



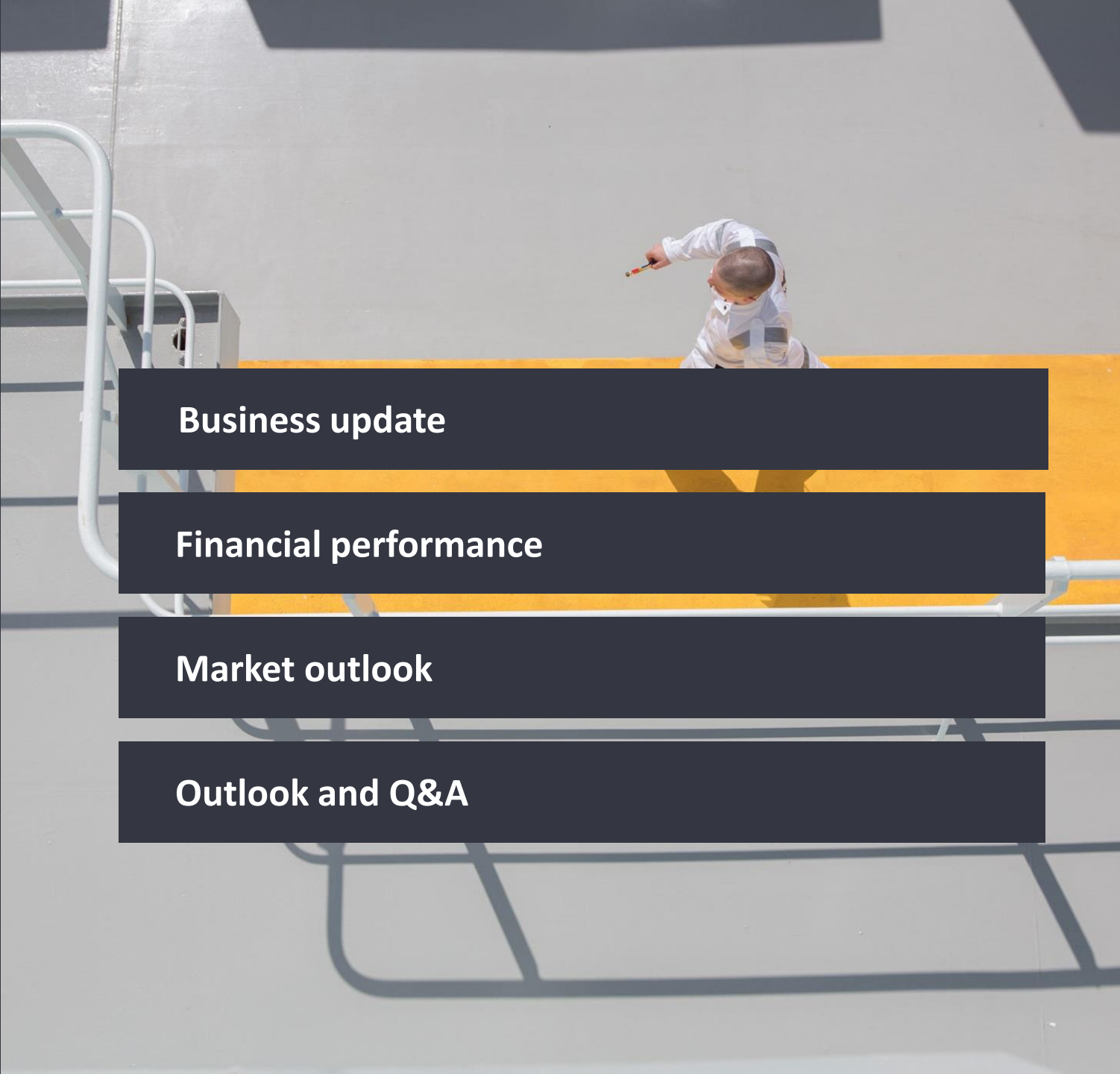
Q3 2019

Quarterly results presentation

Highlights third quarter 2019

- EBITDA of USD 213 million, showing continued performance improvement
- Ocean results driven by higher net freight per CBM, more efficient operations and lower net bunker cost
- Ocean volume declined 7% y-o-y, due to relinquished volumes and slower markets
- Performance in Landbased fell as a result of lower volumes
- Continuous progress on the performance improvement programme
- Second dividend payment of USD 6 cents per share

Agenda



Business update

Financial performance

Market outlook

Outlook and Q&A

Business update

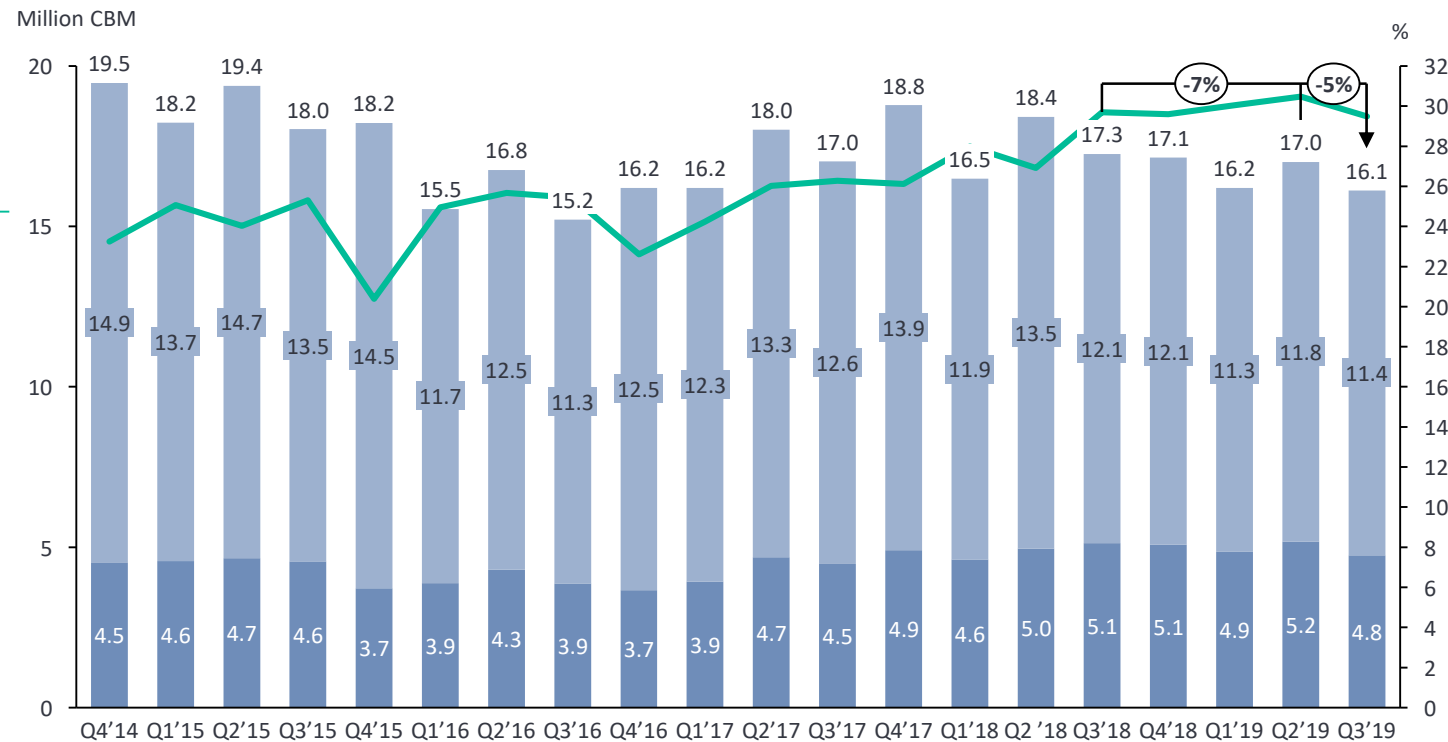
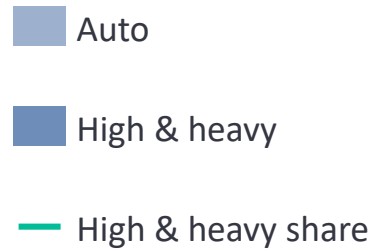
by Craig Jasienski



Commercial prioritization of profitable volumes key factor behind the 7% y-o-y volume drop

