Double Double in Ten
A Strategic Review
Algoma Central Corporation
Board Of Directors
Sept 9th, 2015

Algoma Central Corporation
December 2015
Ken Soerensen
President & Chief Executive Officer

Peter Winkley
Vice President, Finance &
Chief Financial Officer
Forward Looking Statements

Certain statements in this document about our current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. Forward-looking statements are based on estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances, but there can be no assurance that such estimates and assumptions will prove to be correct.

Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements,

The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Company's financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein, recognizing that all such forward looking information is based on assumptions about the future that may not ultimately be born out and are subject to many risks and uncertainties, including those listed above. Furthermore, unless otherwise stated, the forward-looking statements contained in this document are made as of the date of hereof (unless stated to be as of an earlier date), and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary statement. Management approved the forward looking financial information as of December 8, 2015.

ALL AMOUNTS IN C$ MILLIONS EXCEPT PER SHARE AMOUNTS, UNLESS NOTED
• The largest owner and operator of Canadian flagged vessels
• A Canadian shipowner since 1900
• Currently:
  – Owns and operates 18 self-unloading and 6 gearless Lakers
  – Owns and operates 6 Product Tankers
  – Manages 4 vessels for other owners
    – One owned by G3 (former CWB) is part of Algoma’s commercial fleet
  – Active new building program for fleet renewal
Algoma Central Corporation

- Listed on TSX – ALC and ALC.DB
- Current dividend of 7¢ quarterly
- Shares outstanding – 38,913,733
- Approximately 75% controlled by the Jackman Family
Why Invest in Domestic Shipping?
For over 200 years the 100 ports on the Waterway have linked domestic suppliers and markets, connecting with 40 highways and 30 rail systems and ultimately with world markets.
In Challenging Conditions
Marine Connects

100 Great Lakes Ports and Docks
And Marine Delivers

- Grains from Western Canada and US for export
- Iron ore and coal from US for export
- Import ore to center of the country
- Aggregates, potash, limestone, cement, coal, and salt within the system
- Petroleum products within the system between refiners and distribution networks

The System moves 164 million tonnes of cargo every year
And Marine is More Efficient

1 Ship

301 Rail cars

964 trucks

Based on the maximum carrying capacity of Seaway-size vessel

Figure 1. Distance one metric ton of cargo travels
Kilometers on 1 litre of fuel

Figure 2. GHG Emissions
Kilograms per tonne/kilometer

Source: The Environmental and Social Impacts of Marine Transport in the Great Lakes-St. Lawrence Seaway Region, 2012
Algoma Central Corporation

VISION
Growing our position as the carrier of choice for bulk commodities in the Great Lakes – St. Lawrence Waterway to become a leader in short sea shipping globally.

Why?
The international markets offers some compelling opportunities to leverage our core strengths
World Trade – Global Marine Trends 2030

Global Trade will at least double in the next 20 Years

- **Demography**
- **Economy**
- **Resources**
- **Environment**

10 Billion Tonnes (2010)

20 Billion Tonnes (2030)
From Fragmentation to Global Collaboration

• Meeting future infrastructure needs
  - Improved connectivity
  - Clear & consistent regulation globally

• Financing growth
  - Access to finance
  - New money
  - Creation of larger and more transparent shipping entities

• Ensure steady supply of competent and well trained staff (at sea and ashore)

• Raise profile and image of the industry, in Canada and globally
The Great Lakes short-sea shipping company

- **Trip times**
  - Shorter than international trips with less time in open waters
- **Load / Unload**
  - More material to overall voyage
  - Port delays can have significant impact on voyage P&L
  - Integration with customers' supply chains
- **Feeder service for export – bound products**
- **Trans-shipping**

But the Great Lakes industry faces challenges:

slow growth and old ships
The Ageing Great Lakes Fleet

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<th>Type</th>
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Fleet Renewal Priority

A Substantial Investment ...

Algoma has invested $450 million to date and has contracts for 7 more vessels.
... leads to a very different age profile
Why?

