



Q4 2019 Quarterly results presentation

2019 in brief

- Adjusted EBITDA of USD 837 million, with improvement compared to 2018 driven by the Ocean segment
- Ocean volume declined 6% compared to 2018, due to a combination of commercial prioritization of volumes and slower markets
- Performance improvement in Ocean due to higher net freight per CBM and operational efficiencies
- Performance improvement programme gained strong traction early on and had a material impact on 2019 performance
- Performance in Landbased fell primarily as a result of lower volumes in Terminals

Highlights fourth quarter 2019

- Adjusted EBITDA of USD 194 million, impacted by lower volumes and cost of IMO 2020 transition
- Ocean volume declined 8% y-o-y, due to a combination of commercial prioritization of volumes and slower markets
- Performance in Landbased fell as a result of lower volumes
- HMG contract renewed at stable rates in Q4. Some contracts not renewed due to rates pushed to levels not economically sustainable
- Successful transition to IMO 2020
- The board has decided to propose a dividend of up to USD 14 cents per share, equivalent to about USD 60 million

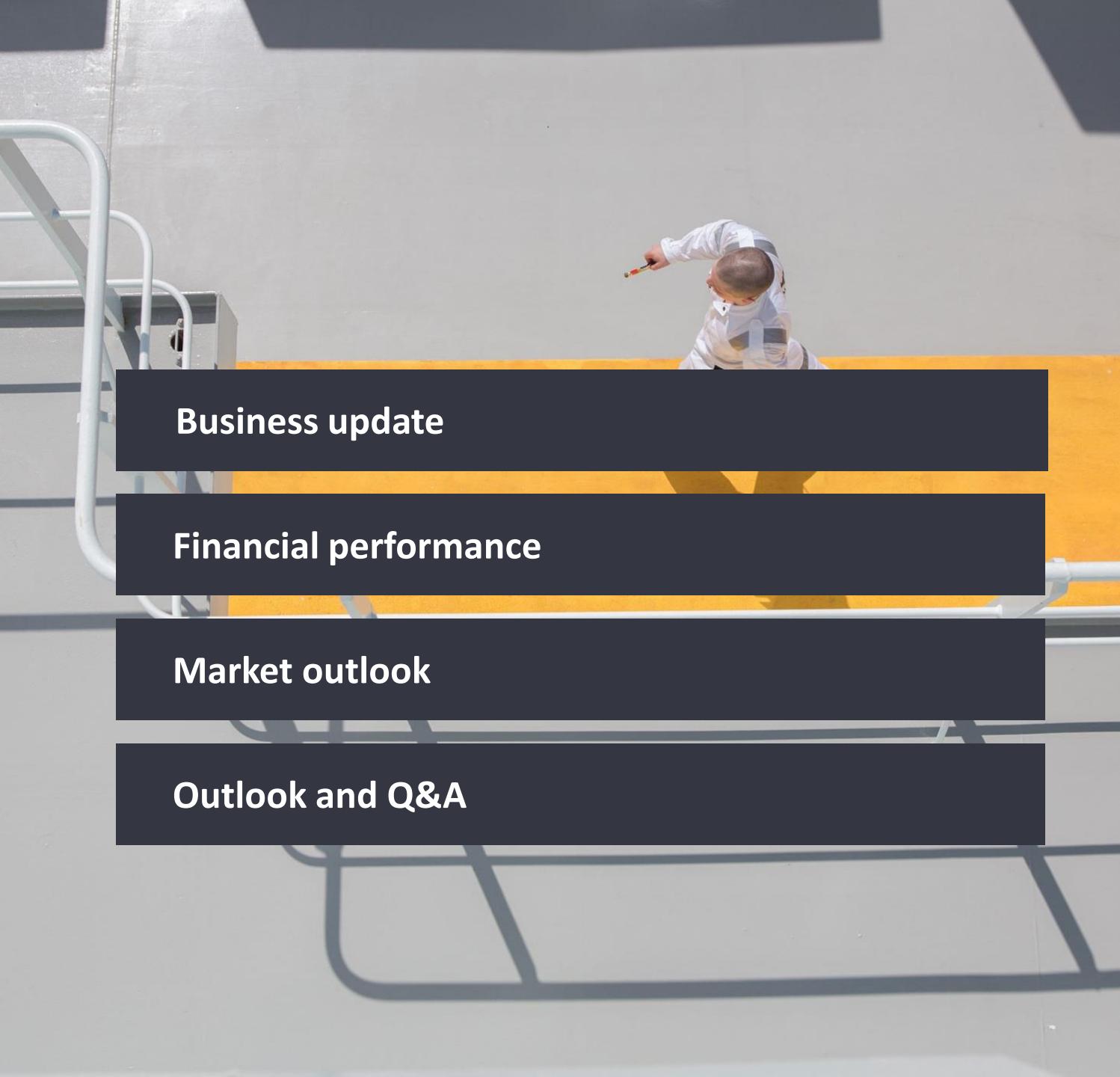
Agenda

Business update

Financial performance

Market outlook

Outlook and Q&A



Business update

by Craig Jasienski



Commercial prioritization of profitable volumes key factor behind the 8% y-o-y volume drop, but slower markets also impacting both auto and H&H

