WALLENIUS WILHELMSEN
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# Q2 Presentation

August 9th 2017

Craig Jasienski, President & CEO

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# Agenda

- Business Update
- Financial Performance
- Market and Business Outlook
- Summary and Q&A

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# BUSINESS UPDATE

by Craig Jasienski


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# Business update Q2 at a glance...

- Organizational restructuring completed
- Realization of synergies well on the way
- Volume, cargo and trade mix show positive development
- Still pressure on ocean rates
- Positive development for landbased continues

# Organizational restructuring completed

- Organizational restructuring completed with a ~20% reduction in office staff
- USD 20 million in personnel related restructuring costs accounted for in the second quarter, well below savings achieved
- Landbased separation in place, tasks from owners absorbed and organizations from WW ASA and WWL AS merged
- Foundation for increased cooperation between WWL Ocean and EUKOR established

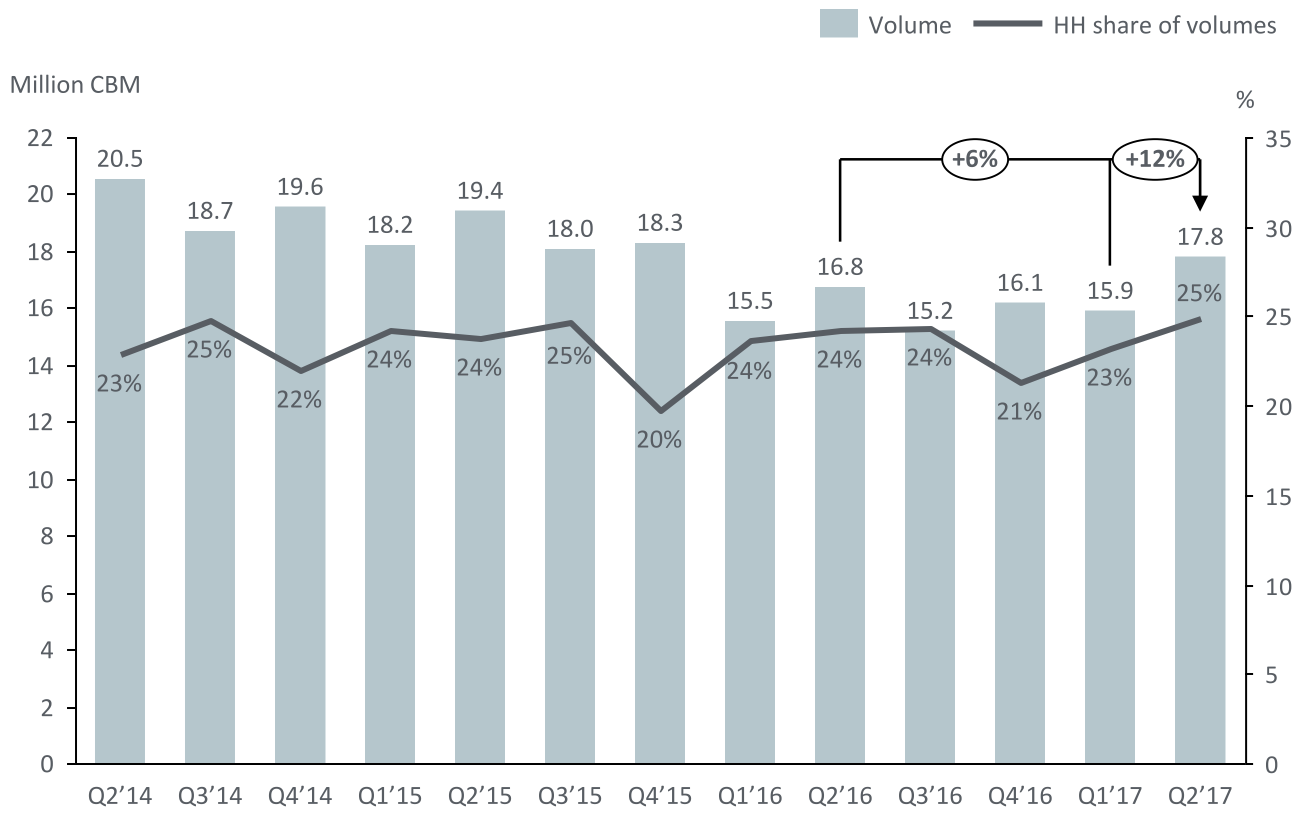
# Realization of synergies well on the way…

- Approximately half of the targeted annualized synergies have been confirmed, through actions related to the organizational restructuring and procurement
- USD 5 million already realized in Q2 (annualized effect of USD 20 million)
- The remainder of confirmed synergies gradually taking effect over the next 3-9 months
- Realization of remaining synergies on fleet optimization, ship management and IT carry a longer lead time
- USD 100 million synergy target within 2019 remains

# Volume and cargo mix show positive development

## Volume and cargo mix development

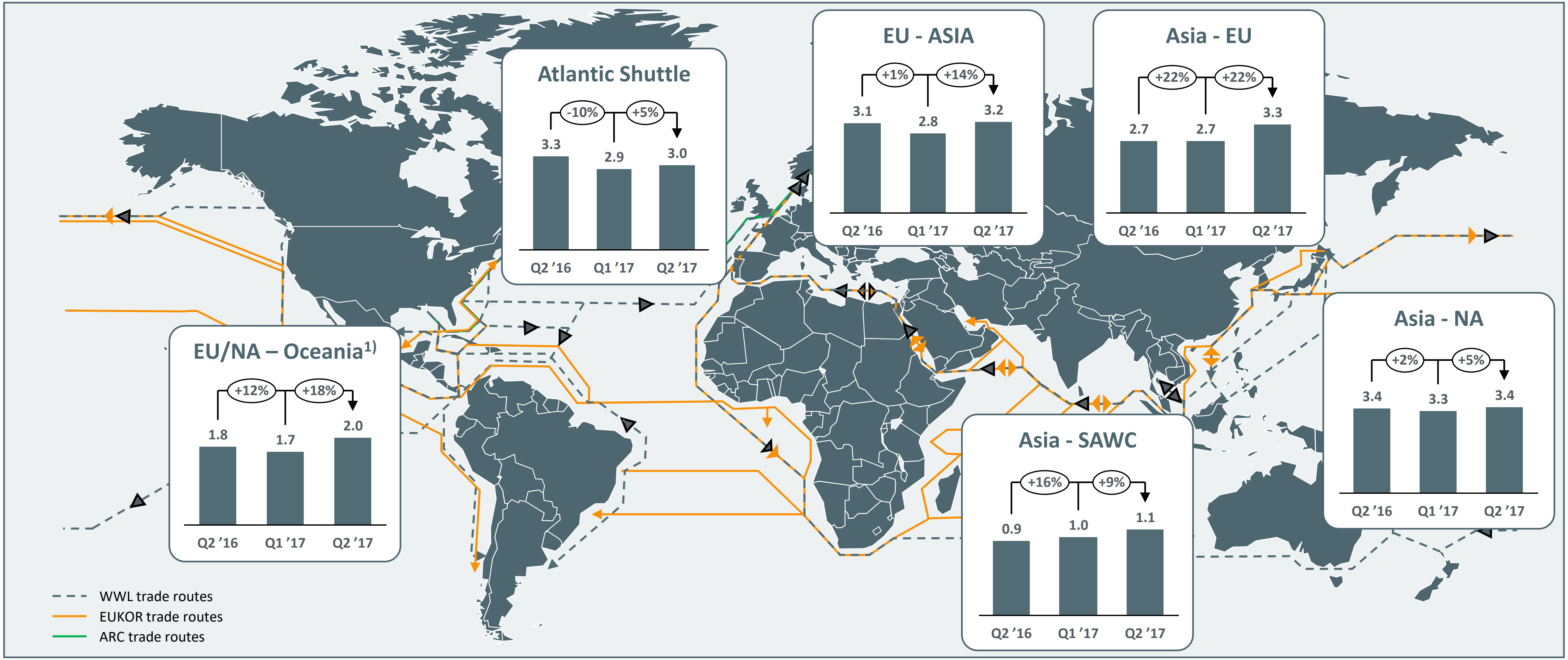
*Million CBM and %*




## Comments

- Ocean transported volumes up 12% q-o-q, largely driven by seasonality:
  - Increased exports out of Asia, mainly to Europe and North America
  - Increased exports from Europe to Asia
  - Increased exports from Europe to Oceania
- Improved cargo mix with a high & heavy share of 24.8%, up from 23.2% q-o-q
- Ocean transported volumes up 6% y-o-y primarily driven by higher volumes transported in foundation trades, in particular export from Asia to Europe

