

## Operator

Good morning, ladies and gentlemen. Welcome to the conference call for the Wilson Sons Limited 4Q and 2016 results. With us we have **Mr. Cezar Baião**, CEO of Operations in Brazil, **Mr. Sergio Fisher**, COO Port Terminals and Logistics, **Mr. Arnaldo Calbucci**, COO of Maritime Services 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 fourth 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 2016.

In this entire period, we see that there was a decrease of 90% 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. I would particularly like to thank all our employees who have helped achieve these results and the significant 55% reduction in lost time accidents during this year. The maintenance of safe and sustainable operations continues to be an absolute priority and will always be one of our strengths as a company.

Turning to slide 4

Here I summarise our consolidated results.

Wilson Sons 2016 proforma Net Revenues with the Offshore Vessels Joint Venture were US\$528.0 M. Compared to 2015, total net revenues decreased 9.0% mainly due to the impact of the stronger BRL in the group revenues and, operationally, reduced orderbook in the Shipyard and fewer dedicated operations in Logistics.

Proforma EBITDA for the quarter was 8.3% lower than the comparative mainly as a result of the decrease in the Company's revenues.

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.

In the light of the country's economic situation, we understand that we have achieved solid results for our shareholders.

Turning now to slide 5

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

- The import volumes in the **Rio Grande terminal** were positively impacted by the big bags project, which is a type of package, and that benefited mainly cargoes such as fertilizers. In the case of the **Salvador Terminal**, imports were mainly driven by charges related to the solar sector, a project that emerged in 2016.
- As expected, in **Brasco** the revenues and EBITDA decreased against the comparative period of 2015. Revenues were negatively impacted by the end of a client operation in October 2016. Furthermore, both revenues and EBITDA were negatively impacted by the decrease in the number of vessel turnarounds compared to 2015. As a positive highlight in the period, we can mention the higher volume of layup operations at Brasco Caju.
- In **Logistics**, we had a revenue variation due to the new accounting method since previously the variable costs of the business were allocated within the net revenue line itself.
- 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 and higher volumes of manoeuvres of some specific vessels. In the case of revenues, there was a decrease mainly due to the reduction of oil and gas operations, which decreased in 2016 in relation to the comparison.
- 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 up because the vessels Larus and Pinguim, delivered in 2016, commenced long term contracts for six years and the vessels Albatroz, Fragata and Gaivota also started new contracts. Daily rates improved with the stronger average R\$ exchange rate effecting the R\$ portion of the contracts and the entry of Larus and Pinguim in the joint venture fleet 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 solid results despite some significant exchange rate variations during this period.

This consistency that we present is a reflection of the resilience of our business model, which involves the diversification of portfolio and clients, the quality of investments accomplished over the years and the incessant search for efficiency and productivity gains, allowing us to continuously improve our operations.

Analyzing the Capex, there has been a significant reduction in recent years, as we have already mentioned, since we have already completed a large investment cycle, which has allowed us to expand our capacity in almost all business units. That said, we emphasize that the 6.5% increase in Capex that we see in the comparison between 2015 and 2016 is mainly due to the new Tugboats and new equipment for the Port Terminals.

In proforma EBITDA, we highlight the importance of the Container Terminals, Towage and Offshore Vessels, which contributed with 95% of reported business EBITDA in 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 fourth quarter was at a similar level to the comparative period with little variation of 3%. All liquidity ratios remain strong.

There was a reduction of cash due to the investment made to buy the equipment that will increase the efficiency in the operation of both terminals.

Moving now to slide 8

In this slide we outline the latest operating data for container terminals, with Rio Grande and Salvador, Towage and Offshore Support Vessels with comparison between the first two months of 2017 and 2016.

The **Rio Grande Container Terminal** had a flat performance. Exports decreased due to the lower volumes of cargoes such as frozen chicken. Imports increased due to the higher volumes handled of cargoes such as plastics and parts & pieces. Cabotage, which has grown over the last years, had an expressive result mainly due to the rice handled. In the case of Others, which includes shifting and transshipment, growth was mainly due to the beginning of the inland waterway operation of Santa Clara Terminal, with scrap metal and glycerine the highlights among the cargoes handled.

The **Salvador Terminal** had an expressive result with double digit growth in this period driven by import growth. Even though exports presented a decrease due to the lower demand of some cargoes such as cellulose, imports grew strongly driven by the cargoes related to the solar sector with photovoltaic panels. Cabotage grew due to the higher handling of cargoes such as chemicals & petrochemicals. There was also an increase in the volumes of transshipment.

In the case of **Towage**, the number of harbour manoeuvres grew due to better performance in some of the ports operated and an increase in the number of tugboats in operation compared to 2016.

The **Offshore Support Vessels** had an increase in the number of days in operation when compared to 2016 due to the commenced operation of 2 PSVs, Larus and Pinguim vessels, in the end of 2016 with long term contracts. Albatroz, Fragata and Gaivota also started to operate during 2016 with short term contracts. I would like to emphasize here that despite the challenging scenario for the O&G industry we had a positive result in the comparison between the years.

Moving to slide 9

On slide number 9 we show the dividends that have been paid in dollars since 2004. The double-digit CAGR confirms the Company's commitment to the market and its shareholders. This slide also shows the dividends proposed for payment in 2017, in reference to the results of 2016 amounting to 36.9 million dollars, and increase of 4 %.

Our take-away here is that, despite the challenges faced, we can see the robustness of the Company and its businesses, always seeking to grow consistently.

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 question-and-answer session. Our first question is in English and it will be asked by Andrew Mitchell from Edison.

## Andrew Mitchell, Analyst

Yes. Hello. I have two questions please. One was on the reference in the statement to continuing work on cost savings. So I was wondering, if you could give any guidance for it in terms of the level of saving that might flow through in 2017, from work that you've measures you've already taken and potentially from further measures you're planning. And the second question I had was just a small one, regarding the dimension of legal claims impacting personnel costs in the quarter. I wasn't sure if that was purely the reallocation point that you explained in the statements or whether there was underlying marked increase in that period. And if so, what did that arise from? Okay.

## Fernando Salek, CFO of the Brazilian subsidiary and Investor Relations

This is Fernando Salek. To answer your questions I'm just going to repeat the question first. So your first question was about further details in cost reductions and efficiency and productivity. Your second question was about increasing the legal contingencies for the quarter as presented by our financial statements. So to answer your first question. We are running a constant process of having better cost efficiency. We started a project last year to review the operational expenses and reduce overall expenses in the company. If this project needs to take a deep look at our structure to identify opportunities. In fact, we have already captured some opportunities, which resulted in important reductions in 2016. But this project is not aiming to capture gains through the next periods. We wanted to gain efficiencies and make the

company more competitive, and of course, more efficient and sustainable in our businesses. Now, to answer your second question, you asked about legal contingencies. There was in fact an increase in legal contingencies in this quarter. This is partially due to a number of labour contingencies in the Salvador terminal and also a fiscal contingency in the Rio Grande terminal. But there was a significant impact of the exchange rates in the contingency balance. So this also explains why there was an increase there.

**Andrew Mitchell, Analyst**

Thank you.

**Operator**

The next question will also be asked in English by Rob Bye, Cantor Fitzgerald.

**Robin Bye, Analyst**

Good morning, everybody. Can you talk a bit more about the growth outlook for 2017 please, regarding container volumes, container unit revenues, and also towage volumes. That's my first question. Secondly, could you talk about the logistics business, and when do you expect that to be profitable? And then thirdly, could you talk about your Capex plans for 2017 on an IFRS basis, so for the company, but also for the joint venture. Thank you.

**Fernando Salek, CFO of the Brazilian subsidiary and Investor Relations**

To answer your question on volumes comparing between 2016 and 2017 in the container terminals. As we've said, volumes are flat, we're doing basically the same as last year, and Salvador had an impact due to the increased imports. And this is mostly due to photovoltaic panels and solar energy, and I think that's a trend that should continue throughout the year.

**Arnaldo Calbucci, COO of Maritime Services**

Yeah. This is Arnaldo. Now speaking about volumes in towage, we had a significant growth in the first few months of this year. This was basically due also to the improved financial current in Brazil, and also exports of ore. Now about logistics, we are working strongly on costs and also in operational issues to make this profitability come as soon as possible. And about Capex, Rob, for 2017, our budget has a reduction, and our Capex budget including the offshore vessel should be \$80 million in 2017.

**Robin Byde, Analyst**

Thanks very much. Have a good day.

**Operator**

Our next question will be made by Robin Byde, Cantor Fitzgerald.

**Robin Byde, Analyst**

Hi, guys. I thought, I'd ask another one. And could you talk about the Brasco business a bit more clear. Are you seeing any signs at all, any earlier signs of business picking up? Thank you.

**Fernando Salek, CFO of the Brazilian subsidiary and Investor Relations**

So to answer your question about Brasco, our execution for this year is that the year will continue to be difficult as last year was. And we expect that in the second half of the year, there will be some improvement.

**Cezar Baiao, CEO of Operations in Brazil**

Rob, this is Cezar, just to add something, the offshore market in Brazil in 2017 should as a whole, including Brasco and shipyard will continue to be challenging. We expect some improvement in the second half of the year for the offshore market as a whole.

**Robin Byde, Analyst**

Right. Thank you.

**Operator**

Our next question will be asked by Jacqueline Broers, Utilico.

**Jacqueline Broers, Analyst**

Yeah. Hi guys. Just a quick question. Are you looking at anything, any M&A opportunities, covered entities or any additional business opportunities you can look at to build up revenue growth more than in old years, or you're just looking to focus on existing business?

**Cezar Baiao, CEO of Operations in Brazil**

Hi Jackie, this is Cezar. Could you please repeat your question? And if you can please speak up, we were unable to understand you.

**Jacqueline Broers, Analyst**

Yeah. Hi, is that better? Is that clearer? So the question is basically are you looking at any new M&A opportunities or you're just focusing on the existing business?

**Cezar Baiao, CEO of Operations in Brazil**

Hi, Jackie, this is Cezar again. So we are paying close attention to the opportunities that may arise here in Brazil. We have been looking especially at the possible assets in the container terminal inventory that might go to market. So we have been looking at those very closely.

**Jacqueline Broers, Analyst**

Okay. Thank you.

**Operator**

This concludes today's question-and-answer session. I would like to invite Mr. Fernando Salek to proceed with the closing statements. Please go ahead, sir.

**Fernando Salek, CFO of the Brazilian subsidiary and Investor Relations**

Okay. Thank you very much. I'd like to thank you all for taking part in our results conference call. And I just like to reiterate that, if you have any other questions, you can contact our Investor Relations department. Thank you very much. And that concludes our call.

#### Operator

That concludes the Wilson Sons Limited audio conference call for today. Thank you very much for your participation. Have a good day, and thank you for using Chorus Call.