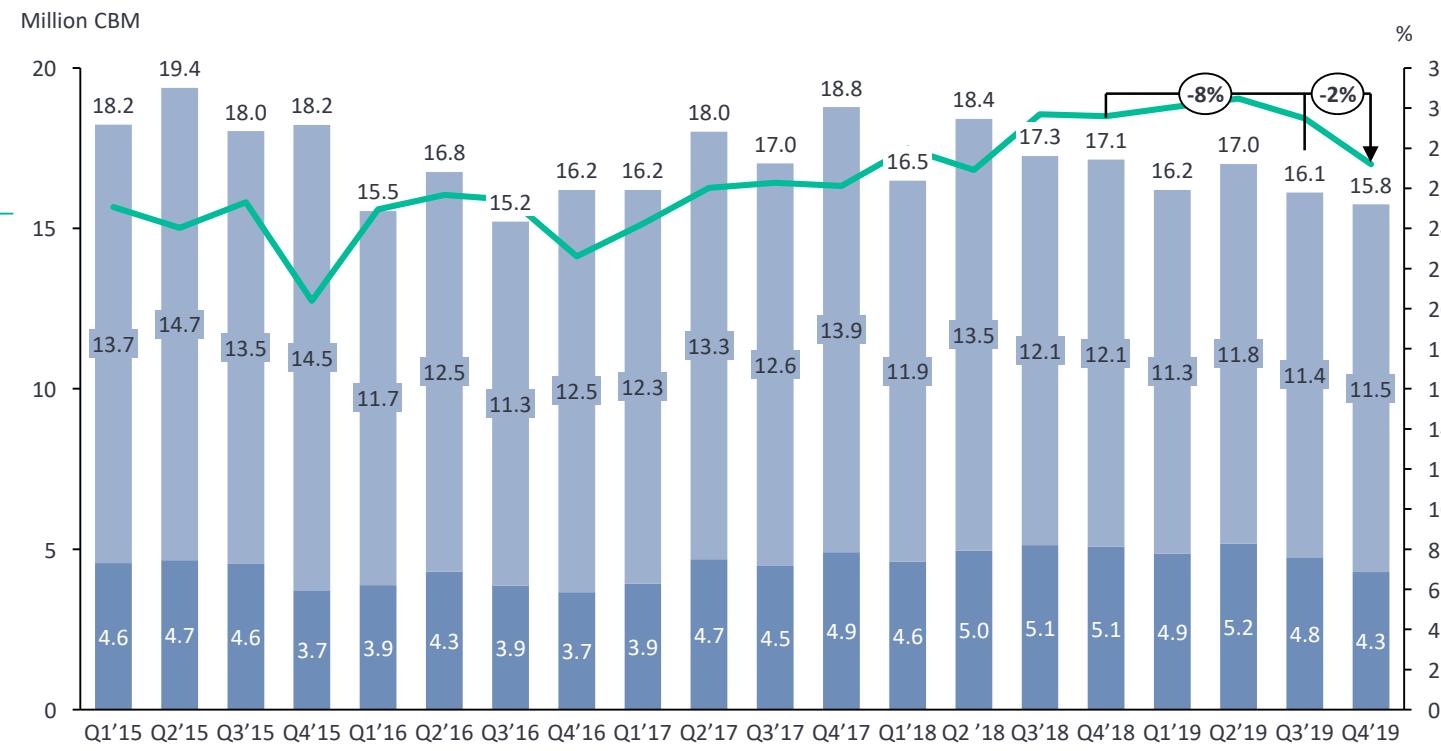
Volume and cargo mix development^{1,2}

Million CBM and %

Auto

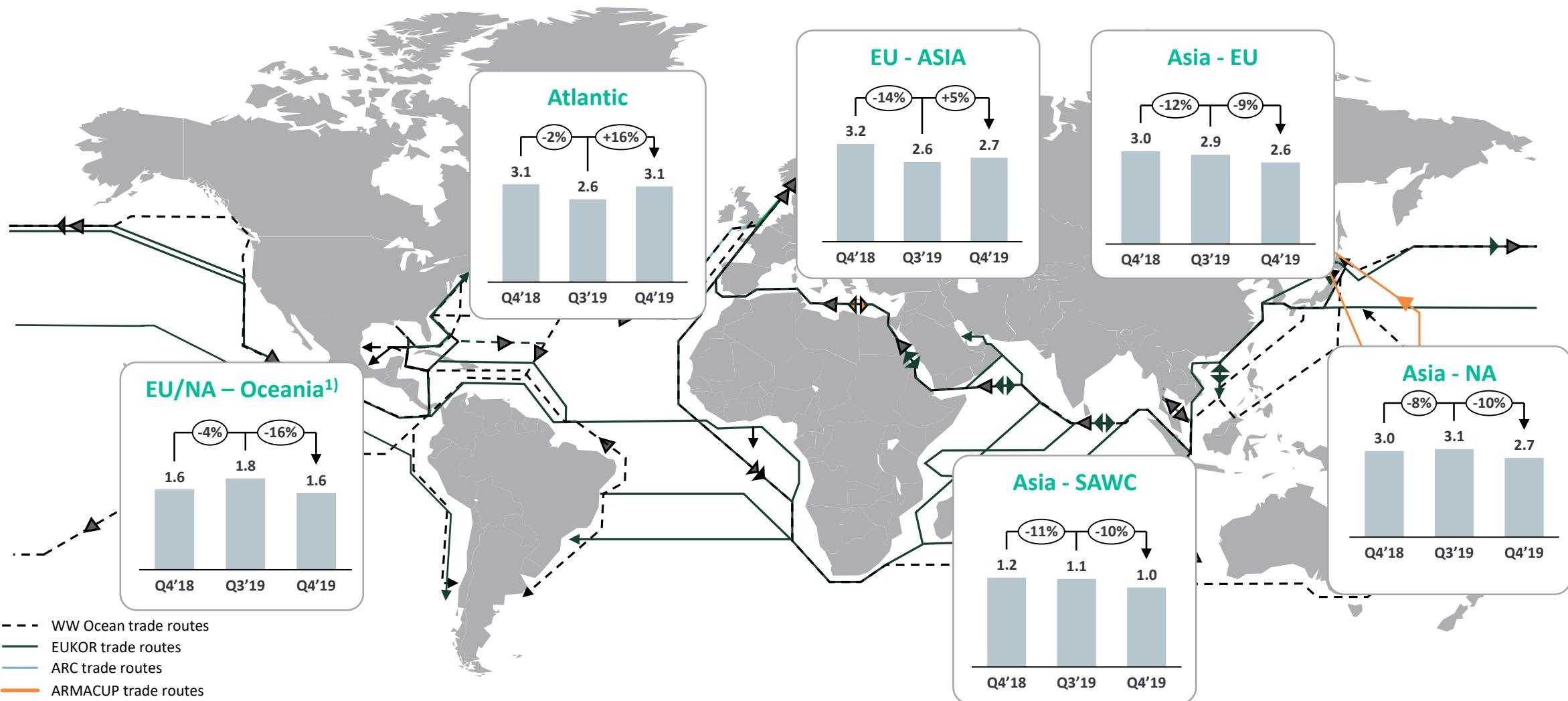
High & heavy

High & heavy share



- Some contracts not renewed (in Atlantic with effect from January 2019, and in EU/NA-OC with effect from Nov 2019)
- Prioritising winning better-paying cargo, and rationalising sailings to improve operational efficiency
- High & heavy share 27.2%

Lower volumes experienced across the main trades



- WW Ocean trade routes
- EUKOR trade routes
- ARC trade routes
- ARMACUP trade routes



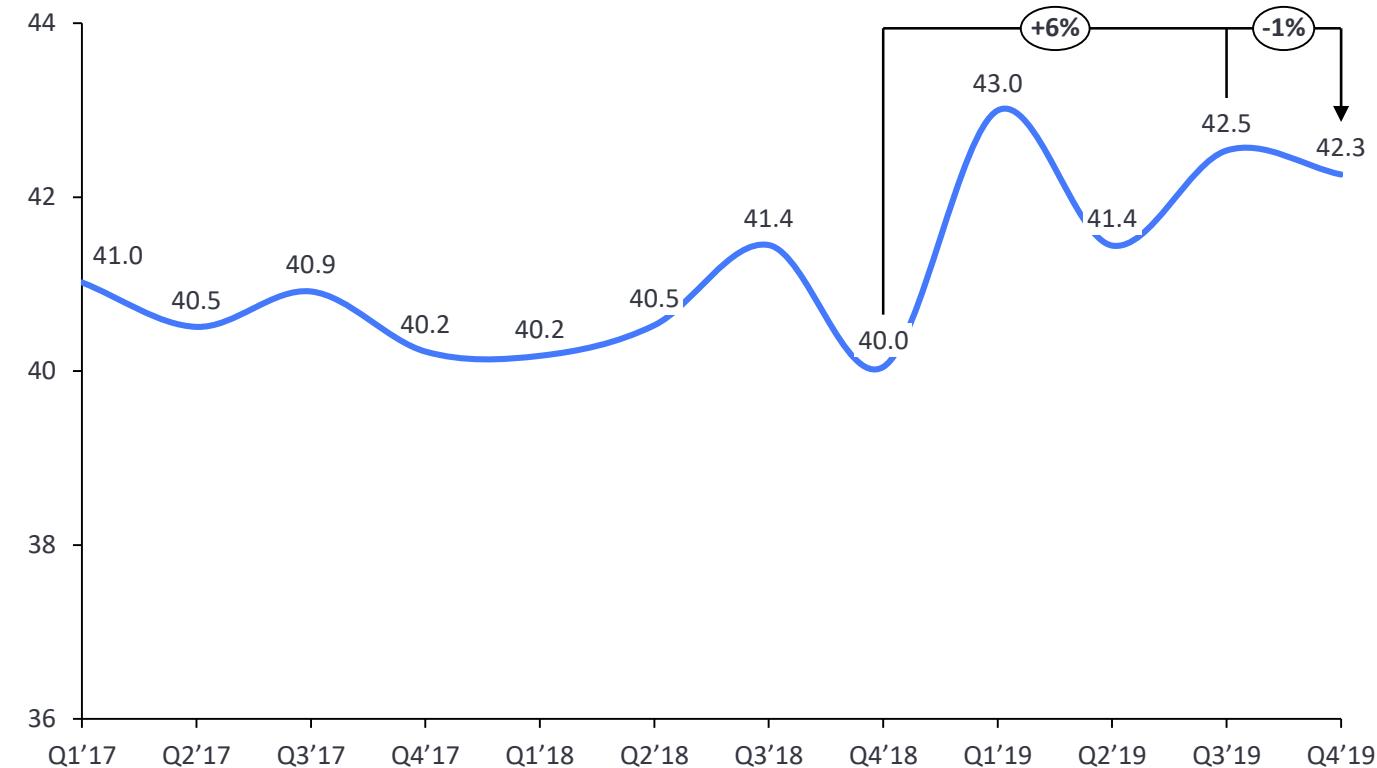
Note: Prorated volumes on operational trade basis in CBM

¹⁾ Including Cape sailings (South Africa)

The positive development for net freight per CBM seen throughout 2019 is sustained in the fourth quarter

Net freight / CBM development

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

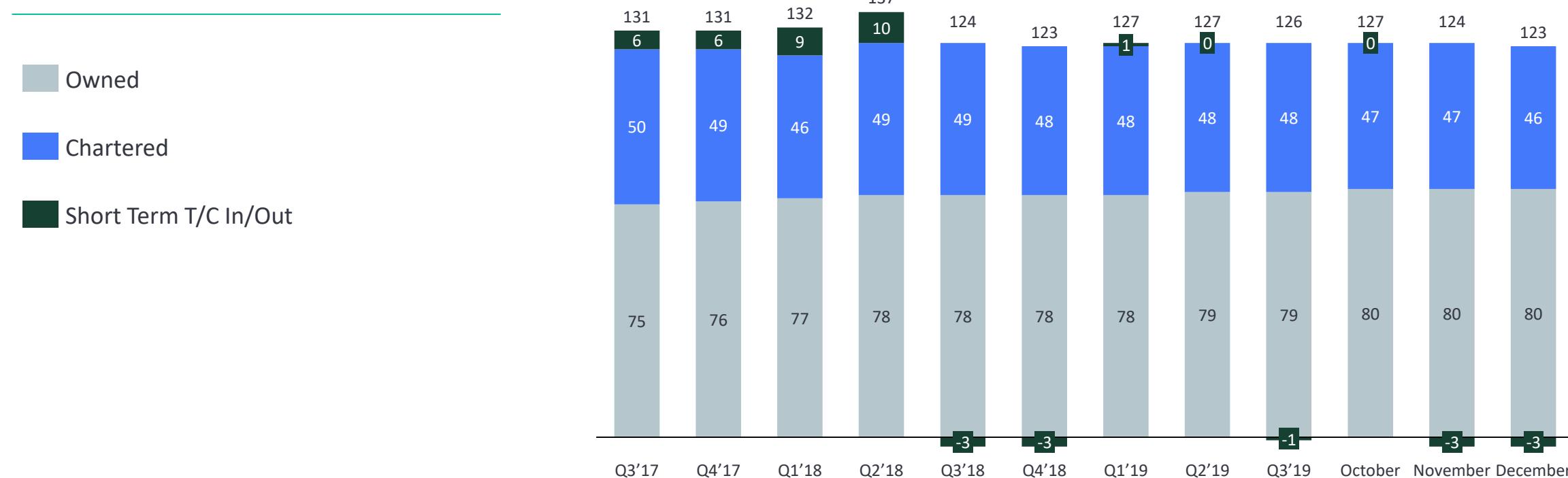


Fleet capacity tightly managed

- flexibility to redeliver up to 11 vessels by end of 2020 (excl. vessels on short charter)