Volume and cargo mix development^{1,2}

Million CBM and %

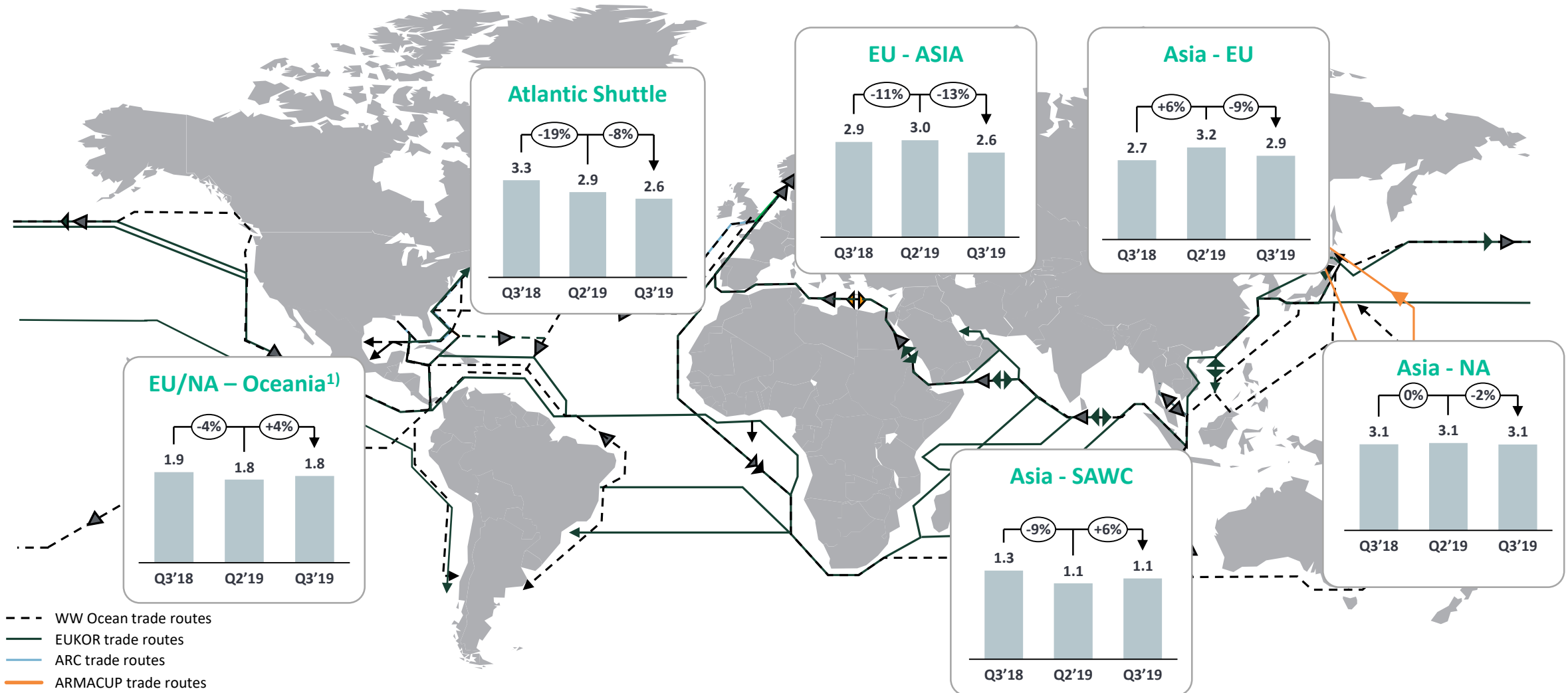


- Unprofitable volumes not renewed in the Atlantic (effect from January 2019)
- Prioritising winning better-paying cargo, and rationalising sailings to improve operational efficiency
- High & heavy share 29.5%

¹⁾ Total volume based on prorated volume (WW Ocean, EUKOR, ARC and Armacup)

²⁾ H&H share calculated based on unprorated volumes. Nominal volume for auto and H&H calculated as total prorated volume x unprorated auto share and total prorated volume x unprorated H&H share, respectively

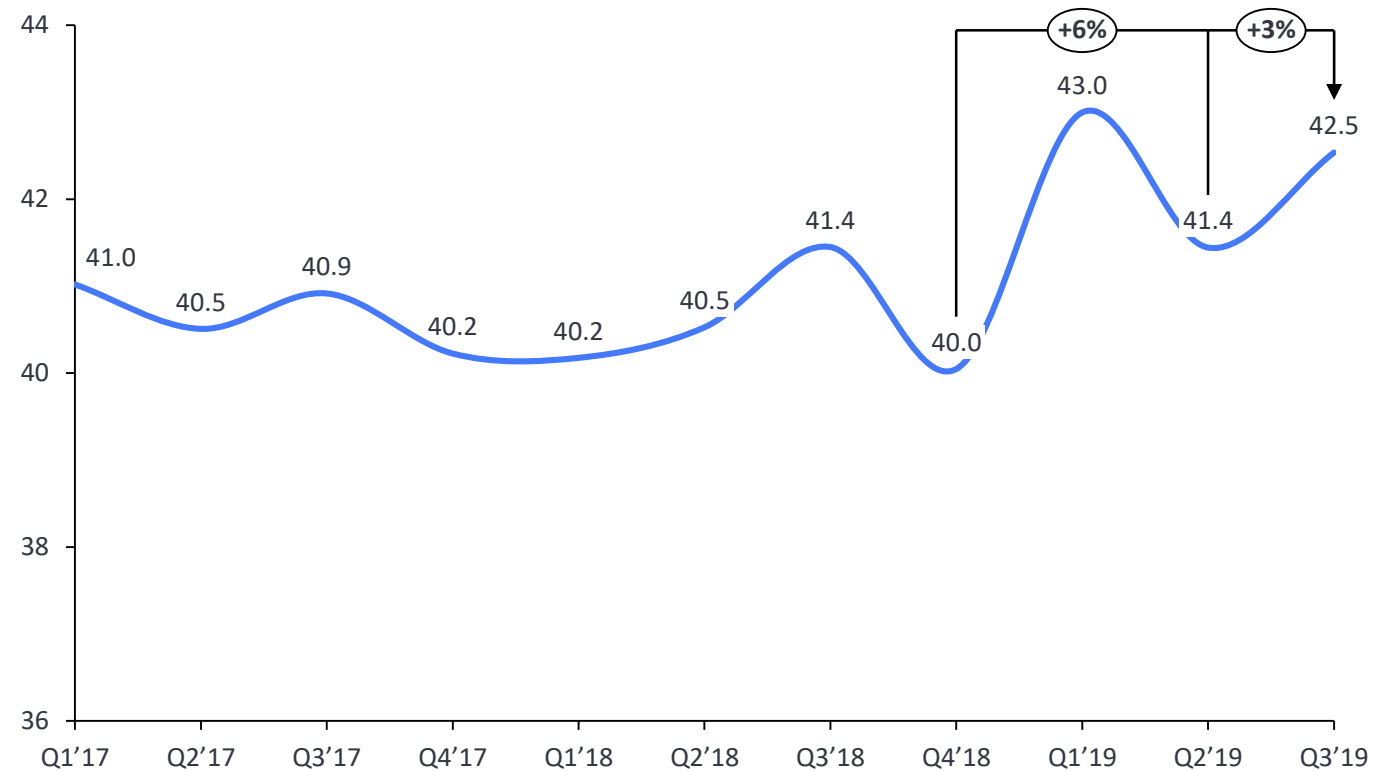
Mixed development for the foundation trades



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

Net freight / CBM development

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

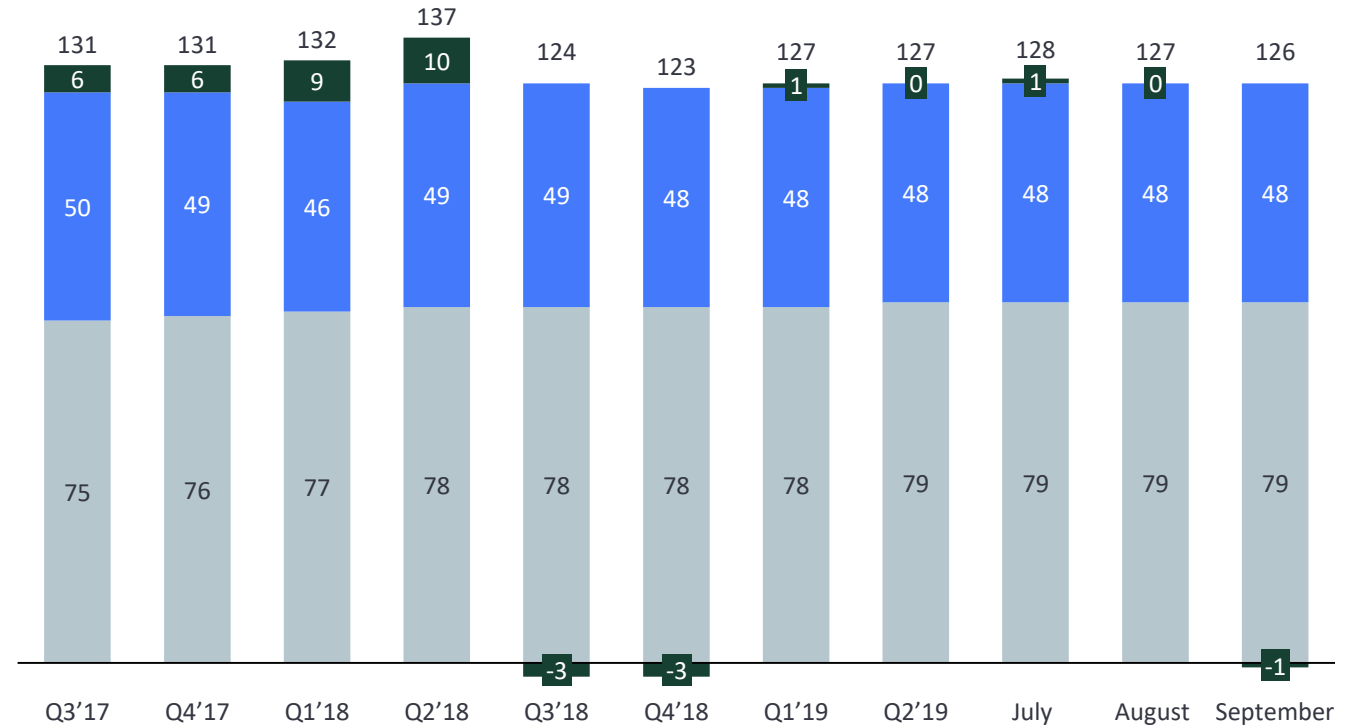
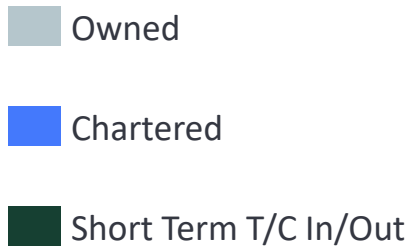


