



# WILH. WILHELMSEN ASA

## REPORT FOR THE FOURTH QUARTER OF 2009 AND PRELIMINARY REPORT FOR 2009

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# REPORT FOR 2009 AND THE FOURTH QUARTER OF 2009, PROPORTIONAL METHOD<sup>1</sup>

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The Wilh. Wilhelmsen group (WW) posted an operating profit of USD 240.8 million for 2009, compared with USD 351.6 million in 2008. (Figures for the corresponding period of 2008 will hereafter be shown in brackets). Total income amounted to USD 2 572.6 million (USD 3 434.2 million).

For the fourth quarter of 2009, operating profit totalled USD 78.3 million (USD 134.0 million), while total income was USD 727.7 million (USD 853.4 million).

Highlights of the fourth quarter:

- Continued rebound in cargo volumes for WWL and EUKOR, primarily cars
- Diversified performance within the shipping segment
  - o Unfavourable cargo and trade mix for WWL limited operating profit improvement over the third quarter
  - o EUKOR delivered a stable operating profit compared with the third quarter, despite bunker cost increase
  - o ARC continued to record solid performance
- Higher activity in the logistics segment, operating profit somewhat lower than the third quarter due to seasonality and lower Glovis contribution
- WMS offset pressure from yard exposure by continued strong sales to the merchant fleet
- Fleet adjustments by the ship operating companies in response to the weak market
  - o Redelivery of eight charter vessel during the quarter
  - o Two vessels taken out of lay up during the quarter, a total of 17 vessels in lay up at the end of December
  - o Sale of two vessels in EUKOR
  - o Sale of Taronga from WW to FLP
- WW's ship operating companies took delivery of one newbuilding
- Bond issue of NOK 600.0 million in October

<sup>1</sup> The proportional method is used for the group's most important joint ventures. This method provides a better reflection of the WW group's underlying operations in the joint ventures than the official accounts, giving more detailed information on total financial results.

The sale and lease back agreement regarding WW's head office was recorded in the group accounts during the fourth quarter of 2009. Net proceeds and gains from the transaction, recorded in the fourth quarter are USD 85.9 million and USD 46.5 million respectively.

WW recorded USD 115.3 million of gains on sale of assets during 2009 (USD 19.2 million). The gains were primarily related to the sale of 5% shareholding in Glovis (USD 44.8 million recorded during the second quarter), the sale of WW's head office (USD 46.5 million recorded during the fourth quarter), the sale of vessels from EUKOR and WW (USD 17.4 million recorded during the fourth quarter) and sale of assets in WMS (USD 8.9 million recorded primarily during the first nine months). Total income was further impacted by USD 11.1 million in write down on WW's stake in Eidsiva (recorded in the first and fourth quarter).

Operating profit for the year was further impacted by a write down of USD 17.8 million recorded in the fourth quarter, related to impairment of the four Mark 1 vessels, and losses of USD 7.1 million recorded in the second quarter, related to the sale of two vessels for recycling.

Net one-off items recorded in the operating profit for 2009 amounted to a gain of USD 81.7 million (loss of 12.9 million). The corresponding figure for the fourth quarter totalled a gain of USD 40.8 million (gain of USD 1.2 million).

The decline in operating profit for 2009 and the fourth quarter, excluding the above mentioned one-off items, was driven primarily by the shipping segment. The logistics and maritime services segments reported moderate declines for the full year, while the logistics segment posted an operating profit in line with the fourth quarter of 2008.

Operating profit for the fourth quarter was somewhat lower than the third quarter, impacted mainly by increased operating expenses in WW ship owning companies, lower contribution from Eidsiva, seasonality in some of the logistics operations and lower profits from WMS' yard related businesses.

Group profit before tax and minority interests was USD 319.2 million (USD 27.7 million) for 2009. The corresponding figure for the fourth quarter was USD 110.8 million (loss of USD 94.1 million).

Tax charges for 2009 were positive, amounting to USD 14.6 million (positive USD 66.9 million). For the fourth quarter, tax charges amounted to USD 18.5 million (positive USD 72.9 million).

Net profit after tax and minorities for 2009 came to USD 330.7 million (USD 90.3 million). For the fourth quarter, the group recorded USD 91.9 million (a loss of USD 21.8 million).

Taking advantage of the improvement in the Norwegian bond market with access to longer term maturities, WW placed a new 7 year bond issue of NOK 600.0 million in October.