# Good seasonal development in all foundation trades





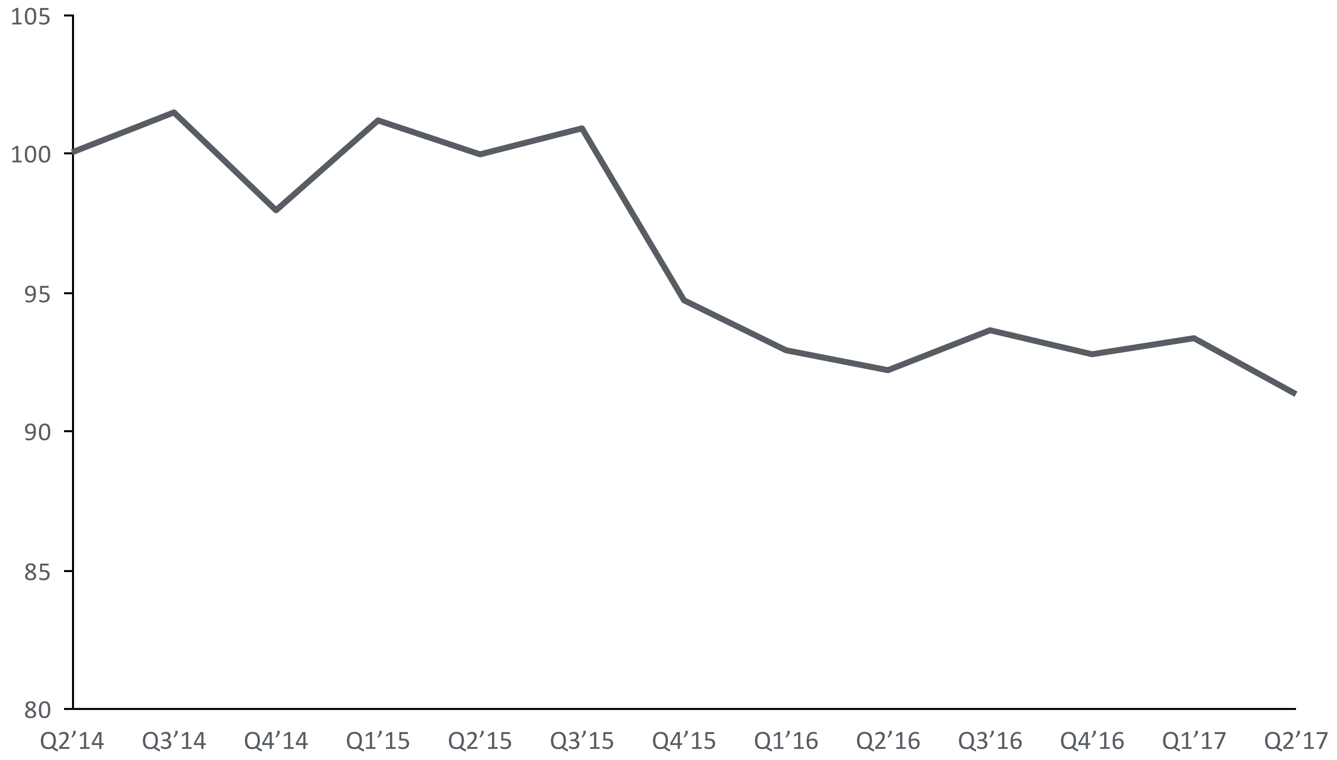

*Note: Prorated volumes on operational trade basis in CBM*

*1) Including Cape sailings (South Africa)*

# But there is still significant pressure on rates

## Net freight / CBM development[1]

Indexed to 100 per Q2 2014




## Comments

- Net freight / CBM development not only impacted by rates, but also trade, customer and cargo mix
- There is still significant pressure on rates in several tenders due to tough competition and customer procurement focus

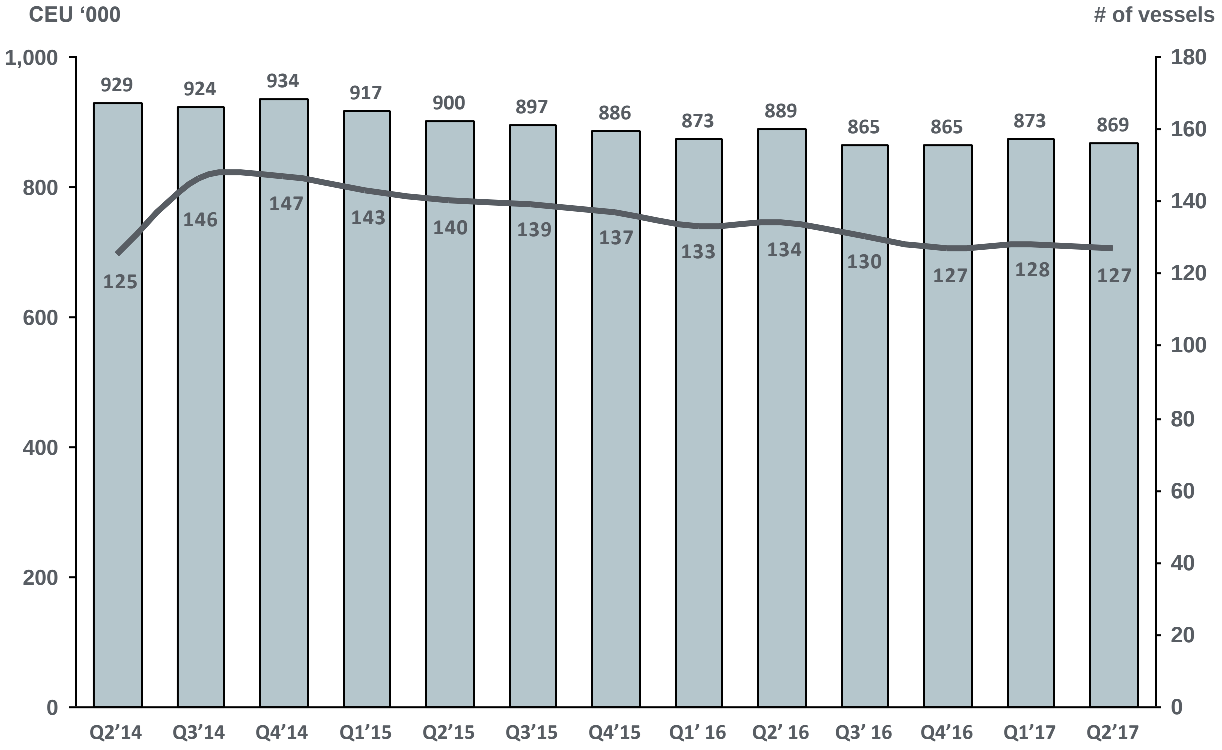
*Note: Unprorated volumes excluding US flag operations*