Fleet capacity tightly managed

- flexibility to redeliver up to 12 vessels by end of 2020 (excl. vessels on short charter)

Fleet development

of vessels

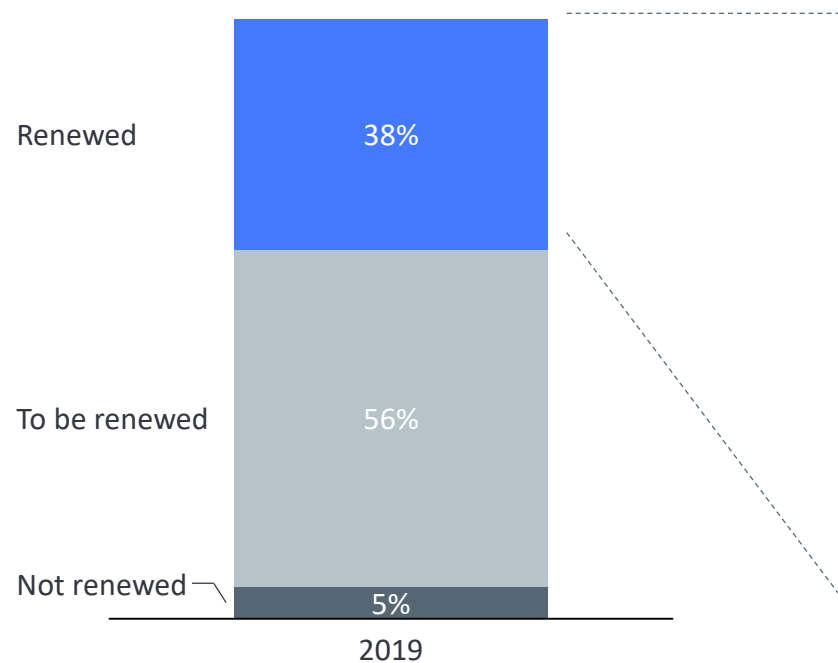


Some smaller renewals with positive rate development in first half 2019

- significant volume remains to be renewed towards end of 2019

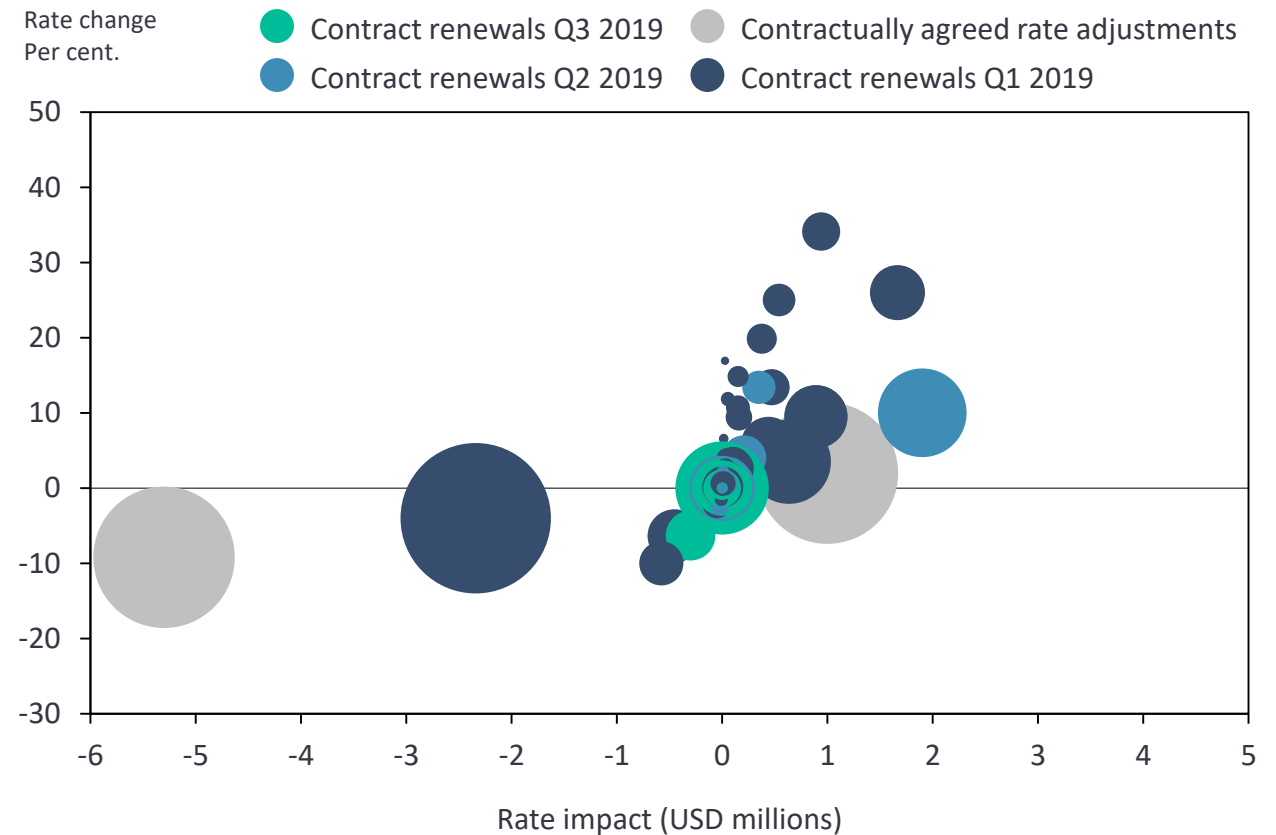
Overview of 2019 contract renewals

Per cent.



Rate changes and impact for 2019 contract renewals

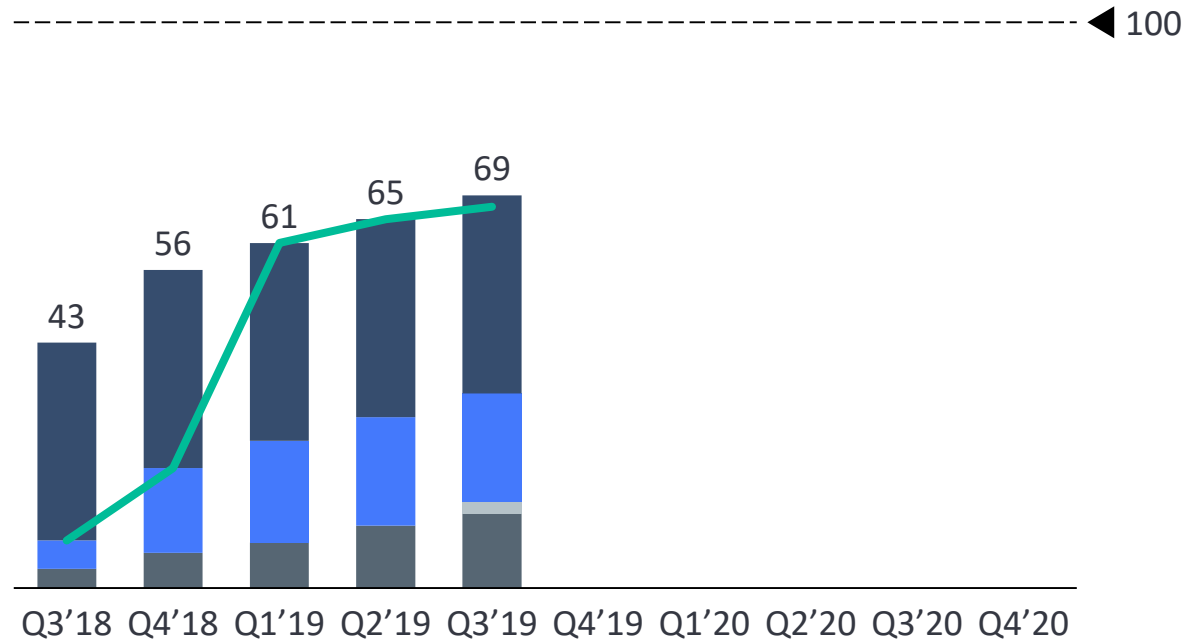
(Circle indicate size of contract in millions)



Performance improvement programme reaches USD 69 million

- remaining improvements expected to carry a longer lead time

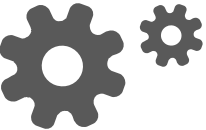
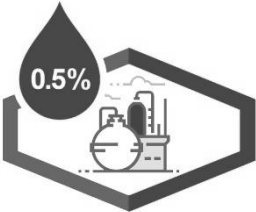
Confirmed and realized improvements USD million in annualized effect



- Increase comes from improved hull cleaning, in addition to initial findings from the first digitally connected vessels
- Majority of remaining initiatives, primarily digitalised operations, require longer lead-time

Ready for IMO 2020, but cost of transitioning will impact results in Q4

- well prepared for the transition, expected non-recoverable cost in Q4 about USD 10 million¹