Fleet development

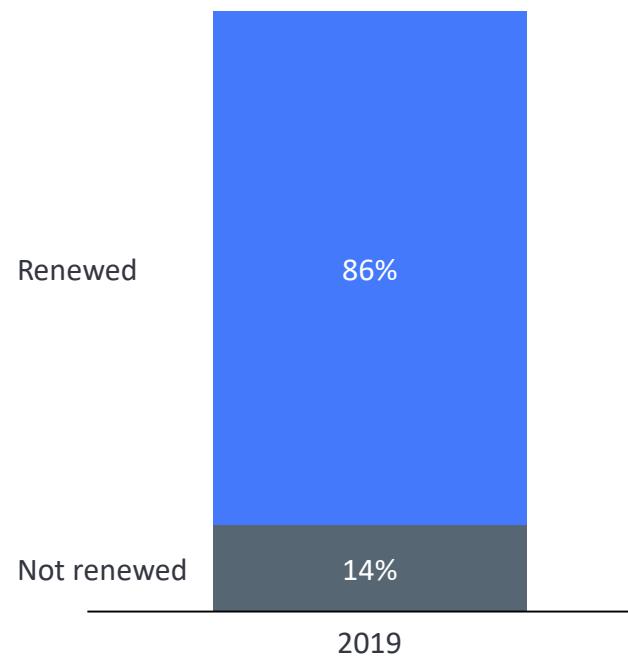
of vessels



HMG contract renewed at stable rates in Q4. Some contracts not renewed due to rates pushed to levels not economically sustainable

Overview of 2019 Ocean contract renewals

Per cent.



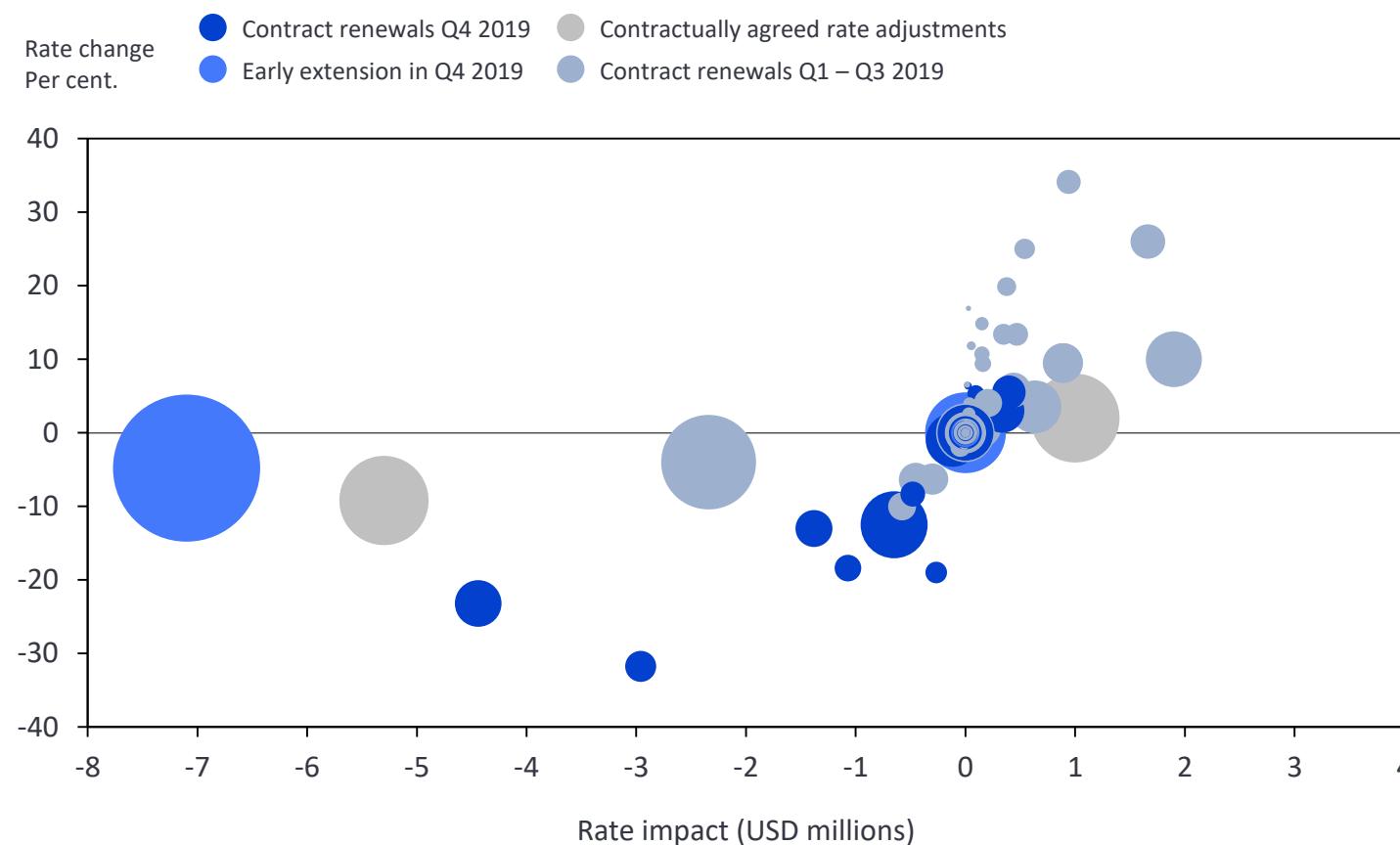
Summary of 2019 contract renewals and new business for the Ocean segment

- EUKOR renewed its contract with Hyundai Motor Group (HMG) in Q4 2019, maintaining a 40% volume share on existing rates
- Of contracts up for renewal in 2019, some contracts were not renewed as the rates were pushed to levels considered not economically sustainable but were partially offset by new business won during 2019
- Negative net revenue impact for 2020 (vs. 2019) of approx. USD 40 million
- Expected EBITDA impact of contracts not renewed estimated at about negative USD 20 - 25 million (not netted against business won)
- Contracts up for renewal in 2020 equate to approx. 20% of total Ocean freight revenue

Estimated rate impact from renewals going into 2020 about USD -15 million as a result of some larger extensions and renewals in Q4

Rate changes and impact from 2019 contract renewals

(Circle indicate size of contract in millions)



- Graph shows rate impact from 2019 renewals¹, many of which had an impact already during 2019
- Early extension of key H&H volumes for three years and key Auto contract option extension
- Contracts renewed in Q4 saw continued rate pressure

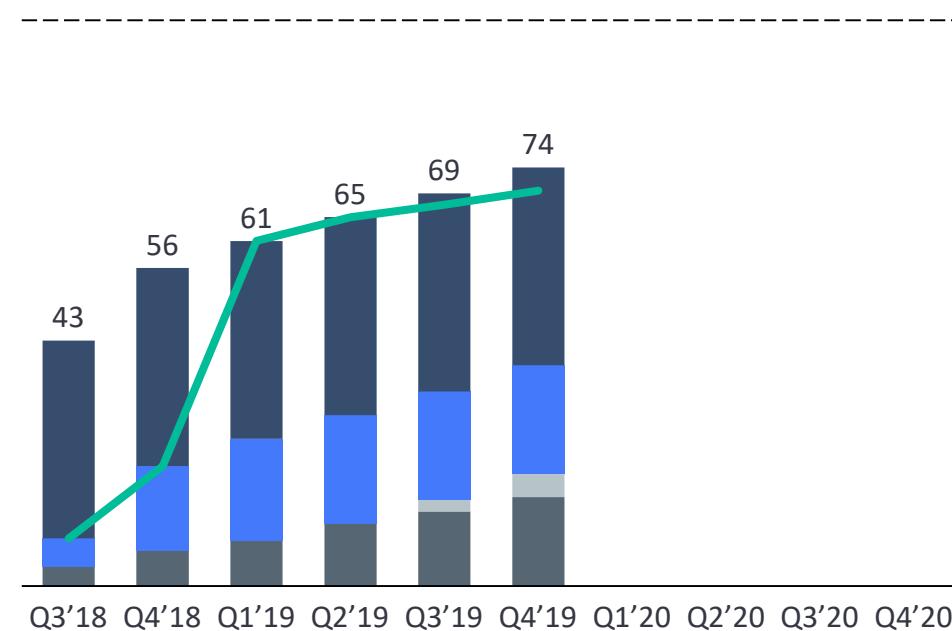
¹EUKOR HMG contract renewed at flat rates not shown in graph

