Wallenius Wilhelmsen

February 12th 2019

Q4 2018
Quarterly presentation

2018 in brief

Financial results weakened compared to 2017, largely driven by higher bunker prices

Rates remained under pressure, but market fundamentals continued to improve

New legal and funding structure consistent with the business unit structure was established and a large share of the groups debt were refinanced at attractive terms

In late 2018, the USD 120 million in synergy target was confirmed and was immediately succeeded by a USD 100 million performance improvement program

The acquisition of Syngin marked the entry into full life cycle logistics, and together with the establishment of Raa Labs increased our digital capabilities

Highlights fourth quarter 2018

Adjusted EBITDA of USD 168 million, a 10% improvement q-o-q, but down 8% y-o-y

Underlying flat ocean volume development y-o-y

Ocean result impacted by biosecurity challenges and weaker project shipments in Atlantic

The landbased segment delivered stable performance

More than half of the USD 100 million performance improvement target confirmed

The board proposes a dividend of up to 12 cents/share, equivalent to USD 50 million

Agenda

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

Wallenius Wilhelmsen

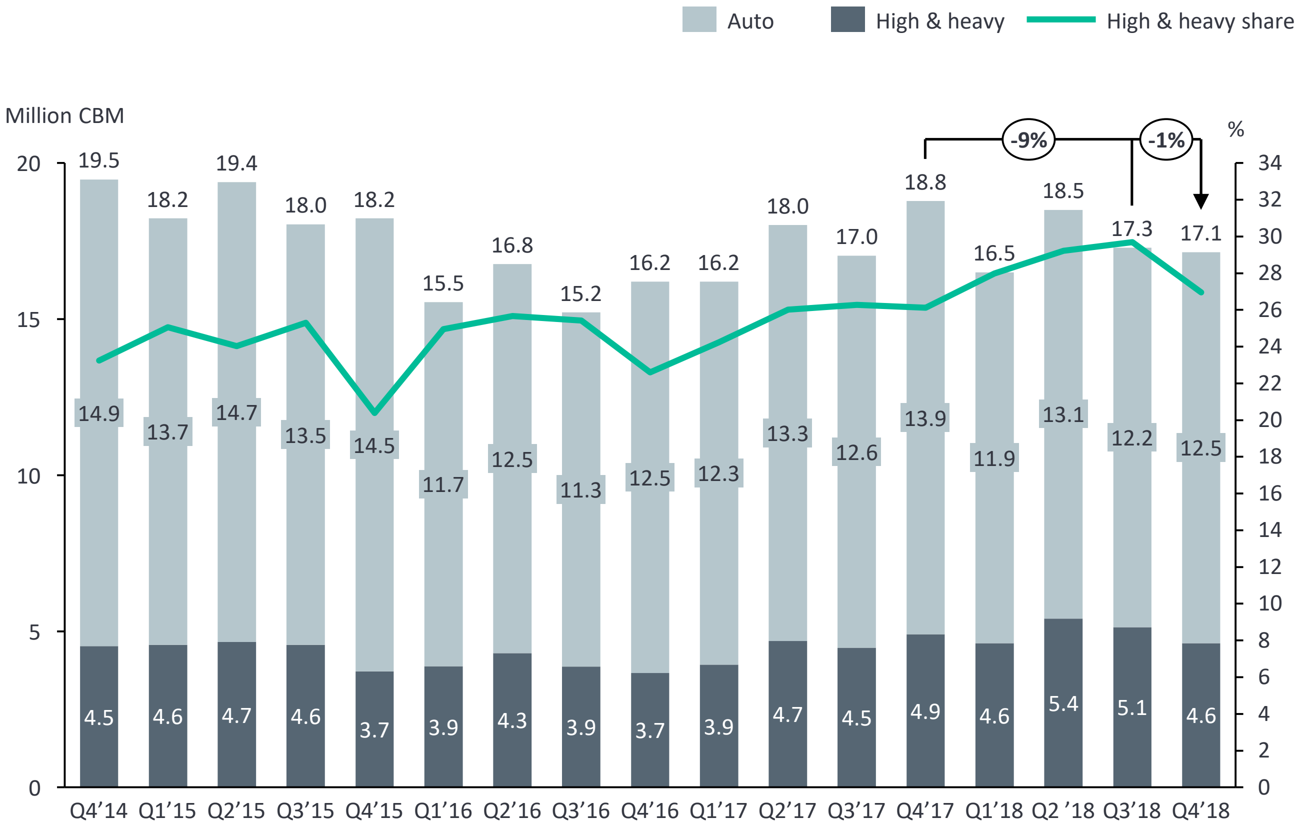
Business update

by Craig Jasienski

Underlying flat volume development in the quarter, but overall volumes pulled down by contractual changes

Volume and cargo mix development

Million CBM and %

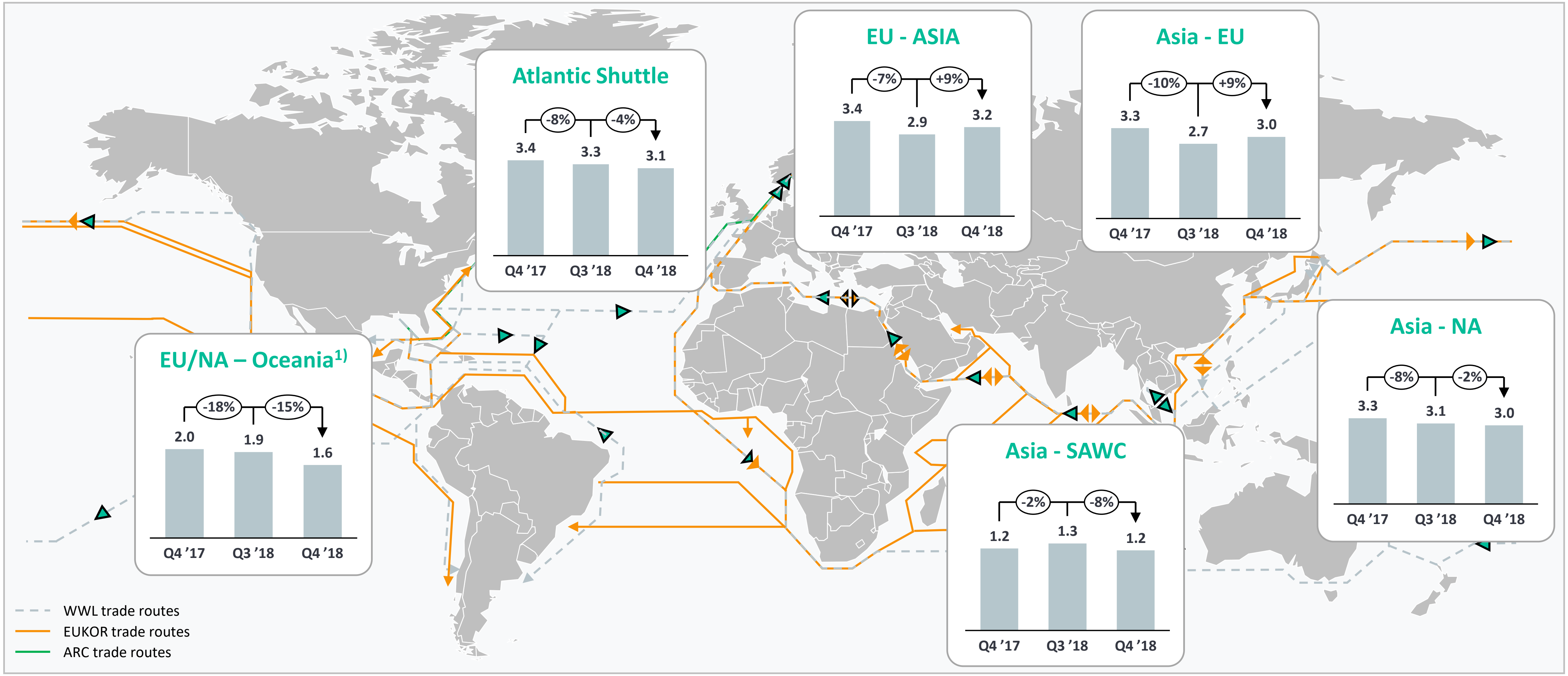


Comments

- The underlying ocean volume development was relatively flat, but volumes were down 9% y-o-y due to
  - Planned reduction in contracted volumes for Hyundai Motor Group (about 550k CBM)
  - A few contracts for Europe-Oceania/Asia not renewed due to unattractive rates (about 350k CBM)
  - Weaker spot cargo shipments in the Atlantic (250k CBM)
  - Biosecurity challenges causing delays for the Oceania trade (200k CBM)
- High & heavy volumes down 5% y-o-y driven by
  - Weaker spot cargo shipments in the Atlantic
  - Absence of high & heavy volumes to Turkey (currency crisis)
  - Challenges with biosecurity for the Oceania trade
  - Lower volumes to Middle East and Africa