	Key risks		Mitigating actions	Updated risk assessment	Previous risk assessment
	Technical readiness	Change over to new fuel	Tried and tested method involving no off-hire period	Low	Low
		Quality of new fuel	Test runs on different types of compliant fuel with good results	Low	Low
	Fuel availability	Availability of compliant fuel	Have entered contracts with major suppliers, back-up solution to run on MGO	Low	Medium
	Financial and commercial impact	Financial impact in Q4'19, Q1'20 ²	Non-recoverable cost of sloshing tanks and running on new fuel before 1 Jan 2020 estimated to about USD 10m ¹ , financial hedges in place to manage pot. BAF lag impact	High	High
		Updating BAFs ³	Good progress on customer discussions, targeting special reference period	Low	Medium
		Acceptance of scrubbers	Hybrid scrubbers chosen	Low	Low

¹ Calculated based on a spread between VLSFO and HFO of approx. USD 185 and spread between MGO and HFO of approx. USD 240

² 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

³ 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 – Q3 2019

- underlying performance improves as a result of efficiency improvements, despite lower revenues

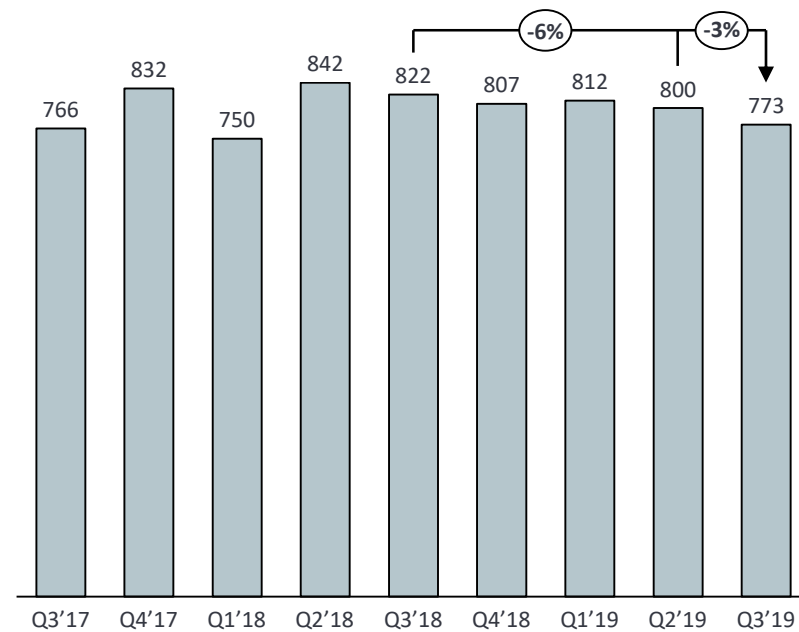
	Q3 2019	Q2 2019	% change q-o-q	Q3 2018	% change y-o-y
Total income	955	1 005	(3%)	1 031	(7%)
Operating expenses	(741)	(794)	(7%)	(879)	(16%)
EBITDA*	213	211	1%	152	40%
EBIT	94	88	6%	56	69%
Financial income/(expenses)	(72)	(83)	(13%)	(34)	109%
Tax income/(expense)	14	(3)	n/a	(1)	n/a
Profit for the period	36	3	1133%	20	77%
EPS	0.08	(0.00)	n/a	0.05	77%
<i>*IFRS 16 effect on EBITDA</i>	41	42	n/a	n/a	n/a

Ocean segment – Q3 2019

- underlying performance improvement despite lower volumes

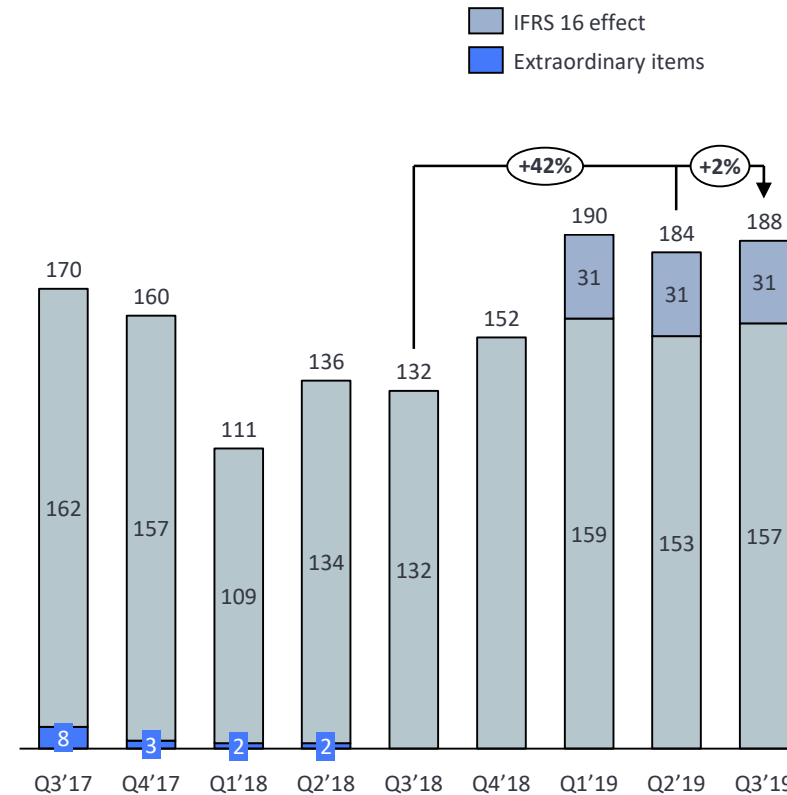
Total income

USD million



EBITDA¹

USD million



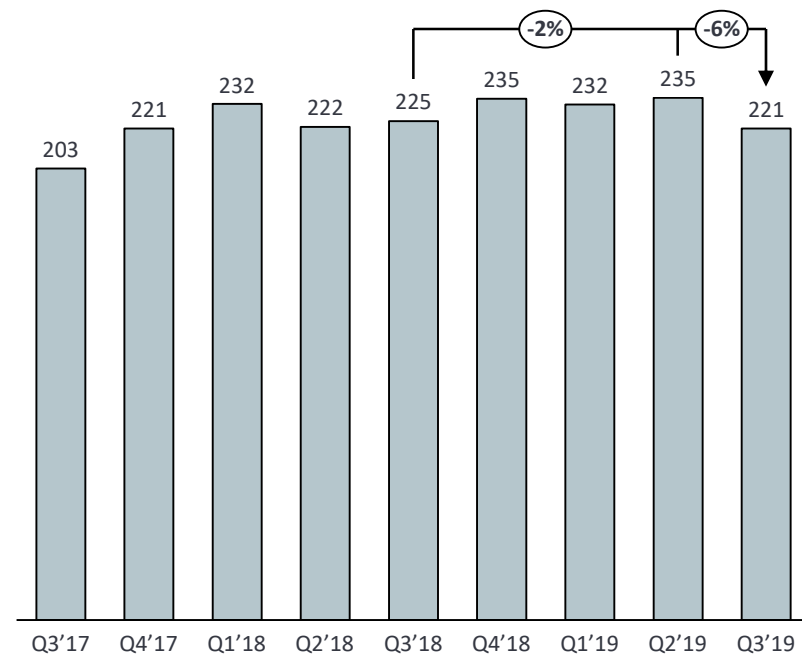
- Underlying improvement driven by:
 - higher net freight per CBM
 - performance improvement programme (USD 17m)
 - lower net bunker cost (USD 18m)
 - currency effect (USD 6m)

Landbased segment – Q3 2019

- underlying performance down as a result of lower volumes in both terminals and technical services