• Profitability
  – New ships carry more yet cost less to operate
  – Maintenance is a major expense for older ships

Investment of $60 million for an Equinox Class ship can generate after-tax returns of 10% or more
Fleet Renewal is Important

Other factors

• Safety
  – Newer ships are safer ships

• Regulatory
  – Older ships cannot be adapted to meet new environmental regulations and the rules will only get stricter

• Desirability
  – To attract crew the industry must provide a modern work environment
  – Customers feel age of ships ultimately impacts service
Algoma Equinox Class

Important to Algoma’s Sustainable Future

• Greener
  – 45% more fuel efficient per ton/km
  – 45% less GHG per ton/km
  – 97% less SOx and the first certified marine exhaust gas scrubber on the Lakes

• More Profitable
  – Larger capacity
  – Fuel economy
  – Fewer crew
  – Lower maintenance
Fleet Renewal has been delayed

- Bankruptcy of Mingde shipyard has cost us time
  - Three ships delivered out of eight ordered
  - Quality has been good but shipyard financials were not strong enough
  - Our deposits are bank guaranteed and we are working on collecting them

- We have replaced these ships with new orders
  - Five ships on order from Croatia
  - Two ships on order from a different yard in China
Dry-Bulk on the Waterway

Trades by Fleet

Estimated Volumes Carried by Carrier Flag
(millions, MT)
2014

Volume Carried
(millions, MT)
U.S. 81.4
Algoma 24.3
Other Canada 33.1
Canada 57.4
International 6.9
Total 145.7

Algoma 42% of Canada 17% of Total
Canada 39%
U.S. 56%

Int'l 5%
Algoma’s Domestic Trades

- PETROLEUM: 20.5%
- Agriculture: 16.1%
- Construction: 12.7%
- Salt: 13.1%
- Iron / Steel: 36.0%
- Power Generation: 1.7%
Algoma Central Corporation

Revenues are generally more consistent compared with broader international markets
After tax earnings from operating segments are dependent on domestic economy and export markets
Earnings per share including impact of non-operating items

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YTD 2015 Has Been Challenging

Segmented Revenue - 2015 vs. 2014 YTD

Segmented EBITDA - 2015 vs. 2014 YTD

Short Sea Shipping is OUR BUSINESS
Cash for growth combined with solid base of operating assets

- Property, plant, and equipment: $581
- Other assets: $210
- Cash, net: $201
Well capitalized with ability to fund promising opportunities

Capital Employed
$860 million
Our Strategy Going Forward

Transfer Algoma’s expertise in Great Lakes short-sea shipping to areas of high growth globally.

Objective One – Increase our interest in our current Ocean-based commercial Pool

- Recently announced the acquisition of 2.5 existing Pool vessels that will result in a doubling of our present share of the Pool
- Targeted return is in excess of 10% after-tax
- The Pool business is very similar to our Lakes business, sharing many of the same attributes, including being based on long-term contacts
Objective Two – Grow into new international markets where we can add value.

Target Market Features:

• Significant economic growth combined with growth in urbanization and infrastructure development.

• Opportunities for self-unloader or specialized applications to serve as feeder services between shallow draft ports and major seaports.

• Acceptable legal, regulatory, financial and labour market frameworks for local investments and foreign control.

• Opportunities to consolidate small regional operators.
Global Short Sea Shipping

Market:

• Drivers of short sea shipping are growth in population, GDP and urbanization.
• SUL’s are feeders between shallow draft and major seaports
• Largest potential is in developing economies; China, India, SE Asia, Africa and SA
• More than 50% of global coal and cement demand is in China and India.

Algoma Strategy:

• Transfer expertise to global growth areas
• Markets to have acceptable legal, regulatory, financial and labour frameworks
• Lever existing relationships
• Algoma-led team on ground to assess local market assumptions
• Identify opportunities for acquisition / investment
Other Related Opportunities

Market:

- Shipping related
- Synergies with existing business
- Solidify client relationships
  - Cargo handling
- Arctic
- Sustainable Energy Logistics
  - Wind farms off shore
  - Wave Energy

Algoma Strategy:

- Leverage client relationships
- Leverage existing business contacts/partnerships
- Leverage access to capital
- Establish presence in growth markets
Investment Thesis

Leader in Our Markets – This is Sustainable

History of Performance in a Variety of Markets

Diversified, Dependable Customer Base

Well Capitalized to Pursue Growth

Investing in Future Opportunities Internationally

Strong History of Dividends
THANK YOU