

Quarterly report

Q4 2019



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Highlights fourth quarter 2019

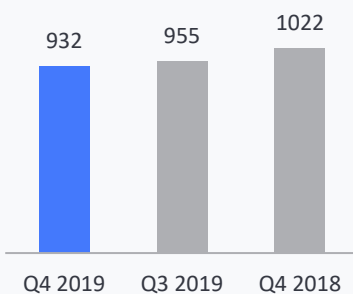
- Adjusted EBITDA of USD 194 million, impacted by lower volumes and cost of IMO 2020 transition
- Ocean volume declined 8% y-o-y, due to commercial prioritization of volumes and slower markets
- Performance in Landbased fell as a result of lower volumes
- HMG contract renewed at stable rates in Q4. Some contracts not renewed due to rates pushed to levels not economically sustainable
- Provisions for legal costs in connection with disputed cases of USD 30 million
- The board has decided to propose a dividend of up to USD 14 cents per share, equivalent to about USD 60 million

Commenting on the fourth quarter results, Craig Jasienski, President and CEO of Wallenius Wilhelmsen, says:

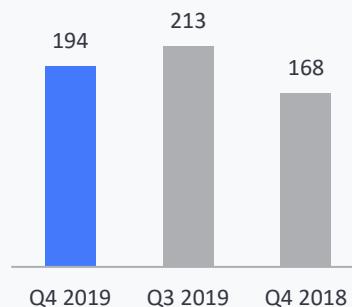
“We continue to manage what we can control, have attracted new business, retained what we wanted and chosen not to renew some business at unviable rate levels. In the face of softening volumes, we have ensured that we have the flexibility to adjust our fleet, to continue to serve our clients’ needs and deliver a solid financial result.”



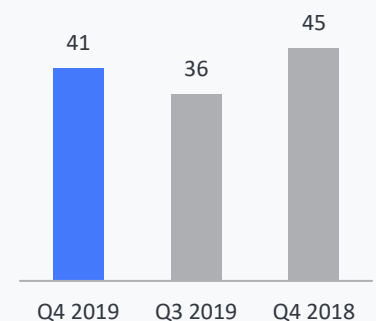
Revenue (USD million)



Adjusted EBITDA (USD million)



Net profit (USD million)



Consolidated results and key figures – fourth quarter 2019

Adjusted EBITDA for the fourth quarter was USD 194 million. Excluding positive USD 41 million impact of IFRS 16 implementation, underlying performance was down compared to same period last year.

USD million	Q4 2019	Q3 2019	Q4 2018	2019	2018
Total income	932	955	1 022	3 909	4 065
EBITDA	162	213	168	805	601
EBIT	81	94	116	358	244
Profit for the period	41	36	45	102	58
EPS ¹⁾	0.10	0.08	0.10	0.22	0.12
Net interest-bearing debt	3 646	3 625	3 100	3 646	3 625
ROCE	3.9%	5.2%	5.5%	5.0%	3.7%
Equity ratio	37.5%	36.3%	38.8%	37.5%	38.8%
EBITDA adjusted	194	213	168	837	606
IFRS 16 EBITDA effect	41	41	n/a	166	n/a

1) After tax and non-controlling interests

Consolidated results

Total income was USD 932 million in the fourth quarter, down 9% compared to the same period last year as a result of lower revenues in both the Ocean and Landbased segments. The decrease in Ocean revenues was a result of lower volumes, reduced other operating income and lower fuel compensation from customers, whereas Landbased revenue was down as a result of lower volumes. Ocean volumes were down 8% y-o-y. An important driver behind the reduced volumes are commercial priorities where Wallenius Wilhelmsen has chosen not to renew contracts or carry cargo at unprofitable rate levels. However, volumes are also being impacted by slower markets in both auto and high & heavy segments. The Landbased revenue is down due to lower volumes. Compared to the third quarter, total income was down 2%.

Adjusted EBITDA in the fourth quarter of 2019 was USD 194 million, up by USD 26 million compared to the same quarter last year. The implementation of IFRS 16 as of 1 January 2019 had a positive impact of USD 41 million compared to the same period last year, hence underlying results are down year on year. More efficient operations, higher net freight per CBM and lower net bunker cost continues to have a positive impact on the Ocean EBITDA, and strong project cargo also impacted results favourably in the fourth quarter compared to same period last year. However, overall performance in the Ocean segment declined as a result of lower volumes and costs related to the IMO 2020 transition. Underlying performance for Landbased was also down, negatively impacted by lower volumes and higher costs.

EBITDA in the fourth quarter was also affected by some one-off effects; an increase to the anti-trust provision impacted the Ocean segment EBITDA negatively by USD 30 million (further explained below), and an adjustment to

pension liabilities in the Landbased segment had a USD 3 million negative impact. With these effects, EBITDA ended at USD 162 million.