Total income

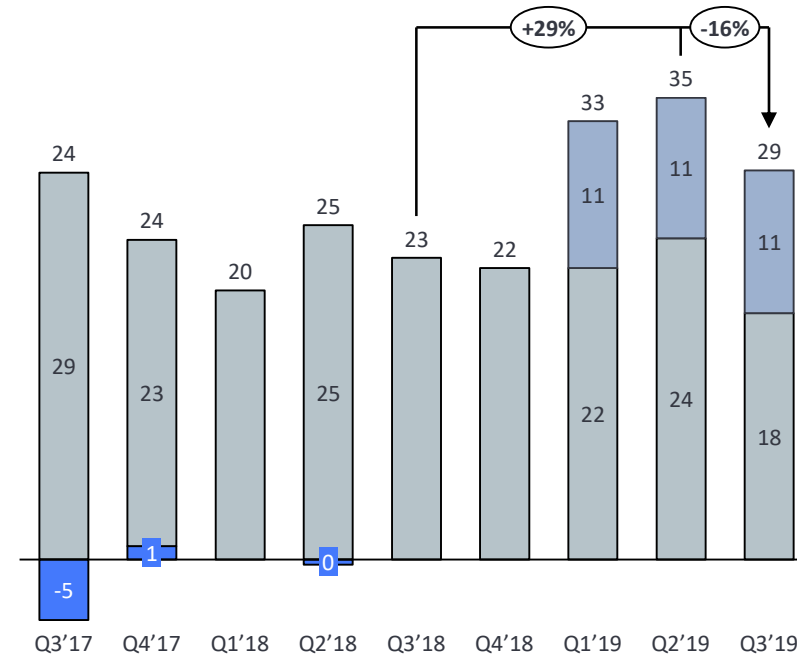
USD million



EBITDA¹

USD million

■ IFRS effect
■ Extraordinary items

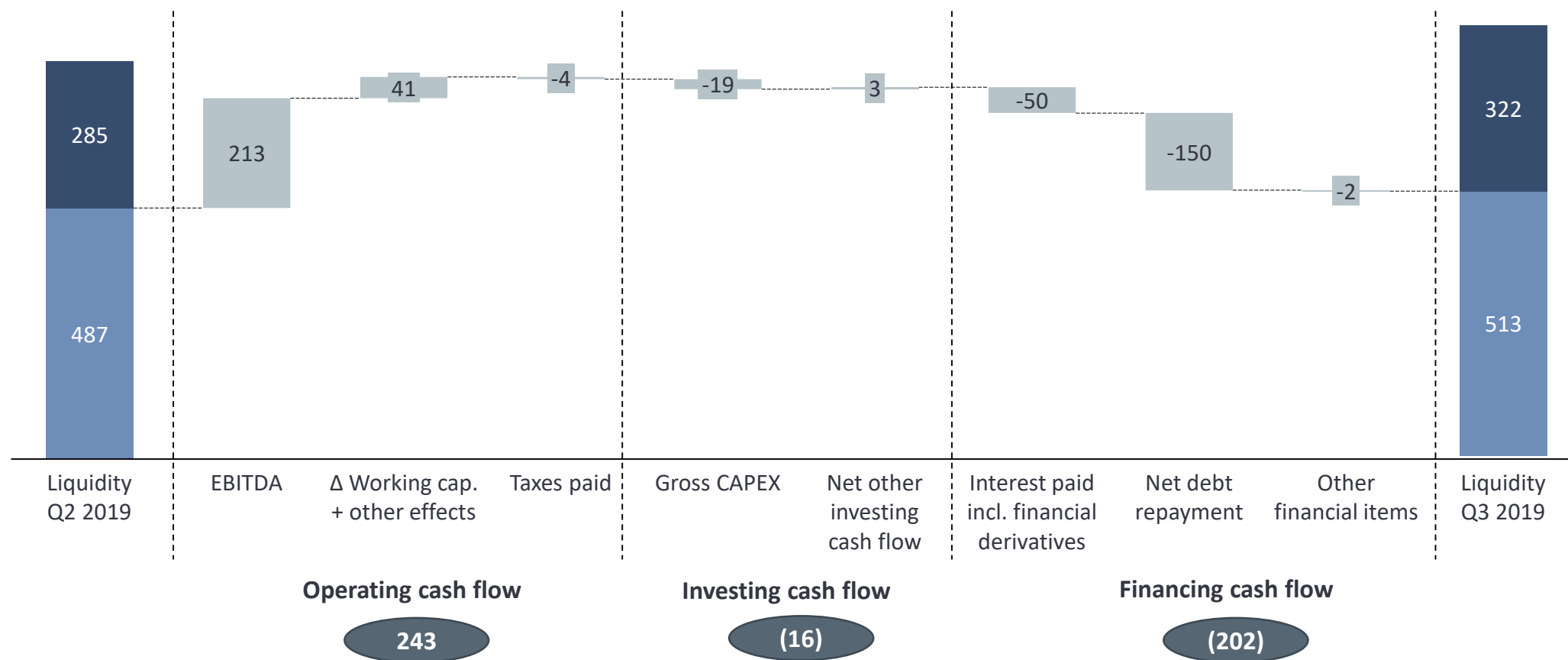


- Lower volumes impacted Solutions Americas – Auto and Terminals
- Solutions Americas – H&H continues to perform well

Cash flow and liquidity development – third quarter 2019

USD million

■ Undrawn credit facilities



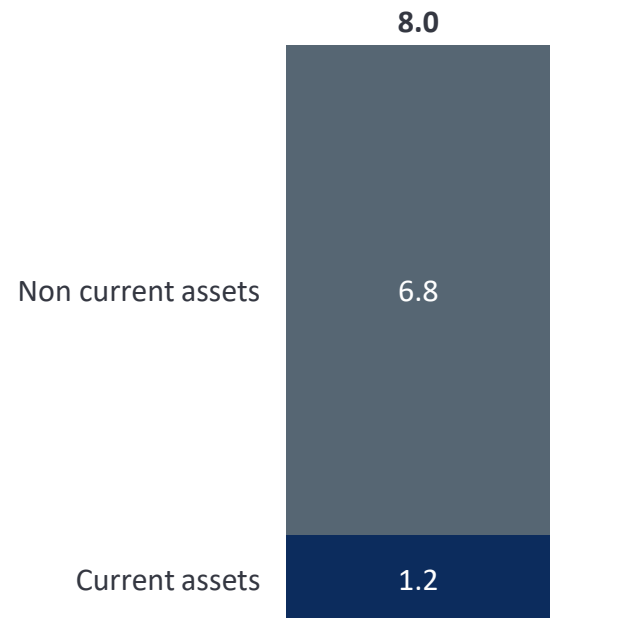
Balance sheet – third quarter 2019

- second dividend payment of USD 6 cents per share

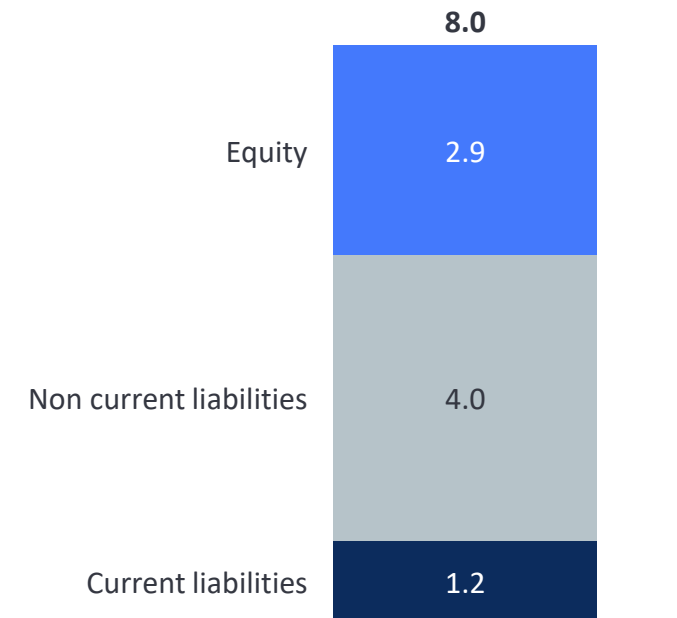
Balance Sheet
30.09.2019

USD billion

Assets



Equity & Liabilities



- Equity ratio 36.3%
- Net interest bearing debt of USD 3 625 million down from 3 851 million in previous quarter
- The Board has resolved to approve a second dividend payment of USD 6 cents per share, equivalent to USD 25 million



Market outlook

by Craig Jasienski

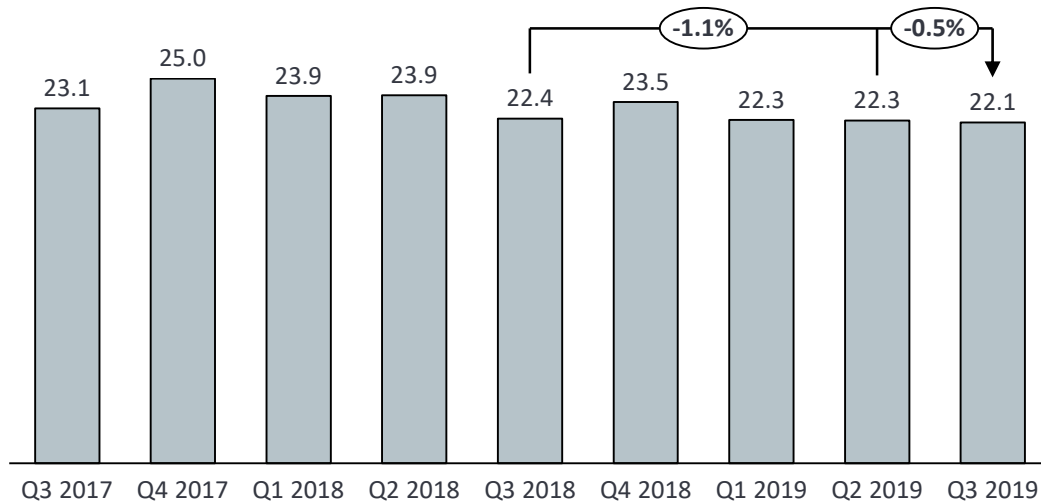


Auto sales slightly down 1.1% y-o-y

- deep sea volumes down 1.4% y-o-y

Global light vehicle (LV) sales per quarter¹⁾

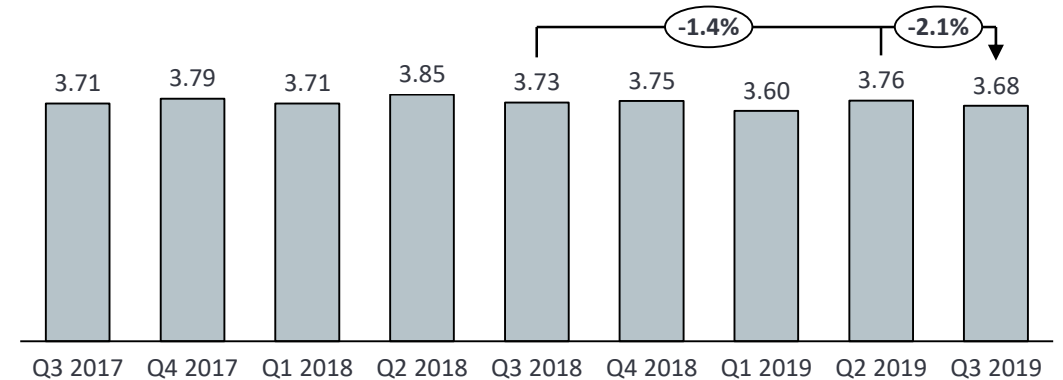
Units



- Total light vehicle (LV) sales in the third quarter decreased 1.1% compared to the corresponding period last year and down 0.5% from the previous quarter as soft sales were seen among all major regions.