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

Negative volume development for the foundation trades – largely explained by a few contractual changes



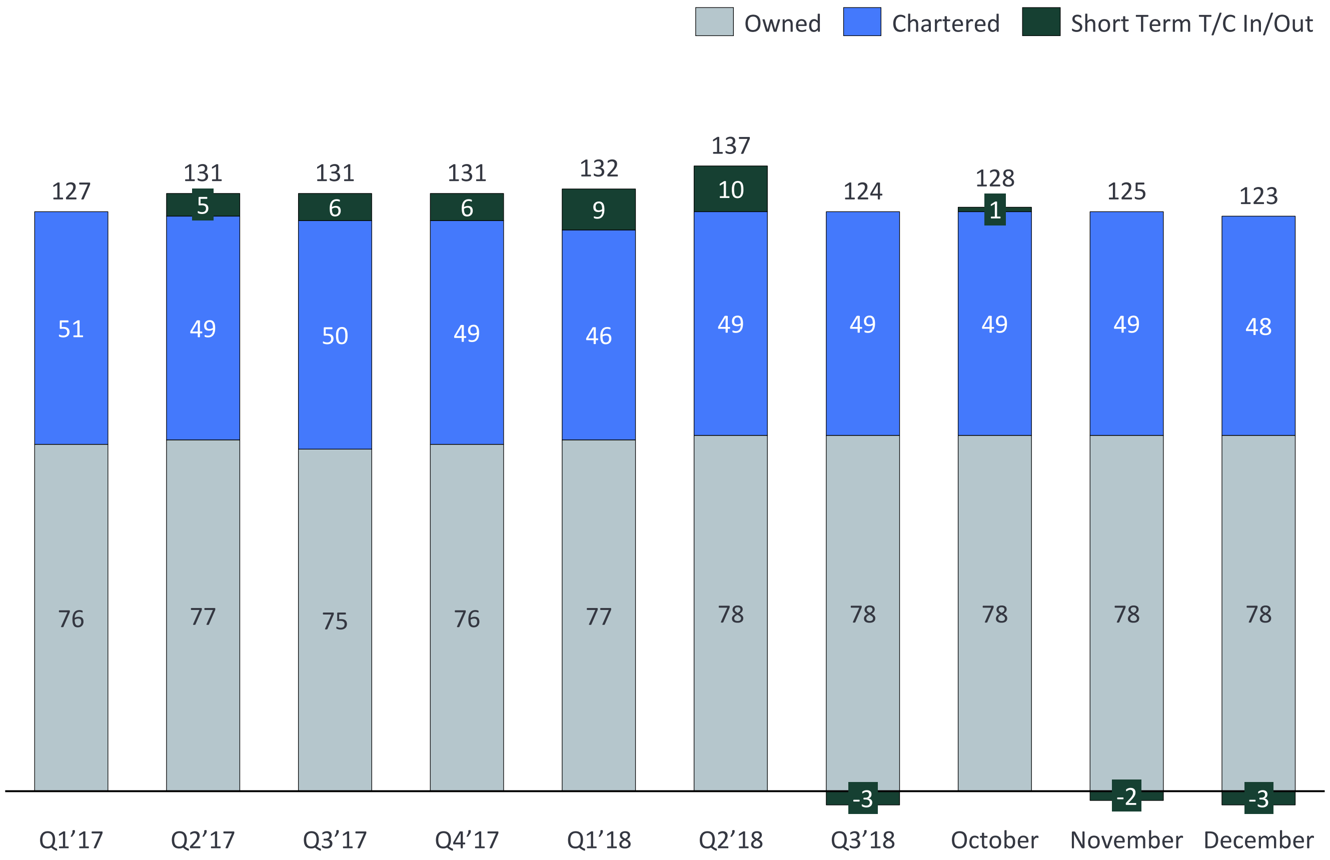
Note: Prorated volumes on operational trade basis in CBM

1) Including Cape sailings (South Africa)

Fleet capacity being tightly managed and voyage rationalization efforts helped to reduce the fleet size further

Fleet development

of vessels

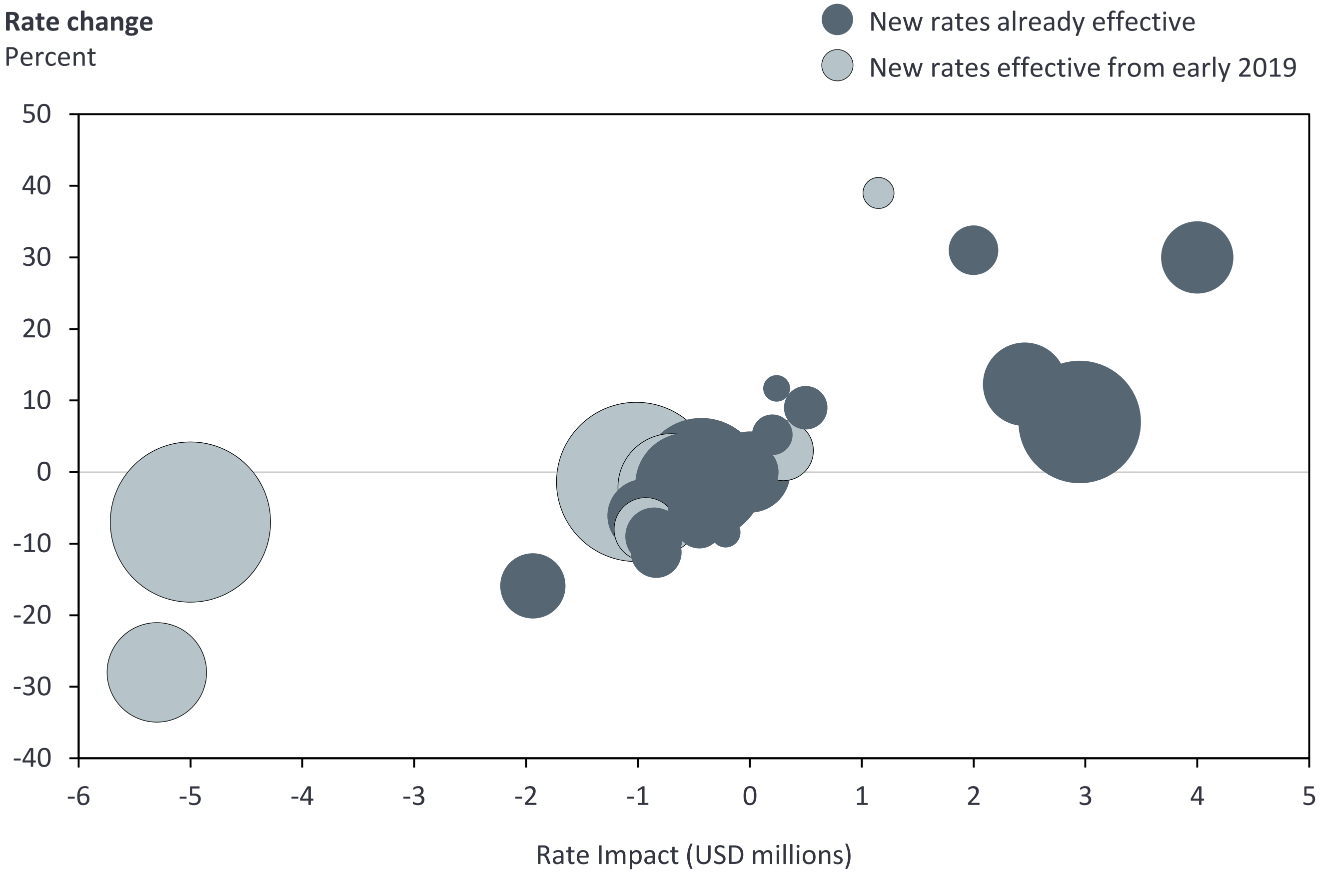


Comments

- Wallenius Wilhelmsen controlled a fleet of 124 vessels at the start of the quarter and 123 vessels at the end of the fourth quarter.
  - Fleet capacity was tightly managed in the quarter through position swaps and active leveraging of the short-term charter market.
  - Furthermore, voyage rationalization efforts helped to reduce the fleet size while stink bug challenges caused some delays and additional voyage days.
- One long-term charter vessel was redelivered to the tonnage provider during the quarter and the group retains flexibility to redeliver up to 12 vessels by 2020 (excluding vessels on short charter)
- Three Post-Panamax vessels are under construction with combined capacity of 24,000 CEU.
  - Two of these vessels are expected to enter service in 2019 and one is scheduled for delivery in early 2020.
  - The new buildings are financed through regular bank facilities