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## SHIPPING

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The WW group's shipping segment recorded an operating profit of USD 54.9 million (USD 253.2 million) for 2009. Total income amounted to USD 1 344.5 (USD 2 072.8 million). For the fourth quarter, operating profit and total income amounted to USD 12.6 million (USD 109.5 million) and USD 385.5 million (USD 544.6 million) respectively.

Total income for the year included USD 17.4 million in gains (recorded in the fourth quarter) related to the sale of two EUKOR vessels to Glovis and one WW vessel to FLP (Fidelio Limited Partnership, a US ship owning company in which WW has a 50% stake). Total income was further impacted by USD 11.1 million in write down on WW's stake in Eidsiva (USD 7.8 million recorded during the first quarter and USD 3.3 million in the fourth quarter). Total income and operating profit in 2008 included USD 13.1 million in gains from the sale of EUKOR vessels.

Operating profit for 2009 included USD 7.1 million in losses on the sale of two vessels for recycling (recorded in the second quarter). In addition, a total write down of USD 17.8 million was recorded in the fourth quarter, related to impairment of the four Mark 1 vessels.

Net one-off items recorded in the operating profit for the shipping segment in 2009 amounted to a loss of USD 16.2 million (loss of USD 19.2 million). The corresponding figure for the fourth quarter totalled a loss of USD 3.8 million (loss of USD 1.1 million).

Car transportation volumes in WWL and EUKOR continued to improve into the fourth quarter, bringing the total volume of the WW group's ship operating companies to 16.0 million cubic metres (CBM) (17.2 million CBM), an increase of 25% relative to the third quarter. Total volumes for the year amounted to 51.6 million CBM (71.4 million CBM), the decline being mainly related to WWL. EUKOR transported moderately lower volumes, while ARC boasted a significant increase in 2009.

The diversified nature of the shipping operations in the WW group cushioned the negative impact of volume decline relative to 2008. The year on year decline in total income for the full year and fourth quarter of 2009 reflected primarily WWL's challenging situation, with contraction in cargo volumes, lower share of ro-ro cargo and an unfavourable change in the mix of trades. Lower bunker compensation also put pressure on total income.

Compared with the third quarter, higher activity lifted the fourth quarter total income. The increase was limited by an unfavourable cargo and trade mix.

Low fleet utilisation in WWL and the unfavourable cargo and trade mix drove down the shipping segment's operating profit for the year. EUKOR delivered an operating profit in line with 2008, while ARC reported a higher operating profit compared with 2008.

The fourth quarter operating profit was down year on year due to low profitability in WWL in addition to higher bunker cost which also affected EUKOR. ARC delivered an operating profit well above the same quarter in 2008.

Compared with the third quarter of 2009, the fourth quarter operating profit adjusted for one-offs came slightly down mainly due to increased operating expenses in WW ship owning companies and lower contribution from Eidsiva. Operating profit was further limited by an unfavourable cargo and trade mix in addition to increased use of space charter in WWL.

**Wallenius Wilhelmsen Logistics** (owned 50% by WW) recorded a significant decline in total income for the quarter compared with the same period in 2008, due to lower cargo volumes and an unfavourable change in the mix of cargo and trades. Compared with the third quarter 2009, cargo volumes rebounded in the fourth quarter and lifted the total income.

The improvement in cargo volumes continued from the second quarter into the fourth quarter, with a positive development in almost all trades. Car volumes were the main drivers behind the growth. The slide in ro-ro volumes appeared to have bottomed out during the third quarter of 2009, showing a modest increase in the fourth quarter.

The Atlantic trades posted the strongest improvement among WWL's trades during the fourth quarter, driven by car exports from Europe to North America. Cargo availability from Japan to Europe was also significantly higher, albeit at a low level. The flows from Japan to North America remained weak in the fourth quarter.

WWL controlled a total fleet of 62 vessels (66 vessels) at year end 2009, with a total capacity of 362 000 CEU (371 000 CEU). Two vessels were redelivered to owners in the fourth quarter. 17 vessels were in cold lay up at year end. Due to the positive market development, two vessels was taken out of lay up and brought back to operation during the fourth quarter.

The decline in volumes and deteriorated cargo and trade mix resulted in a year on year slide in the operating profit. Compared with the third quarter, higher activity offset the unfavourable change in the cargo and trade mix, improving the operating profit. However, the positive impact from higher volumes was limited by a large part of the increased volumes being lifted on space chartered tonnage.