Global light vehicle (LV) export per quarter¹⁾

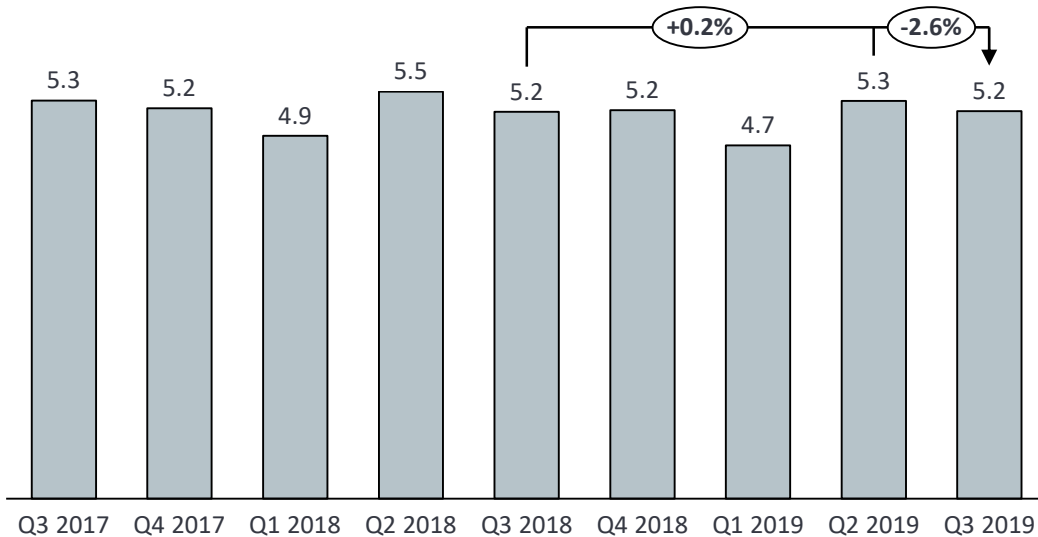
Units



- Total exports in the third quarter were down 1.4% compared to the corresponding period last year, down 2.1% from the previous quarter.

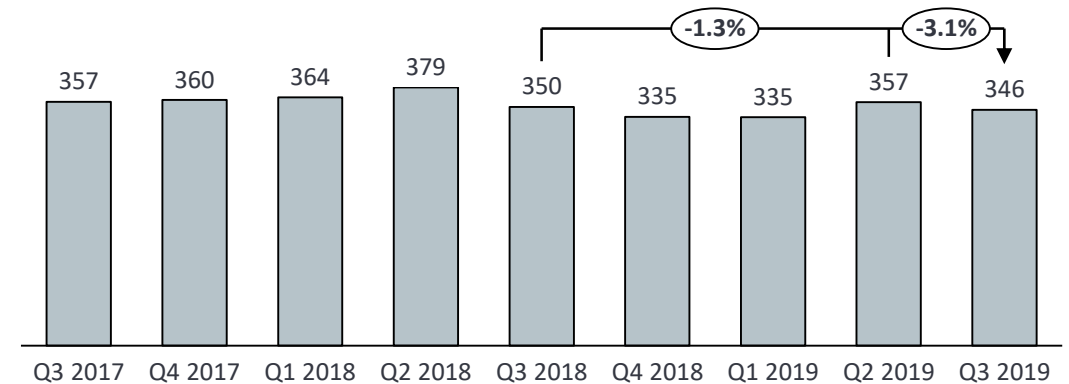
North America LV sales almost flat, +0.2% y-o-y

North America light vehicle (LV) sales per quarter^{1,2)}
Mill units



- In US auto sales still at solid levels thanks to incentives, specially initiated from the dealers, and wide credit availability
- Inventories have been reduced but still at a higher level than the preferred 60-days-of-supply

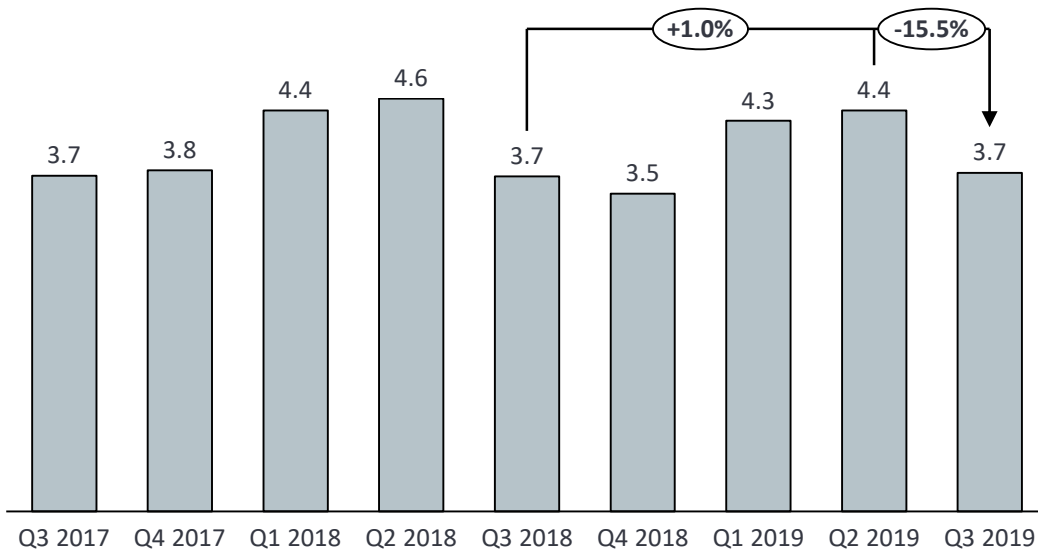
North America light vehicle (LV) export per quarter^{1,2)}
1000 units



- Selected OEMs experienced reduced volume on Mexico - EU due to normal product cyclicalty

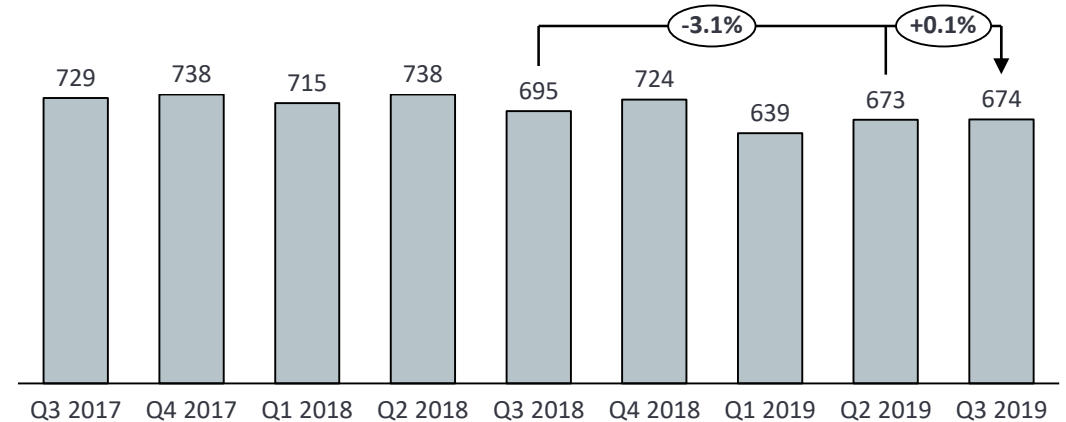
Western Europe LV sales slightly up, 1.0% y-o-y

Western Europe light vehicle (LV) sales per quarter^{1,2)} Mill units



- The implementation of the EU WLTP emission testing scheme contributed to several monthly effects as the market entered different standards both in September 2018 and September 2019.

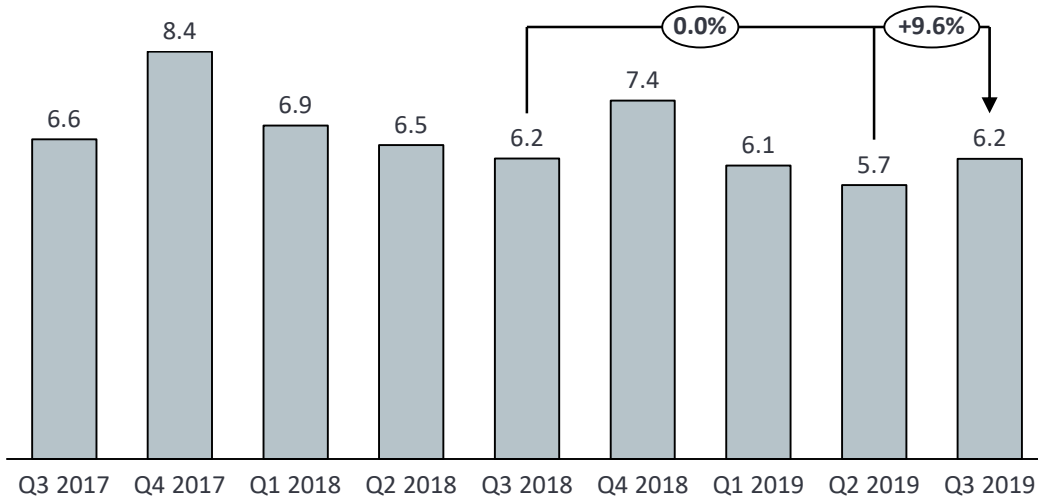
Western Europe light vehicle (LV) export per quarter^{1,2)} 1000 units



- Reduced volume on North America-bound exports dragged the figure down due to model shift for one OEM from Europe to NA.