Rates remain under pressure, but also some positive development experienced for certain liner business

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

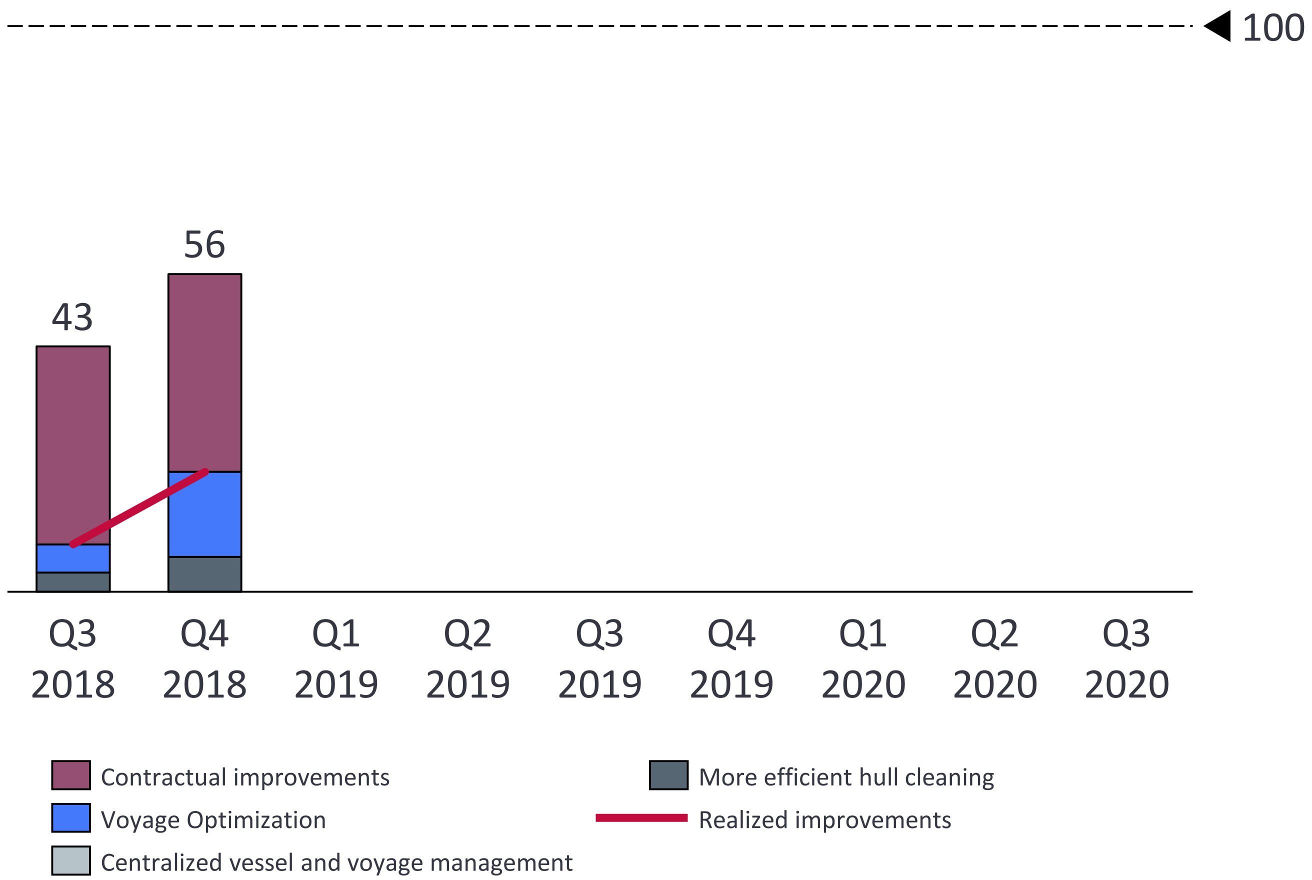


Comments

- Rates continued to be under pressure in 2018, and the estimated rate reductions going into 2019 is about USD 10 million, well below the USD 30 million going into 2018
- 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
- A net positive effect of up towards USD 25 million on an all things equal basis is expected for 2019

The 2-year performance improvement program is off to a good start

Confirmed and realized improvements
USD million in annualized effect



Comments

- The performance improvement program saw improvements in contractual arrangements and voyage optimization in the fourth quarter, confirming USD 55 million of the USD 100 million target.
- The annualized realized effect for performance improvement initiatives were about USD 20 million, derived from voyage optimization and more efficient hull cleaning practices.
- The confirmed performance improvements from contractual improvements will be effective from early 2019.

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

Financial performance

by Rebekka Herlofsen

Consolidated results – fourth quarter 2018

	Q4 2018	Q3 2018	Q4 2017
Total income	**1 022**	**1 031**	**1 033**
Operating expenses	(854)	(879)	(853)
EBITDA	**168**	**152**	**177**
EBITDA adjusted	168	152	182
Depreciation	(88)	(87)	(85)
Other gain/losses	36	(9)	0
EBIT	**116**	**56**	**93**
Net financial items	(82)	(34)	(35)
Profit before tax	34	22	58
Tax income/(expense)	11	(1)	27
Profit for the period	**45**	**21**	**86**
EPS	0.10	0.05	0.20

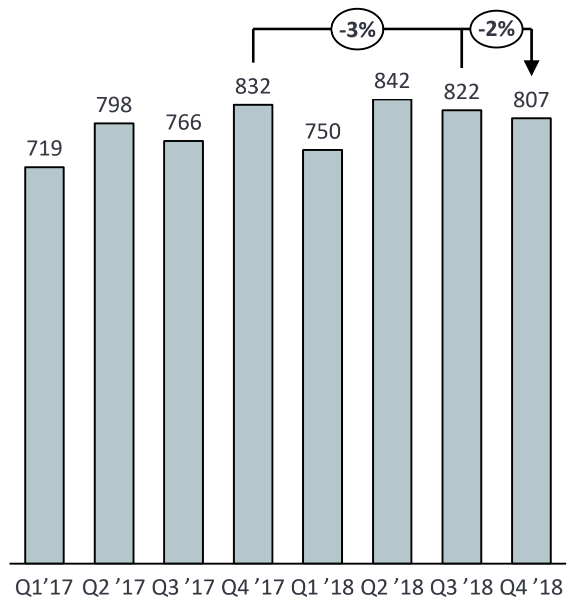
Comments

- Total income was USD 1 022 million in the fourth quarter, down 1% y-o-y due to lower revenues for the ocean segment
- Adjusted EBITDA of USD 168 million, down 8% y-o-y, but a 10% improvement over previous quarter
- Changes in fair value of the EUKOR put/call option is recognized as Other gain/(loss) and had a positive effect of USD 36 million in the fourth quarter
- Net financial items of USD 82 million in the quarter
  - Net interest expense in line with the previous quarter at about USD 45 million
  - Net financial expenses negatively impacted by USD 25 million from unrealised interest rate derivates and USD 7 million in losses on bunker hedges
- Tax income of USD 11 million in the fourth quarter