*1) Net freight = Revenues adjusted for BAF elements such as BAF and SRC*

# Total fleet is 127 vessels, with one delivery in the second quarter

## Fleet development

*CEU in 1000, # of vessels*




## Comments

- WWL ASA operates approximately 20% of the global car carrier fleet
- In Q2, two chartered-in vessels were redelivered to external owners and a Post-Panamax newbuilding, "Morning Prosperity", was delivered in June for EUKOR
- Regular chartering in and out of short term positions continued throughout the quarter to balance capacity
- Four Post-Panamax vessels under construction and expected to enter service between 2017 and 2019, with remaining installments of USD 170 million
- The group has the flexibility to redeliver three vessels by end of 2017 and has 18 vessels on short term charters

# The positive development for landbased continues…

- **Continued strong performance for technical services** supported by stable volumes and high content value adding services for VSA
- **Build-up of auto inventories** in the US continued in Q2 2017
- **Terminals experienced improved performance in line with overall increase in ocean volumes** with the terminals in Baltimore, Port Hueneme, Pyeongtaek and Zeebrugge as the main positive contributors
- On the business development side **several smaller positive developments took place**
  - **Network expanded with three new yard management contracts** (two in Mexico for VSA and one in Europe)
  - **Expansion of Oxnard VPC** to facilitate growth with new and existing customers
  - 25% of Vehicle Services South Africa (VSS) sold to local new partner to ensure compliance and **improve competitive position**
- **Interesting pipeline of investment and M&A opportunities for landbased**

# Financial Performance

by Rebekka Glasser Herlofsen

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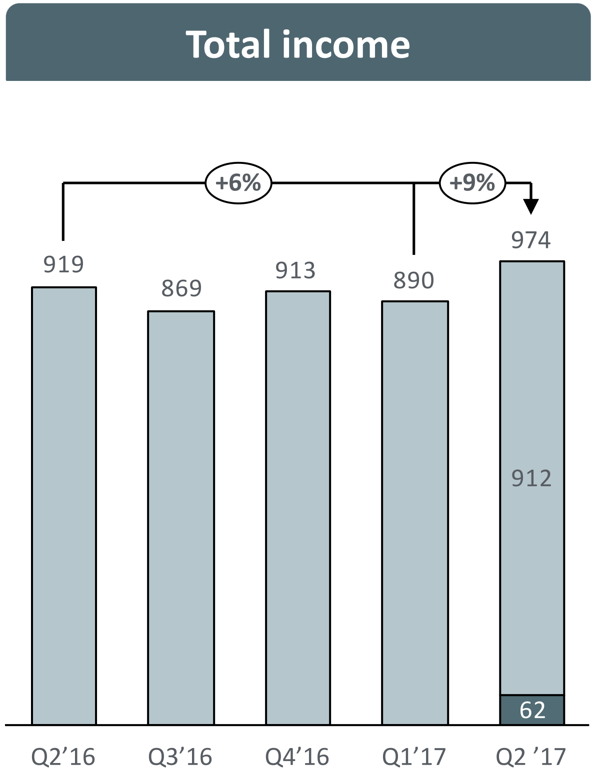
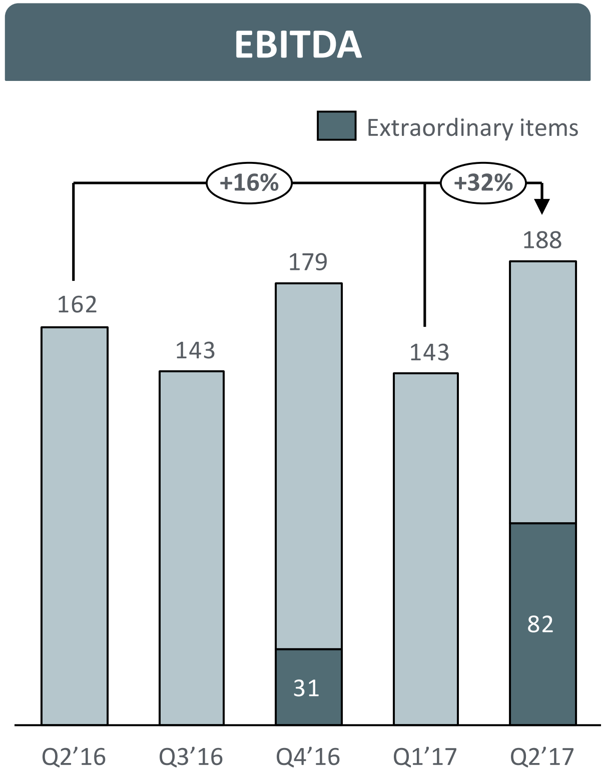
# Consolidated results – second quarter

## Consolidated results - Total income and EBITDA[1, 2]

*USD million*




## Comments

- Extraordinary items in the second quarter include
  - Merger accounting loss of USD 62 million
  - Org. restructuring cost of USD 20 million
- Total income adjusted for the merger accounting loss was USD 974 million, up 9% q-o-q and 6% y-o-y
- EBITDA adjusted for the extraordinary items was USD 188 million, up 32% q-o-q
- ROCE in the second quarter was 6.0%[3]
- Underlying improvement in financial performance is driven by higher transported volumes, reduced SG&A costs and the US flag operations, as well as improved results from the landbased business.

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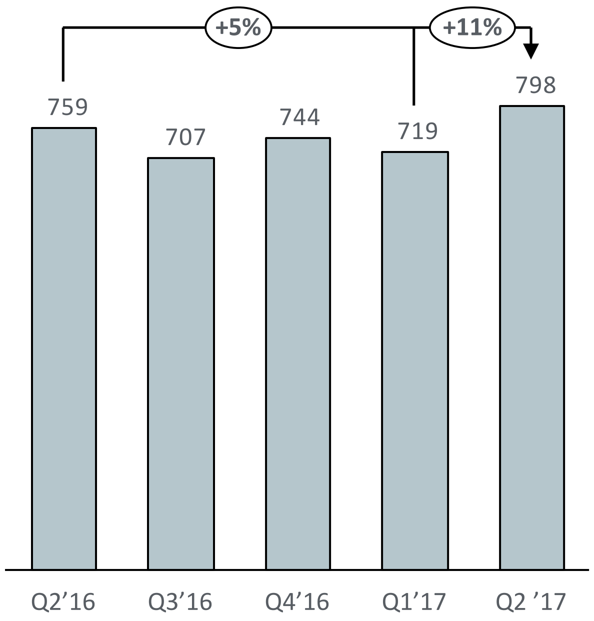
1) *Adjusted for extraordinary items*
2) *Comparable numbers are pro forma numbers as if the transaction had taken place back in time*
3) *ROCE calculated as annualized EBIT adjusted for extraordinary items minus restructuring costs divided by average CE in the quarter*

