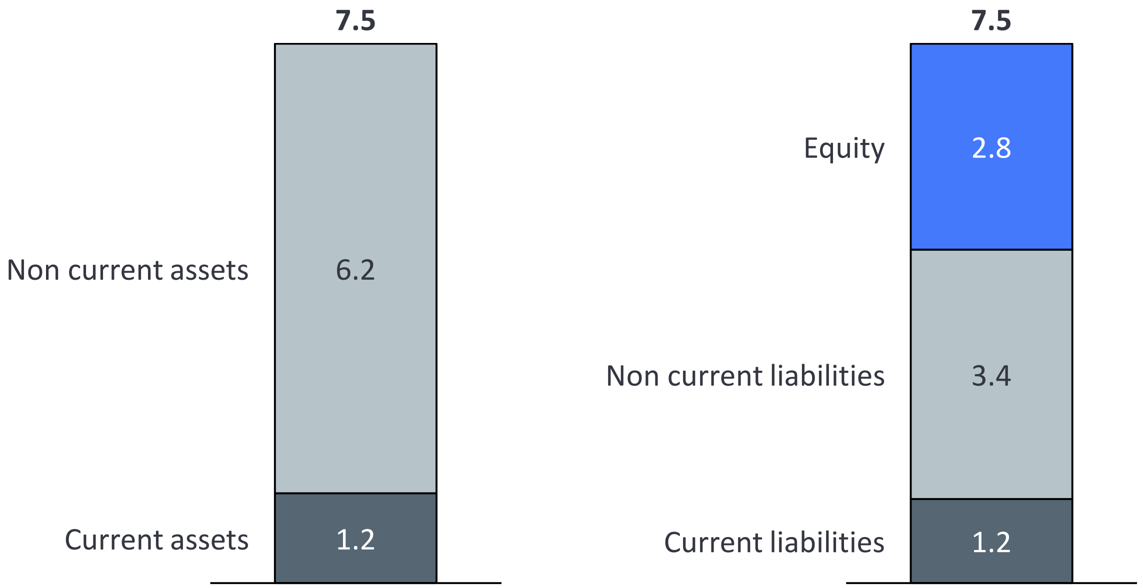
- CAPEX of USD 49 million includes
  - Dry docking costs (about USD 10 million)
  - VPCs in Tacoma and Oxnard and EPC in Zeebrugge
  - Acquisition of Syngin
- Net financing of USD 6 million mainly relates to
  - Regular instalments of about USD 100 million
  - Refinancing of 2 vessels in EUKOR (USD 70 million)
  - Debt financing for acquisition of Syngin
  - New NOK 750 million bond raised to refinance the NOK 800 million bond with maturity date in April 2019 (about NOK 200 million bought back as part of the placement)
- Other includes payments on commercial settlements in the amount of USD 11 million

Balance sheet review – third quarter 2018

Balance Sheet 30.09.2018
USD billion

Assets

Equity & Liabilities



Comments

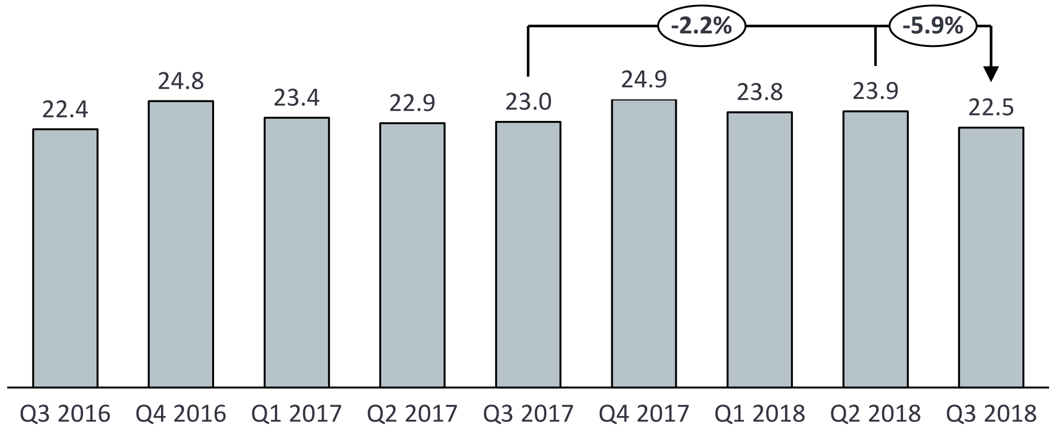
- Total assets of USD 7.5 billion with equity ratio of 38.0%, up from 37.4% last quarter
- Net interest bearing debt of USD 3.15 billion, down by USD 50 million due to positive cash flow and debt instalments
- Continued high cash and liquidity position with USD 545 million in cash and about USD 275 million in undrawn credit facilities
- During the quarter two vessels in EUKOR were refinanced at a margin of 155 bps and new NOK 750 million bond was raised to repay the NOK 800 million bond with maturity date in April 2019