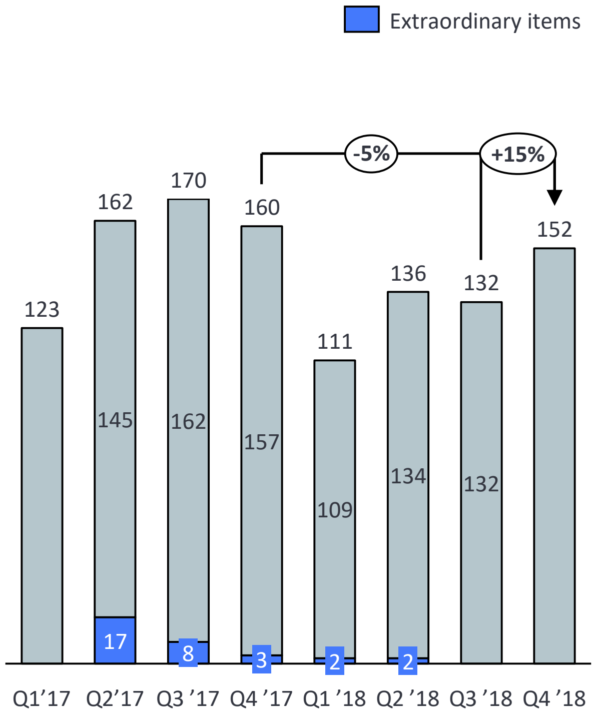
Ocean segment – fourth quarter 2018

Total income and EBITDA ocean segment[1]
USD million

Total income



EBITDA



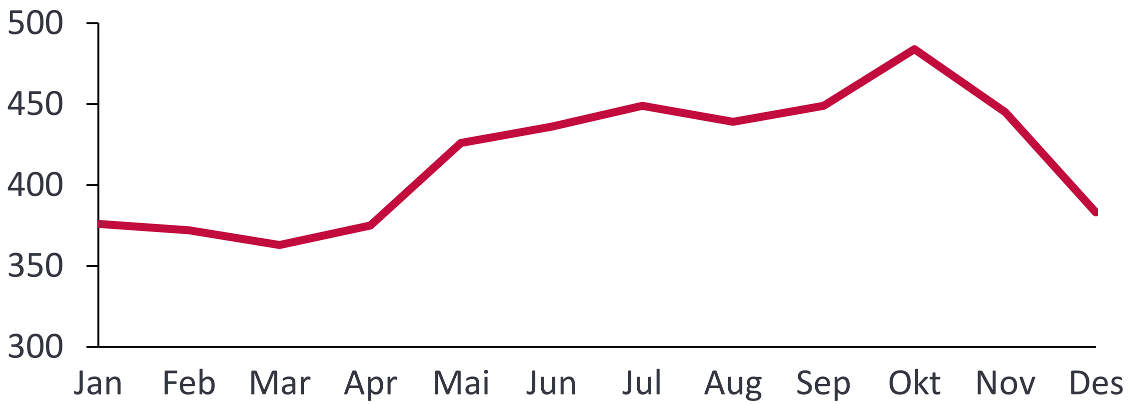
Comments

- Total income was USD 807 million, down 3% y-o-y driven by lower net freight which was partly offset by increased fuel cost compensation from customers.
- EBITDA adjusted of USD 152 million, down 5% y-o-y
  - Higher bunker prices (USD 10 million)
  - Reduced contracted HMG volumes (550k CBM)
  - Lower rates (USD 5 million)
  - Weaker spot cargo shipments in Atlantic
  - Biosecurity challenges (USD 3 million)
- The negative effects were partly offset by full realization of synergies, slight improvement in cargo mix and early wins for the performance improvement program
- EBITDA adjusted was up 15% q-o-q largely explained by increased fuel cost compensation from customers and the performance improvement program.

1) *Adjusted for extraordinary items*

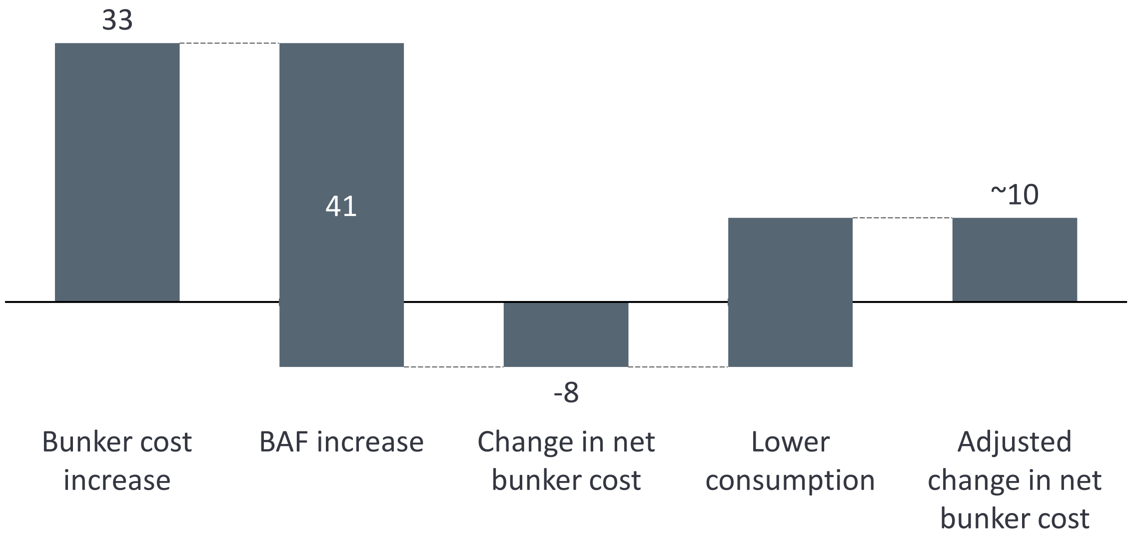
Higher bunker prices impacted results with USD 10 million y-o-y

Bunker price development in 2018
USD/ton HFO[1]



- Bunker cost in the quarter was mainly influenced by the prices in the period Aug-Nov (and not the low prices in the second half of the fourth quarter) as vessels typically fuel for 45-90 days
- BAFs updated during the quarter were mainly based on prices in June to September which were higher than the prior 3-4 months period

Net bunker cost increase y-o-y
USD million

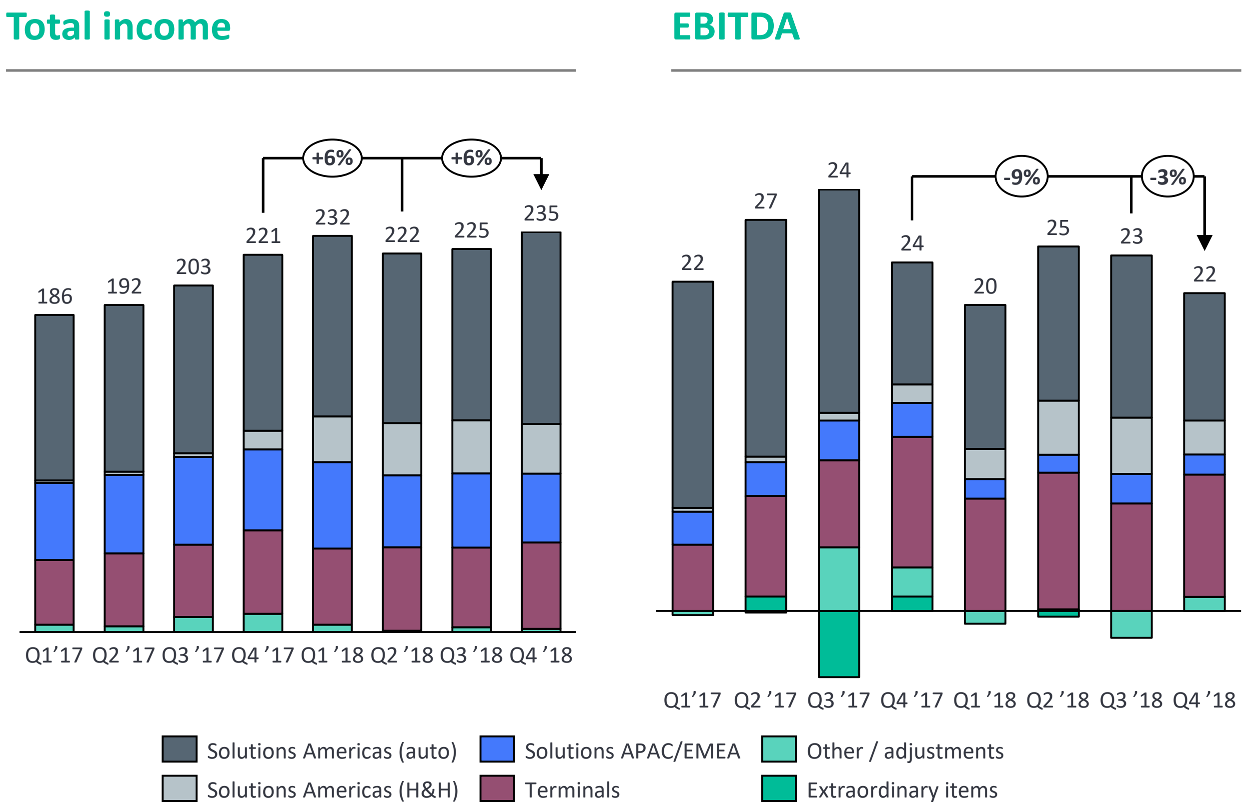


- The bunker cost increase of USD 33 million was more than offset by increased BAFs and net bunker cost was down USD 8 million y-o-y
- However, adjusted for lower bunker consumption in the quarter net bunker cost was up about USD 10 million y-o-y

1 average price paid per ton HFO for WW Ocean

Landbased segment – fourth quarter 2018

Total income and EBITDA landbased segment
USD million



Comments

- Total income was USD 235 million, up 8% y-o-y driven by increased revenues for VSA, the Melbourne terminal and the acquisitions of Keen and Syngin.
- EBITDA adjusted for landbased was down 9% y-o-y, mainly explained by an increase in IT SG&A cost allocation that took place in the first quarter 2018.
- The ramp up of the Melbourne terminal and the acquisitions of Keen and Syngin contributed positively to the results.
- EBITDA adjusted in the fourth quarter was down 3% compared to the previous quarter mainly due to seasonally lower results for VSA and Keen
- Towards the end of the year, it was decided to close the Kotka terminal due to low volumes and a weak outlook (one-off cost of about USD 1 million)