Performance improvement programme reaches USD 74 million

- remaining improvements expected to carry longer lead time

Confirmed and realized improvements¹
USD million in annualized effect

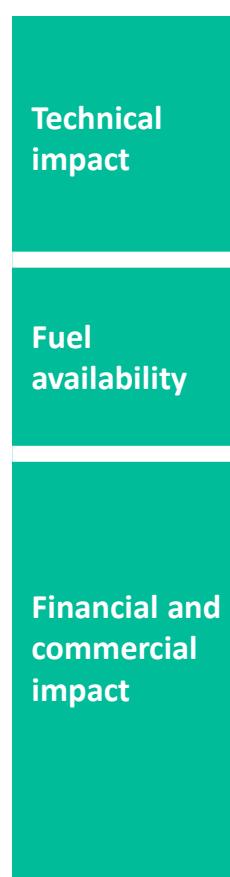
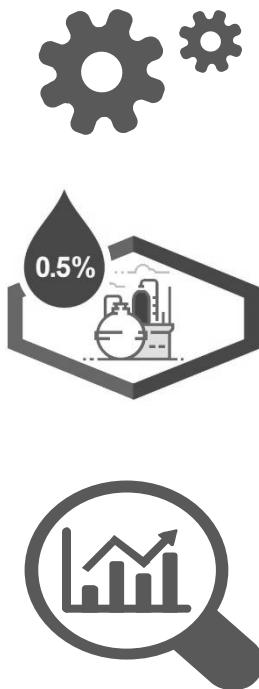
- Contractual improvements
- Voyage Optimisation
- Digitalised operations
- More efficient hull cleaning
- Realised improvements



- 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
- Realised annualised savings from improvements implemented reached USD 69 million

Successful transition to IMO2020

- transition cost of USD 8 million vs USD 10 million estimated



- Change-over to compliant fuel went well thanks to well-prepared transition plans for each single vessel. So far, no technical issues have been registered.
- Wallenius Wilhelmsen has secured contracts with some of the largest suppliers of VLSFO, and has so far not experienced any issues with fuel availability.
- In connection with the change to the new fuel, tanks were sloshed with marine gas oil (MGO) to prepare for new fuel. The cost of MGO, and the cost of running on more expensive, compliant fuel for a period ahead of 1 January 2020 was about USD 8 million.
- All BAF clauses have now been updated to have VLSFO index prices as reference for the calculation of BAF.

Financial performance

by Rebekka Herlofsen



Consolidated results – Q4 2019

- underlying performance impacted by lower volumes and cost of IMO 2020 transition

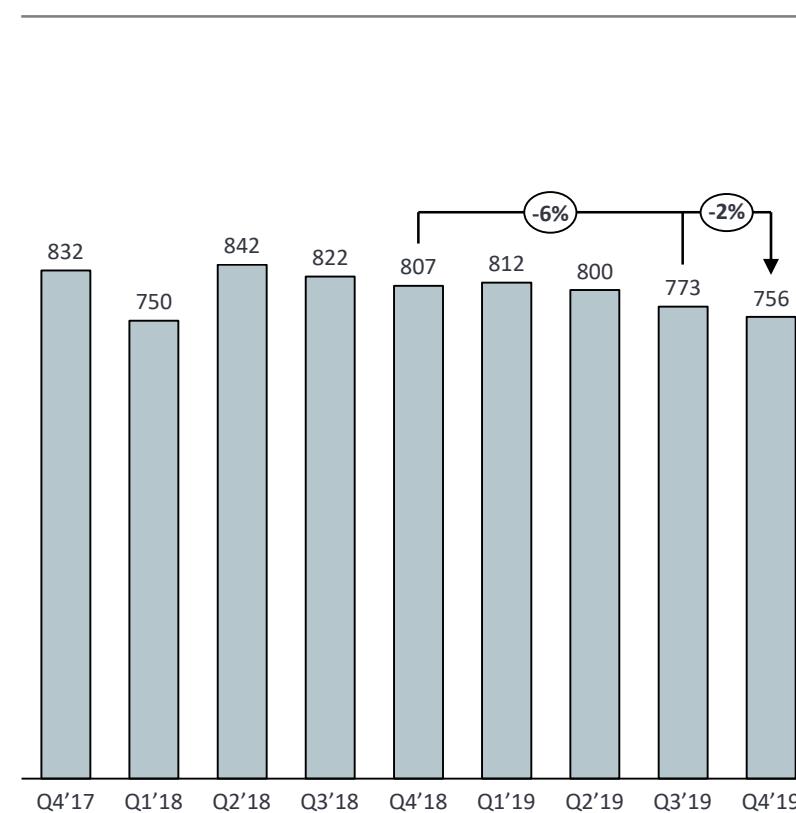
	Q4 2019	Q3 2019	% change q-o-q	Q4 2018	% change y-o-y
Total income	932	955	(2%)	1022	(9%)
Operating expenses	(770)	(741)	4%	(854)	(10%)
EBITDA*	162	213	(24%)	168	(3%)
EBITDA adjusted	194	213	(9%)	168	16%
EBIT	81	94	(14%)	116	(30%)
Financial income/(expenses)	(22)	(72)	(70%)	(83)	(74%)
Tax income/(expense)	(19)	14	n/a	11	n/a
Profit for the period	41	36	15%	45	(8%)
EPS	0.10	0.08	26%	0.10	(5%)
<i>*IFRS 16 effect on EBITDA</i>	41	41	n/a	n/a	n/a

Ocean segment – Q4 2019

- underlying performance down as a result of lower volumes and IMO 2020 transition costs