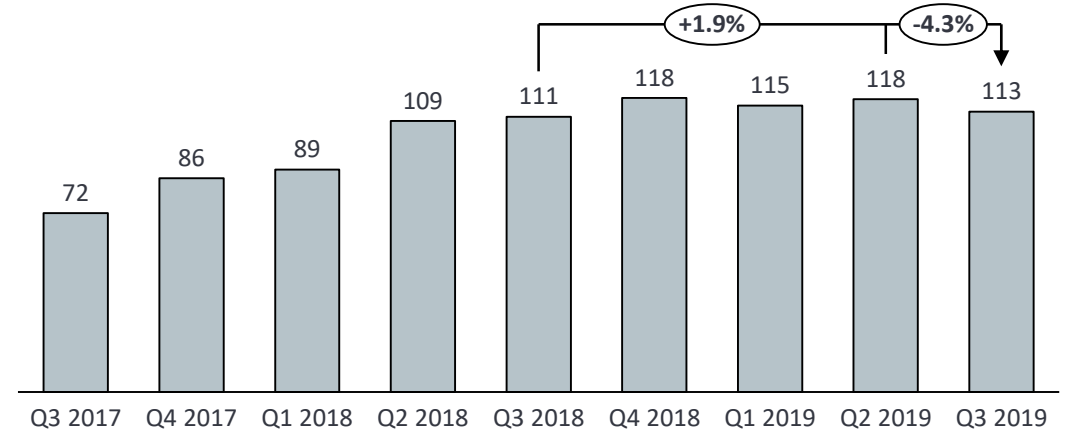
Chinese LV sales flat y-o-y

Chinese light vehicle (LV) sales per quarter^{1,2)} Mill units



- Sales in China are still disrupted by timing of introduction of State emission 6 compliant vehicles which varies depending on region.
- The electrified vehicles, especially the A- and B-segment models, which used to be the main momentum for the passenger market, declined for a couple of months due to the phasing out of current NEV subsidies.

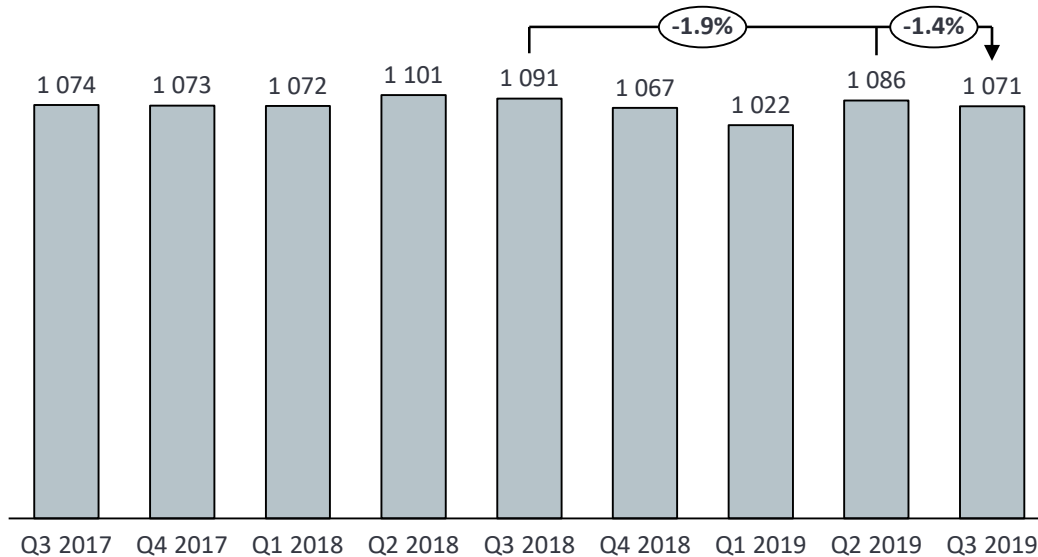
Chinese light vehicle (LV) export per quarter^{1,2)} 1000 units



- Chinese LV production capacity continues to be ramped up and export growth remains to all global markets despite U.S. tariff issues.

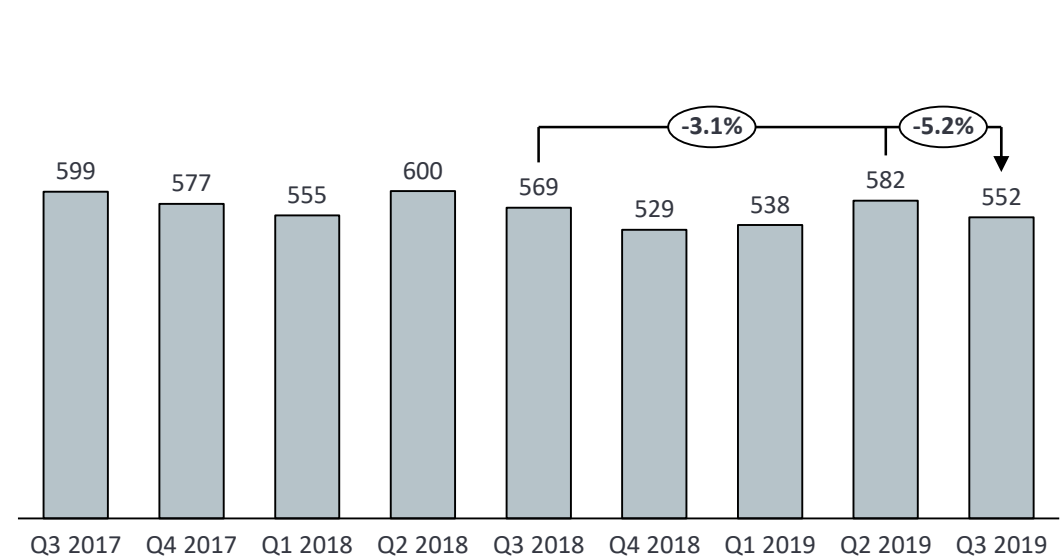
Japanese LV export declined 1.9% y-o-y, Korean exports down 3.1% y-o-y

Japanese light vehicle (LV) export per quarter^{1,2)}
Mill units



- Production shift from JP to NA and weak sales of selected model contributed to most of the decline.

Korean light vehicle (LV) export per quarter^{1,2)}
1000 units



- Slightly decline in exports to Europe due to model at end of life cycle and not replaced.

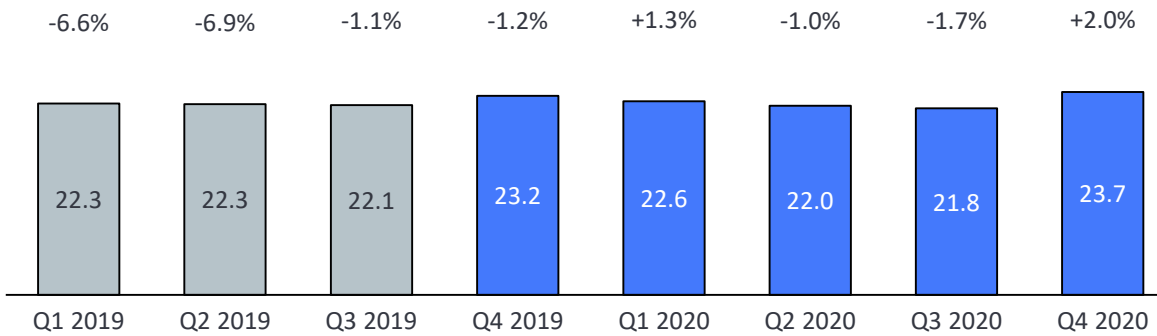
Continued market uncertainty

- auto analysts remain positive about medium-term growth prospects

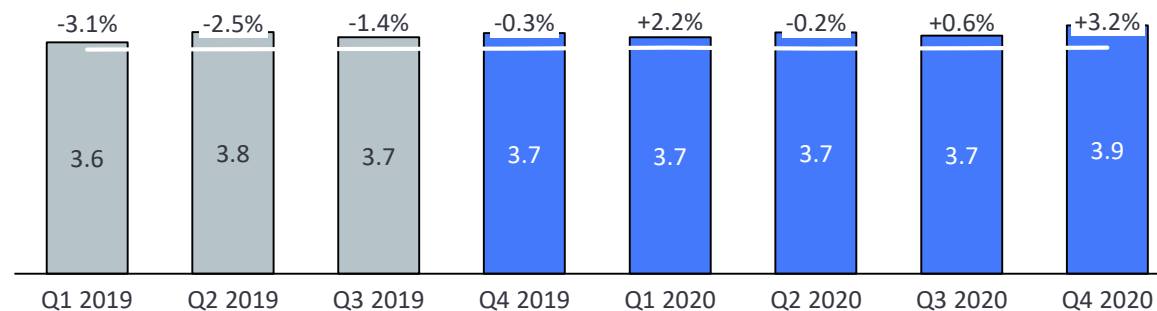
Global LV forecasts

Units and growth (y-o-y)