Consolidated results – Full year 2018

	Full year 2018	Full year 2017 proforma	% change
Total income	**4 065**	**3 849**	**6 %**
Operating expenses	(3 463)	(3 173)	9 %
EBITDA	**601**	**677**	**-11 %**
EBITDA adjusted	606	706	-14 %
Depreciation	(345)	(334)	**3 %**
Other gain/loss	(12)	0	
EBIT	**244**	**344**	**-29 %**
Net financial items	(166)	(182)	-9 %
Profit before tax	78	162	-52 %
Tax income/(expense)	(20)	18	n/a
Profit for the period	**58**	**179**	**-68 %**
EPS	0.12	n/a	n/a

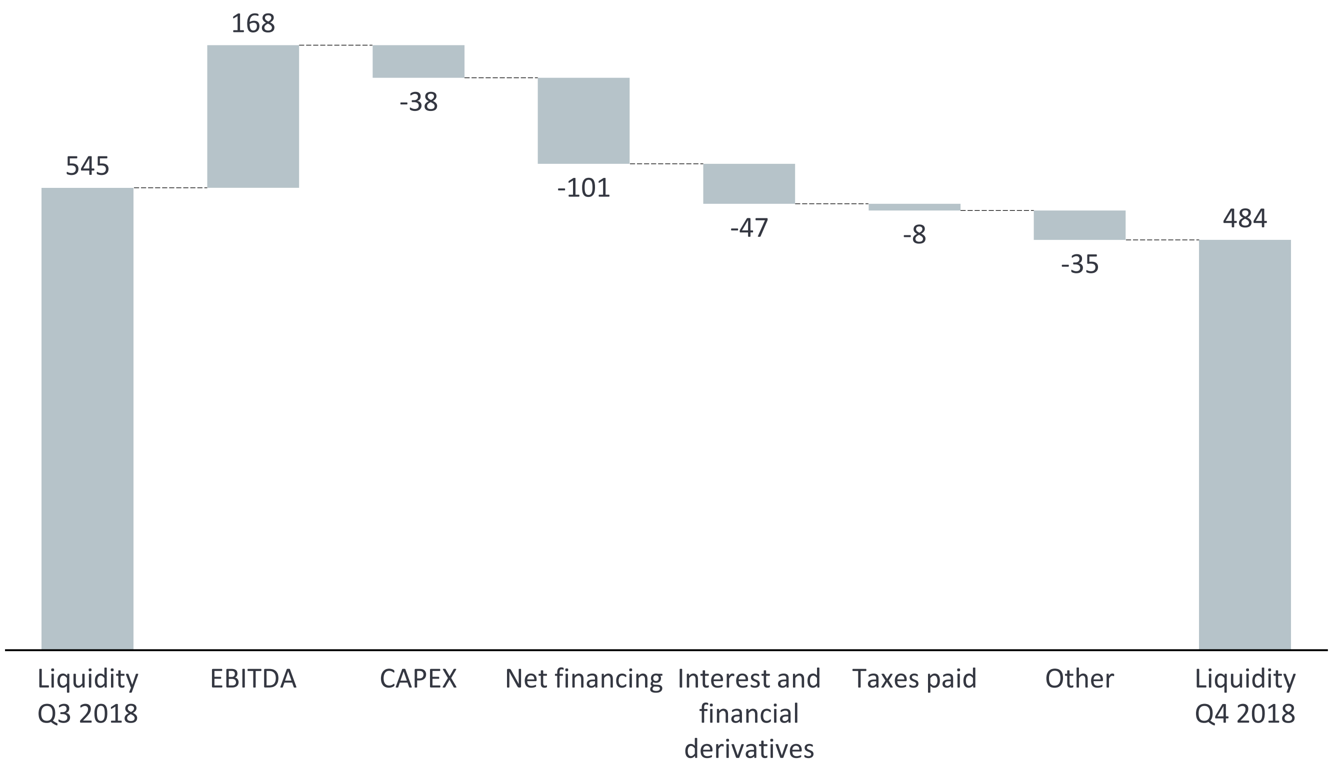
Comments

- Total income was USD 4 065 million for the full year of 2018, an increase of 6% from last year with increased revenues for both the ocean and landbased segment.
- Costs of about USD 5 million related to the restructuring and realization of synergies were recorded in 2018 compared to about USD 30 million in 2017
- EBITDA adjusted of USD 606 million, down 14% y-o-y
    - Higher net bunker cost (USD 70 million)
    - Lower rates (USD 30 million)
    - Reduced contracted HMG volumes
    - Unfavorable currency movements (USD 20 million)
    - Biosecurity challenges (USD 6 million)
    - Flat development for landbased
- The negative effects were partly offset by underlying positive volume and cargo mix development and realization of synergies

Cash flow and liquidity development – fourth quarter 2018

Cash flow and liquidity development

USD million



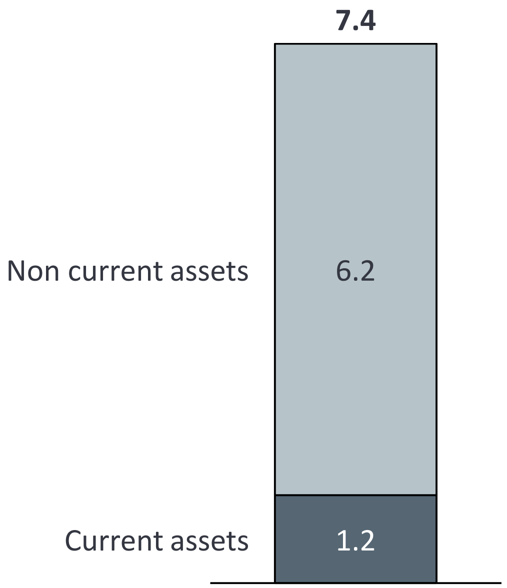
Comments

- CAPEX of USD 38 million includes
  - Dry docking costs (USD 10 million)
  - Scrubber instalments (USD 15 million)
  - Zeebrugge expansion (USD 5 million)
  - Maintenance CAPEX landbased (USD 5 million)
- Net financing of USD 100 million mainly relates to
  - Regular instalments of about USD 70 million
  - Refinancing of 7 vessels in WW Ocean of USD 325 million with net proceeds of USD 20 million
  - Repayment of drawn credit facilities of USD 50 million
- Other includes increased accounts receivable at year end of about USD 20 million

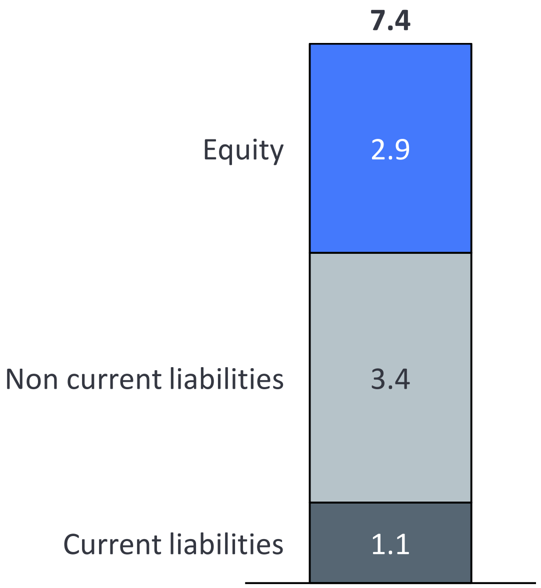
Balance sheet review – fourth quarter 2018

Balance Sheet 31.12.2018
USD billion

Assets



Equity & Liabilities



Comments

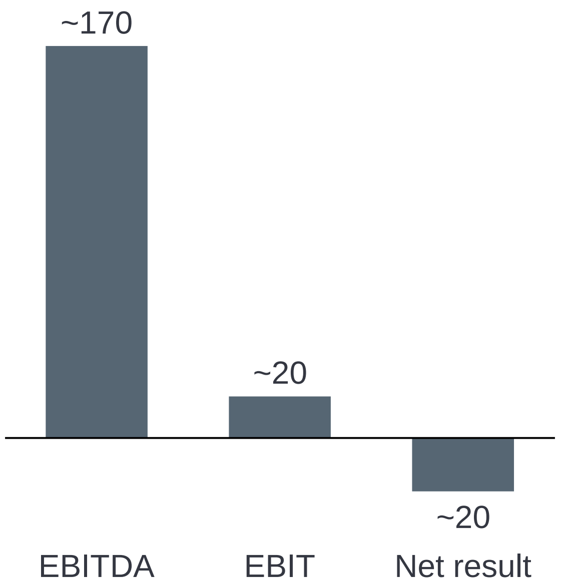
- Total assets of USD 7.4 billion with equity ratio of 38.8%, up from 38.0% last quarter
- Net interest bearing debt of USD 3.1 billion, down by USD 50 million due to positive cash flow and debt instalments
- Continued strong cash and liquidity position with USD 484 million in cash and about USD 335 million in undrawn credit facilities
- A put-call arrangement exists in the shareholder agreement with HMG for the investment in EUKOR. The net derivative became exercisable in 2018, when volumes fell to 40%, and is therefore reflected in the balance sheet with a net value of USD 94 million partly offset by a reduction in goodwill of USD 52 million