Market outlook

by Craig Jasienski

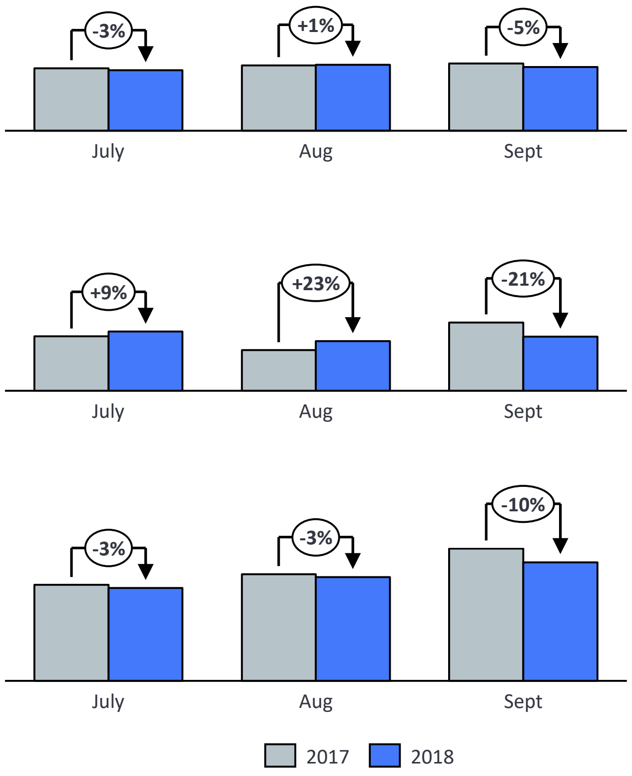
Soft auto sales in the quarter (-2.2% y-o-y), driven by September headwind in several markets

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



- North American sales declined 2.9% y-o-y and 4.9% q-o-q, with high y-o-y comparison from replacement demand following last year's hurricane damages
- Sales in Western Europe edged up 0.4% y-o-y, but declined 18.4% q-o-q from the seasonally strong second quarter, with sales within the period heavily distorted by the implementation of the EU WLTP emission testing scheme
- Chinese sales fell 6.0% y-o-y and 4.0% q-o-q with falling consumer sentiment amid trade tensions
- The Russian and Brazilian markets recorded another quarter of solid y-o-y growth

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



USA (+0.5% YTD):

September sales dropped 5.2% from the 12-year high last year, but still very strong sales rate

Western Europe (+1.6% YTD):

September sales dropped 20.7%, following the 22.6% surge in August ahead of the WLTP implementation