Compared to the third quarter, adjusted EBITDA was down by USD 19 million as a result of the lower volumes and IMO 2020 transition.

At the end of the fourth quarter about USD 74 million of the USD 100 million performance improvement programme has been confirmed with concrete improvement measures identified, and USD 70 million realized through improvement measures actually implemented. The remaining initiatives, in particular digitalised operations, are expected to carry a longer lead-time from identified potential to realised savings.

A put-call arrangement exists in the shareholder agreement with the minority shareholders for the investment in EUKOR. Any changes in the valuation of the net derivative will be recorded in the profit and loss. During fourth quarter 2019 the change in the value of the derivative was USD 49 million recognised as a positive effect under Other gain/(loss) in the income statement. The change is mainly due to a decrease in the discount rate applied, as both the short and long-term USD interest rates have decreased significantly, impacting the valuation of EUKOR positively.

Net financial expenses were USD 22 million in the fourth quarter, down from USD 72 million in the previous quarter. Interest expense was USD 48 million, up USD 2 million compared to fourth quarter 2018 and down by USD 2 million compared to the previous quarter. The implementation of IFRS 16 as of 1 January 2019 increased interest expenses with USD 9 million compared to the same period last year. Net financial expenses were positively impacted by USD 18 million in unrealised interest rate derivatives and USD 12 in unrealised FX derivatives, while unrealised bunker derivatives had a USD 2 million negative impact.

The group recorded a tax expense of USD 19 million for the fourth quarter 2019, compared with an income of USD 11 million the same quarter last year. An updated assessment of valuation allowance for tax losses carry forward for the Norwegian legal entities as of year-end 2019 resulted in an increased tax expense for the fourth quarter.

The average Return on Capital Employed (ROCE) in the fourth quarter was 3.9%, compared to 5.5% in the fourth quarter of 2018.

Capital and financing

The equity ratio was 37.5% at the end of the fourth quarter, up from 36.3% in the previous quarter. Cash and cash equivalents at the end of the fourth quarter was USD 398 million, down from USD 513 million in the previous quarter. The decrease in cash is due to repayment of credit facilities and increase in working capital, partly as a result of higher cost of fuel. In addition, Wallenius Wilhelmsen had USD 377 million in undrawn credit facilities. Net interest-bearing debt was USD 3 646 million at the end of the fourth quarter.

The Board has decided to propose an ordinary dividend of 7 cents per share to the Annual General Meeting in April 2020. The board also proposes that the Annual General Meeting gives the Board authority to approve a second dividend payment of up to USD 7 cents per share for a period limited in time up to the annual general meeting in

2021, but no longer than to 30 June 2021. In total, the proposed dividend for 2019 is equivalent to about USD 60 million.

Anti-trust update

The operating entities WW Ocean and EUKOR have been part of anti-trust investigations in several jurisdictions since 2012. Wallenius Wilhelmsen expects the proceedings with the outstanding jurisdictions to be largely resolved in the first half of 2020, while the timeline for the resolution of civil claims is more uncertain. In the fourth quarter, the provisions set aside for antitrust claims were increased by USD 30 million, recognised as an operating expense in the income statement, to cater for higher legal costs in disputed cases. In total, USD 194 million in provision remains to cover expected payments related to jurisdictions with ongoing anti-trust proceedings and potential civil claims as of 31 December 2019. The ongoing investigations of WW Ocean and EUKOR are classified as confidential, and Wallenius Wilhelmsen is therefore not able to provide more detailed comments.

Ocean operations

Adjusted EBITDA for the fourth quarter of 2019 was USD 171 million. Underlying result, compared to the same quarter last year, was down impacted by lower volumes and the cost of IMO 2020 transition.

USD million	Q4 2019	Q3 2019	Q4 2018	2019	2018
Total income	756	773	807	3 141	3 220
EBITDA	141	188	152	702	528
EBIT	83	92	114	348	222
Volume ¹ ('000 cbm)	15 754	16 123	17 108	65 047	69 262
High & heavy share ²	27.2%	29.6%	27.1%	29.4%	28.3%
EBITDA adjusted	171	188	152	732	532
IFRS 16 EBITDA effect	30	31	n/a	123	n/a

1) Prorated

2) Based on unprorated volumes

Total income and EBITDA

Total income was USD 756 million in the fourth quarter, down 6% compared to the same period last year. The decline in Ocean revenues was driven by lower volumes, reduced other operating revenue and lower fuel cost compensation, but positively impacted by higher net freight per CBM and project cargoes in the Atlantic. Ocean volumes were down 8% y-o-y. An important driver behind the reduced volumes are commercial priorities where Wallenius Wilhelmsen has chosen not to renew contracts or carry cargo at unprofitable rate levels. However, volumes in the fourth quarter were also impacted by slower markets in both auto and high & heavy segments. Compared to the third quarter, total income was down 2%.