Global LV sales



Global LV exports



Several factors fuel uncertainty in short and medium term:

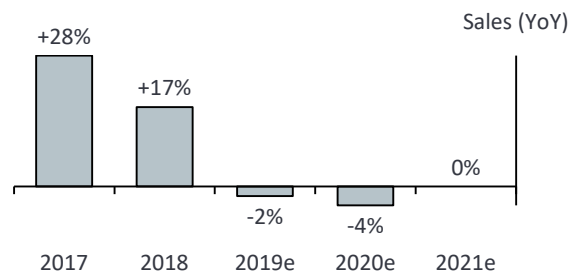
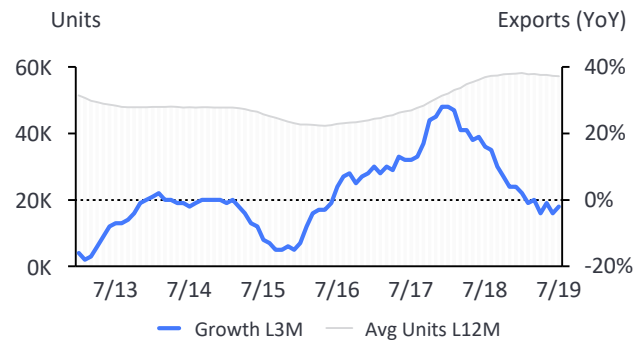
- Trade barriers – heightened risk with implications for both sales and sourcing shifts globally
- WLTP introduction Europe – distortions on both supply and demand side (incl. imports)
- Brexit - increased uncertainty raising risk of temporary and permanent production changes
- Softening Chinese momentum – despite governmental stimulus there has not been increased LV sales as analysts expected
- US vehicle prices – continued incentives from dealers and moderate finance cost expected to contribute to plateauing out sales
- Emerging markets – continued risk, most notably Turkey and Argentina with severe near-term macroeconomic instability, and geopolitical developments in the Middle East

High & heavy trade has softened, while the outlook remains mixed

EXPORT¹ & SALES DATA²

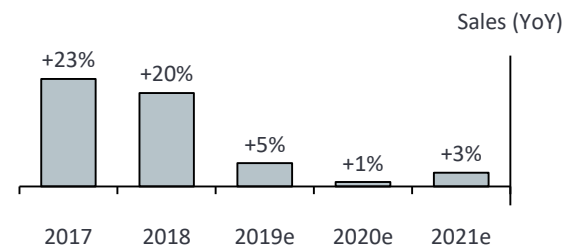
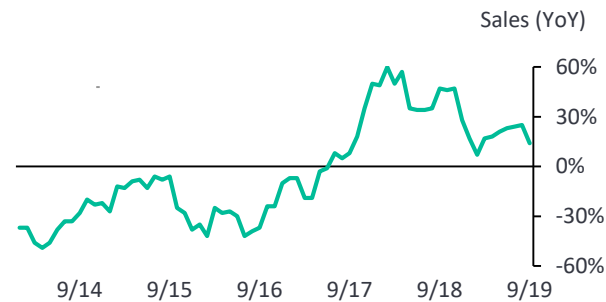
OEM SALES ESTIMATES³

Construction Machinery



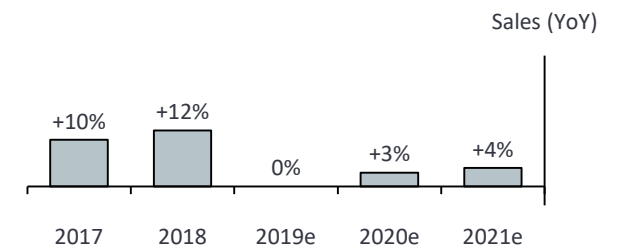
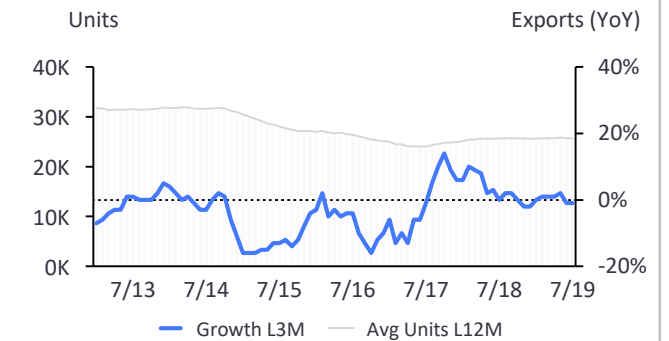
Growth in exports continues to soften y-o-y, and global sales of major OEMs are expected to see a modest decline over the next 15 months

Mining Machinery



Despite commodity prices that are generally supportive of reinvestment, macro uncertainty has negatively affected investments in new equipment

Agriculture Machinery

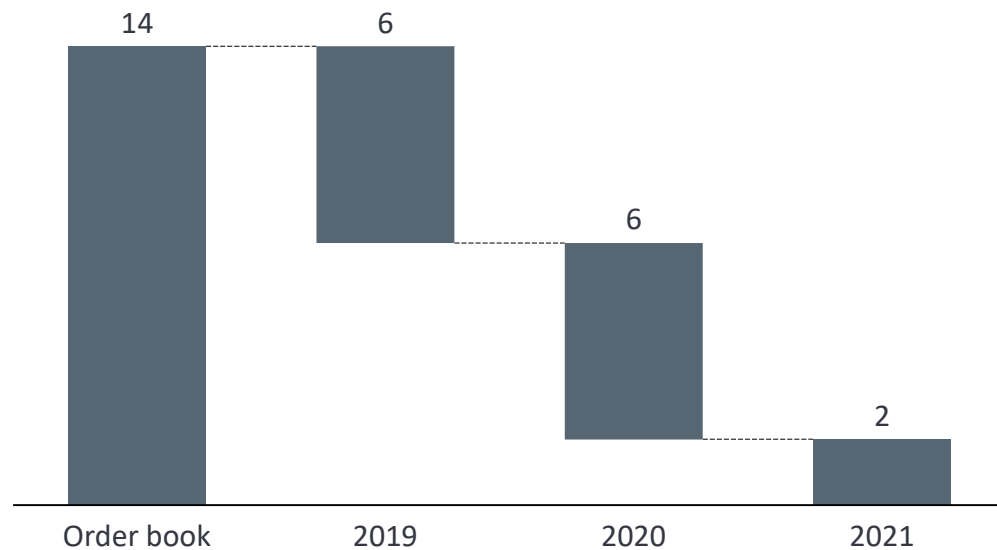


Softening growth in exports as concerns over trade, adverse weather conditions, and commodity prices are weighing on farmer sentiment and demand

Current markets do not justify new ordering activity

Car Carrier Fleet Orderbook

vessels equal or above 4000 CEU

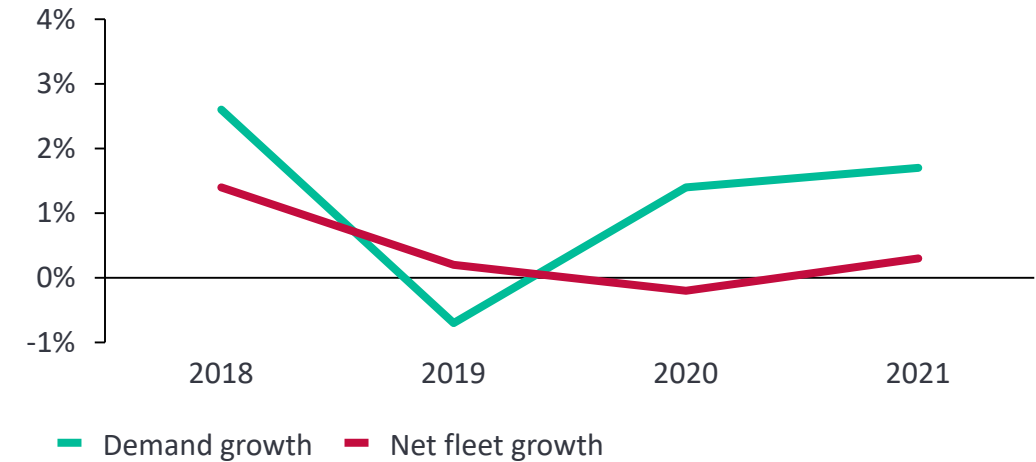


- No new orders were confirmed in the quarter*
- One vessel was delivered, one vessel recycled in the quarter

Fleet and demand growth

Percent

Growth y-o-y



- Deep-sea shipments forecasted to increase with about 2% per year
- Marginal net fleet growth (if any) expected for several years

Outlook and Q&A

by Craig Jasienski



Outlook

- Volume outlook remains uncertain due to macro picture and continued trade tensions
- Gradual improvement in tonnage balance expected to continue, but with more uncertain volume outlook rate improvements may take longer to materialize. Still see strong competition for tendered volumes
- Landbased impacted by lower volumes, outlook is stable. Some operational inefficiencies are expected to be temporary
- Focus on operational efficiency in both Ocean and Landbased to support profitability going forward
- Well prepared for transition to IMO 2020 towards end of year, but will incur some non-recoverable costs in connection with the change-over in the fourth quarter

Thank you!

