

## Operator

Good morning, ladies and gentlemen. Welcome to the conference call for Wilson Sons Limited 3Q 2016 results. With us we have **Mr. Cezar Baião**, CEO of Operations in Brazil and **Mr. Fernando Salek**, CFO of the Brazilian subsidiary and Investor Relations.

As a reminder, we will have simultaneous translation for those who wish to listen to the English version. All participants will be in a listen-only mode during the Company's presentation after which, there will be a question and answer session for industry analysts. Page two of the presentation contains all the usual forward-looking statement disclaimers for your reference.

Now, I will turn the conference over to **Mr. Fernando Salek**, who will begin the presentation.

## Fernando Salek

Thank you. Welcome you to our conference call results for the third quarter 2016.

Let's start with slide number 3, where I present our safety performance through the Wilson Sons Group lost time injury frequency rate from 2010 to September 2016.

In this period, we see that there was a decrease of 87% in the lost time injury frequency rate, which shows the commitment we have with security in our operations for employees, contractors and other service providers.

Our stated goal is to achieve a level of world-class security rate of 0.5 accidents by 2022 however our objective actions and initiatives seek to achieve zero accidents. For this, we will continue to work with absolute focus in safety of our business and operations.

Turning to slide 4

Here I summarise our consolidated results.

Wilson Sons 3Q16 proforma Net Revenues with the Offshore Vessels Joint Venture were US\$144.6 M. Compared to the third quarter of 2015, total net revenues increased 3.0% mainly due to improvements in the Port Terminals revenues, which was helped by the improvement in the full-empty mix, pricing and additional ancillary services.

Proforma EBITDA for the quarter was 1.6% higher than the comparative, which demonstrates the resilient results despite the continuing weak Brazilian macroeconomic scenario.

Looking at the investments made during the quarter, our CAPEX was mainly concentrated in the Towage and Container Terminal businesses which we will discuss later in this presentation.

Turning now to slide 5

Here we present a quick summary of the quarterly highlights by business

- The export volumes in the **Rio Grande terminal** were positively impacted by the exchange rate and specialized solutions for loading cargo in containers to promote exports of wood and paper that were introduced by the terminal during this period. In the case of the **Salvador Terminal**, despite the fact that volumes have been negatively impacted in the quarter by lower international demand for products such as ores, cellulose, chemicals and petrochemicals, we had an increase in imports driven by solar panels.
- As expected, in **Brasco** the revenues and EBITDA decreased against the comparative period of 2015. Revenues were negatively impacted by the operations of waste management that have been less significant in this quarter. Furthermore, both revenues and EBITDA were negatively impacted by the reduction in the number of vessel turnarounds compared to 3Q15.
- In **Logistics**, we had a revenue reduction as a result of our strategy to terminate some dedicated operations in 2015 and due to the negative impact of lower operational volumes in 2016 due to the decrease in the import volumes. The EBITDA followed this reduction in the revenues.
- In **Towage**, the number of harbour manoeuvres increased in relation to the comparative as a result of improved results in some of the ports in which the Company operates its tugboats. Despite the decrease in revenues due to the reduction in special operations, the EBITDA margin increased as a result of the adoption of measures to reduce costs and expenses over the past few quarters.
- The **Shipyard** revenues and EBITDA were negatively impacted by the reduced third party shipbuilding activities.
- In the case of **Offshore Support Vessels** the days in operation were down as vessels Mandrião and Pardela experienced offhire and the PSV Prion was dry docked. Daily rates improved with the stronger average R\$ exchange rate effecting the R\$ portion of the contracts and the entry of Larus the largest PSV in the joint venture fleet at 5,000 deadweight tonnes with daily rate in dollars above the fleet average.

Moving now to slide 6

On this slide, when we look at the history of results since 2004, we see that Wilson has shown increasing EBITDA results despite some significant exchange rate variations during this period.