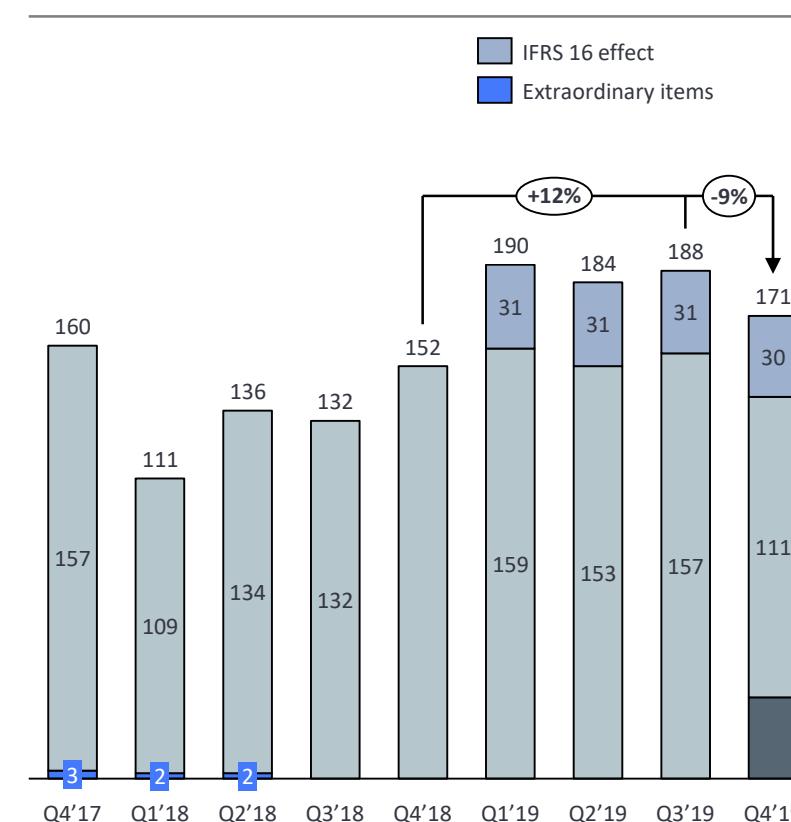
Total income

USD million



Adjusted EBITDA¹

USD million



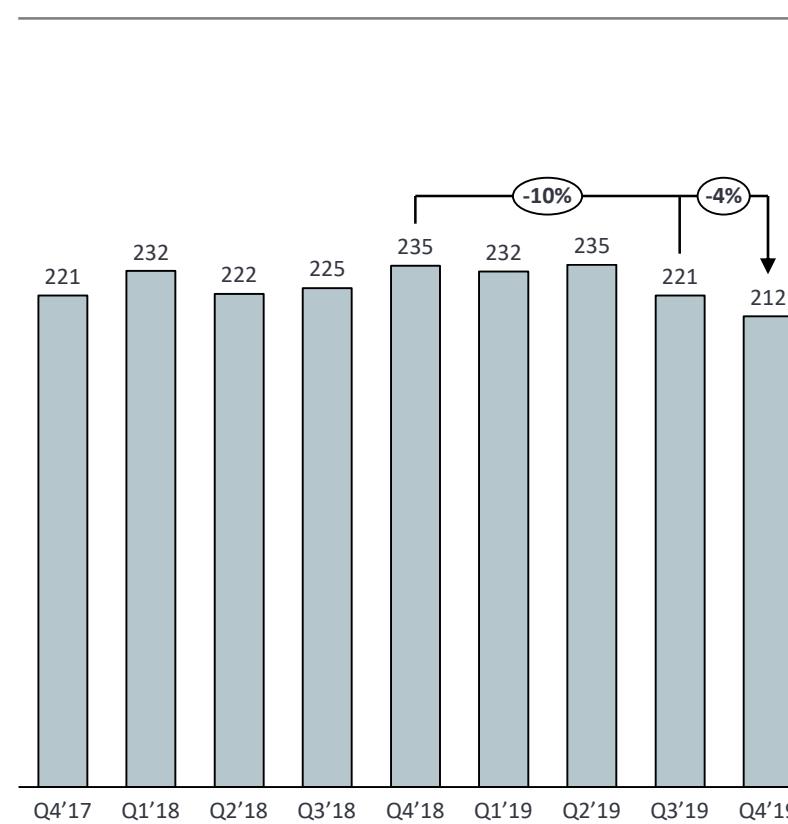
- Underlying results down as a result of lower volumes and costs related to IMO2020 transition
- However, partly offset by higher net freight per CBM, performance improvement programme (USD ~12m), lower net bunker cost (excl. volume effects, USD ~10m) and strong project cargo in the Atlantic

Landbased segment – Q4 2019

- underlying performance down y-o-y as a result of lower volumes

Total income

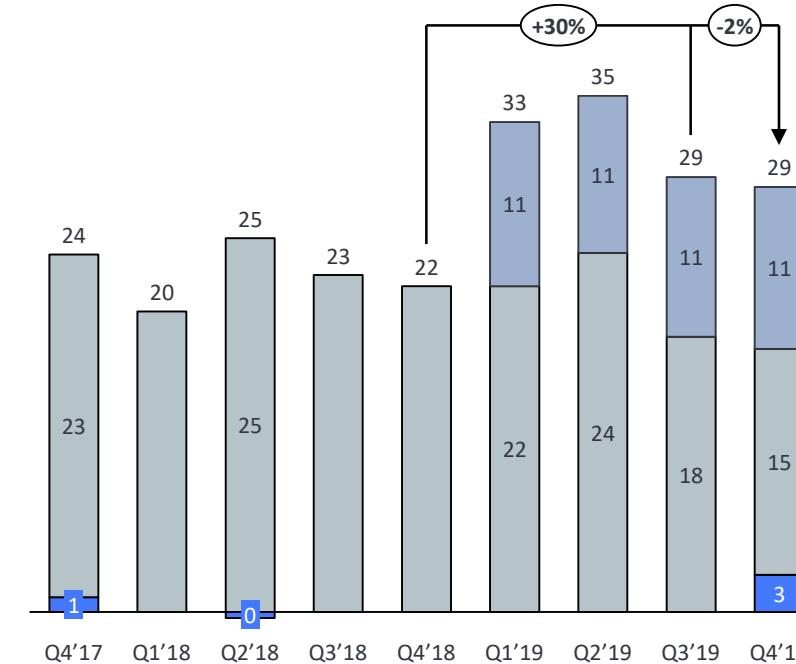
USD million



Adjusted EBITDA¹

USD million

- IFRS effect
- Extraordinary items



- Lower volumes impacted Terminals
- Solutions Americas Auto and H&H had a positive development y-o-y

Consolidated results – Full year 2019

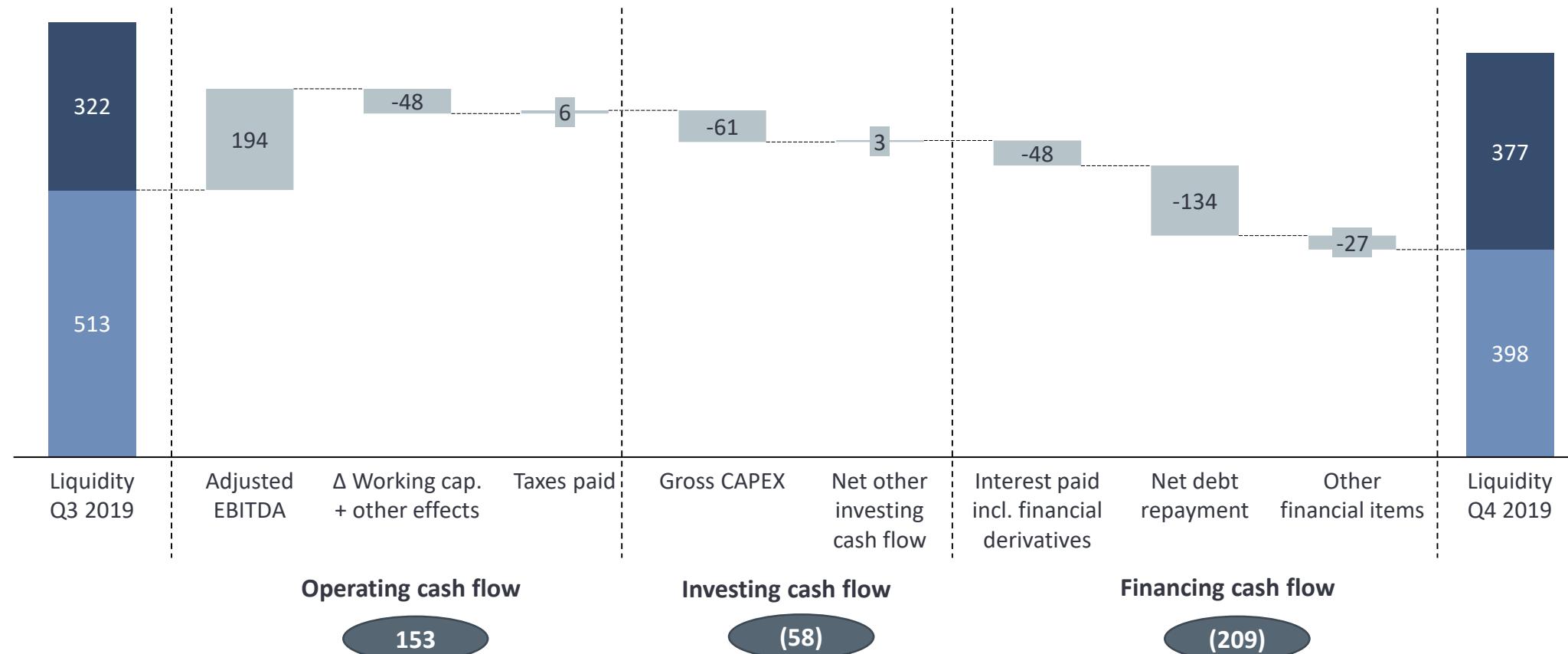
	Full year 2019	Full year 2018	% change q-o-q
Total income	3 909	4 065	(4%)
Operating expenses	(3 104)	(3 463)	(10%)
EBITDA*	805	601	34%
EBITDA adjusted	837	606	38%
EBIT	358	244	46%
Financial income/(expenses)	(247)	(169)	46%
Tax income/(expense)	(10)	(20)	(50%)
Profit for the period	102	58	76%
EPS	0.22	0.12	77%
<i>*IFRS 16 effect on EBITDA</i>	166	<i>n/a</i>	<i>n/a</i>