# Ocean segment – second quarter

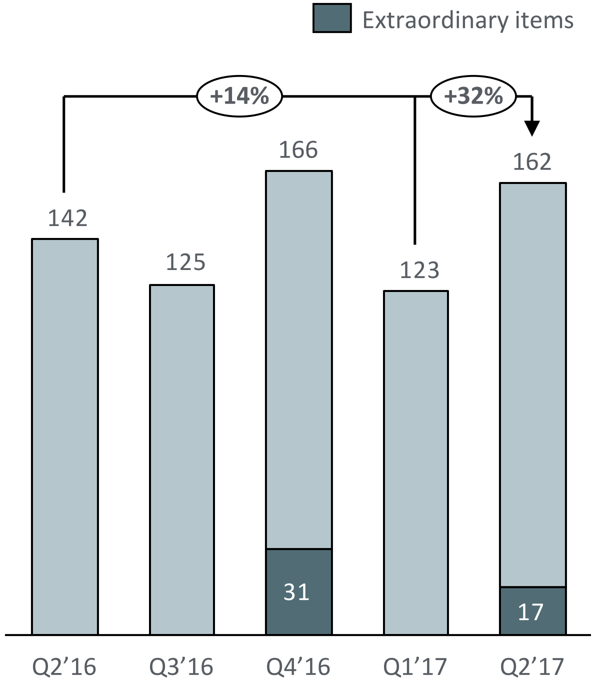
## Total income and EBITDA ocean segment[1, 2]

*USD million*

### Total income




### EBITDA




## Comments

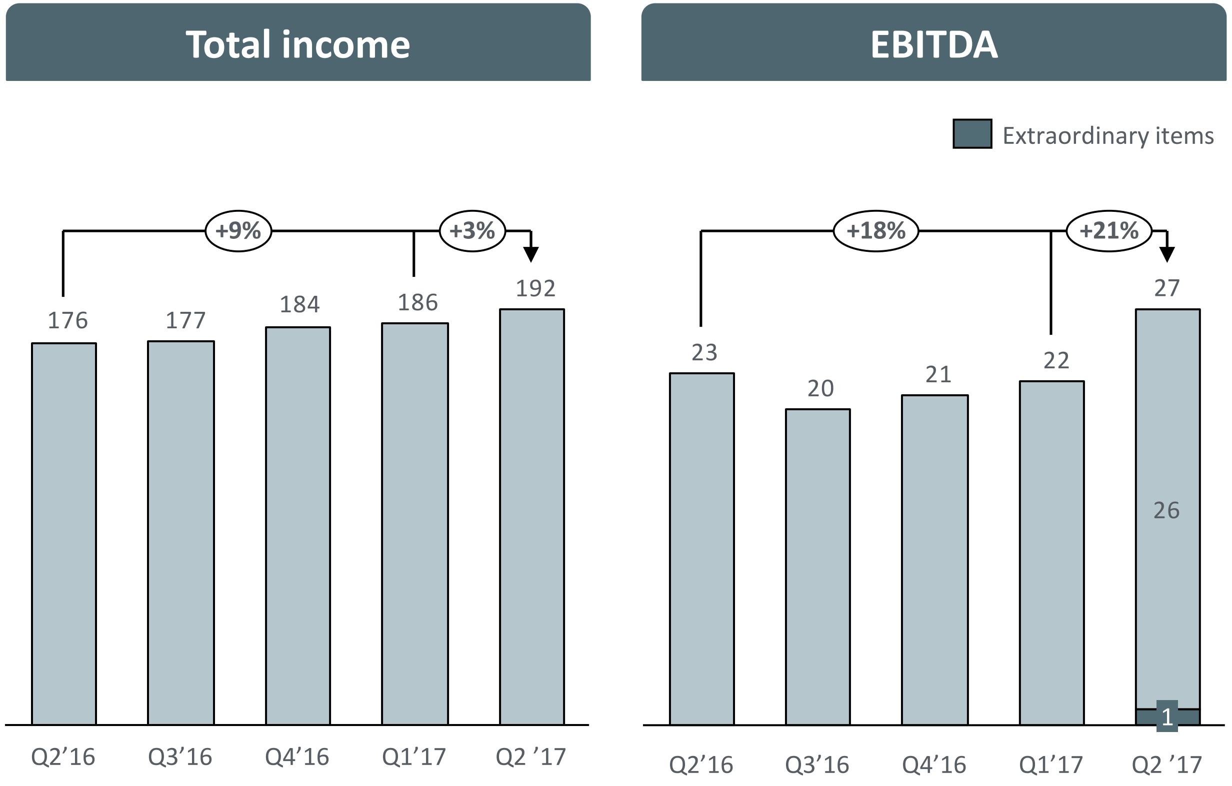
- Ocean income was USD 798 million, up 11% since previous quarter
- EBITDA adjusted for extraordinary items improved 32% q-o-q
- Increase in transported volumes, reduced SG&A cost, lower net bunker costs and revenues from the US flag operations all contributed to the improved result
- Continued pressure on rates

1) *Adjusted for extraordinary items;*
2) *Comparable numbers are pro forma numbers as if the transaction had taken place back in time*

# Landbased segment – second quarter

## Total income and EBITDA landbased segment[1, 2]

*USD million*




## Comments

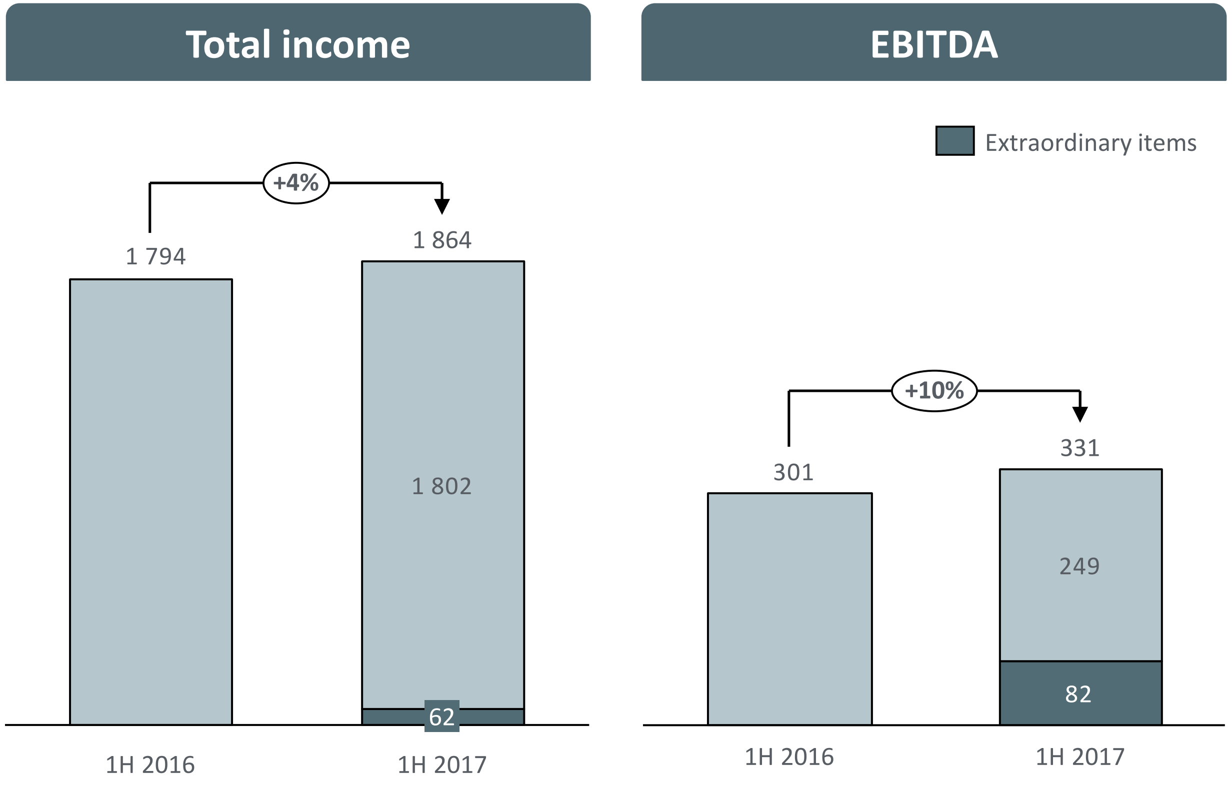
- Landbased income was USD 192 million, up 3% since previous quarter
- EBITDA adjusted for organizational restructuring cost was USD 27 million, up 21% since previous quarter
- Continued strong performance for technical services supported by stable volumes and an increase in value-adding services for VSA
- Terminals show improved performance in line with ocean volumes, with the terminals in Baltimore, Port Hueneme, Pyeoengtaek and Zeebrugge as the main positive contributors

