

## TERMINALS & TOWAGE SEGMENT

Terminals & Towage includes gateway terminals involving landside activities being port activities where the customers are mainly the carriers, and towage services under the Svitzer brand.

REVENUE (USD)

911m (824m)

EBITDA (USD)

196m (139m)

# Terminals & Towage

**Terminals & Towage** reported an 11% increase in revenue to USD 911m (USD 824m) and a 41% increase in EBITDA to USD 196m (USD 139m) reflecting strong growth in volumes mainly driven by commercial wins and new terminals and services.



## Summary

**Gateway terminals** won a total of 13 new contracts while four contracts were terminated during Q1 2018 with a positive net volume impact of 0.5m moves or approx. 3% increase versus Q1 2017.

The financial strong performance in the gateway terminals was driven by a volume growth on an equity-weighted basis of 9.3%, like-for-like 6.9%, of which volume growth with external customers was 5.7% while growth with Ocean was 9.8%. Estimated global port throughput growth was 4.6% (Drewry).

Divestment of 5% shareholding in the Paranagua terminal, Brazil was completed with a gain of USD 11m.

**Towage** continued its strong performance in Q1 2018. Higher activity in Australia and Europe and port entries in Latin America have improved utilisation and profitability in harbour towage. In terminal towage, both revenue and profitability improved in Q1 2018.

### Financial and operational performance

Revenue in **gateway terminals** of USD 736m (USD 669m) was positively impacted by newly operated terminals Lazaro Cardenas, Mexico and Quetzal, Guatemala, and additional volume increases in Latin America, Europe, Africa and Middle East, partly offset by construction revenue in terminals under construction being lower compared to Q1 2017.

Gateway terminals' volume growth was 9.3% on an equity-weighted basis ending at 4.0m moves (3.7m moves) following strong development in Latin America and Europe mainly through the 2M partnership with Hamburg Süd and strong collaboration with Maersk Line, however partly offset by volume decrease in the U.S. Adjusted

for newly commenced entities and divested terminals, the volumes increased by 6.9%, with growth of 5.7% on external customers and 9.8% with Ocean. The volume growth exceeded the market's estimated global port throughput growth of 4.6% (Drewry).

Revenue per move related to gateway terminals, on equity weighted basis, excluding construction revenue, increased to USD 209 per move (USD 203 per move), positively impacted by higher volumes in Latin America and West Africa where rates are higher as well as rate of exchange especially the appreciation of the Euro. Excluding rate of exchange impact, revenue per move slightly decreased compared to last year, mainly due to effect from loss of volume in North American terminals and discounts in certain African terminals.

Cost per move on equity weighted basis, increased to USD 170 (USD 164) mainly due to adverse rate of exchange impact. Excluding rate of exchange impact, cost per move remained at similar level as last year, mainly due to higher utilisation in Latin America, Europe and Africa, partly offset by volume decrease in North America.

Revenue in towage activity increased 13% driven by volume increases in Australia, Europe and in the Americas. Organic growth adjusted for currency development totalled 6%. Harbour towage activities measured by tug jobs increased by 7% compared to Q1 2017. In Australia and in Europe, the growth was achieved in existing ports, while growth in the Americas was primarily driven by entries into new ports.

### TERMINALS & TOWAGE HIGHLIGHTS

USD million	2018	Q1 2017	Full year 2017
Revenue	911	824	3,481
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	196	139	639
EBITDA margin	22%	17%	18%
Gross capital expenditure, excl. acquisitions and divestments (capex)	-101	-196	-704
<b>Operational and financial metrics</b>			
Terminal volumes – EqW (moves in m)	4.0	3.7	15.6
Terminal revenue per move – EqW (USD per move)	209	203	203
Terminal unit cost per move – EqW (USD per move)	170	164	167
Result from joint ventures and associated companies (USD m)	54	34	-78
No. of operational tug jobs (HT) ('000)	33	31	123
Annualised EBITDA per tug (TT) (USD in '000)	747	635	755

While activity in Europe improved mainly because of more weather-related tug jobs in the UK, the market share for harbour towage in multi operator ports dropped in Q1 2018 compared to 2017.