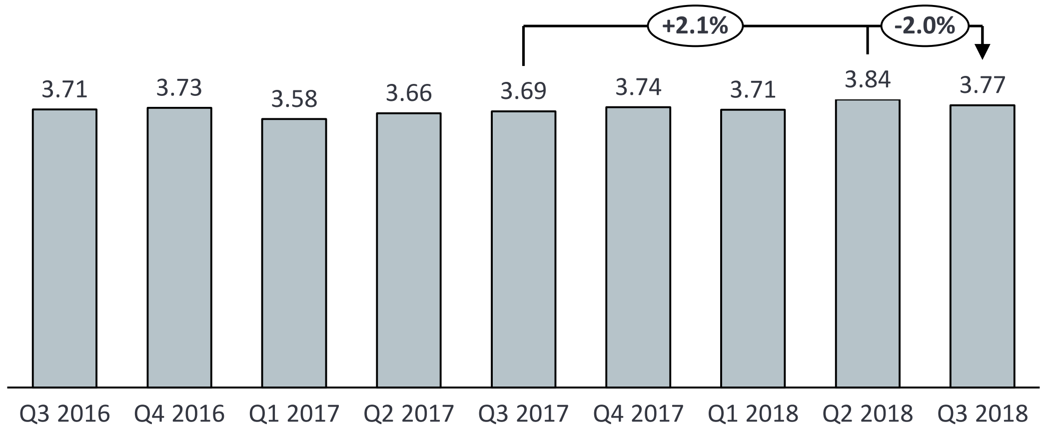
China (+1.2% YTD):

September sales dropped 10.3%, the third consecutive month of decline from a year prior as consumer confidence weakened amid trade tensions

Source: [1)] IHS Markit [2)] LMCA Automotive

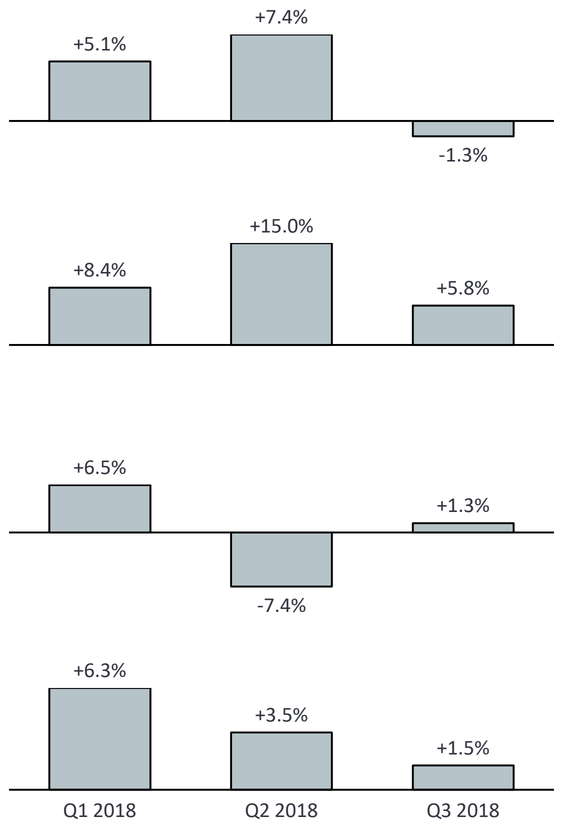
Auto exports strengthened 2.1% y-o-y in the third quarter, but growth moderated after two buoyant quarters

Global LV export per quarter
Units



- North American exports edged up 0.3% y-o-y , but declined 5.0% q-o-q as Chinese imports hit by increased tariffs offset broad growth to most destinations
- Exports out of Europe declined 2.0% y-o-y and 1.1% q-o-q, as North American imports slowed together with U.S. sales in the quarter
- Japanese exports increased 1.4% y-o-y (-0.7% q-o-q), despite typhoons and earthquakes disrupting supply-chains, while South Korean exports declined 0.9% y-o-y and 4.9% q-o-q, partly driven by holiday season (productions facilities closed)
- Chinese exports grew 43.1% y-o-y and 3.2% q-o-q on continued production ramp-up, with broad geographic growth despite U.S. tariff increases

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



North America (+3.6% YTD):

Imports declined 1.3% in the quarter, following two strong quarters driven in part by tariff worries

Europe (+9.7% YTD):

Imports increased another 5.8% in the quarter, despite surging second quarter imports ahead of the WLTP introduction

China (+0.2% YTD):

Imports increased 1.3% in the quarter, as effects of the general tariff reduction offset North American exports that fell sharply after U.S. tariff hike

Australia (+3.8% YTD):

Imports increased another 1.5% in the quarter, holding up on well despite declining sales as local production continues to be phased out