IFRS 16 – Impact for Wallenius Wilhelmsen

Estimated impact of Change in Lease Accounting (IFRS 16)
USD million

Effect on balance sheet

Effect on income statement



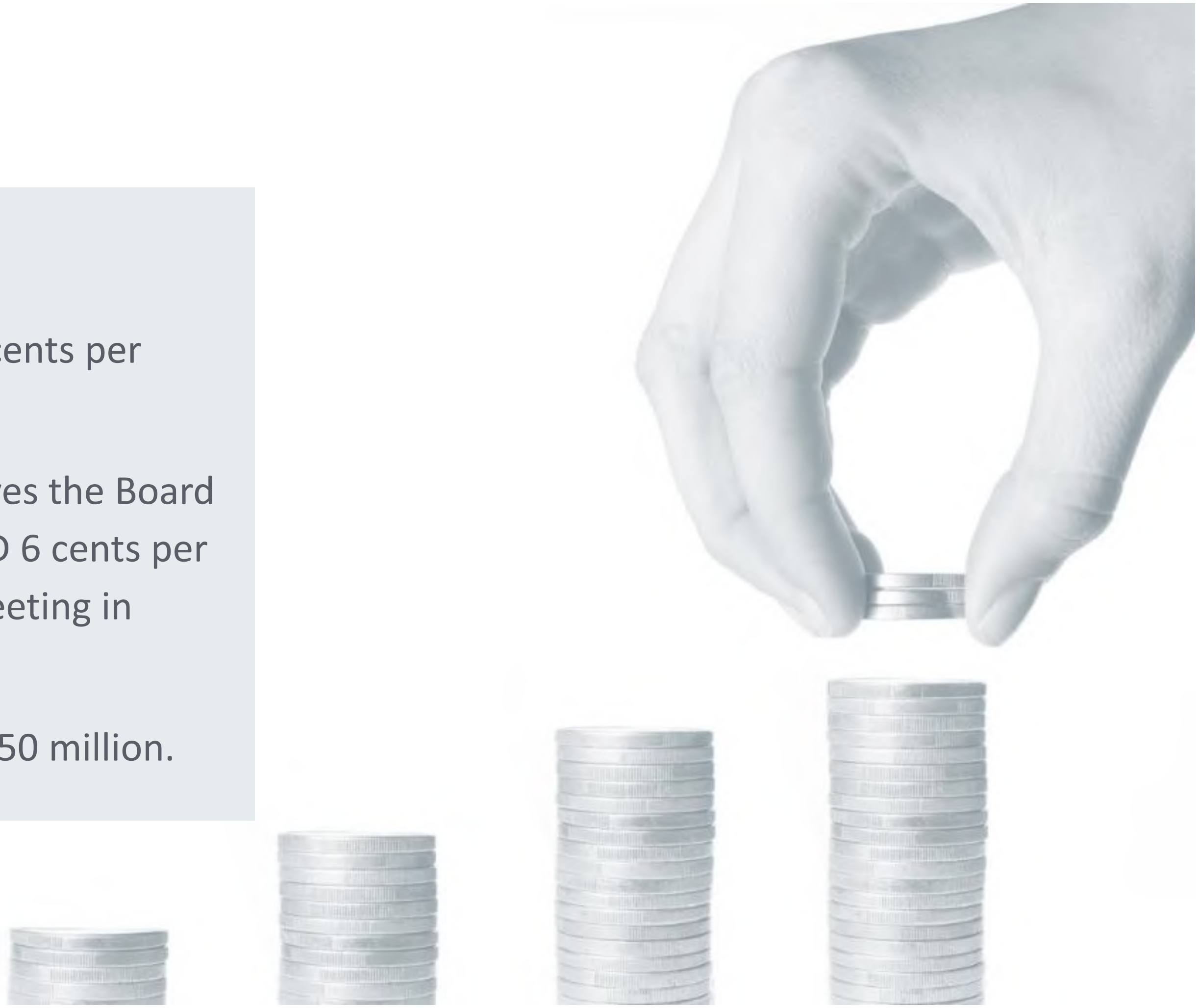
Comments

- All leases excluding short term and non-material leases to be recognized on the balance sheet from 1.1.2019
- Leases mainly relate to terminal / other land leases in WW Solutions and long term charters in EUKOR and WW Ocean
- For WALWIL the effects for key ratios s are as follows
  - Equity ratio: Negative effect of about 4.5 p.p.
  - ROCE: Negative effect of 0.7 p.p.
  - NIBD/EBITDA: Limited effect at current level
- According to the company's existing loan agreements, the new standard will not result in breach of debt covenants.
- Proforma IFRS 16 figures will be prepared for 2018 to allow for proper comparison with 2019 actuals

Board proposes first dividend for Wallenius Wilhelmsen since the merger

Dividend for 2018

- The Board has decided to propose an ordinary dividend of 6 cents per share to the Annual General Meeting in April 2019
- The board also proposes that the Annual General Meeting gives the Board authority to approve a second dividend payment of up to USD 6 cents per share for a period limited in time up to the annual general meeting in 2020, but no longer than to 30 June 2020
- In total, the proposed dividend for 2018 is equivalent to USD 50 million.



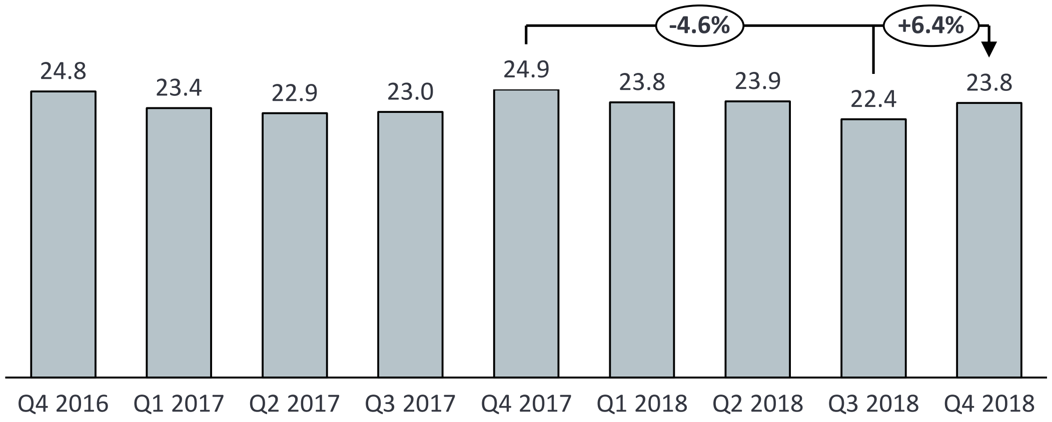
Market outlook

by Craig Jasienski

Soft auto sales in the quarter, down 4.6% y-o-y driven by slow sales in China and Europe

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

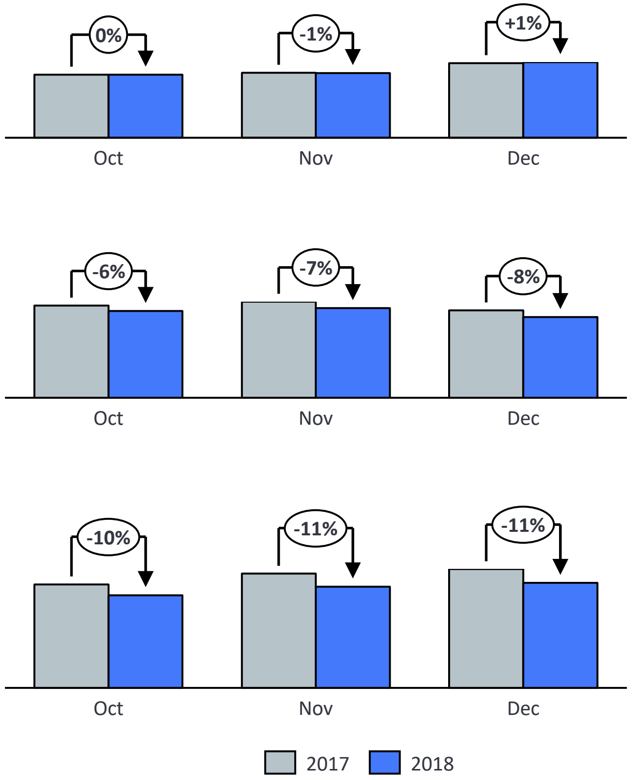
Units



- North American sales declined 1.4% y-o-y and 0.1% q-o-q partly explained by increasing financing cost for consumers.
- Sales in Western Europe dropped 5.2% y-o-y and declined 3.5% q-o-q largely driven by the implementation of the EU WLTP emission testing scheme
- Chinese auto market is clearly influenced by the US trade tensions, currency depreciation and reduced consumer confidence and was down 10.4% y-o-y
- The Russian and Brazilian markets recorded another quarter of solid y-o-y growth