1) *Adjusted for extraordinary items;*
2) *Comparable numbers are pro forma numbers as if the transaction had taken place back in time*

# Consolidated results – First Half Year 2017

## Consolidated results - Total income and EBITDA[1, 2]

*USD million*




## Comments

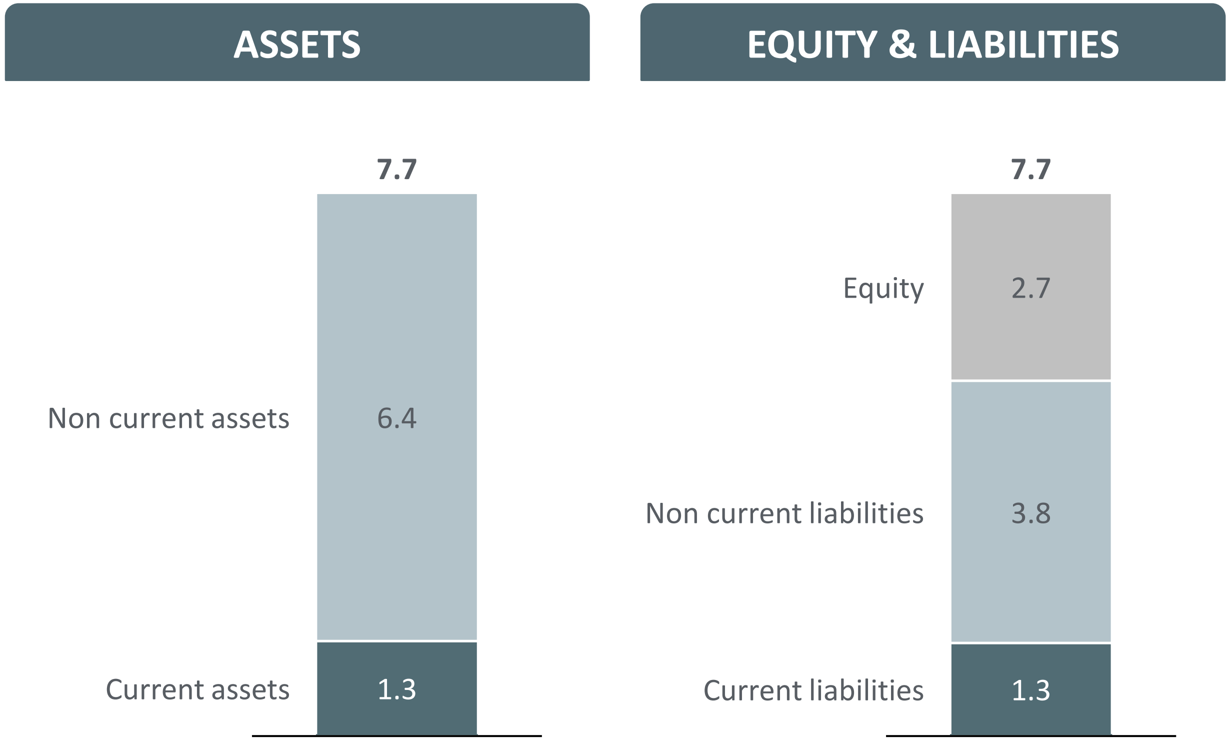
- Extraordinary items in the first half include
  - Merger accounting loss of USD 62 million
  - Org. restructuring cost of USD 20 million
- Total income adjusted for the merger accounting loss was USD 1 864 million, up 4% from the same period last year
- EBITDA adjusted for the extraordinary items was USD 331 million, an underlying improvement of 10% compared with same period previous year
- Underlying improvement in financial performance is driven by higher transported volumes, reduced SG&A costs, the US flag operations, as well as improved results from the landbased business

1) *Adjusted for extraordinary items;*
2) *Comparable numbers for H1 2016 and Q1 2017 are pro forma numbers as if the transaction had taken place back in time*

# Balance sheet review

## Unaudited Balance Sheet 30.06.2017

*USD billion*



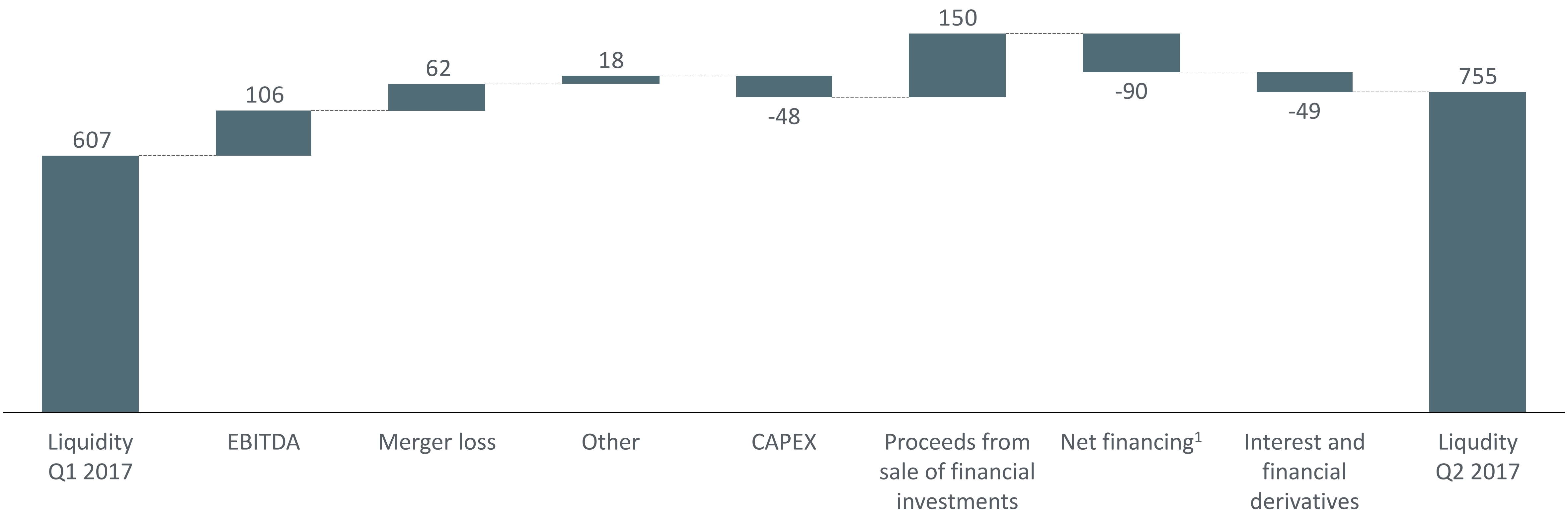

## Comments

- Net interest bearing debt of USD ~3.2 billion, of which cash and cash equivalents of USD 755 million
- Equity ratio at 34.7%
- USD ~310 million in provisions remain to cover extraordinary costs in jurisdictions with ongoing anti-trust investigations
- Fair value of assets and liabilities at merger date (except 100% owned WW ASA entities)
- USD 288 million goodwill element after allocation of merger consideration to fixed and intangible assets