**EUKOR Car Carriers** (EUKOR – owned 40% by WW) reported a year on year decline in the fourth quarter's total income, owing to lower bunker compensation. Cargo volumes were strong, having picked up to the same level as the fourth quarter of 2008. The marked increase in activity resulted in a significant rise in total income compared with the third quarter.

After a weak start of 2009, transportation demand from EUKOR's customers gathered momentum and ended at the same level as year end 2008. Hyundai Motor and Kia Motor continued to be the primary source of EUKOR's cargo, although other cargo also rose during the year, albeit at a slower pace than Hyundai and Kia.

EUKOR operated a total of 65 vessels (92 vessels) by year end 2009, with a total of 326 000 CEU (412 000 CEU). The operator redelivered 6 chartered vessels to external owners during the fourth quarter. EUKOR has the flexibility to redeliver 21 charter vessels to external owners during the period 2010-2014.

During the fourth quarter, higher bunker cost offset the positive impact from strong fleet utilisation and cost efficiency in EUKOR, bringing the adjusted operating profit below the fourth quarter of 2008. Despite higher bunker cost, operating profit adjusted for sales gains came in line with the third quarter.

**American Roll-On Roll-Off Carrier** (ARC – owned 50% by WW) recorded solid earnings for the fourth quarter. Operating income and operating profit were up year on year and broadly in line with the previous quarter, driven by high activity in the company's two trades in the Atlantic and North America-Middle East.

ARC controlled nine vessels (eight vessels) with a total capacity of 51 000 CEU (46 000 CEU) at year end 2009.

### ***Tonnage situation***

The operating companies in the WW group controlled a total of 136 vessels (166 vessels) at 31 December 2009, consisting of 80 (77) owned vessels (WW, Wallenius Lines, EUKOR and ARC) and 56 chartered vessels (89). In terms of CEU, the total capacity at year end was 738 000 (828 000). The ship operating companies in the group are currently balanced differently with regards to tonnage and cargo volumes; while WWL has considerable surplus tonnage, EUKOR and ARC can boast a balanced tonnage situation. In order to maximise utilisation rates and profitability, WW and partner Wallenius Lines have laid up vessels in WWL through 2009. At 31 December 2009, 17 vessels in WWL's fleet were in lay up. The number of vessels in lay up is expected to be substantially reduced in 2010.

In December, the ro-ro vessel Taronga was sold from WW to FLP, resulting in a sales gain of USD 10.7 million. The vessel will be reflagged to US flag in February 2010. FLP will charter the vessel to ARC which will employ it in the North America-Middle East trade.

In line with the ambition to maintain the leading position in the ro-ro cargo segments, WW and Wallenius Lines have pursued an extensive newbuilding programme intended for WWL. During 2009 a total of five new builds (34 000 CEU) were added to WWL's fleet, of which three vessels for WW's account.

The remaining newbuilding programme for WWL consists of 11 vessels (88 000 CEU) to be delivered in 2010-2012. One of these vessels is a pure car and truck carrier (PCTC), scheduled for delivery in 2010 from Shin Kurushima yard. Four of the new builds are ro-ro vessels, scheduled for delivery in 2011 and 2012 from Mitsubishi Heavy Industries. The remaining six vessels, to be delivered in 2011 and 2012, are large car and truck carriers (LCTC), to be built at Hyundai Heavy Industries and Daewoo Shipbuilding and Marine Engineering.

Six of the newbuildings for WWL, scheduled for delivery in 2011 and 2012, will be for WW's account. The remaining five vessels with delivery schedules in the period 2010-2012 will be for Wallenius Lines' account. The WW group has secured financing of three of the newbuildings scheduled for delivery in 2011. The group expects to be able to access necessary debt funding for all of its commitments.

EUKOR has also pursued a newbuilding programme. The company took delivery of four vessels during 2009 with a combined capacity of 27 000 CEUs. The remaining newbuilding programme consists of 11 vessels (71 000 CEU), all PCTCs, to be built at Hyundai Heavy Industries, Imabari and Shin Kurushima. Four vessels are contracted for EUKOR's account, while the remaining vessels will be financed through long term charters from external owners.

WW continuously evaluates the group's tonnage situation, seeking an optimal fleet. In order to reduce the overall over tonnage situation, a total of 34 vessels were redelivered to owners by WW's ship operating companies in 2009. Further redelivery

of charter vessels will be pursued in 2010 and 2011. 15 vessels operated by the group were recycled in 2009. Further recycling of vessels is being evaluated.