Regional LV sales per month[1,2)]

Growth (y-o-y)



USA (+0.6% YTD):

December sales increased slightly 1.4% y-o-y, making 2018 the second best selling year in US history

Western Europe (-0.3% YTD):

December sales continued down, 7.5% as several OEMs continue to struggle with the WLTP implementation

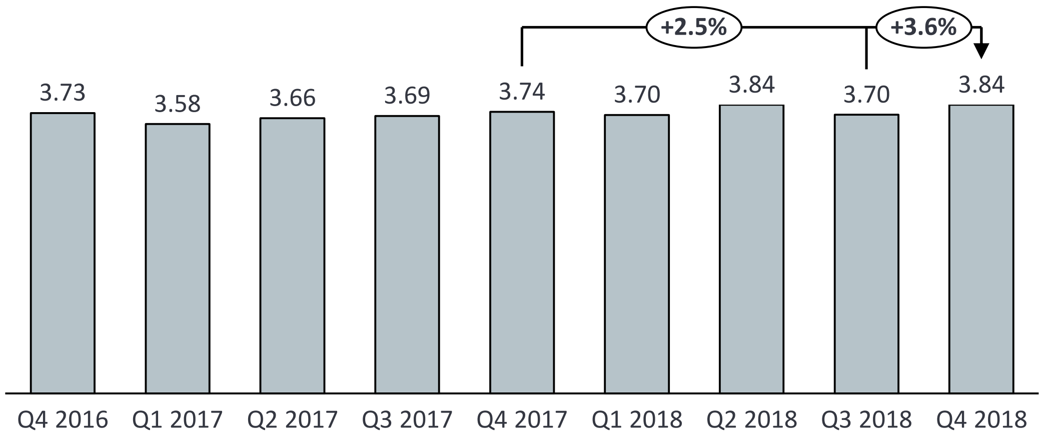
China (-3.1% YTD):

China LV sales finished the year below expectations, as consumer confidence weakens

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

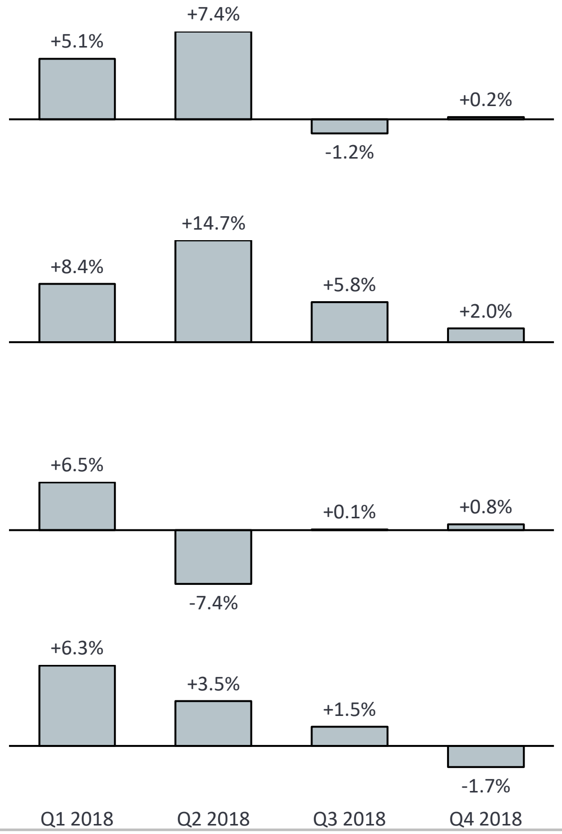
Auto exports strengthened 2.5% y-o-y in the fourth quarter

Global LV export per quarter
Units



- North American exports was down 2.0% y-o-y and up 1.2% q-o-q as Chinese imports were hit by increased tariffs and the W European sales were slow
- Exports out of Europe increased 1.3% y-o-y and 8.8% q-o-q, as exports to major regions performed solid in Q4
- Japanese exports declined 1.1% y-o-y (-2.4% q-o-q), with earthquakes disrupting supply-chains, while South Korean exports declined 0.2% y-o-y and 3.1% q-o-q
- Chinese exports grew 40.2% y-o-y and 24.1% 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 (+2.8% YTD):

Imports increased 0.2% in the quarter (y-o-y), as tariff worries still is significant

Europe (+7.8% YTD):

Imports increased 2.0% in the quarter (y-o-y), despite the WLTP introduction in September

China (0.0% YTD):

Imports increased 0.8% in the quarter (y-o-y), as effects of the general tariff reduction offers some support

Australia (+2.4% YTD):

Imports declined -1.7% in the quarter, as sales of LV and passenger vehicles in particular has been soft in 2018

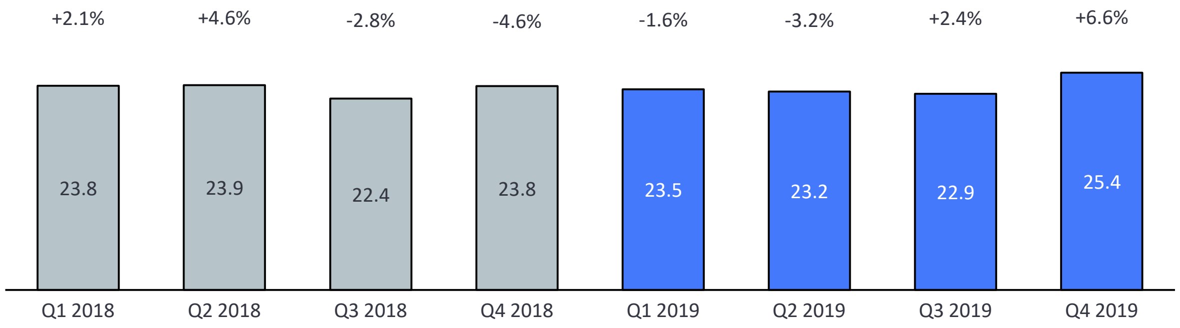
Source: IHS Markit. Imports/Exports are sales based

Market uncertainty has increased although auto analysts remain positive about medium-term growth prospects

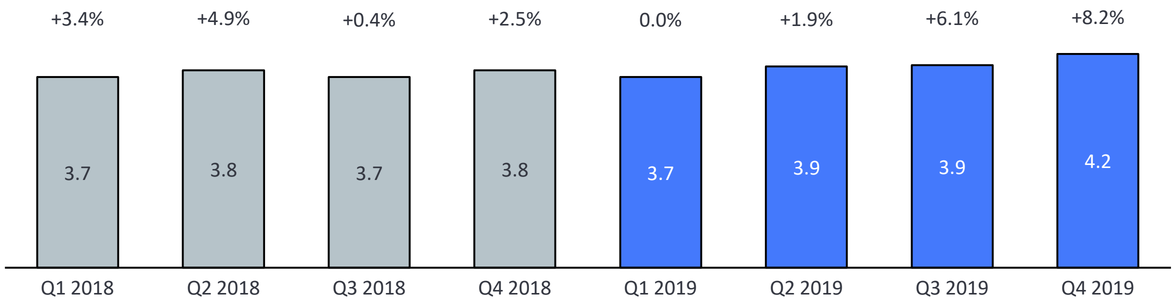
Global LV forecasts

Units and growth (y-o-y)