Cash flow and liquidity development – fourth quarter 2019

- free cash flow of USD 47 million

USD million

Undrawn credit facilities

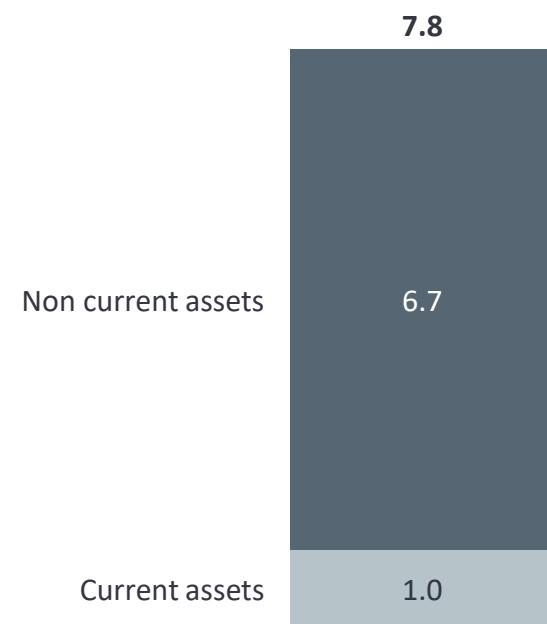


Balance sheet – fourth quarter 2019

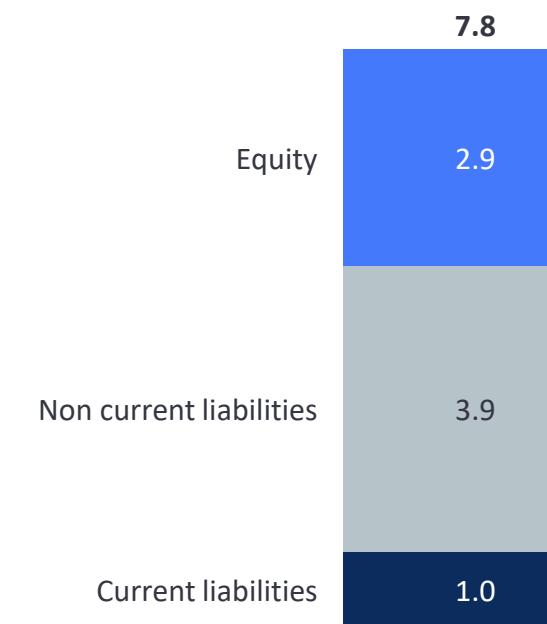
Balance Sheet
31.12.2019

USD billion

Assets



Equity & Liabilities



- Equity ratio 37.5%
- Anti-trust provisions increased by USD 30 million to cater for higher legal costs
- The board has decided to propose a dividend of up to 14 cents/share, equivalent to about USD 60 million for 2019

W°

Market outlook

by Craig Jasienski

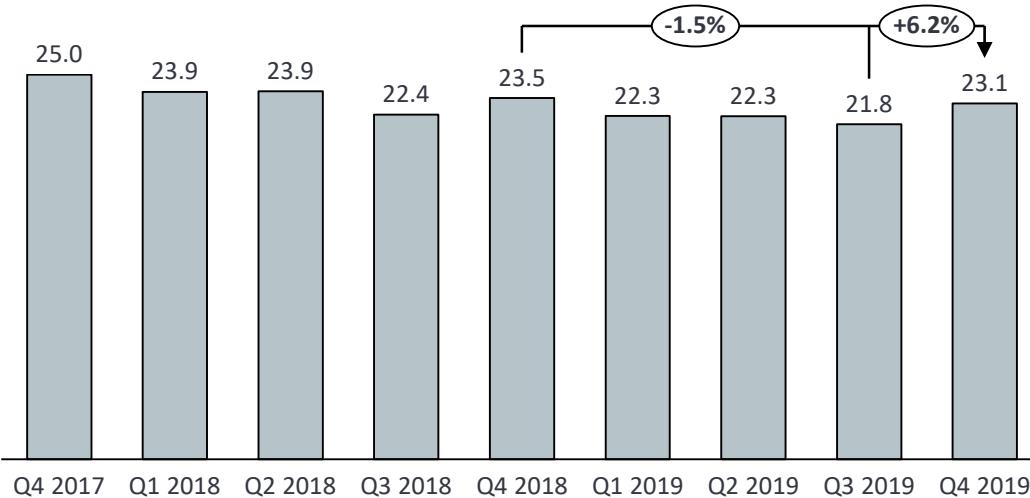


Auto sales down 1.5% y-o-y as Chinese sales are slow

- deep sea volumes down 0.7% y-o-y

Global light vehicle (LV) sales per quarter¹⁾

Units



Global light vehicle (LV) export per quarter¹⁾

Units



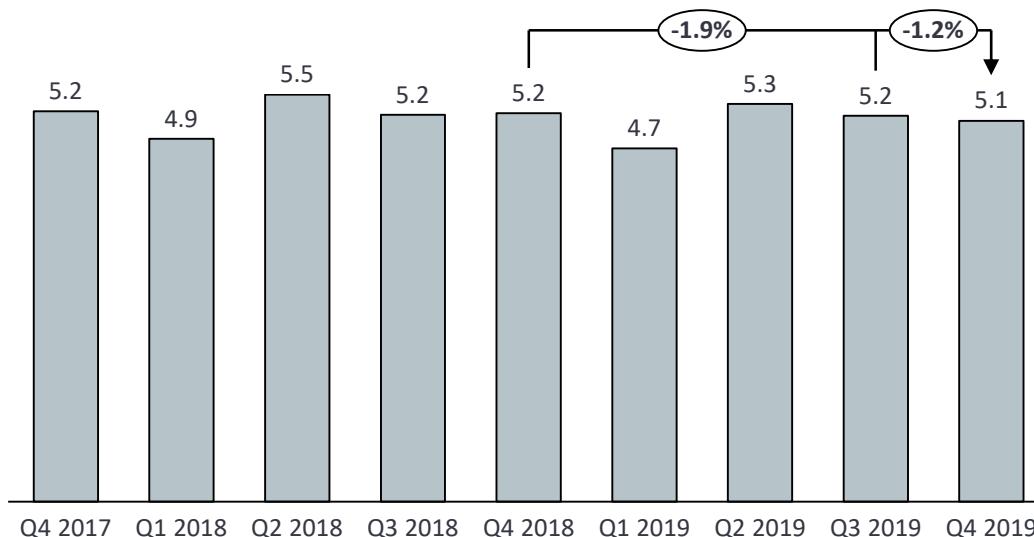
- Total light vehicle (LV) sales in the fourth quarter decreased 1.5% compared to the corresponding period last year and up 6.2% from the previous quarter as Chinese LV sales typically show strong seasonality in Q4.

- Total exports in the fourth quarter were down 0.7% compared to the corresponding period last year, up 0.6% from the previous quarter.

North America LV sales still at high levels, fifth year in a row above 17m

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

Mill units



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

1000 units



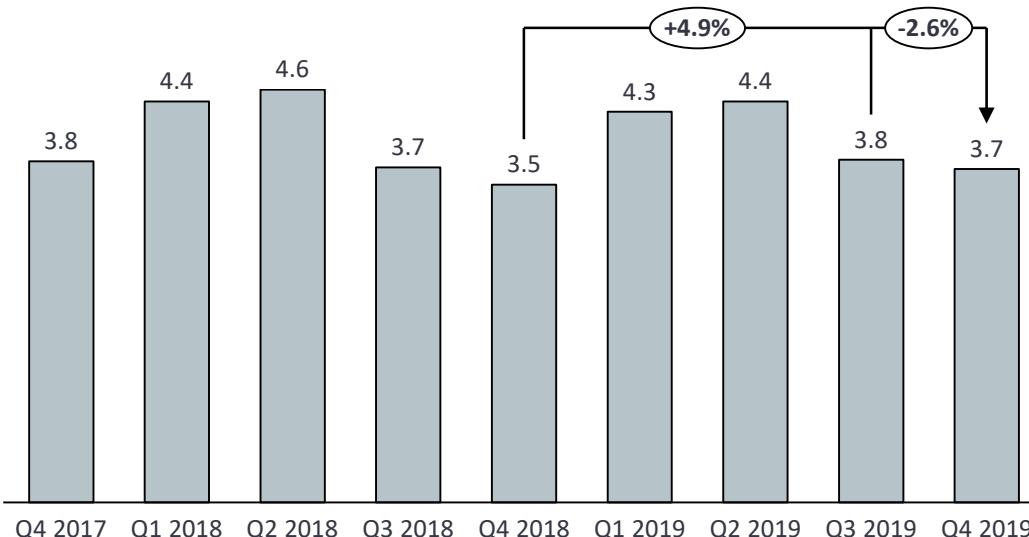
- In US auto sales still at solid levels thanks to incentives, specially initiated from the dealers, and wide credit availability
- Inventories have been reduced and now lower than the preferred 60-days-of-supply

- Selected OEM experienced increased volume on US – EU/China due to new model

Western Europe LV sales influenced by timing of WLTP modules, diesel woes and Brexit

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

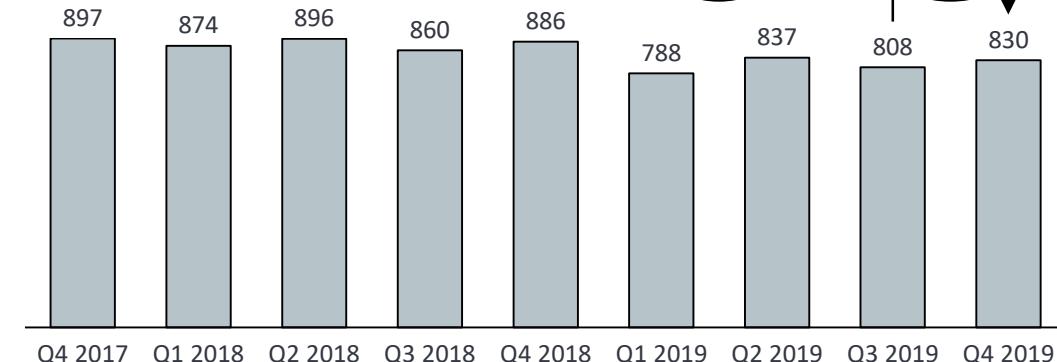
Mill units



- The implementation of the EU WLTP emission testing scheme contributed to several monthly effects as the market entered different standards in September 2018 and September 2019 and January 2020.