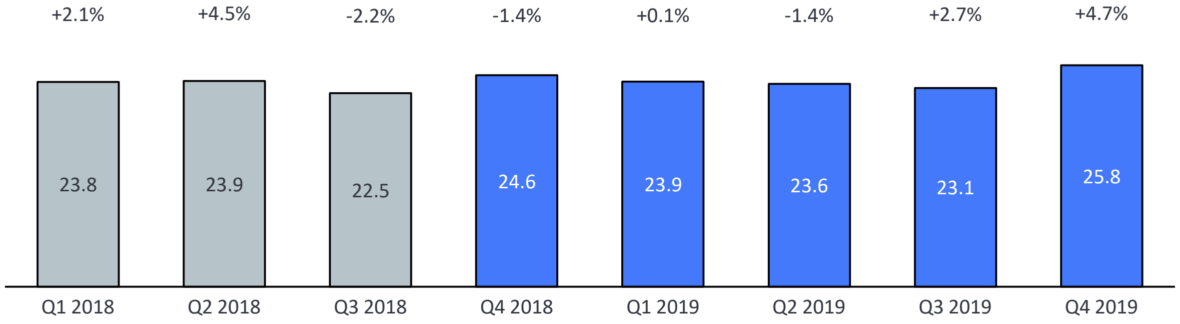
Source: IHS Markit. Imports/Exports are sales based

Auto analysts remain positive about medium and long-term growth prospects, but market uncertainty has increased in the near-term

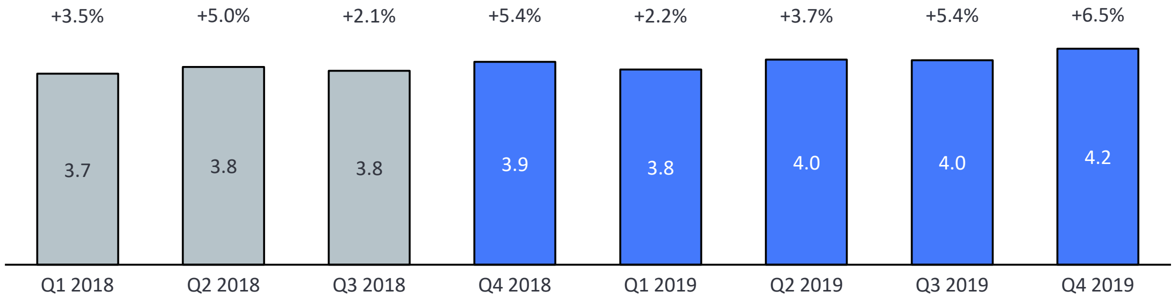
Global LV forecasts

Units and growth (y-o-y)

Global LV sales



Global LV exports



Several factors are fuelling uncertainty in the short and medium term:

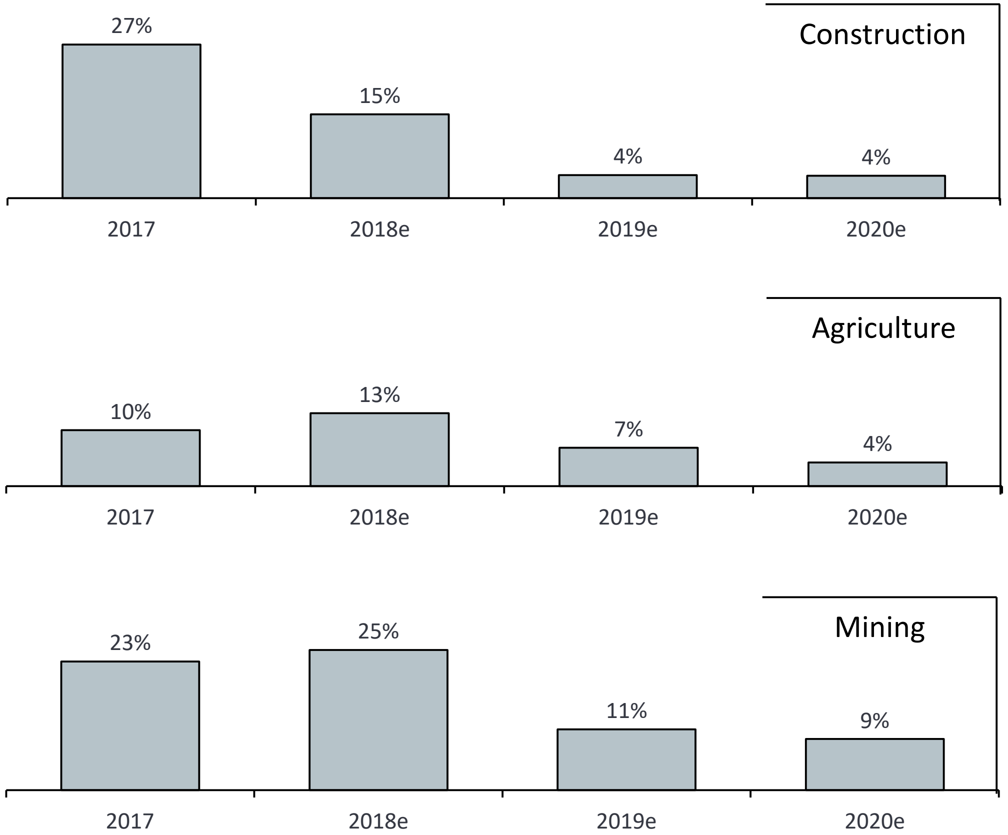
- Continued risk of trade barriers with implications for both sales and sourcing shifts globally
- Distortions following the WLTP introduction in Europe, both on demand and supply-side (incl. imports)
- Continued Brexit uncertainty triggering temporary and permanent production shutdowns
- Softening Chinese momentum and effects of potential new vehicle purchase tax cut (not confirmed)
- Sourcing implications and price inflation from increased regional content requirements in the US-Canada-Mexico Agreement (USMCA)
- Increasing emerging-market 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

The global expansion in high & heavy end-markets continued in the third quarter, with exports growing 9% y-o-y[1]

H&H OEM analyst consensus sales estimates[2]

Growth (y-o-y)



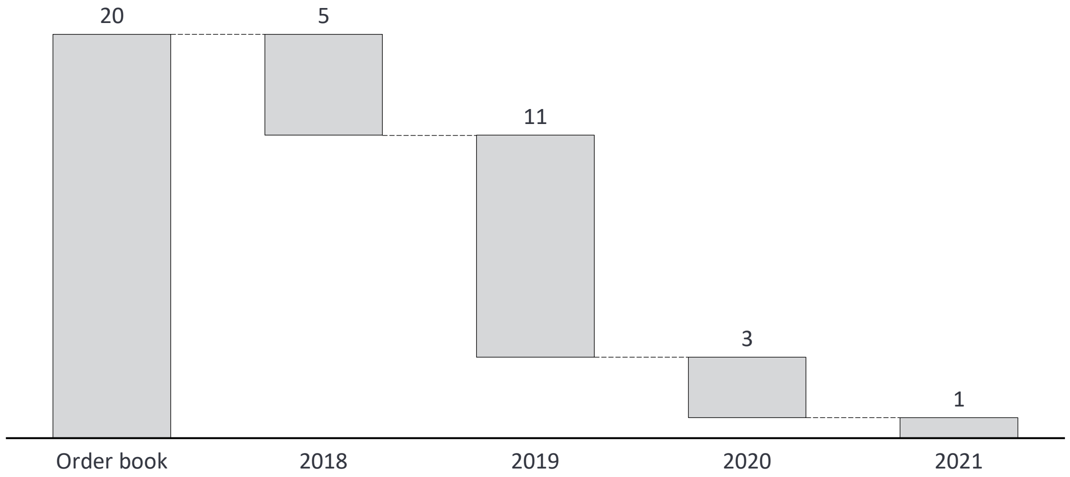
Comments

- **Construction equipment** demand was again strong in the quarter, and machinery exports increased 13% y-o-y with continued growth to all regions except Latin America. The positive development expected to continue (but at a lower pace) with continued near-term gains in North America and Australia, while the European market is expected to move sideways
- **Agriculture equipment** sales strengthened in most key markets in the quarter, and exports of agricultural machinery increased 2% y-o-y. Continued growth is expected as markets in North and South America are still early-cycle with machinery replacement pending, while the European market remains more stable and Australian sales should weaken due to drought
- **Mining equipment** demand continued to show signs of recovery, with machinery sales outgrowing aftermarket/parts on replacement needs. Continued strength is expected as the significant underinvestment during the downturn should more than offset any near-term commodity headwind, especially in Australia where the beginning recovery has been modest