Global LV sales



Global LV exports



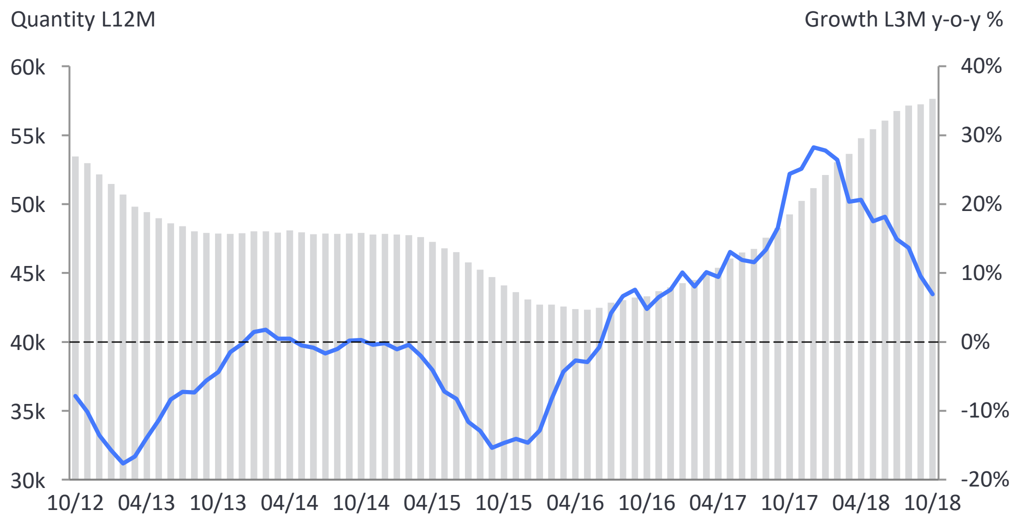
Several factors are fuelling uncertainty in the short and medium term:

- 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). WLTP effect in Q1 and possible longer before a catch up game.
- Increased Brexit uncertainty triggering temporary and permanent production shutdowns
- Softening Chinese momentum. Stimulus: government indicated supportive measures in rural area. However tone of macro policy is still to avoid any big stimulus at this moment. Inventories high
- Higher vehicle prices in the US due to increased finance cost
- Continued 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

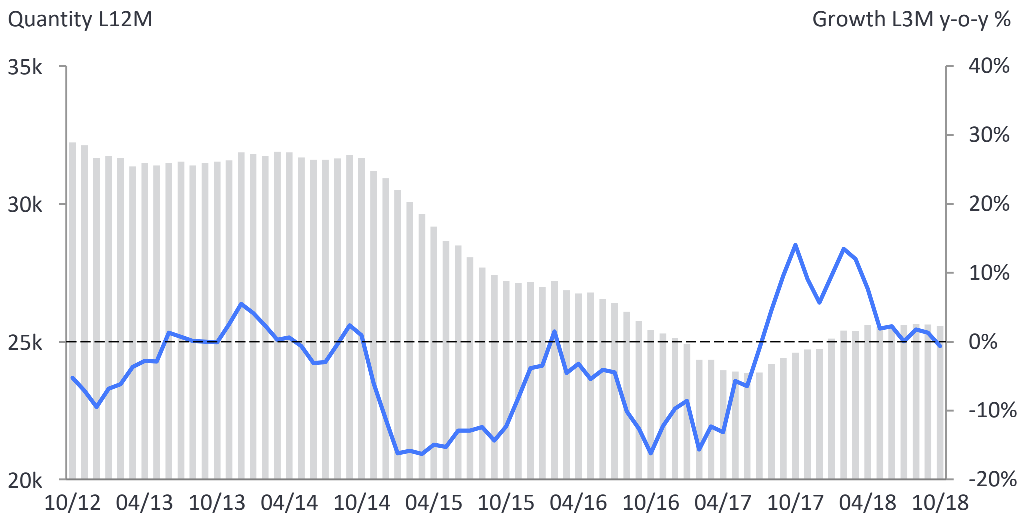
High & heavy trade remained solid, but momentum keeps softening

Global construction and rolling mining equipment exports



- Global construction equipment export growth decelerated to 7% y-o-y, as the global economic expansion is becoming increasingly unsynchronised
- Imports continued to grow in North America (+12% y-o-y), Europe (+6% y-o-y) and Oceania (+5% y-o-y)

Global agriculture equipment exports



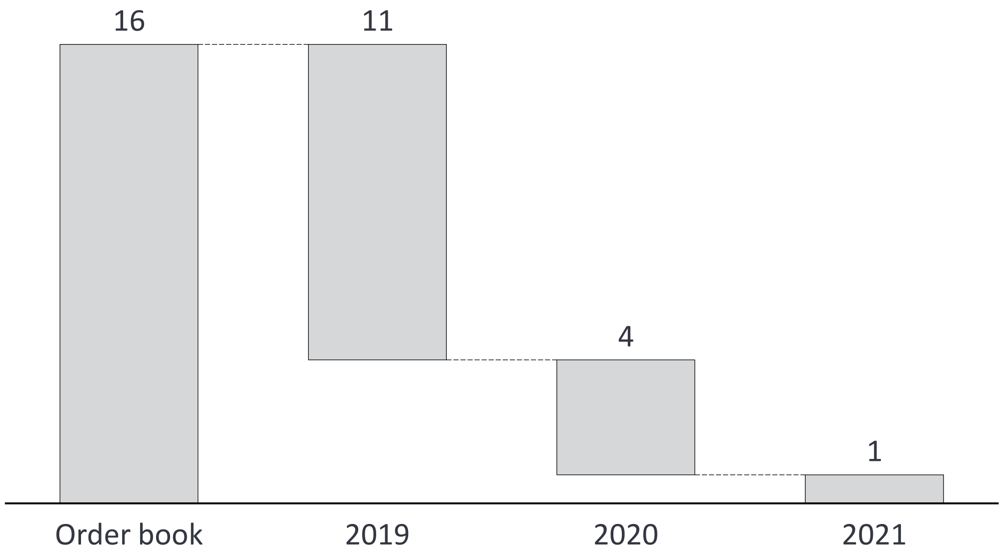
- Global agriculture equipment exports edged down 1% y-o-y
- Sales and registrations were soft in most key markets, with U.S. (-1% y-o-y), Germany (-11% y-o-y), the UK (-19% y-o-y) and Australia (-1% y-o-y) all declining, while the Brazilian market again strengthened (+20% y-o-y)

Machinery exports (L12M) | Machinery export growth (L3M)

Source: IHS Markit | World (major exporters) machinery exports (equipment valued >20 kUSD) (Avg. units L12M (last 12 months) and L3M (last 3 months) y-o-y %). Data refer to the three-month period ending in October, 2018, with the exception of imports to Oceania, referring to the three-month period ending in November, 2018.

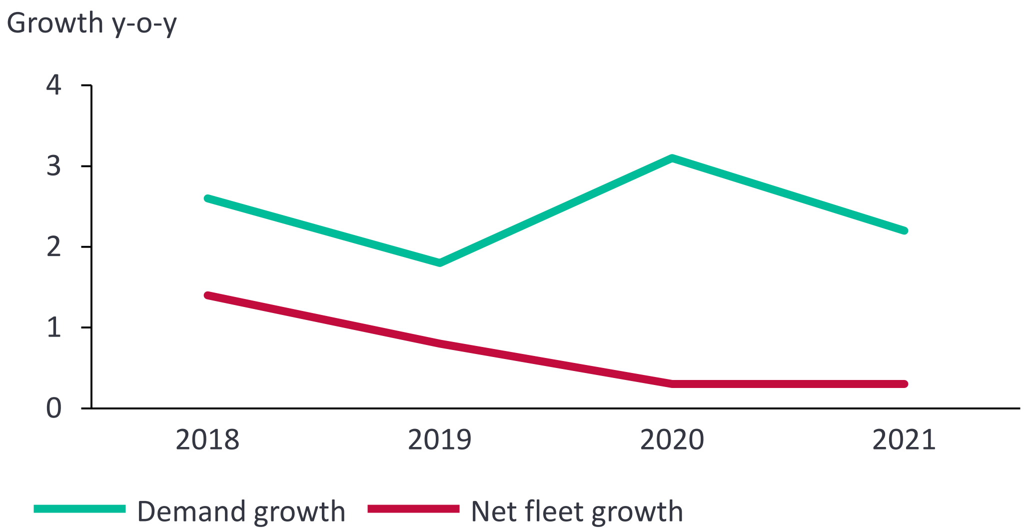
Further reductions in the order book

Car Carrier Fleet Orderbook
vessels equal or above 4000 CEU



- No new orders were confirmed in the quarter
- Four vessels were delivered, three vessels recycled and one converted 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

Wallenius Wilhelmsen

Outlook and Q&A

by Craig Jasienski

Outlook

Increased uncertainty around the volume outlook due to slightly softer macro picture

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

Lower bunker prices expected to support profitability in the next quarter due to positive lag effect

Biosecurity challenges expected to continue in the short term (similar impact as last quarter)

Rate reductions of USD 10 million going into 2019, well below the USD 30 million effect last year

Good progress on the performance improvement program will support profitability in 2019

Thank you!