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

1000 units

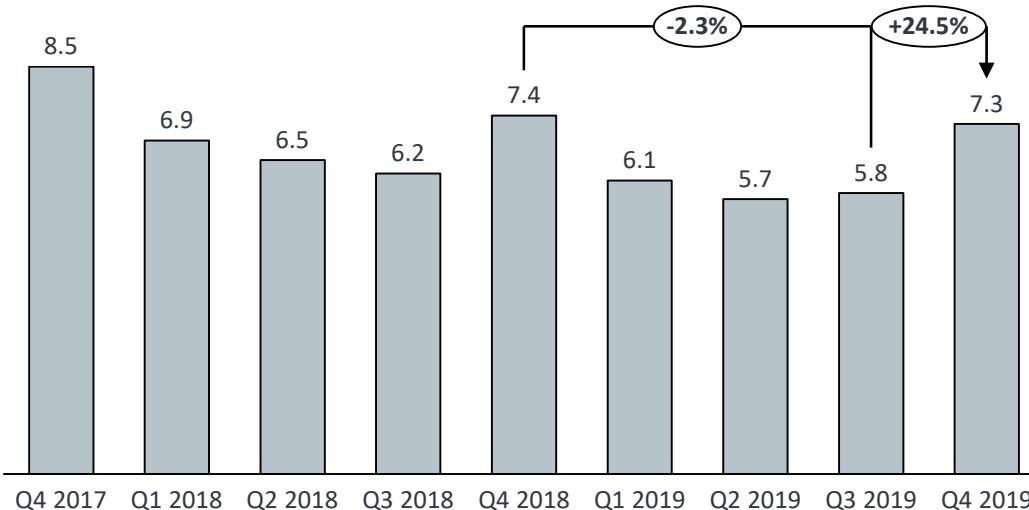


- Reduced volume on North America-bound exports dragged the figure down due to model shift for one OEM from Europe to NA.

Chinese LV sales disrupted by introduction of emission standards and a wait-and see attitude among consumers

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

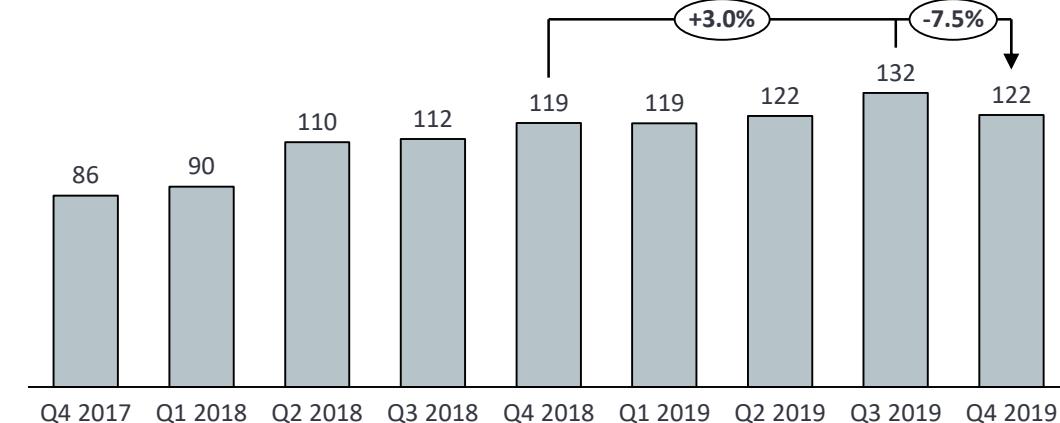
Mill units



- 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 second half of 2019 due to the phasing out of current NEV subsidies.

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

1000 units

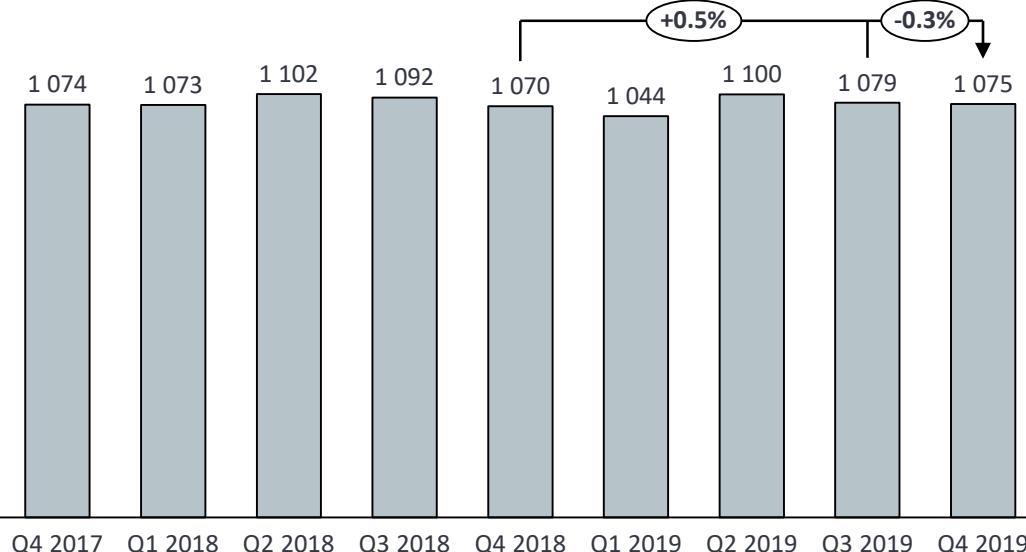


- Chinese LV production capacity continues to be ramped up and export growth remains to all global markets despite U.S. tariff issues.

Japanese LV export increased 0.5% y-o-y, Korean exports up 1.9% y-o-y

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

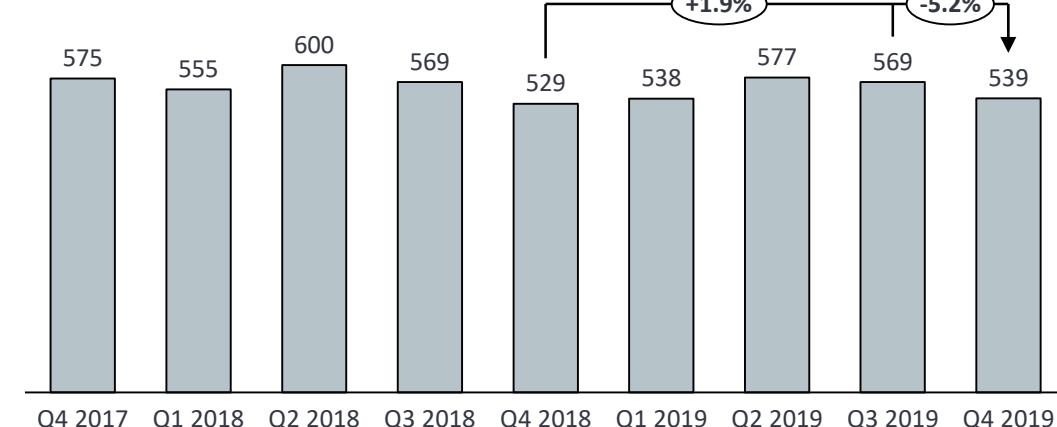
Mill units



- Volumes to NA slightly down due to production shift from JP to NA while volumes to Europe increased due to new models.

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

1000 units



- Notable increase in exports volumes to NA as popular SUV models are gaining traction while volumes to Europe are slowing due to model at end of life cycle and not replaced.