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## LOGISTICS

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The logistics segment recorded an operating profit of USD 85.9 million (USD 47.0 million) for 2009. Total income amounted to USD 339.1 million (USD 365.9 million). During the fourth quarter of 2009, operating profit came to USD 10.0 million (USD 8.6 million), while total income was USD 80.0 million (USD 77.5 million).

WW's sale of 5% shareholding in Glovis generated gains of USD 44.8 million (recorded in the second quarter of 2009), impacting both total income and operating profit for the year.

Total income and operating profit, for the year, adjusted for the gain on sale of Glovis shares, was hit by the slide in cargo flows handled by WWL logistics, partly offset by strong performance in American Shipping and Logistics Group (ASL) and Glovis. The rise in car volumes and solid contribution from ASL and Glovis resulted in higher total income and operating profit for the fourth quarter relative to the same period in 2008.

The fourth quarter total income came in line with the third quarter, while operating profit was somewhat lower, with higher volumes at WWL's facilities being offset by a seasonal downturn in ASL and lower contribution from Glovis.

**WWL's logistics activities** are organised in three business areas: terminal services, technical services and inland distribution. These offer cargo handling, vehicle repair and outfitting, quality control, inland transport and supply chain management from factory to dealer.

**Terminal services** handled higher volumes, particularly in North America and Asia during the fourth quarter, bringing overall volumes roughly in line with the fourth quarter of 2008 and well above the third quarter of 2009. European volumes, herein mainly in Finland, remained depressed due to the slump in Russian car imports. Total income for the quarter, relative to the fourth quarter of 2008 reflected the volume development and the change in cargo and geographical mix. The increase from the third to the fourth quarter of 2009 was driven primarily as a result of higher volumes. The total number of cars handled in WWL's terminals during the fourth quarter came to 318 thousand (336 thousand).

The fourth quarter operating profit came in slightly positive, below the fourth quarter of 2008 and in line with the third quarter of 2009. The decline in profitability reflected the unfavourable change in cargo mix and one off items related to bad debt.

**Technical services** in WWL mainly relate to handling of cars. WWL offers technical services on all continents. Car volumes rose by 26% to 811 thousand units in the fourth quarter from the previous quarter, particularly in North America and Europe. High and heavy volumes continued to decline.

Total income for the quarter was in line with the same period in 2008. The higher activity level over the third quarter lifted total income. Operating profit for the quarter improved both year on year and compared with the third quarter due to improved performance in North America and start up costs related to Australia incurred in 2008.

**Inland distribution** services in WWL are mainly procured from third parties, with a significant proportion of revenues and costs incurred on a pass-through basis. This business area also reported higher activity, with significant increase in Europe, as well as in the Americas and Asia. Total income was up year on year and relative to the previous quarter. Operating profit came in roughly at break even, reflecting the pass-through nature of the inland distribution operation.

**American Shipping and Logistics Group** (ASL) consists of **American Auto Logistics** (AAL) and **American Logistics Network** (ALN) (both owned 50% by WW). ASL is primarily involved in handling US governmental cargo. Demand remained high in the fourth quarter, generating total income and operating profit in line with the same quarter in 2008. Seasonal decline led to a somewhat lower total income and operating profit compared with the previous quarter.

The contribution from the Korean logistics company **Glovis** (owned 15% by WW) is consolidated in the WW group's accounts one quarter in arrears. The contribution from Glovis in WW group's accounts for the fourth quarter of 2009 (based on 15% stake) was USD 4.9 million (USD 4.4 million).

Glovis generated a net income of approximately USD 23.6 million (USD 15.4 million) for the fourth quarter of which approximately USD 3.5 million will be recorded in WW's accounts in the first quarter of 2010. Sales for the quarter came to approximately USD 785.5 million (USD 732.0 million).

The **Kaplan consortium** in Australia is mainly involved in terminal operations and stevedoring of vehicles, bulk products and other cargo. Its contribution is consolidated in the WW group's accounts one quarter in arrears. Net income declined year over year, mainly due to a reduction in car and ro-ro cargo volumes during the first three quarters. Kaplan handled higher cargo volumes in the fourth quarter compared with the third quarter of 2009, in particular due to increased Australian car sales in the fourth quarter.







