# Cash flow and liquidity development

## Cash flow and liquidity development

*USD million*




1) *Includes: Proceeds from issue of debt of USD 131 million, Repayment of debt USD 206 million and loan to related party USD 15 million*
2) *Loss on previously held equity interests in JVs joint ventures as a consequence of the merger transaction*

# Market and Business Outlook

by Craig Jasienski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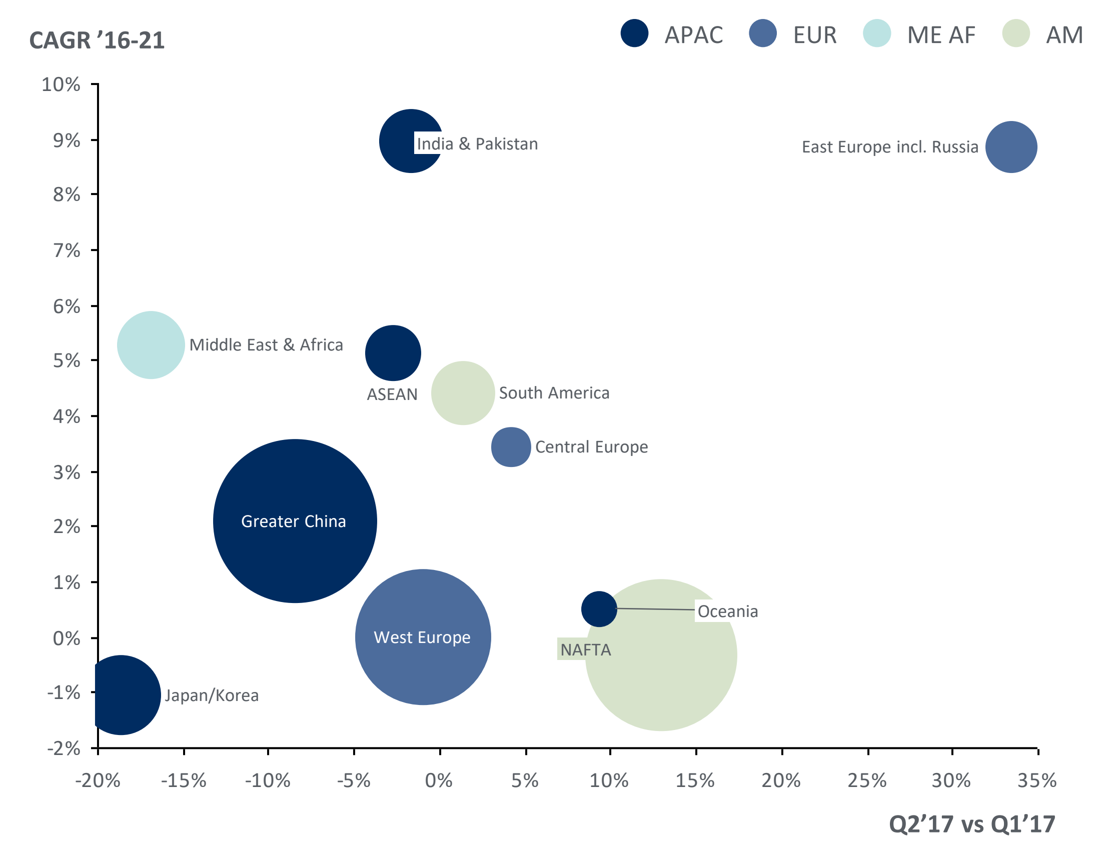
# Auto sales dropped 1.7% q-o-q driven by drop in China

## Global auto sales per main sales region[1]

*CAGR 2016-2021, Change Q2'17 vs Q1'17*




## Comments to global auto sales

- Increased sales of 11.1% q-o-q in the US driven by seasonality, with y-o-y sales down 1.4%. Despite softer sales, the absolute sales figures are still strong, with inventory building up.
- Flat development for **Western Europe** both q-o-q and y-o-y. Sales have rebounded after historic low figures and sales rate is now almost on par with sales before financial crisis.
- The **Chinese** market is down 8.4% q-o-q driven by the implementation of less favorable (tax) incentives. Small improvement of 0.6% y-o-y
- The **Russian** market shows signs of a fragile recovery continuing during the second quarter
- In **Brazil** the market looks to have turned a corner in the second quarter as sales have started to pick up

**Long term forecast shows ~2% annual growth rate for sales**

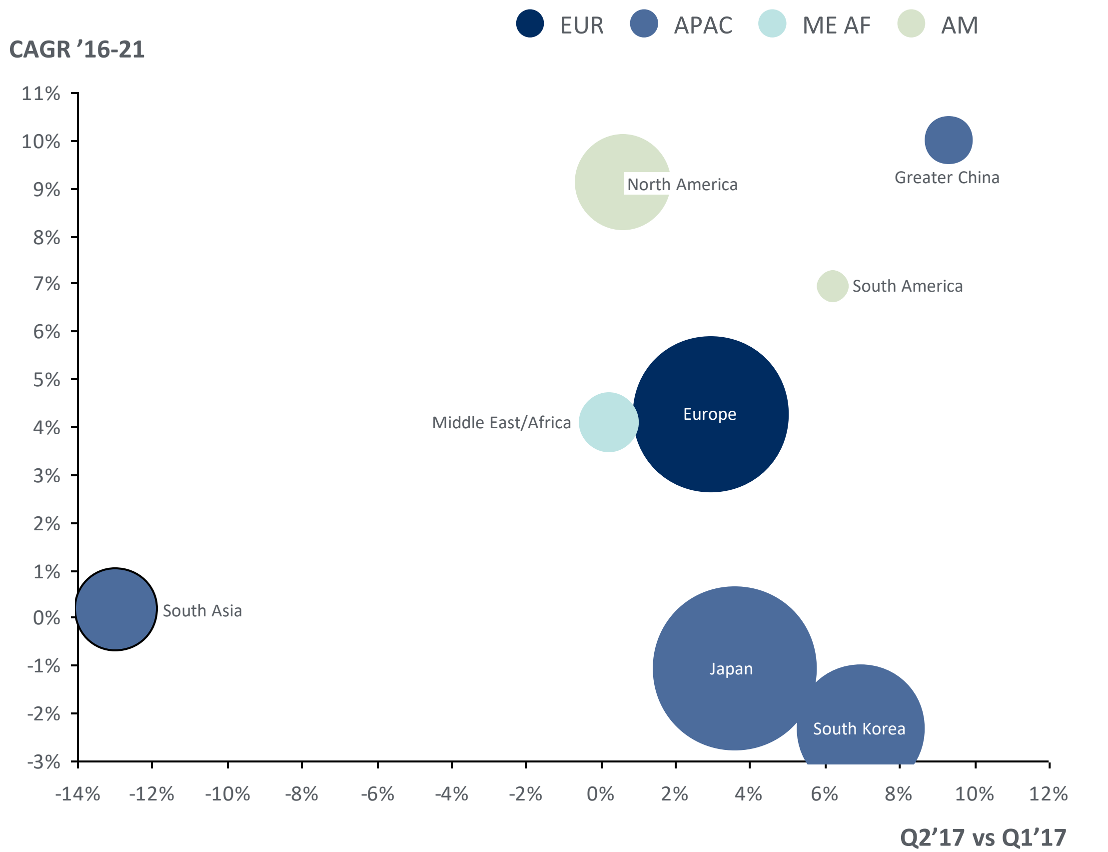
*Source: IHS Markit*

*1) Size of circle indicates auto sales Q2 2017*

# Auto exports increased with 1.6% q-o-q

## Global auto export per main production region[1,2]

*CAGR 2016-2021, Change Q2'17 vs Q1'17*




## Comments to global light vehicle export

- **NAFTA** exports (driven by Mexico) continue to increase, with 4.2% y-o-y and 0.6% q-o-q
- **European** exports still strong, mostly driven by strong demand in the US and new models. Exports to China also still solid.
- Exports out of **Japan** developed with a seasonal lift 3.6% q-o-q while flat y-o-y. NAFTA is still the largest receiving region for light vehicles produced in Japan.
- Exports out of **South Korea** continue to decline and were down 7.1% y-o-y, but increased 6.9% q-o-q driven by seasonality. The main driver of the decline is less volume to US as production capacity in Mexico is ramped up.