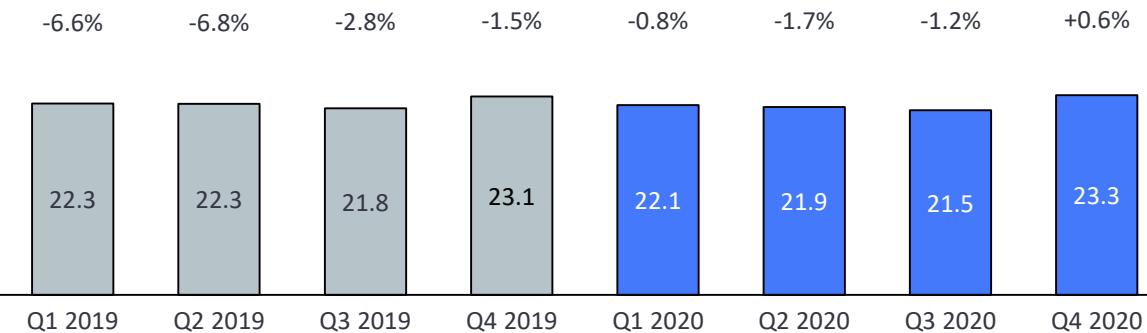
Continued market uncertainty

- 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:

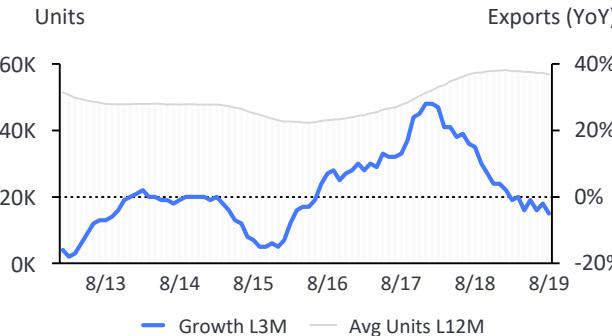
- Trade barriers
- WLTP introduction of different phases in Europe
- Brexit - Continued uncertainty and downside risks related to a Brexit
- Softening Chinese momentum despite governmental stimulus
- US vehicle prices
- Emerging markets – continued risk

High & heavy trade has softened

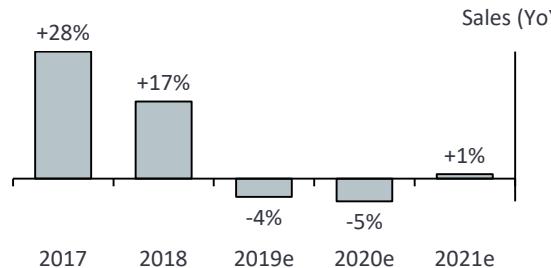
- Global sales are expected to decline over the next 12 months

EXPORT¹ & SALES DATA²

Construction Machinery

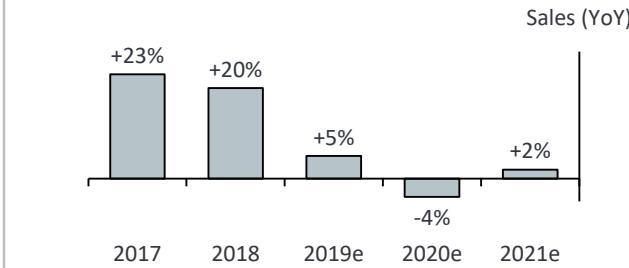
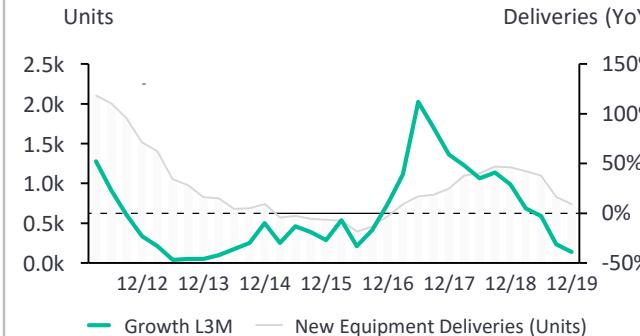


OEM SALES ESTIMATES³



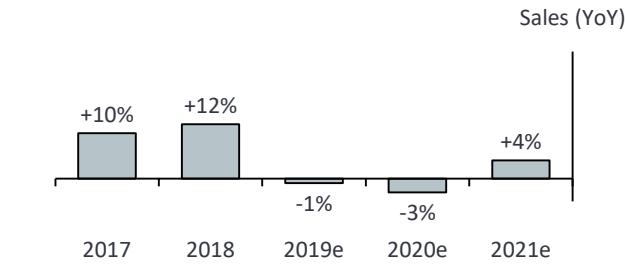
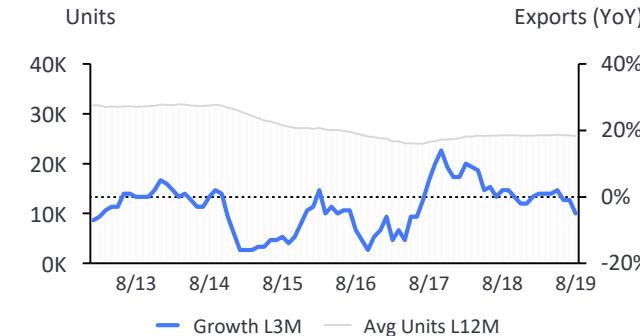
Growth in exports has weakened y-o-y, and global sales of major OEMs are expected to decline moderately in 2020 before rebounding slightly the following year

Mining Machinery



Macro uncertainty and disciplined capex spend among mining majors has negatively impacted investments in new equipment and the global sales outlook

Agriculture Machinery

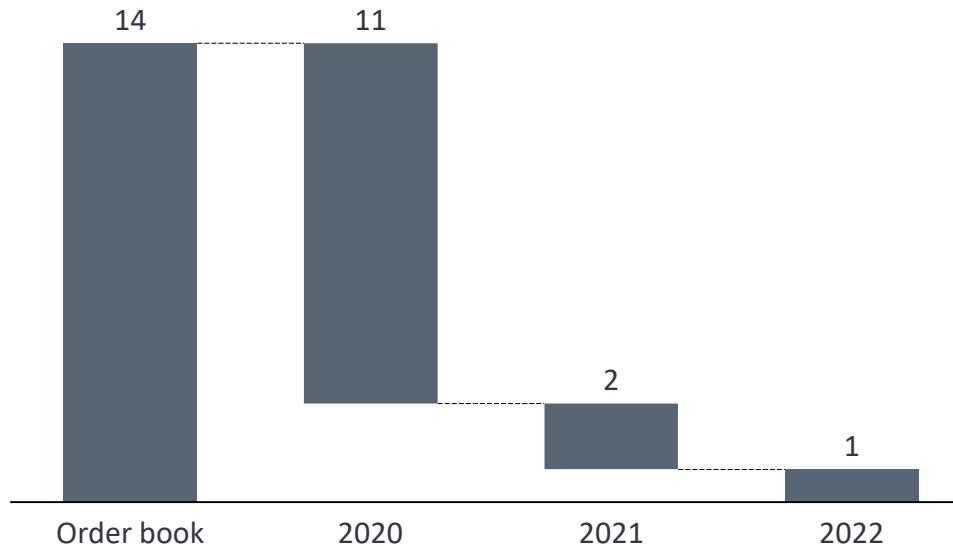


Softening growth in exports and global machinery sales reflect continued market uncertainties and challenging conditions that weigh on farmer sentiment and demand

Current markets do not justify new ordering activity

Car Carrier Fleet Orderbook

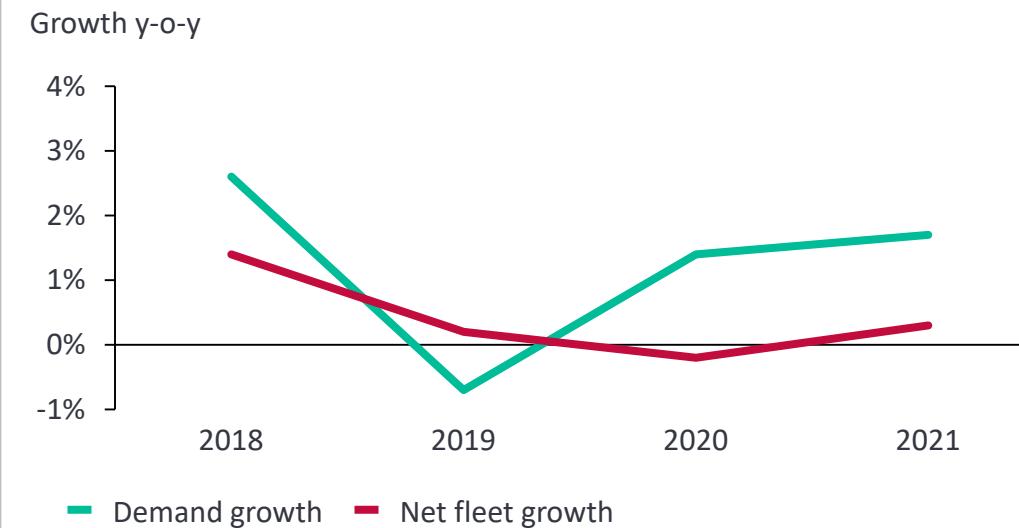
vessels equal or above 4000 CEU



- No new orders were confirmed in the quarter*
- No vessel deliveries, two vessels recycled in the quarter

Fleet and demand growth

Percent



- 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 with markets softening for both auto and high & heavy**
- **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 performance impacted by lower volumes, outlook is stable**
- **Focus on operational efficiency in both Ocean and Landbased to support profitability going forward**
- **Outbreak of the novel coronavirus is likely to have some short-term effects on volumes**

Thank you!