Source: [1]IHS Markit. For the three months ending July, 2018. [2]Factset data and Analytics (31.10.18). Construction: Volvo, Caterpillar, CNH, Komatsu, Hitachi, Terex. Agriculture: AGCO, CNH, Deere. Mining: Sandvik, Caterpillar, Hitachi, Atlas Copco. Sales in construction/agriculture/mining equipment divisions only.

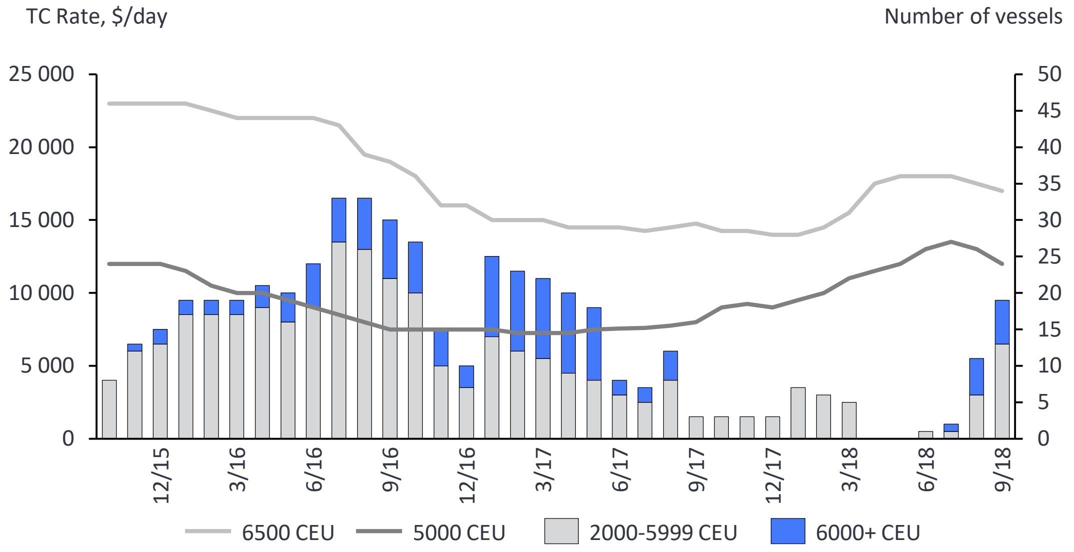
Order book remains low

Car Carrier Fleet Orderbook
vessels equal or above 4000 CEU



- During the quarter three vessels were delivered, and two sold for recycling
- No new orders were confirmed in the quarter, but an order for four vessels was cancelled by SIEM Car Carriers, of which two vessels were included in the order book and one is still assumed to enter operations.
- Current markets and earnings do not justify new ordering activity. However, necessary replacement may start to feature

Open Vessels and Time Charter Rates
of vessels and USD/day



- Weaker chartering activity towards end of quarter following the surging European car imports and registrations ahead of the implementation of WLTP on 1 September, adverse weather and holiday season disrupting OEM supply-chains in the Far East, combined with weaker volumes into China and certain other markets
- Given WALWILs large market presence, the Group's tonnage rationalisation also played a key part in the idling in the quarter

Source: Clarksons Platou

Outlook and Q&A

by Craig Jasienski

Outlook

Increased uncertainty around the auto outlook in light of weaker auto sales in certain markets towards the end of the third quarter and the potential risk of trade barriers

The positive development for high & heavy volumes is expected to continue

Market rates remain at a depressed level, but tonnage balance expected to gradually improve

Negative rate impact of USD ~7 million y-o-y expected in the fourth quarter (limited effect q-o-q)

Current bunker prices indicate about USD 15 million higher net bunker costs in the fourth quarter compared to same period last year (changes during the quarter not accounted for)

Performance improvement program targeting USD 100 million over the next two years

Wallenius Wilhelmsen

Thank you!