In Americas, the activity in Argentina increased in Q1 2018, driven by towage services provided in the LNG terminal in Bahía Blanca and other harbour towage activities, amongst others in Buenos Aires and Necochea. In Brazil, towage services grew its volumes and market share in the ports of Rio Grande, Santos and Paranaguá which were entered during 2017.

Overall, revenue per tug job for harbour towage was at a higher level, partly supported by positive currency development and entries into ports with higher than average prices. In Europe, intense competition from consolidation amongst towage providers and an oversupply of tugs led to lower prices.

EBITDA per tug for terminal towage improved slightly driven by new tugs on contract, sale of idle fleet and cost savings.

The towage fleet increased by 17 vessels to 364 vessels, with 347 owned and 17 chartered at the end of March 2018. A total of 15 vessels are on order, which will all be delivered in 2018.

#### EQUITY-WEIGHTED VOLUME, TERMINALS



Million moves	Q1 2018	Q1 2017	Growth %
Americas	1.0	0.9	15.4%
Europe, Russia and Baltics	0.8	0.7	11.9%
Asia	1.7	1.7	2.8%
Africa and Middle East	0.5	0.4	18.0%
<b>Total</b>	<b>4.0</b>	<b>3.7</b>	<b>9.3%</b>

The increase in equity-weighted consolidated volume was due to strong volumes in Latin America and Europe.

#### FINANCIALLY CONSOLIDATED VOLUME, TERMINALS



Million moves	Q1 2018	Q1 2017	Growth %
Americas	1.0	0.9	13.2%
Europe, Russia and Baltics	0.7	0.6	7.7%
Asia	0.5	0.5	9.4%
Africa and Middle East	0.5	0.4	19.5%
<b>Total</b>	<b>2.7</b>	<b>2.4</b>	<b>11.9%</b>

The increase in financial consolidated volume was due to strong volumes in Latin America and Europe.

#### REVENUE, TOWAGE



Per region, USD million	Q1 2018	Q1 2017	Growth %
Australia	70	63	11%
Europe	64	57	12%
Americas	23	17	35%
Asia, Middle East & Africa	20	20	-
<b>Total</b>	<b>177</b>	<b>157</b>	<b>13%</b>

#### Per activity, USD million

Per activity, USD million	Q1 2018	Q1 2017	Growth %
Harbour towage	125	110	14%
Terminal towage	52	48	8%
Eliminations	-	-1	N/A
<b>Total</b>	<b>177</b>	<b>157</b>	<b>13%</b>

#### FLEET OVERVIEW, TOWAGE



	Q1 2018	Q1 2017
<b>Number of vessels</b>		
Owned	347	339
Chartered	17	8
<b>Total</b>	<b>364</b>	<b>347</b>

#### Newbuilding

	Q1 2018	Q1 2017
Delivery within one year	15	15
Delivery after one year	-	4
<b>Total</b>	<b>15</b>	<b>19</b>

Towage's fleet increased by 17 vessels to 364 vessels, with 347 owned and 17 chartered at the end of March 2018. A total of 15 vessels are on order, which will all be delivered in 2018.



### Developments in the quarter

Volumes in the gateway terminals were positively impacted by the extension of 2M with HMM and the Hamburg Süd acquisition.

Recently concluded Latin America network adjustments for Maersk Line and Hamburg Süd are expected to result in further volume growth in certain gateway terminals from Q2 2018.

Moin, Costa Rica, a 100% owned greenfield in Costa Rica is expected to go live in 2018 and Vado Ligura, Italy, a joint venture with Coscoa ports and Qingdao Port International is pending go-live date in 2020.

Towage continued to optimise its existing market portfolio by focusing on growth in selected markets such as Argentina and Brazil. Furthermore, operations in Poti in Georgia has commenced in Q1 2018. Towage projects in Bangladesh, Costa Rica and Tangier Med II in Morocco continue to progress as planned with operations commencing in 2018 respectively early 2019.

In the harbour towage markets the activity continues to be stable. For harbour towage in Europe, consolidation of the industry is still ongoing leading to stronger competitors and more intense competition.

The strategic focus remains being to improve cost levels and productivity while utilising the current gateway terminals as well as expanding the global footprint within towage activity to ensure closer cooperation with targeted customers.

### TERMINALS

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● Q1 2018 ● Q1 2017

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Americas

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Europe, Russia and Baltics

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Asia

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Africa and Middle East