**Long term forecast shows ~2% annual growth rate for exports**

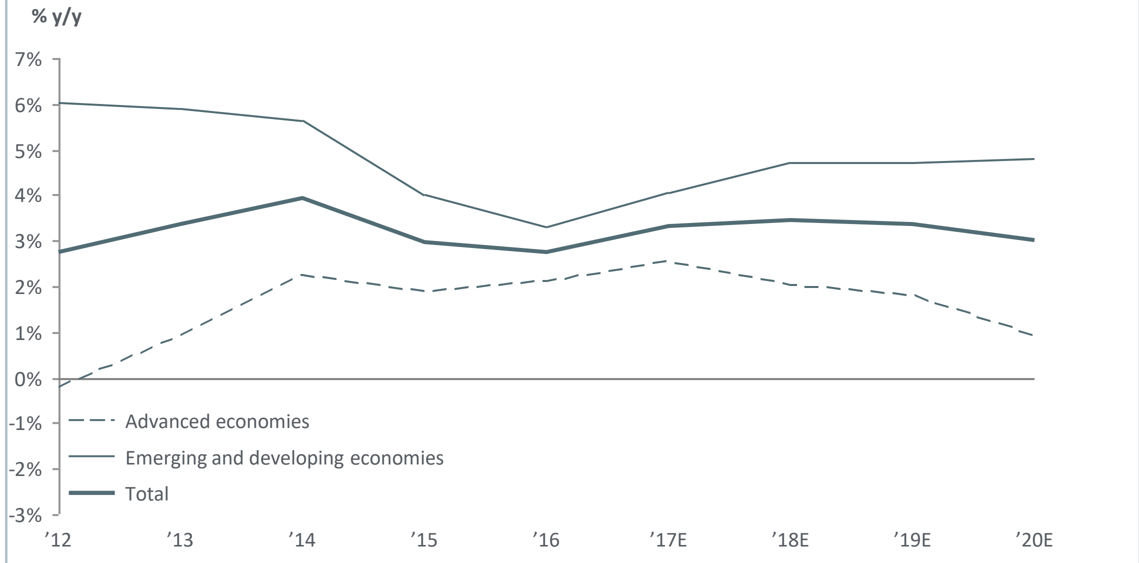
*Source: IHS Markit*

1) *Size of circle indicates auto production Q2 2017*
2) *Chinese figures are adjusted*

# Moderately improving outlook for Construction and Agriculture

## Construction growth picking up

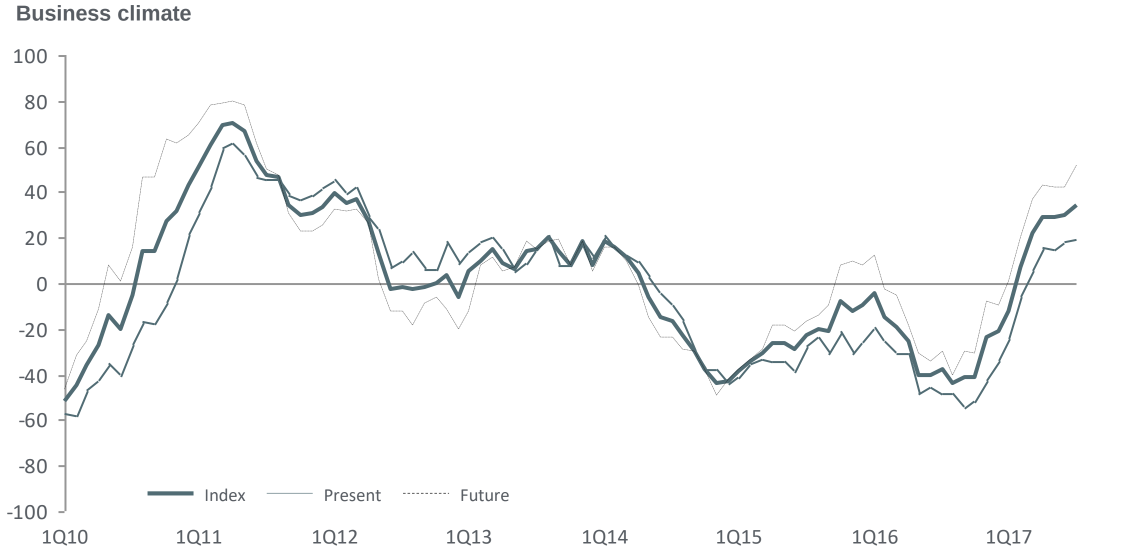
*World construction spending (% y/y), 12-20E[1]*




- World construction growth is picking up, and infrastructure projects look increasingly important in mid-term spending prospects
- Equipment sales in the China-driven Asian market is the current growth engine

## Mixed outlook for Agriculture equipment

*European business climate (Index 100/-100), 10-17[2]*




- Low crop and dairy prices put pressure on the agricultural equipment segment, but sentiment is improving in some key regions
- Mixed outlook for equipment market, with South America outperforming the other regions in the short term



1) Source: IHS Construction and IMF (International Monetary Fund) | World Construction Spending (% growth y/y in real terms ($2010))
2) Source: CEMA (European Agriculture Machinery)) | Business Barometer (Index = sum of 1) evaluation of the current business situation & 2) turnover expectation, 100/-100)

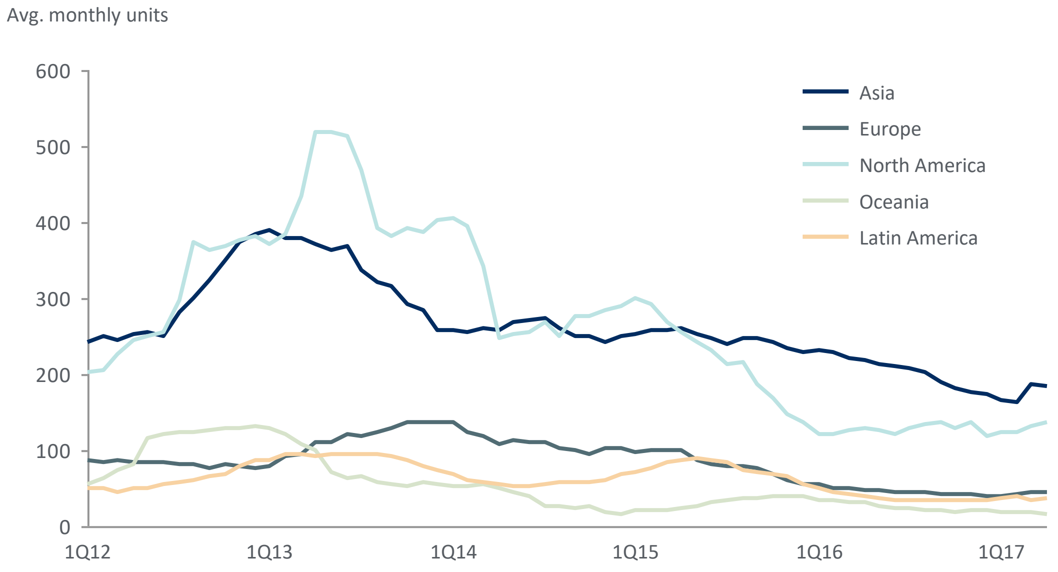
# The recovery for the mining segment is still slow