Compared to fourth quarter last year, volumes declined across all the main trades. The Asia-Europe trade was down 12% compared to the same period last year, due to lower auto volumes and fewer sailings. The Europe-Asia trade was down by 14% y-o-y, driven by lower volumes to China which peaked in the fourth quarter of 2018. Volumes in the Asia-North America trade declined by 8% driven by both auto and H&H decline. Volume in the Atlantic was down by 2%, negatively impacted by unprofitable volumes not renewed with effect from January 2019, but benefitting from an increase in project cargo shipments. The Oceania trade was down 4% compared to same period in 2018, due to a combination of an auto contract not renewed with effect from November 2019, and lower H&H volumes.

The high & heavy share, based on un-prorated volumes, was 27.2%, roughly same level compared to fourth quarter last year at 27.1%.

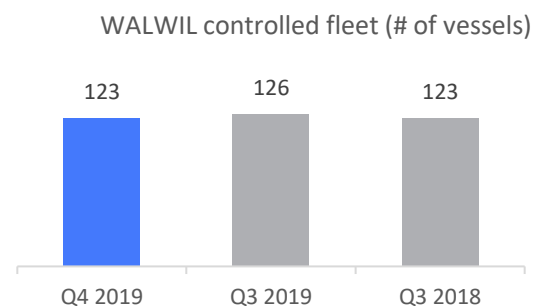
Adjusted EBITDA for the fourth quarter ended at USD 171 million, an improvement of USD 19 million compared to fourth quarter last year. However, with the positive impact from the IFRS 16 implementation effect of USD 30 million, underlying performance was down compared to the fourth quarter last year. The decline was due to lower volumes and about USD 8 million of costs in connection with the transition to very low (0.5%) sulphur fuel oil

(“VLSFO”) from 1 January. This includes the cost of sloshing fuel tanks with marine gas oil to prepare for the change of fuel, and the additional cost of running on VLSFO for a period prior to 1 January 2020. EBITDA was positively impacted by the performance improvement program leading to more efficient operations, lower bunker consumption and higher net freight per CBM, in addition to project cargo shipments in the Atlantic, lower net bunker cost (adjusted for lower volumes and lower bunker consumption) of about USD 10 million, and a small positive currency effect. Compared to the third quarter, adjusted EBITDA declined USD 17 million, primarily as a result of lower volumes and the cost of IMO 2020 transition.

Wallenius Wilhelmsen fleet

In the fourth quarter, Wallenius Wilhelmsen controlled a fleet of 126 vessels at the start and 123 vessels at the end of the quarter. Group fleet capacity was mostly managed by position swaps within the group and leveraging of the short-term charter market. Currently, the group retains flexibility to redeliver up to 11 vessels by end of 2020 (excluding vessels on short charter).

Vessel number three (8 000 CEU) in the Post-Panamax newbuilding programme of total four vessels is expected to enter service in April 2020, and the fourth and last vessel under this programme is scheduled for delivery in Q4 2020. The outstanding instalments for these vessels are about USD 80 million. The newbuildings have been financed through regular bank facilities.



Source: Wallenius Wilhelmsen

Landbased operations

Adjusted EBITDA for the fourth quarter of 2019 was USD 29 million, with underlying performance negatively impacted by lower volumes compared to the same period last year.

USD million	Q4 2019	Q3 2019	Q4 2018	2019	2018
Total income	212	221	235	900	914
EBITDA	26	29	22	123	90
EBIT	3	6	8	30	39
EBITDA adjusted	29	29	22	125	89
IFRS 16 EBITDA effect	11	11	n/a	43	n/a
EBITDA by segment					
Solutions Americas (auto)	14	14	9	60	40
Solutions Americas (H&H)	4	5	2	20	12
Solutions APAC/EMEA	2	3	1	13	6
Terminals	11	9	8	41	33
Other	-5	-2	1	-11	-1

Total income and EBITDA

Total income in the fourth quarter was USD 212 million, down 10% compared to the same period last year. Lower volumes impacted revenues across most segments, except Solutions Americas (H&H) which continued to show growth compared to last year. Compared to the third quarter, revenue was down 4%.

Adjusted EBITDA for the fourth quarter was USD 29 million, an improvement of USD 7 million compared to the fourth quarter last year. EBITDA was positively impacted by USD 11 million related to the IFRS 16 implementation. Overall, underlying performance was down. The main causes of the underlying performance drop are lower volumes flowing through in Terminals and higher costs. Solutions Americas, both auto and H&H, contributed positively. