Ocean Wilsons
Holdings Limited

INTERIM MANAGEMENT STATEMENT

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# Ocean Wilsons Holdings Limited

## Interim Management Statement for the six months ended 30 June 2018

Ocean Wilsons Holdings Limited ("Ocean Wilsons" or the "Company") today provides its interim management statement for the six months ended 30 June 2018.

### Key points

- Net cash inflow from operating activities increased US$22.5 million to US$55.6 million (2017: US$33.1 million).
- Operating profit fell 4% to US$46.8 million (2017: US$48.9 million). However, due to a decrease of US$20.4 million in other gains and losses (in respect of trading investments), exchange losses on foreign currency borrowings and on monetary items of US$18.8 million and a reduced income tax charge of US$8.3 million, profit for the period fell 70% to US$16.7 million (2017: US$55.4 million).
- The Brazilian Real was 17% lower against the US Dollar at 30 June 2018 compared with 31 December 2017. The average US Dollar/Brazilian Real exchange rate in the period at 3.43 was 8% higher than the comparative period in 2017 of 3.18.
- Operating margins remained stable at 20% (2017: 20%).
- The investment portfolio decreased US$2.2 million to US$272.5 million (31 December 2017: US$274.7 million) after dividends paid from the portfolio of US$4.75 million.
- Dividends paid to shareholders in the period of US$24.8 million (2017: US$22.3 million).

### Chairman's Statement

#### Introduction

The Group continued to generate strong operating cashflow in the first half of 2018 despite a difficult operating environment. Results were impacted by weaker volumes reflecting the competitive environment in some markets and the knock-on effects of a nationwide truckers strike in Brazil in late May. The depreciation of the Brazilian Real "BRL" against the US Dollar "USD" affected both our revenue in USD terms and bottom line earnings in the period. Group revenue grew 3% in BRL terms, although in USD terms, revenue was 4% lower at US$235.0 million. Operating margins for the period remained stable at 20% (2017: 20%).

### Group Results

#### Revenue

Group revenue grew 3% in BRL terms for the six months ended 30 June 2018, although in USD terms, revenue was 4% lower at US$235.0 million (2017: US$245.8 million), due to the higher average USD/BRL exchange rate used to convert revenue into our reporting currency and a decrease in towage revenue.

Towage revenue at US$86.5 million was US$16.4 million lower than the comparative period (2017: US$102.9 million) as stronger competition impacted both pricing and harbour towage volumes. Harbour towage manoeuvres performed in the period were 7% lower at 27,885 (2017: 29,902) with the towage market also negatively influenced by the knock-on effects of a nationwide truckers strike in Brazil. Demand for towage special operations improved with ocean towage, shipyard support and a vessel floatation performed in the period. Ship agency revenue at US$5.0 million was 11% lower than the comparative period (2017: US$5.6 million). Port terminals and logistics revenue was 3% higher at US$128.9 million (2017: US$124.9 million) mainly due to higher revenue from our logistics business and Brasco, our offshore oil and gas support base. Encouragingly Brasco revenue increased US$2.9 million to US$10.7 million (2017: US$7.8 million) with the commencement of new offshore vessel support contracts. Container terminal revenue declined US$1.6 million to US$89.4 million (2017: U$91.0 million) as a more favourable sales mix was offset by lower container volumes and a higher average USD/BRL exchange rate used to convert revenue into our reporting currency. Container volumes handled at Tecon Rio Grande and Tecon Salvador for the period were 3% lower at 484,000 "TEUs" (twenty-foot equivalent units) (2017: 503,500 TEUs) principally due to the impact of the Brazilian truckers strike. Shipyard third-party revenue at US$14.9 million (2017: US$12.4 million) reflected an increase in third party vessel construction and dry-docking operations.

**Operating Profit**

Operating profit was US$2.1 million lower than the comparative period at US$46.8 million (2017: US$48.9 million) principally due to the fall in revenue as operating margins for the period at 20% were stable with the comparative period (2017: 20%). Raw materials and consumables used were US$2.3 million higher at US$21.1 million (2017: US$18.8 million) as a result of the increase in shipyard activity. Employee expenses were 10% lower at US$75.8 million (2017: US$83.8 million) due to the effect of the weaker USD/BRL exchange rate and the reversal of a US$1.2 million payroll tax provision. Other operating expenses were marginally lower at US$62.7 million (2017: US$63.4 million) because of the weaker exchange rate and a US$1.4 million tax credit. The comparative period benefitted from a non-recurring US$3.9 million provision reversal. The depreciation and amortisation expense at US$28.7 million was in-line with the comparative period (2017: US$28.9 million).

**Share of results of joint ventures**

The share of results of joint ventures is Wilson Sons' 50% share of net profit for the period from our offshore support vessel joint venture. The net loss attributable to Wilson Sons for the period was US$1.3 million compared to a US$1.8 million profit in 2017 because of lower operating profits and higher foreign exchange losses on monetary items. The operating profit for a 50% share in the joint venture in the period was US$5.0 million lower at US$4.2 million (2017: US$9.2 million) principally due to fewer operating days which were 19% lower at 2,533 days against 3,144 days in 2017. Foreign exchange losses on monetary items was US$4.1 million (2017: US$0.5 million).

**Investment revenues**

Investment revenues were US$3.1 million lower at US$6.7 million (2016: US$9.8 million) mainly due to lower other interest income of US$0.4 million (2017: US$2.3 million).

**Investment gains and losses**

Other losses of US$0.1 million (2017: US$20.3 million gain) arose from the Group's portfolio of trading investments and reflect the profit realised on the disposal of trading investments in the period of US$1.7 million (2017: US$5.9 million) together with a decrease in the fair value of trading investments at the period end of US$1.8 million (2017: US$14.4 million gain).

**Finance costs**

Finance costs for the period at US$15.8 million were US$7.7 million higher than the comparative period (2017: US$8.1 million), principally due to an increase in exchange movements on foreign currency borrowings. Higher exchange losses on foreign currency borrowings of US$9.2 million (2017: US$1.1 million) resulting from the devaluation of the BRL against the USD at the period end.

**Exchange rates**

The Group reports in USD and has revenue, costs, assets and liabilities in both BRL and USD. Therefore movements in the USD/BRL exchange rate can impact the Group both positively and negatively from year to year. In the six months to 30 June 2018 the BRL depreciated 17% against the USD from R$3.31 at 1 January 2018 to R$3.86 at the period end. In the comparative period in 2017 the BRL depreciated 2% against the USD from R$3.27 to R$3.31.

The principal effects from the movement of the BRL against the USD on the income statement are:

| | **2018 US$ million** | 2017 US$ million |
|---|---|---|
| Exchange (loss)/gain on monetary items (i) | (8.5) | 2.2 |
| Exchange loss on foreign currency borrowings | (9.2) | (1.1) |

| | | |
|---|---|---|
| Deferred tax on retranslation of fixed assets (ii) | (12.9) | 0.2 |
| Deferred tax on exchange variance on loans (iii) | 12.0 | (0.2) |
| **Total** | (18.6) | **1.1** |

(i) This arises from the translation of BRL denominated monetary items in USD functional currency entities.

(ii) The Group's fixed assets are located in Brazil and therefore future tax deductions from depreciation used in the Group's tax calculations are denominated in BRL. When the BRL depreciates against the US Dollar the future tax deduction in BRL terms remain unchanged but is reduced in US Dollar terms and vice versa.

(iii) Deferred tax credit arising from the exchange losses on USD denominated borrowings in Brazil.

The average USD/BRL exchange rate in the period at 3.43 was 8% higher (2017: 3.18) than the comparative period in 2017. A higher average exchange rate negatively impacts BRL denominated revenues and benefits BRL denominated costs when converted into our reporting currency, the USD.

**Foreign exchange losses on monetary items**

Foreign exchange losses on monetary items of US$8.5 million (2017: US$2.2 million gain) arose from the Group's foreign currency monetary items and principally reflect the movement of the BRL against the USD during the period.

**Profit before tax**

Profit before tax for the period decreased US$47.1 million to US$27.7 million compared to US$74.9 million in 2017. The decrease is principally due to the US$20.4 million movement in other gains and losses from the investment portfolio, a US$10.7 million movement in foreign exchange losses on monetary items and a US$7.7 million increase in finance costs. In addition, operating profit was US$2.0 million lower, share of results from joint ventures was US$3.1 million lower and investment revenue was US$3.1 million lower.

**Taxation**

The tax charge for the period of US$11.1 million represents an effective tax rate in the period of 40% (2017: 26%) compared to the corporate tax rate prevailing in Brazil of 34%. The difference in the effective tax rates is due to the mix of income and expenses that are not included in determining taxable profit. The deterioration in the current period is primarily attributable to the movement in foreign exchange losses on monetary items and less income at our Bermudian companies that are not subject to income tax and the movement in foreign exchange losses on monetary items. Current taxation at US$12.9 million was US$3.8 million lower than the comparative period in 2017 (US$16.7 million).

**Profit for the period**

Profit attributable to equity holders of the parent is US$10.0 million (2017: US$41.4 million) after deducting profit attributable to non-controlling interests of US$6.6 million (2017: US$14.1 million). The non-controlling interests share of Group profit for the period at 40% is greater than the comparative period (2017: 25%), as the prior period benefitted from higher returns from the investment portfolio which are fully attributable to equity holders of the parent.

Earnings per share for the period was 28.4 cents (2017: 116.9 cents).

**Investment portfolio performance**

The trading investment portfolio and cash under management of Ocean Wilsons (Investments) Limited "OWIL" was US$272.5 million (31 December 2017: US$274.7 million) a fall of US$2.2 million in the period after paying dividends of US$4.75 million to Ocean Wilsons Holdings Limited and deducting management and other fees of US$1.5 million.

**Cash flow and debt**

Net cash inflow from operating activities for the period was US$22.5 million higher than the comparative period at US$55.6 million (2017: US$33.1 million), mainly due to a positive working capital movement in the period of US$5.9 million compared with a US$26.7 million negative working capital movement in 2017. Capital expenditure in the period at US$24.4 million was US$11.3 million higher than the comparative period (2017: US$13.1 million) principally due to increased vessel construction and programmed drydocking. Dividends of US$24.8 million were paid to shareholders in the period (2017: US$22.3 million) with a further US$16.1 million paid to non-controlling interests in our subsidiaries (2017: US$15.8 million). Capital repayments on existing loans were made in the period of US$31.1 million (2017: US$27.9 million).

At 30 June 2018, the Group had cash and cash equivalents of US$60.1 million (31 December 2017: US$83.8 million) and Group borrowings were US$323.1 million (31 December 2017: US$354.7 million). In addition to the Group's borrowings, the Company's 50% share of our offshore vessel joint venture's debt is US$231.3 million (2017: US$247.9 million).

**Net asset value**

At the close of business on 31 July 2018, the Wilson Sons share price was R$45.20, resulting in a market value for the Ocean Wilsons holding of 41,444,000 shares (58.19% of Wilson Sons) totalling approximately US$499.0 million which is the equivalent of US$14.11 (£10.76) per Ocean Wilsons Holdings Limited share.

Adding together the market value per share of Wilsons Sons, US$14.11 and the investment portfolio per share of US$7.71 results in a net asset value per Ocean Wilsons Holdings Limited share of approximately US$21.82 (£16.63). The Ocean Wilsons Holdings Limited share price of £12.90 at 31 July 2017 represented an implied discount of 22%.

**Outlook**

In July the Brazilian government reduced its forecast for GDP growth in the year to 1.6% due to the truckers strike in late May, the expectation of rising interest rates in the United States and increased uncertainty in Brazils domestic scenario. The uncertainty in the domestic scenario is further clouded by the upcoming Brazilian presidential elections in October. In the face of intensifying market competition our towage business continues to face both volume and pricing pressure although we remain confident in the underlying strength of our business to meet these challenges. The environmental license approval for the expansion of the Tecon Salvador container terminal was received in July and we expect to start construction in the fourth quarter of 2018. This is a significant step in the continuing development and growth of this important asset. Container volumes handled at Tecon Rio Grande and Tecon Salvador in July were 5% higher at 102,500 TEUs (2017: 98,000 TEUs).

**Wilson Sons Limited**

The Wilson Sons 2nd quarter 2018 Earnings Report released on 10 August 2018 is available on the Wilson Sons Limited website: www.wilsonsons.com.br

In it Cezar Baião, CEO of Operations in Brazil said:

"Wilson Sons 2Q18 EBITDA was down 18.1% against the comparative quarter to US$36.6M (2Q17: US$44.7M). Although Container Terminal operating volumes were negatively impacted by a nationwide truck drivers' strike, imports grew 7.4% and Rio Grande inland navigation flows increased by 131.8%, denoting the efficiency and safety of this route.

Towage results continued to be pressured by a very competitive environment affecting volumes and pricing. The division was awarded a US$48.3M financing priority by the Merchant Marine Fund ("FMM"), to be used for the repair and maintenance of 35 tugboats in 2019 and 2020, a first step prior to contracting with a financial agent.

Weakened offshore vessel demand has been partially mitigated through alternative vessel solutions. In July we expanded the range of services provided by our OSV joint venture as we commenced two contracts for shallow-water diving support services and one for oil spill recovery services. Brazil's recent success in pre-salt oilfield auctions reinforces a more favourable long-term outlook for the Brazilian oil and gas industry despite the short-term challenges.

Improvements in workplace safety were evidenced by the 91% reduction in the Lost Time Injury Frequency Rate ("LTIFR") between 2010 and June 2018, achieving a level of global best practice.

The Company remains focused on increasing cash flow, improving capacity utilisation across all businesses and maximising value for shareholders, with its continued commitment to safety."

**Investment Managers Report**

Hanseatic Asset Management LBG, the Manager of the Group's investment portfolio reports as follows:

**Market backdrop**

The economic picture has taken a rather nasty turn this year with key economic metrics missing expectations in many countries. Further, whilst monetary policy has continued to tighten, investors are starting to question if this is due to inflationary pressures as opposed to quelling growth. With unemployment falling and (especially in the US) the point of full employment nearing, there is a growing fear that interest rates are behind the curve and will need to be increased more rapidly to stop inflation becoming entrenched. If this is true then it brings with it the danger that policymakers will overshoot leading to excessive tightening, recession and a bear market.

Rising rates in the US and the end of quantitative easing have also buoyed the US dollar which, combined with the fear that we are nearing the end of the easy liquidity environment, has put pressure on many of the emerging and Asian markets as global investors shift their capital back home amid broader fears of contagion.

All in all, investors have started to question whether we are in a late cycle environment bringing with it more volatility and choppiness in markets

**Geo-politics**

For fund managers operating within developed markets over the past 25 years or so, geo-politics were not particularly relevant. In practice the commentary coming from central bankers was often more relevant from a market perspective, determining interest rate and liquidity cycles which have been the main market drivers in recent times. Recently this appears to be changing, with political events threatening to have more influence on markets.

President Trump's actions around trade in particular have unnerved investors. The first year of Trump's presidency saw limited action to cut the country's trade deficit but changes in White House personnel and the influence of hard-line trade proponents has recently led to a more hostile approach. Europe is also suffering its own geo-political crisis with populist parties coming close to power in the Netherlands, Germany and France while Italy has formed a government split between two populist parties. Questions remain about the broader longevity of the euro and European Union. Elsewhere, other countries are facing their own challenges with the UK struggling to negotiate the Brexit process and in Japan, Shinzo Abe's position as prime minister is looking increasingly under threat following a series of scandals.

The emerging markets (EM) are more disparate as investors again start to question the sustainability of EM debt levels in the face of rising US interest rates and removal of the liquidity punchbowl. This however fails to recognise the progress made in the emerging region as a whole. The emerging region's financial strength is much improved with many countries running surpluses rather than deficits, their currencies are typically floating rather than linked to the US dollar as in the past and generally look cheap on a purchasing power parity basis.

**Positioning portfolios**

From an economic perspective we believe that the current weakness is just noise, with economic indicators often giving false signals in the short-term, and we would expect growth to pick-up again over the summer period.

However we acknowledge the potential for the geo-political machinations to start impacting confidence and influencing company investment decisions. Our sense at this stage is that Trump will avoid pushing the US economy and stock market over the edge and will ultimately pull-back from measures that catalyse this, but we continue to view this as a rather dangerous game of poker. From an allocation perspective we remain biased towards equities albeit primed to change this view if the more extreme outcomes come to fruition. We remain biased towards emerging markets in view of the longer-term positives but acknowledge the short-term dangers.

In many ways the current market backdrop plays to our longer-term investment horizon. Being less influenced by the shorter-term foibles of stock markets we can avoid being blown around by the current noise and instead focus on the longer-term fundamentals.

**CUMULATIVE PORTFOLIO RETURNS**

| Performance (Time-weighted) | YTD | 3 Years p.a. | 5 Years p.a. | 3 Years p.a. | 5 Years p.a. |
|---|---|---|---|---|---|
| OWIL | 1.5% | 5.8% | 6.3% | 5.8% | 6.3% |
| Performance Benchmark * | 3.7% | 4.8% | 4.3% | 4.8% | 4.3% |
| MSCI ACWI + FM | -0.5% | 8.2% | 9.4% | 8.2% | 9.4% |
| MSCI Emerging Markets | -6.7% | 5.6% | 5.0% | 5.6% | 5.0% |

***Notes:**

The OWIL Performance Benchmark which came in to effect on 1 January 2015 is US CPI Urban Consumers NSA +3% p.a. This has been combined with the old benchmark (USD 12 Month LIBOR +2%) for periods prior to the adoption of the new benchmark.

**Investment Portfolio at 30 June 2018**

| | Market Value US$000 | % of NAV | Primary Focus |
|---|---|---|---|
| Findlay Park American Fund | 22,278 | 8.2 | US equities - long only |
| Adelphi European Select Equity Fund | 13,033 | 4.8 | Europe equities - long only |
| Egerton Long - Short Fund Limited | 12,310 | 4.5 | Europe/US equities - hedge |
| Goodhart Partners: Hanjo Fund | 10,216 | 3.7 | Japan equities - long only |
| BlackRock European Hedge Fund | 10,144 | 3.7 | Europe equities - hedge |

| | | | |
|---|---|---|---|
| NTAsian Discovery Fund | 9,994 | 3.7 | Asia ex-Japan equities - long only |
| Lansdowne Developed Markets Fund | 8,447 | 3.1 | Europe/US equities - hedge |
| Pangaea II, LP | 7,869 | 2.9 | Private Assets - GEM |
| GAM Star Fund PLC - Technology | 7,454 | 2.7 | Technology - long only |
| L Capital Asia 2, LP | 7,360 | 2.7 | Private Assets - Asia (Consumer) |
| **Top 10 Holdings** | **109,105** | **40.0** | |
| Indus Japan Long Only Fund | 7,027 | 2.6 | Japan equities - long only |
| Schroder ISF Asian Total Return Fund | 6,975 | 2.6 | Asia ex-Japan equities - long only |
| Select Equity Offshore, Ltd | 6,621 | 2.4 | US equities - long only |
| Helios Investors II, LP | 6,539 | 2.4 | Private Assets - Africa |
| Hony Capital Fund V, LP | 6,370 | 2.3 | Private Assets - China |
| Vulcan Value Equity Fund | 6,336 | 2.3 | US equities - long only |
| Navegar I, LP | 6,041 | 2.2 | Private Assets - Philippines |
| Prince Street Opportunities Fund | 6,012 | 2.2 | Emerging Markets equities - long only |
| Greenspring Global Partners IV, LP | 5,857 | 2.1 | Private Assets - US Venture Capital |
| NG Capital Partners II, LP | 5,794 | 2.1 | Private Assets - Latin America |
| **Top 20 Holdings** | **172,677** | **63.4** | |
| Global Event Partners Ltd | 5,413 | 2.0 | Global equities - long/short |
| Hudson Bay International Fund Ltd | 5,306 | 1.9 | Market Neutral - multi-strategy |
| Gramercy Distressed Opportunity Fund II, LP | 4,240 | 1.6 | Private Assets - distressed debt |
| China Harvest II, LP | 4,063 | 1.5 | Private Assets - China |
| KKR Special Situations Fund, LP | 3,853 | 1.4 | Private Assets - distressed debt |
| Silver Lake Partners IV, LP | 3,767 | 1.4 | Private Assets - Global Technology |
| AMED Fund, SICAR | 3,286 | 1.2 | Private Assets - Africa |
| Primary Capital IV, LLP | 3,236 | 1.2 | Private Assets - Europe |
| L Capital Asia, LP | 3,212 | 1.2 | Private Assets - Asia (Consumer) |
| Greenspring Global Partners VI, LP | 3,162 | 1.2 | Private Assets - US Venture Capital |
| **Top 30 Holdings** | **212,215** | **77.9** | |
| **37 Remaining Holdings** | **56,086** | **20.6** | |
| **Cash** | **4,171** | **1.5** | |
| **TOTAL** | **272,472** | **100.0** | |

Hanseatic Asset Management LBG
August 2018

**Going concern**
The Group closely monitors and manages its liquidity risk. The Group has considerable financial resources including US$60.1 million in cash and cash equivalents and the majority of the Group's borrowings have a long maturity profile. The Group's business activities together with the factors likely to affect its future development and performance are set out in the Chairman's statement and Investment Manager's report. The financial position, cash flows and borrowings of the Group are also set out in the Chairman's statement. Details of the Group's borrowings are set out in note 15. Based on the Group's cash forecasts and sensitivities run, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

**Responsibility statement**
The Directors confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34;

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R; and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R.

J F Gouvêa Vieira
Chairman
10 August 2018

## Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2018

| | Unaudited six months to | Unaudited six months to |
|---|---|---|

| | Notes | 30 June 2018 US$'000 | 30 June 2017 US$'000 |
|---|---|---|---|
| **Revenue** | 3 | **235,017** | 245,753 |
| Raw materials and consumables used | | **(21,098)** | (18,817) |
| Employee benefits expense | 5 | **(75,773)** | (83,797) |
| Depreciation & amortisation expense | 4 | **(28,724)** | (28,949) |
| Other operating expenses | | **(62,735)** | (63,354) |
| Profit/(loss) on disposal of property, plant and equipment | | **139** | (1,962) |
| **Operating profit** | | **46,826** | 48,874 |
| Share of results of joint ventures | | **(1,330)** | 1,808 |
| Investment revenue | 6 | **6,707** | 9,777 |
| Other gains and losses | 7 | **(149)** | 20,280 |
| Finance costs | 8 | **(15,773)** | (8,090) |
| Foreign exchange (losses)/gains on monetary items | | **(8,546)** | 2,203 |
| **Profit before tax** | | **27,735** | 74,852 |
| Income tax expense | 9 | **(11,060)** | (19,403) |
| **Profit for the period** | | **16,675** | 55,449 |
| **Other comprehensive income: items that may be reclassified subsequently to profit and loss** | | | |
| Exchange differences arising on translation of foreign operations | | **(38,479)** | (4,970) |
| Effective portion of changes in fair value of derivatives | | **421** | 141 |
| **Other comprehensive loss for the period** | | **(38,058)** | (4,829) |
| **Total comprehensive (loss)/income for the period** | | **(21,383)** | 50,620 |
| Profit for the period attributable to: | | | |
| Equity holders of parent | | **10,032** | 41,348 |
| Non-controlling interests | | **6,643** | 14,101 |
| **Profit for the period** | | **16,675** | 55,449 |
| Total comprehensive income for the period attributable to: | | | |
| Equity holders of parent | | **(12,012)** | 38,524 |
| Non-controlling interests | | **(9,371)** | 12,096 |
| **Total comprehensive (loss)/income for the period** | | **(21,383)** | 50,620 |
| Earnings per share | | | |
| Basic and diluted | 11 | **28.4c** | 116.9c |

## Consolidated Balance Sheet

as at 30 June 2018

| | Notes | Unaudited as at 30 June 2018 US$'000 | Audited as at 31 December 2017 US$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | | **27,595** | 30,319 |
| Other intangible assets | | **26,151** | 30,592 |
| Property, plant and equipment | 12 | **593,658** | 634,881 |
| Deferred tax assets | | **30,131** | 28,639 |
| Trade and other receivables | 14 | **55,036** | 58,104 |
| Investment in joint ventures | 16 | **29,551** | 26,644 |
| Other non-current assets | | **8,900** | 9,535 |
| | | **771,022** | 818,714 |
| **Current assets** | | | |
| Inventories | | **13,926** | 13,773 |
| Trading investments | 13 | **283,831** | 305,070 |
| Trade and other receivables | 14 | **80,540** | 98,570 |
| Cash and cash equivalents | | **60,147** | 83,827 |
| | | **438,444** | 501,240 |
| **Total assets** | | **1,209,466** | 1,319,954 |

| | | | |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade and other payables | | **(51,579)** | (64,465) |
| Derivatives | | **(603)** | (1,108) |
| Current tax liabilities | | **(992)** | (3,201) |
| Obligations under finance leases | | **(92)** | (846) |
| Bank overdrafts and loans | 15 | **(53,122)** | (54,288) |
| | | **(106,388)** | (123,908) |
| **Net current assets** | | **332,056** | 377,332 |
| **Non-current liabilities** | | | |
| Bank loans | 15 | **(270,006)** | (300,436) |
| Derivatives | | **(133)** | (395) |
| Employee benefits | | **(978)** | (1,083) |
| Deferred tax liabilities | | **(52,716)** | (51,531) |
| Provisions | | **(16,638)** | (18,232) |
| Obligations under finance leases | | **(101)** | (309) |
| | | **(340,572)** | (371,986) |
| **Total liabilities** | | **(446,960)** | (495,894) |
| **Net assets** | | **762,506** | 824,060 |
| **Capital and reserves** | | | |
| Share capital | | **11,390** | 11,390 |
| Retained earnings | | **563,404** | 578,126 |
| Capital reserves | | **31,760** | 31,760 |
| Translation and hedging reserve | | **(55,159)** | (33,115) |
| **Equity attributable to equity holders of the parent** | | **551,395** | 588,161 |
| Non-controlling interests | | **211,111** | 235,899 |
| **Total equity** | | **762,506** | 824,060 |

## Consolidated Statement of Changes in Equity

as at 30 June 2018

| **For the six months ended 30 June 2017 (unaudited)** | Share capital US$'000 | Retained earnings US$'000 | Capital reserves US$'000 | Hedging and Translation reserve US$'000 | Attributable to equity holders of the parent US$'000 | Non-controlling interests US$'000 | Total equity US$'000 |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2017 | 11,390 | 521,878 | 31,760 | (29,685) | 535,343 | 221,649 | 756,992 |
| Currency translation adjustment | - | - | - | (2,906) | (2,906) | (2,064) | (4,970) |
| Effective portion of changes in fair value of derivatives | - | - | - | 82 | 82 | 59 | 141 |
| Profit for the period | - | 41,348 | - | - | 41,348 | 14,101 | 55,449 |
| Total income and expense for the period | - | 41,348 | - | (2,824) | 38,524 | 12,096 | 50,620 |
| Dividends | - | (22,279) | - | - | (22,279) | (15,845) | (38,124) |
| Share based expense | - | - | - | - | - | 1,171 | 1,171 |
| **Balance at 30 June 2017** | 11,390 | 540,947 | 31,760 | (32,509) | 551,588 | 219,071 | 770,659 |
| **For the six months ended 30 June 2018 (unaudited)** | | | | | | | |
| Balance at 1 January 2018 | **11,390** | **578,126** | **31,760** | **(33,115)** | **588,161** | **235,899** | **824,060** |
| Currency translation adjustment | **-** | **-** | **-** | **(22,289)** | **(22,289)** | **(16,190)** | **(38,479)** |
| Effective portion of changes in fair value of derivatives | **-** | **-** | **-** | **245** | **245** | **176** | **421** |
| Profit for the period | **-** | **10,032** | **-** | **-** | **10,032** | **6,643** | **16,675** |
| Total income and expense for the period | **-** | **10,032** | **-** | **(22,044)** | **(12,012)** | **(9,371)** | **(21,383)** |
| Dividends | **-** | **(24,754)** | **-** | **-** | **(24,754)** | **(16,079)** | **(40,833)** |
| Share based expense | **-** | **-** | **-** | **-** | **-** | **662** | **662** |
| **Balance at 30 June 2018** | **11,390** | **563,404** | **31,760** | **(55,159)** | **551,395** | **211,111** | **762,506** |

**Share capital**

The Group has one class of ordinary share which carries no right to fixed income.

**Capital reserves**
The capital reserves arise principally from transfers from revenue to capital reserves made in the Brazilian subsidiaries arising in the following circumstances:

(a) profits of the Brazilian subsidiaries and Brazilian holding company which in prior periods were required by law to be transferred to capital reserves and other profits not available for distribution; and

(b) Wilson Sons Limited bye-laws require the company to credit an amount equal to 5% of the company's net profit to a retained earnings account to be called legal reserve until such amount equals 20% of the Wilson Sons Limited share capital.

**Hedging and translation reserve**
The hedging and translation reserve arises from exchange differences on the translation of operations with a functional currency other than US Dollars and effective movements on hedging instruments.

Amounts in the statement of changes in equity are stated net of tax where applicable.

## Consolidated Cash Flow Statement

for the six months ended 30 June 2018

| | Notes | **Unaudited six months to 30 June 2018 US$'000** | Unaudited six months to 30 June 2017 US$'000 |
|---|---|---|---|
| **Net cash inflow from operating activities** | 17 | **55,609** | 33,091 |
| **Investing activities** | | | |
| Interest received | | **3,342** | 4,050 |
| Dividends received from trading investments | | **4,283** | 4,772 |
| Proceeds on disposal of trading investments | | **47,059** | 64,822 |
| Proceeds on disposal of property, plant and equipment | | **429** | 473 |
| Purchases of property, plant and equipment | | **(24,402)** | (13,142) |
| Purchase of intangible asset | | **(882)** | (1,626) |
| Purchases of trading investments | | **(25,969)** | (39,314) |
| Capital increase of joint venture | | **(4,003)** | - |
| Net cash (used in)/from investing activities | | **(143)** | 20,035 |
| **Financing activities** | | | |
| Dividends paid | 10 | **(24,754)** | (22,279) |
| Dividends paid to non-controlling interests in subsidiary | | **(16,079)** | (15,845) |
| Repayments of borrowings | | **(31,115)** | (27,883) |
| Repayments of obligations under finance leases | | **(597)** | (448) |
| Derivative paid | | **(490)** | (302) |
| New bank loans raised | | **2,512** | - |
| Net cash used in financing activities | | **(70,523)** | (66,757) |
| **Net decrease in cash and cash equivalents** | | **(15,057)** | (13,631) |
| **Cash and cash equivalents at beginning of period** | | **83,827** | 77,314 |
| Effect of foreign exchange rate changes | | **(8,623)** | (702) |
| **Cash and cash equivalents at end of period** | | **60,147** | 62,981 |

## Notes to the Accounts

for the six months ended 30 June 2018

**1 General information**
The interim financial information is not the Company's statutory accounts. The auditors of the Company have not made any report thereon under section 90(2) of the Bermuda Companies Act.

Ocean Wilsons Holdings Limited is a company incorporated in Bermuda under the Companies Act 1981 and the Ocean Wilsons Holdings Limited Act, 1991.

These financial statements are presented in US Dollars because that is the currency of the primary economic environment in which the Group operates.

**2 Accounting policies**

The condensed consolidated interim financial report of the Company for the six months ended 30 June 2018 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities.

The condensed set of financial statements has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) and in accordance with IAS 34 - Interim Financial Reporting. For these purposes, IFRS comprise the standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The condensed set of financial statements have been prepared on the basis of accounting policies consistent with those applied to the financial statements for the year ended 31 December 2017.

**3 Revenue**

An analysis of the Group's revenue is as follows:

| | Note | **Unaudited six months to 30 June 2018 US$'000** | Unaudited six months to 30 June 2017 US$'000 |
|---|---|---|---|
| Sales of services | | **226,979** | 233,382 |
| Revenue from construction contracts | | **8,038** | 12,371 |
| | | **235,017** | 245,753 |
| Investment income | 6 | **6,707** | 9,777 |
| | | **241,724** | 255,530 |

All revenue is derived from continuing operations.

**4 Business and geographical segments**

**Business segments**

Ocean Wilsons Holdings Limited has two reportable segments: Maritime services and investments. The maritime services segment provides towage, port terminals, ship agency, offshore, logistics and shipyard services in Brazil through Wilson Sons Limited. The investment segment holds a portfolio of international investments through Ocean Wilsons (Investments) Limited.

Segment information relating to these businesses is presented below.

**For the six months ended 30 June 2018 (unaudited)**

| | **Maritime services six months to 30 June 2018 US$'000** | **Investment six months to 30 June 2018 US$'000** | **Unallocated six months to 30 June 2018 US$'000** | **Consolidated six months to 30 June 2018 US$'000** |
|---|---|---|---|---|
| Revenue | **235,017** | **-** | **-** | **235,017** |
| **Result** | | | | |
| Segment result | **49,241** | **(1,463)** | **(952)** | **46,826** |
| Share of joint venture results | **(1,330)** | **-** | **-** | **(1,330)** |
| Investment revenue | **2,372** | **4,289** | **46** | **6,707** |
| Other gains and losses | **-** | **(149)** | **-** | **(149)** |
| Finance costs | **(15,773)** | **-** | **-** | **(15,773)** |
| Exchange gains/(losses) on monetary items | **(8,917)** | **1** | **370** | **(8,546)** |
| Profit before tax | **25,593** | **2,678** | **(536)** | **27,735** |
| Tax | **(11,060)** | **-** | **-** | **(11,060)** |
| Profit after tax | **14,533** | **2,678** | **(536)** | **16,675** |
| **Other information** | | | | |
| Capital additions | **(35,150)** | **-** | **-** | **(35,150)** |
| Depreciation and amortisation | **(28,723)** | **-** | **(1)** | **(28,724)** |
| **Balance Sheet** | | | | |
| **Assets** | | | | |
| Segment assets | **932,810** | **272,477** | **4,179** | **1,209,466** |

| | | | | |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Segment liabilities | **(446,482)** | **(249)** | **(229)** | **(446,960)** |

**For the six months ended 30 June 2017 (unaudited)**

| | Maritime services six months to 30 June 2017 US$'000 | Investment six months to 30 June 2017 US$'000 | Unallocated six months to 30 June 2017 US$'000 | Consolidated six months to 30 June 2017 US$'000 |
|---|---|---|---|---|
| Revenue | | | | |
| **Result** | 245,753 | - | - | 245,753 |
| Segment result | 51,302 | (1,330) | (1,098) | 48,874 |
| Share of joint venture results | 1,808 | - | - | 1,808 |
| Investment revenue | 4,992 | 4,772 | 13 | 9,777 |
| Other gains and losses | - | 20,280 | - | 20,280 |
| Finance costs | (8,090) | - | - | (8,090) |
| Exchange gains/(losses) on monetary items | 2,253 | 13 | (63) | 2,203 |
| Profit before tax | 52,265 | 23,735 | (1,148) | 74,852 |
| Tax | (19,403) | - | - | (19,403) |
| Profit after tax | 32,862 | 23,735 | (1,148) | 55,449 |
| **Other information** | | | | |
| Capital additions | (33,524) | - | - | (33,524) |
| Depreciation and amortisation | (28,948) | - | (1) | (28,949) |
| **Balance Sheet** | | | | |
| **Assets** | | | | |
| Segment assets | 1,005,915 | 259,109 | 3,723 | 1,268,747 |
| **Liabilities** | | | | |
| Segment liabilities | (497,633) | (233) | (222) | (498,088) |

Finance costs and associated liabilities have been allocated to reporting segments where interest costs arise from loans used to finance the construction of fixed assets in that segment.

**Geographical Segments**
The Group's operations are located in Bermuda and Brazil.

All of the Group's sales are derived in Brazil.

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located.

| | Carrying amount of segment assets | | Additions to property, plant and equipment and intangible assets | |
|---|---|---|---|---|
| | **Unaudited 30 June 2018 US$'000** | Unaudited 30 June 2017 US$'000 | **Unaudited six months to 30 June 2018 US$'000** | Unaudited six months to 30 June 2017 US$'000 |
| Brazil | **904,703** | 983,289 | **35,150** | 33,524 |
| Bermuda | **304,763** | 285,458 | **-** | - |
| | **1,209,466** | 1,268,747 | **35,150** | 33,524 |

**5 Employee benefits expense**

| | **Unaudited six months to 30 June 2018 US$'000** | Unaudited six months to 30 June 2017 US$'000 |
|---|---|---|
| Aggregate remuneration comprised: | | |
| Wages and salaries | **64,583** | 68,232 |
| Share based payment expense | **662** | 1,180 |
| Social security costs | **9,957** | 13,863 |
| Other pension costs | **571** | 522 |

| | | |
|---|---|---|
| | **75,773** | 83,797 |

### 6 Investment revenue

| | **Unaudited six months to 30 June 2018 US$'000** | Unaudited six months to 30 June 2017 US$'000 |
|---|---|---|
| Interest on bank deposits | **2,074** | 2,670 |
| Dividends from equity investments | **4,283** | 4,772 |
| Other interest | **350** | 2,335 |
| | **6,707** | 9,777 |

### 7 Other gains and losses

| | **Unaudited six months to 30 June 2018 US$'000** | Unaudited six months to 30 June 2017 US$'000 |
|---|---|---|
| (Decrease)/increase in fair value of trading investments held at period end | **(1,846)** | 14,384 |
| Profit on disposal of trading investments | **1,697** | 5,896 |
| | **(149)** | 20,280 |

Other gains and losses form part of the movement in trading investments.

### 8 Finance costs

| | **Unaudited six months to 30 June 2018 US$'000** | Unaudited six months to 30 June 2017 US$'000 |
|---|---|---|
| Interest on bank overdrafts and loans | **6,197** | 6,716 |
| Exchange loss on foreign currency borrowings | **9,179** | 1,110 |
| Interest on obligations under finance leases | **47** | 143 |
| Other interest | **350** | 121 |
| | **15,773** | 8,090 |

### 9 Taxation

| | **Unaudited six months to 30 June 2018 US$'000** | Unaudited six months to 30 June 2017 US$'000 |
|---|---|---|
| Current taxation | | |
| Brazilian taxation: | | |
| Corporation tax | **9,269** | 11,858 |
| Social contribution | **3,650** | 4,891 |
| Total current tax | **12,919** | 16,749 |
| Deferred tax | | |
| Charge for the period in respect of deferred tax liabilities | **16,349** | 4,255 |
| Credit for the period in respect of deferred tax assets | **(18,208)** | (1,601) |
| Total deferred tax | **(1,859)** | 2,654 |
| Total taxation | **11,060** | 19,403 |

Brazilian corporation tax is calculated at 25% (2017: 25%) of the assessable profit for the year.

Brazilian social contribution tax is calculated at 9% (2017: 9%) of the assessable profit for the year.

At the present time, no income, profit, capital or capital gains taxes are levied in Bermuda and accordingly, no provision for such taxes has been recorded by the Company. In the event that such taxes are levied, the Company has received an undertaking from the Bermuda Government exempting it from all such taxes until 31 March 2035.

### 10 Dividends

| | Unaudited six months to 30 June 2018 US$'000 | Unaudited six months to 30 June 2017 US$'000 |
|---|---|---|
| Amounts recognised as distributions to equity holders in the period: | | |
| Final dividend paid for the year ended 31 December 2017 of 70.0c (2016: 63.0c) per share | **24,754** | 22,279 |

**11 Earnings per share**

The calculation of the basic and diluted earnings per share is based on the following data:

| | Unaudited six months to 30 June 2018 US$'000 | Unaudited six months to 30 June 2017 US$'000 |
|---|---|---|
| Earnings: | | |
| Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent | **10,032** | 41,348 |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share | **35,363,040** | 35,363,040 |

**12 Property, plant and equipment**

During the period, the Group spent approximately US$35.2 million mainly on vessel construction and terminal equipment (2017: US$33.5 million).

At 30 June 2018, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to US$13.1 million.

**13 Investments**

| | Unaudited six months to 30 June 2018 US$'000 | Audited year to 31 December 2017 US$'000 |
|---|---|---|
| **Trading investments** | | |
| At 1 January | **305,070** | 276,181 |
| Additions, at cost | **25,969** | 77,275 |
| Disposals, at market value | **(47,059)** | (81,161) |
| (Decrease)/increase in fair value of trading investments held at period end | **(1,846)** | 25,886 |
| Profit on disposal of trading investments | **1,697** | 6,889 |
| At period end | **283,831** | 305,070 |
| Ocean Wilsons (Investments) Limited Portfolio | **271,787** | 273,434 |
| Wilson Sons Limited | **12,044** | 31,636 |
| Trading investments held at fair value at period end | **283,831** | 305,070 |

**Wilson Sons Limited**

The Wilson Sons Limited investments are held and managed separately from the Ocean Wilsons (Investments) Limited Portfolio and consist of US Dollar denominated depository notes.

**Ocean Wilsons (Investments) Limited Portfolio**

The Group has not designated any financial assets that are not classified as trading investments as financial assets at fair value through profit or loss.

Trading investments above represent investments in listed equity securities, funds and unquoted equities that present the Group with opportunity for return through dividend income and capital appreciation.

Included in trading investments are open ended funds whose shares may not be listed on a recognised stock exchange but are redeemable for cash at the current net asset value at the option of the Company. They have no fixed maturity or coupon rate. The fair values of these securities are based on quoted market prices where available. Where quoted market prices are not available, fair values are determined by third parties using various valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**14 Trade and other receivables**

| | Unaudited 30 June 2018 US$'000 | Audited 31 December 2017 US$'000 |
|---|---|---|
| **Trade and other receivables** | | |
| Recoverable taxes and levies | **24,894** | 28,067 |
| Related parties loans | **29,639** | 29,472 |
| Other trade receivables | **503** | 565 |
| Total other non-current trade receivables | **55,036** | 58,104 |
| | | |
| Amount receivable for the sale of services | **52,065** | 58,945 |
| Allowance for doubtful debts | **(1,333)** | (958) |
| Total current trade receivables | **50,732** | 57,987 |
| | | |
| Other recoverable taxes and levies | **14,413** | 18,260 |
| Income taxation recoverable | **5,260** | 6,752 |
| Prepayments | **3,682** | 7,323 |
| Other | **6,453** | 8,248 |
| Total other current trade receivables | **29,808** | 40,583 |
| | | |
| Total | **135,576** | 156,674 |

Non-current trade receivables relate to: recoverable taxes with maturity dates in excess of one year, which comprise mainly PIS, COFINS, ISS and INSS and related party loans with maturities over one year. There are no indicators of impairment related to these receivables.

As a matter of routine, the Group reviews taxes and levies impacting its business to ensure that payments of such amounts are correctly made and that no amounts are paid unnecessarily. The Group has a plan to use its tax credits and if unable to recover by offsetting against current or future tax liabilities, requesting reimbursement of these values from the Receita Federal do Brasil (Brazilian Inland Revenue Service).

Included in the Group's trade receivable balances are debtors with a carrying amount of US$9.2 million (2017: US$9.6 million) which are past due.

| Ageing of past due trade receivables | Unaudited 30 June 2018 US$'000 | Audited 31 December 2017 US$'000 |
|---|---|---|
| From 0 - 30 days | **5,909** | 6,475 |
| From 31 - 90 days | **1,305** | 2,442 |
| From 91 - 180 days | **1,038** | 716 |
| more than 180 days | **917** | 731 |
| Total | **9,169** | 10,364 |

Generally, interest of one percent per month plus a two percent penalty is charged on overdue balances. Allowances for bad debts are recognised as a reduction of receivables and are recognised whenever a loss is identified. As of 01 January 2018, due to the application of IFRS 9, the Group has recognised an allowance for bad debts taking into account an expected credit loss model that involves the historical evaluation of the effective loss over billing cycles. The period under review will be 3.5 years, being renewed every 180 days. The measurement of default rate will consider the recoverability of receivables and will apply according to the payment profiles of debtors. Until 2017, the Group recognised an allowance for bad debts taking into account all receivables over 180 days because historical experience had shown that receivables that were past due beyond 180 days were generally not recoverable.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

**15 Bank loans and overdrafts**

| | Unaudited 30 June 2018 | Audited 31 December 2017 |
|---|---|---|

| | Annual Interest rate | **US$'000** | US$'000 |
|---|---|---|---|
| *Secured borrowings* | | | |
| BNDES - FMM linked to US$ (1) | 2.07% to 6.00% | **152,228** | 156,831 |
| BNDES Real | 6.75% - 8.94% | **16,171** | 20,982 |
| BNDES - FMM Real (1) | 10.46% | **1,327** | 1,635 |
| BNDES - FINAME Real | 4.50% - 6.00% | **217** | 1,834 |
| Total BNDES | | **169,943** | 181,282 |
| | | | |
| Banco do Brasil - FMM linked to US$ | 2.00% - 3.00% | **87,940** | 90,750 |
| IFC - US$ | 7.00% | **28,421** | 35,640 |
| Santander - US$ | 4.25% | **28,350** | 31,173 |
| China Construction Bank - US$ | 5.88% | **6,358** | 12,708 |
| Eximbank - US$ | 5.63% | **2,116** | 3,171 |
| Total others | | **153,185** | 173,442 |
| Total borrowings | | **323,128** | 354,724 |

(1) As an agent of Fundo da Marinha Mercante's (FMM), BNDES finances the construction of tugboats and shipyard facilities.

| | **Unaudited 30 June 2018 US$'000** | Audited 31 December 2017 US$'000 |
|---|---|---|
| The borrowings are repayable as follows: | | |
| On demand or within one year | **53,122** | 54,288 |
| In the second year | **40,314** | 52,123 |
| In the third to fifth years inclusive | **86,546** | 93,745 |
| After five years | **143,146** | 154,568 |
| Total borrowings | **323,128** | 354,724 |
| Amounts due for settlement within 12 months | **53,122** | 54,288 |
| Amounts due for settlement after 12 months | **270.006** | 300,436 |

Analysis of borrowings by currency:

| | $Real US$'000 | $Real linked to US Dollars US$'000 | US Dollars US$'000 | Total US$'000 |
|---|---|---|---|---|
| **30 June 2018 (unaudited)** | | | | |
| Bank loans | **17,715** | **240,168** | **65,245** | **323,128** |
| Total | **17,715** | **240,168** | **65,245** | **323,128** |
| | | | | |
| **31 December 2017 (audited)** | | | | |
| Bank loans | 24,451 | 247,581 | 82,692 | 354,724 |
| Total | 24,451 | 247,581 | 82,692 | 354,724 |

**Guarantees**

Loans with BNDES rely on a corporate guarantee from Wilson Sons de Administração e Comércio Ltda. For some contracts, the corporate guarantee is additional to: (i) a pledge of the respective financed tugboat, (ii) a lien of logistics and port operations equipment financed.

Loans with Banco do Brasil rely on a corporate guarantee from Wilson, Sons de Administração e Comércio Ltda. and a pledge of the respective financed tugboat.

The loans that Tecon Salvador holds with IFC are guaranteed by shares of the company, the projects' cash flows, equipment and buildings.

The loan agreement that Tecon Rio Grande has with the Export-Import Bank of China for equipment is guaranteed by a standby letter of credit issued by Banco Itaú BBA S.A which in turn has the pledge on the financed equipment.

The loan agreement between Tecon Rio Grande and Santander for equipment acquisition relies on a corporate guarantee from Wilson, Sons de Administração e Comércio Ltda.

**Undrawn credit facilities**

At 30 June 2018, the Group had available US$55.3 million of undrawn borrowing facilities. For each disbursement, there is a set of conditions precedent that must be satisfied.

**Covenants**
Wilson, Sons de Administração e Comércio Ltda. ("WSAC") as corporate guarantor has to comply with annual loan covenants for both Wilson Sons Estaleiros and Brasco Logística Offshore in respect of loan agreements signed with BNDES.

Tecon Salvador S.A. has to comply with loan covenants including the maintenance of specific liquidity and capital structure ratios in respect of its loan agreement with the International Finance Corporation (IFC).

Tecon Rio Grande S.A. has to comply with loan covenants from Santander, including a minimum liquidity ratio and capital structure.

At 30 June 2018, the Company was in compliance with all clauses in the above mentioned loan contracts.

**Fair value**
Management estimates the fair value of the Group's borrowings as follows:

| | **Unaudited 30 June 2018 US$'000** | Audited 31 December 2017 US$'000 |
|---|---|---|
| Bank loans | | |
| BNDES | **169,943** | 181,282 |
| Banco do Brasil | **87,940** | 90,750 |
| IFC | **28,421** | 35,640 |
| Santander | **28,350** | 31,173 |
| CCB | **6,358** | 12,708 |
| Eximbank | **2,116** | 3,171 |
| Total | **323,128** | 354,724 |

**16 Joint ventures**
The Group holds the following significant interests in joint operations and joint ventures at the end of the reporting period:

| | Place of incorporation and operation | Proportion of ownership interest **30 June 2018** | 30 June 2017 |
|---|---|---|---|
| **Towage** | | | |
| Consórcio de Rebocadores Barra de Coqueiros (3) | Brazil | **50%** | 50% |
| Consórcio de Rebocadores Baia de São Marcos (3) | Brazil | **50%** | 50% |
| **Logistics** | | | |
| Porto Campinas, Logística e Intermodal Ltda (3) | Brazil | **50%** | 50% |
| **Offshore** | | | |
| Wilson, Sons Ultratug Participações S.A. (1) | Brazil | **50%** | 50% |
| Atlantic Offshore S.A. (2) | Panama | **50%** | 50% |

(1) Wilson, Sons Ultratug Participações S.A. controls Wilson Sons Offshore S.A. and Magallanes Navegação Brasileira S.A. These latter two companies are indirect joint ventures of the Company.

(2) Atlantic Offshore S.A. controls South Patagonia S.A. This company is an indirect joint venture of Wilson Sons Limited.

(3) Joint Operations.

The Group's interests in joint ventures are equity accounted.

| | **Unaudited six months to 30 June 2018 US$'000** | Unaudited six months to 30 June 2017 US$'000 |
|---|---|---|
| Revenue | **58,601** | 75,074 |
| Raw materials and consumable used | **(4,090)** | (4,404) |

| | | |
|---|---|---|
| Employee benefits expense | **(19,134)** | (23,754) |
| Depreciation and amortisation expenses | **(19,272)** | (20,007) |
| Other operating expenses | **(7,724)** | (8,493) |
| Loss on disposal of property, plant and equipment | **(19)** | (11) |
| Profits from operating activities | **8,362** | 18,405 |
| Finance income | **167** | 987 |
| Finance costs | **(8,781)** | (9,909) |
| Foreign exchange gains/(losses) on monetary items | **(8,192)** | (973) |
| (Loss)/profit before tax | **(8,444)** | 8,510 |
| Income tax credit/(expense) | **5,784** | (4,894) |
| (Loss)/profit for the period | **(2,660)** | 3,616 |
| | | |
| Participation (before non-controlling interests) | **50%** | 50% |
| Equity result | **(1,330)** | 1,808 |

| | **Unaudited** <br> **30 June 2018** <br> **US$'000** | Audited <br> 31 December 2017 <br> US$'000 |
|---|---|---|
| Property, plant and equipment | **637,528** | 647,659 |
| Long-term investment | **2,163** | 2,142 |
| Other current assets | **6,605** | 4,740 |
| Trade and other receivables | **31,283** | 26,302 |
| Derivatives | **756** | 381 |
| Cash and cash equivalents | **15,716** | 30,575 |
| Total assets | **694,051** | 711,799 |
| | | |
| Bank loans | **480,474** | 500,987 |
| Other non-current liabilities | **35,344** | 35,604 |
| Trade and other payables | **81,916** | 82,654 |
| Equity | **96,317** | 92,554 |
| Total liabilities | **694,051** | 711,799 |

We have not given separated disclosure of all material Joint Ventures because they belong to the same economic group. Wilson Sons Limited holds a non-controlling interest in Wilson Sons Ultratug Particpações S.A and Atlantic Offshore S.A.

Wilson, Sons Ultratug Participações S.A is a controlling shareholder of Wilson, Sons Offshore S.A. and Magallanes Navegação Brasileira S.A, while Atlantic Offshore S.A. is a controlling shareholder of South Patagonia S.A.

*Guarantees*
Wilson, Sons Offshore S.A. loan agreements with BNDES are guaranteed by a lien on the financed supply vessel and, in the majority of the contracts, a corporate guarantee from both Wilson Sons de Adminisração e Comércio Ltda and Rebocadores Ultratug Ltda, each guaranteeing 50% of the subsidiary's debt balance with BNDES.

Magallanes Navegação Brasileira S.A.'s loan agreement with Banco do Brasil is guaranteed by a lien on the financed supply vessels. The security package also includes a standby letter of credit issued by Banco de Crédito e Inversiones - Chile for part of the debt balance, assignment of Petrobras' long-term contracts and a corporate guarantee issued by Inversiones Magallanes Ltda - Chile. A cash reserve account, accounted for under long-term investments and funded with US$2.1 million, is required to be maintained until full repayment of the loan agreement.

The loan agreement that Atlantic Offshore S.A. has with Deutsche Verkehrs-Bank "DVB" and Norddeutsche Landesbank Girozentrale Trade "Nord/LB" for the financing of the offshore support vessel "Pardela" is guaranteed by a pledge of the vessel, the shares of Atlantic Offshore S.A. and a corporate guarantee for half of the loan from Wilson Sons de Administração Ltda e Comércio. Remolcadores Ultratug Ltda, our joint venture partner, guarantees the other half of the loan.

*Covenants*
The joint venture Magallanes Navegação Brasileira S.A. has to comply with specific financial covenants. At 30 June 2018, the company was in compliance with all clauses in the loan contracts.

Atlantic Offshore S.A. has to comply with specific financial covenants on its two loan agreements with

Deutsche Verkehrs-Bank "DVB" and Norddeutsche Landesbank Girozentrale Trade "Nord/LB". As at 30 June 2018 the subsidiary was not in compliance with the debt service coverage ratio for both loans and is negotiating a waiver.

**17 Notes to the cash flow statement**

| | **Unaudited six months to 30 June 2018 US$'000** | Unaudited six months to 30 June 2017 US$'000 |
|---|---|---|
| Reconciliation from profit before tax to net cash from operating activities | | |
| Profit before tax | **27,735** | 74,852 |
| Share of joint venture results | **1,330** | (1,808) |
| Investment revenues | **(6,707)** | (9,777) |
| Other losses/(gains) | **149** | (20,280) |
| Finance costs | **15,773** | 8,090 |
| Exchange losses/(gains) on monetary items | **8,546** | (2,203) |
| Operating profit | **46,826** | 48,874 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **27,023** | 26,910 |
| Amortisation of intangible assets | **1,701** | 2,039 |
| Share based payment expense | **662** | 1,180 |
| (Profit)/loss on disposal of property, plant and equipment | **(139)** | 1,962 |
| (Decrease)/increase in provisions | **(4,974)** | 295 |
| Operating cash flows before movements in working capital | **71,099** | 81,260 |
| Increase in inventories | **(153)** | (520) |
| Decrease/(increase) in receivables | **18,422** | (11,036) |
| Decrease in payables | **(13,015)** | (15,036) |
| Decrease/(increase) in other non-current assets | **635** | (89) |
| Cash generated by operations | **76,988** | 54,579 |
| Income taxes paid | **(14,965)** | (14,518) |
| Interest paid | **(6,414)** | (6,970) |
| Net cash from operating activities | **55,609** | 33,091 |

**18 Commitments**

At 30 June 2018 the Group had entered into commitment agreements with respect to trading investments. These commitments relate to capital subscription agreements entered into by Ocean Wilsons (Investments) Limited. The expiry dates of the outstanding commitments in question maybe analysed as follows:

| | **Unaudited Outstanding at 30 June 2018 US$'000** | Audited Outstanding at 31 December 2017 US$'000 |
|---|---|---|
| Within one year | **4,142** | 4,250 |
| In the second to fifth year inclusive | **6,609** | 8,792 |
| After five years | **20,195** | 22,579 |
| | **30,946** | 35,621 |

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There may be situations when commitments may be extended by the manager of the underlying structure beyond the initial expiry date dependent upon the terms and conditions of each individual structure.

**19 Related party transactions**

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions between the group and its associates, joint ventures and other investments are disclosed below.

| | Dividends received/ Revenue of services | | Amounts paid/ Cost of services | |
|---|---|---|---|---|
| | **Unaudited** | Unaudited | **Unaudited** | Unaudited |

| | six months to 30 June 2018 US$'000 | six months to 30 June 2017 US$'000 | six months to 30 June 2018 US$'000 | six months to 30 June 2017 US$'000 |
|---|---|---|---|---|
| **Joint ventures** | | | | |
| 1. Allink Transportes Internacionais Limitada | **8** | 1 | **(178)** | (10) |
| 2. Consórcio de Rebocadores Barra de Coqueiros | - | - | - | - |
| 3. Consórcio de Rebocadores Baía de São Marcos | **13** | 290 | - | - |
| 4. Wilson Sons Ultratug Participações S.A. | **2,784** | 1,031 | - | - |
| 5. Atlantic Offshore S.A. | - | - | - | - |
| **Others** | | | | |
| 6. Hanseatic Asset Management LBG | - | - | **(1,375)** | (1,241) |
| 7. Gouvêa Vieira Advogados | - | - | **(22)** | (37) |
| 8. CMMR Intermediacao Comercial Limitada | - | - | **(47)** | (100) |
| 9. Jofran Services | - | - | **(87)** | (87) |

| | Amounts owed by related parties | | Amounts owed to related parties | |
|---|---|---|---|---|
| | **Unaudited 30 June 2018 US$'000** | Audited 31 December 2017 US$'000 | **Unaudited 30 June 2018 US$'000** | Audited 31 December 2017 US$'000 |
| **Joint ventures** | | | | |
| 1. Allink Transportes Internacionais Limitada | - | - | **(2)** | - |
| 2. Consórcio de Rebocadores Barra de Coqueiros | **65** | 77 | - | - |
| 3. Consórcio de Rebocadores Baía de São Marcos | **1,992** | 2,483 | - | - |
| 4. Wilson Sons Ultratug Participações S.A. | **10,533** | 11,848 | - | - |
| 5. Atlantic Offshore S.A. | **20,167** | 17,767 | - | - |
| **Others** | | | | |
| 6. Hanseatic Asset Management LBG | - | - | **(249)** | (347) |
| 7. Gouvêa Vieira Advogados | - | - | - | - |
| 8. CMMR Intermediacao Comercial Limitada | - | - | - | - |
| 9. Jofran Services | - | - | - | - |

1. Mr A C Baião is a Director of Wilson Sons Limited and a shareholder and Director of Allink Transportes Internacionais Limitada. Allink Transportes Internacionais Limitada is 50% owned by the Group and rents office space from the Group.

6. Mr W H Salomon is Chairman of Hanseatic Asset Management LBG. Fees were paid to Hanseatic Asset Management LBG for acting as investment managers of the Group's investment portfolio and administration services.

7. Mr J F Gouvêa Vieira is a partner in the law firm Gouvêa Vieira Advogados. Fees were paid to Gouvêa Vieira Advogados for legal services.

8. Mr C M Marote is a Director of Wilson Sons Limited and a shareholder and Director of CMMR Intermediacao Comercial Limitada. Fees were paid to CMMR Intermediacao Comercial Limitada for consultancy services.

9. Mr J F Gouvêa Vieira is a Director of Jofran Services. Directors' fees and consultancy fees were paid to Jofran Services.

## 20 Financial instruments

*Capital risk management*

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 15, cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings shown in the consolidated statement of changes in equity.

The Group borrows to fund capital projects and looks to cash flow from these projects to meet repayments. Working capital is funded through cash generated from operating revenues.

*Externally imposed capital requirement*

The Group is not subject to externally imposed capital requirements.

**Financial risk management objectives**

The Group's corporate treasury function provides services to the business, co-ordinates access to domestic and international financial markets and manages the financial risks relating to the operations of the Group through internal reports. The primary objective is to keep a minimum exposure to those risks by using financial instruments and by assessing and controlling the credit and liquidity risks according to the rules and procedures established by management. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group may use derivative financial instruments to hedge these risk exposures, with Board approval. The Group does not enter into trading financial instruments, including derivative financial instruments for speculative purposes.

*Credit risk*
The Group's principal financial assets are cash, trade and other receivables, related party loans and trading investments. The Group's credit risk is primarily attributable to its bank balances, trade receivables, related party loans and investments. The amounts presented as receivables in the balance sheet are net of allowances for doubtful receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The credit risk on investments held for trading is limited because the counterparties with whom the Group transacts are regulated institutions or banks with high credit ratings. The Company's appointed Investment Manager, Hanseatic Asset Management LBG, evaluates the credit risk on trading investments prior to and during the investment period.

In addition, the Company invests in Limited Partnerships and other similar investment vehicles. The level of credit risk associated with such investments is dependent upon the terms and conditions and the management of the investment structures. The Board reviews all investments at its regular meetings from reports prepared by the Company's Investment Manager.

The Group has no significant concentration of credit risk. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

*Market risk*
The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and market prices.

*Foreign currency risk management*
The Group undertakes certain transactions denominated or linked to foreign currencies and therefore exposures to exchange rate fluctuations arise. The Group operates principally in Brazil with a substantial proportion of the Group's revenue, expenses, assets and liabilities denominated in the Brazilian Real. Due to the cost of hedging the Brazilian Real, the Group does not normally hedge its net exposure to the Brazilian Real as the Board does not consider it economically viable to do so.

Cash flows from investments in fixed assets are denominated in Real and US Dollars. These investments are subject to currency fluctuations between the time that the price of goods or services are settled and the actual payment date. The resources and their application are monitored with the purpose of matching the currency cash flows and due dates. The Group has contracted US Dollar-denominated and Real-denominated debt, and the cash and cash equivalents balances are also US Dollar-denominated and Real-denominated.

In general terms, for operating cash flows, the Group seeks to neutralise the currency risk by matching assets (receivables) and liabilities (payments). Furthermore the Group seeks to generate an operating cash surplus in the same currency in which the debt service of each business is denominated.

*Interest rate risk management*
The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The Group holds most of its debts linked to fixed rates. Most of the Group's fixed rates loans are with the FMM (Fundo da Marinha Mercante).

Loans exposed to floating rates are as follows:

- TJLP (Brazilian Long-Term Interest Rate) for Brazilian Real denominated funding through a FINAME credit line for the Port and Logistics operations.

- DI (Brazilian Interbank Interest Rate) for Brazilian Real denominated funding for Logistics operations, and

- 6-month LIBOR (London Interbank Offered Rate) for US Dollar denominated funding for Port Operations (Eximbank).

The Group's Brazilian Real-denominated investments yield interest rates corresponding to the DI daily fluctuation for privately issued securities and/or "Selic-Over" government-issued bonds. The US Dollar-denominated investments are in time deposits, with short-term maturities.

The Group's strategy for managing interest rate risk is to maintain a balanced portfolio of fixed and floating interest rates in order to balance both cost and volatility. The Group may use cash flow hedges to limit its exposure that may result from the variation of floating interest rates.

The Group has floating rate financial assets consisting of bank balances principally denominated in US Dollars and Real that bear interest at rates based on the banks floating interest rate.

*Market price sensitivity*
By the nature of its activities, the Group's investments are exposed to market price fluctuations. However the portfolio as a whole does not correlate exactly to any Stock Exchange Index as it is invested in a diversified range of markets. The Investment Manager and the Board monitor the portfolio valuation on a regular basis and consideration is given to hedging the portfolio against large market movements.

*Credit risk management*
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Group's sales policy is subordinated to the credit sales rules set by management, which seeks to mitigate any loss from customers' delinquency.

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable. Trade and other receivables disclosed in the balance sheet are shown net of the allowance for doubtful debts.

Ocean Wilsons (Investments) Limited primarily transacts with regulated institutions on normal market terms which are trade date plus one to three days. The levels of amounts outstanding from brokers are regularly reviewed by the Investment Manager. The duration of credit risk associated with the investment transaction is the period between the date the transaction takes place, (the trade date) and the date the stock and cash are transferred, (and the settlement date). The level of risk during the period is the difference between the value of the original transaction and its replacement with a new transaction.

In addition, Ocean Wilsons (Investments) Limited invests in Limited Partnerships and other similar investment vehicles. The level of credit risk associated with such investments is dependent upon the terms and conditions and the management of the investment structures. The Board reviews all investments at its regular meetings from reports prepared by the company's Investment Manager.

*Liquidity risk management*
Liquidity risk is the risk that the Group will encounter difficulty in fulfilling obligations associated with its financial liabilities that are settled with cash payments or another financial asset. The Group's approach in managing liquidity is to ensure that the Group always has sufficient liquidity to fulfil the obligations that expire, under normal and stress conditions, without causing unacceptable losses or risk damage to the reputation of the Group.

Ultimate responsibility for liquidity risk management rests with the Board of directors. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group uses costing based on activities to price the products and services which assist in monitoring cash flow requirements and optimizing the return on cash investments.

The Group ensures it has sufficient cash reserves to meet the expected operational expenses, including financial obligations. This practice excludes the potential impact of extreme circumstances that cannot be reasonably foreseen.

*Fair value of financial instruments*
The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on 30 June 2018. The quoted market price used for financial assets held by the Company utilise the last traded market prices.

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