The consistency that we present is a reflection of the resilience of our business model, diversification of portfolio and clients and the quality of investments accomplished over the years, allowing us to continuously improve our operations.

The reduction of Capex in recent years is evidence of the major expansion projects being completed and contributes to differentiate our business in the competitive market in which we operate.

In proforma EBITDA, we highlight the importance of the Container Terminals, Towage and Offshore Vessels, which contributed with 95% of reported business EBITDA in the nine months of 2016.

Moving now to slide 7

Here on this slide we can see some of our financial liquidity ratios.

The metrics of this slide show, among other things, that the total debt in the third quarter was at a similar level to the comparative period with little variation of 1%. Other liquidity ratios remain strong.

There was a reduction of cash due to the investment made to buy the six tugboats that were previously in leasing contracts in the state of Pará. This explains the fact that almost 59% of Capex in the first nine months of 2016 were in the business of Towage.

Operating cash flow was \$74.6 million and, although it was lower than the previous quarter, we see the result as positive.

Moving now to slide 8

In this slide we outline some prospects for container terminals, towage and the oil & gas industry.

In the case of **container terminals**, although there are some challenges due to the consolidation of shipowners with increasing consignations, the expectation for 2017 is marginally positive mainly due to factors such as containerization of new cargoes, the growth of cabotage and opening of trade to new markets.

In the case of **towage**, the market has been encountering by some changes with the entry of new operators and the consolidation of shipowners. Despite this, based on our competitive advantages, we believe that the perspectives for the coming years are good, with the possibility of growth in the movement of operated volumes and new operations.

Finally, in the case of the **oil and gas industry**, despite the difficulties faced by the market over the past two years and the consequent impact on companies working in the production chain, the perspectives for the medium term are more positive due to changes in the management of Petrobras and the relevant regulatory adjustments in relation to the exploration and operation of the Pre-Salt. The opening up of the exploration of pre-salt to companies other than Petrobras and the recovery of the oil barrel price will increase the demand for support services to the oil & gas industry. However, such measures take some time to translate into effective business growth. So, we believe that 2017 will be a difficult year.

Moving to slides 9 and 10

I would like to close by congratulating all the team who have worked on our Tecon Salvador concession renewal. These slides present some of the reasons for this early renewal of the Salvador container terminal and the phases of the approved project. This investment is key to keep the state of Bahia's terminal facilities competitive in, given the trend of increased ship sizes driving a concentration of shipping line calls in the larger container terminals of Brazil. We have agreed to expand the terminal across three phases as outlined on slide 10 with the first phase berth facility expected to be operational in the second half of 2019. The deadlines for the subsequent phases bring us comfort in light of our future volume growth expectations at Tecon Salvador.

At this time, I would like to invite you to move to the Q&A portion of today's Conference Call.

Thank you

### Operator

Ladies and gentlemen we will now begin the Q&A portion of today's conference call. Our first call is from Robin Byde, Cantor Fitzgerald.

### Robin Byde

Good morning, everybody. Just two questions from me please. Firstly, the first question on the Salvador concession extension, again congratulations. I'm just relating to slide nine and the CapEx program. Can you give us more details of the profile of that US\$120 million spend? So when does the CapEx start and what are the phases? That's first question. And then, secondly, just on the container business and container volumes through the year, could you just remind us how seasonal that traffic is? Would we expect to see significantly higher flows in the fourth quarter? Thank you.

### Cezar Tavares Baiao



Hi, Robin. This is Cezar. About the Salvador CapEx, in the first phase we have a commitment of building 423 meters in berth, which represent BRL257 million, sorry, referred to Brazilian reals based on December 2013. So there would be some monetary correction there from the December 2013 until now. This investment is set to begin in 12 months, and not before that, but in any case, that means we have practically three years to conclude the construction of these 423 meters of berth, which will not begin before 12 months from now. Now, about the containers volumes or the container terminals, we believe that imports will continue to be weak, exports have been growing. We don't expect major growth for the fourth quarter in comparison to third quarter. We believe the volumes will be similar.

**Robin Byde**

Thank you very much.

**Operator**

The next question is from Andrew Mitchell, Edison.

**Andrew Mitchell**

Thank you very much. Can I just clarify on the last answer you gave on Salvador expansion, the 423 meters, is that all three phases or is that into the first phase? Clarify that one for me. And the second question I have is in relation to the comment you had in your statement about reductions in the structure of logistics, shipyard and Brasco. What level of cost reductions and timing on that phase?

**Cezar Tavares Baiao**

Hi, Andrew. This is Cezar Baiao. Now, about the 423 million meter berth this will happen during the first phase. So, this is exactly the 423 meter berth, which will be aligned to our current berth which will be concluded in the first phase as well as acquiring three STS, ship-to-shore cranes. So, this is the first phase which will be the most robust in terms of investments. The second question about the structure in our logistics business, the shipyards and Brasco, the restructuring of these three businesses have already started. We had a drastic reduction in

the management structure for the shipyard as well as the number of employees there. It was a very significant reduction, which also took place in logistics and in Brasco. So, these are structural reductions that have already taken place and can continue to happen according to how these three business units run.

**Andrew Mitchell**

All right. Could I follow-up with two other questions then. Could you indicate when the deadlines for the second two phases for Salvador are and are you able to give a figure for the level of the cost reductions that you've already made?

**Cezar Tavares Baiao**

Okay. Andrew, the second phase of the expansion project in Salvador should be concluded by 2030, and the third and last stage that has been agreed in the new contract, must be concluded by 2034. So, there will be a significant reduction in the shipyard structure in Brasco and in logistics, but right now, I'm unable to provide any details in to these figures.

**Andrew Mitchell**

Thank you.

**Operator**

The next question is from Victor Mizusaki, Bradesco BBI.

**Victor Mizusaki**

Good morning, I have two questions about your presentation. The first is, how are you working with the financing for these investments? What is the return rate used by the government to close this renewal plan? And also, my other question is about the offshore segment, can you please tell us about what this market is like?

**Cezar Tavares Baiao**

Hi, Victor. This is Baiao. It will be financed by one of our major financer of port expansions, which have been the IFC. They have financed us twice in Rio Grande and in the past sometimes in Salvador. So we will probably analyze alternatives and the IFC is one of the major one. The return rate agreed with the government was BRL8.3%. This is what we agreed. And about the past market in offshore, this is currently a very weak market. There are very few businesses in this segment in this part. The off BRL8.3% rate is without any leveraging. Okay.

**Victor Mizusaki**

Okay. About the FC line, is this in dollars or in Brazilian real?

**Operator**

It's normally in US dollars. Although we have an option of swapping, this was analyzed. Yes that is it. IFC is the most frequent alternative we have used, but we do have other options that are under analysis, but right now it would be in dollars.

**Victor Mizusaki**

Okay. Thank you.

**Cezar Tavares Baiao**

We have a question here coming from the webcast from Rogrigo Glatt. His question is about the possibility of the company increasing dividend payouts in April because of our strong cash position this year.

**Cezar Tavares Baiao**

Our dividend payout policy is currently 50%. So, we will continue to use this policy and follow it. But about our cash generation, we are going through a very complicated moment in the economy, so we have to be conservative about our cash position. Also, we have to pay attention to changes in the market to capture any potential opportunities that may arise. So, we will continue following our dividend payout policy.

**Operator**

As there are no further questions, this concludes our Q&A session. I would now like to give the floor to Mr. Salek, for his closing remarks.

**Fernando Salek**

Very well, I like to thank you all for taking part. I hope that our call has been good. And if there is any question, please come into contact with our Investor Relation department. Thank you. And have a nice day.

**Operator**

This concludes Wilson Sons conference call. Thank you for participating and have a nice day.