## Continued uptick in global equipment deliveries

*Global surface mining equipment shipments (Index '07 = 100), 07-17*[1]


## Several regions have seen imports bottom out

*Customs trade flows of non-rolling mining machines (L12M avg units), 12-17*[2]




- Average mining equipment age is at a level not observed since the 1990's, and the older fleet is driving higher demand for parts and eventually replacements
- OEMs are reporting significantly growing sales with Asia looking the strongest, but much of the growth is related to aftermarket or smaller machines for coal mining activity
- The increase in mining shipments are mainly driven by intraregional shipments of smaller machines in Europe (Russia) and South Asia
- Larger equipment for more traditional regions (Australia, Canada, Peru) also expected to slowly recover, but no significant improvement expected before 2019/2020

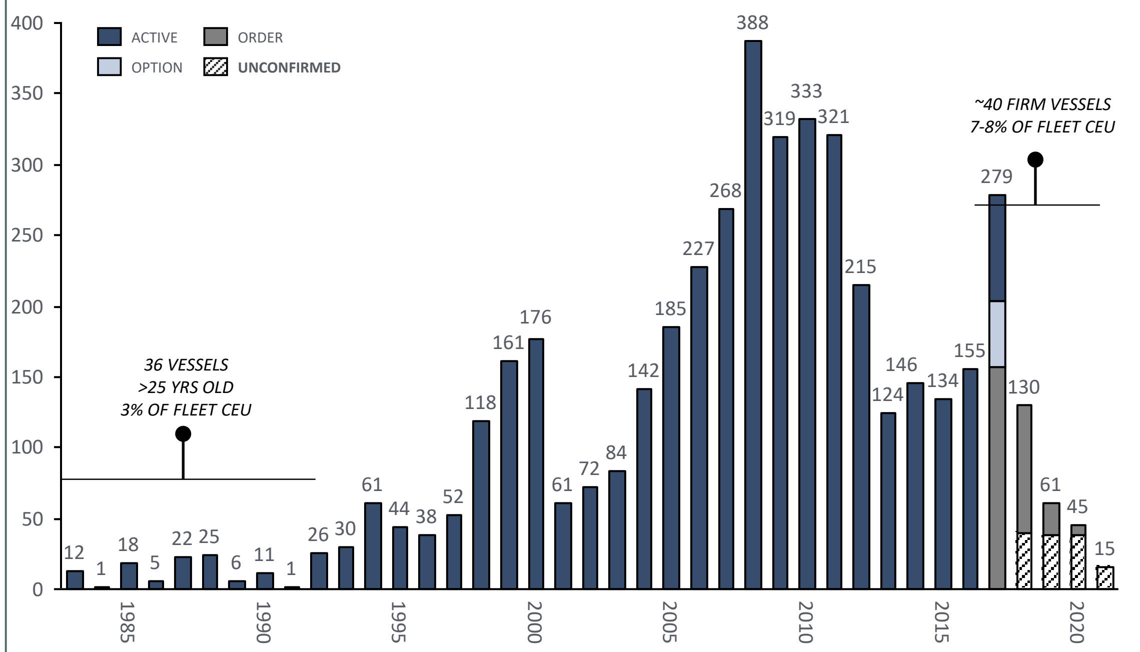


1) *Source: Parker Bay | Surface Mining Equipment Index (Indexed value of surface mining equipment shipments in real terms ($2010), 2007 = 100)*
2) *Source: IHS Global Trade Atlas | Non-rolling mining equipment deliveries in regions as reported by customs for individual cargo values > USD 20.000. (12 month rolling average (L12M) units) (Data edge: 04.2017)*

# Moderate net fleet growth forecasted going forward

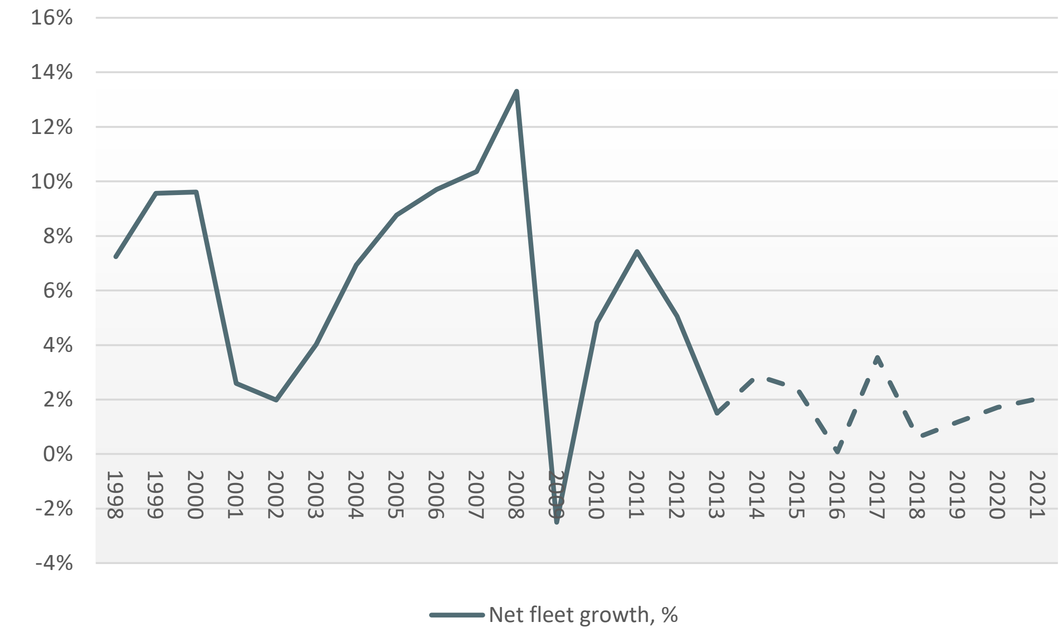
## 3% of fleet are recycling candidates…

*Fleet by year of build, 1000 CEU*




## ..contributing to moderate net fleet growth

*Forecasted net fleet growth, % p.a.*




- Five vessels were delivered and seven vessels were sold for recycling during the quarter
- The current global order book counts ~40 vessels representing 7-8% of global fleet capacity
- No new orders or negotiations to postpone deliveries were reported, but four newbuildings were converted to tankers during the second quarter



Source: SeaWeb, Lloyds List Intelligence Unit

# Summary and outlook

## SUMMARY

- Organizational restructuring completed and realization of synergies well under way; USD 100 million target is maintained
- Volume, cargo and trade mix showed positive development in the second quarter
- Strong results for landbased combined with interesting M&A/ investment pipeline
- Adjusted EBITDA for the second quarter ended at USD 188 million – up 32% q-o-q

## OUTLOOK

- The Ocean business is still faced with tough competition and pressure on rates
- Recovery in the high & heavy segment remains slow and no significant improvement for large mining shipments is expected before 2019

# Q&A

by Craig Jasienski and Rebekka Glasser Herlofsen

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# Thank you!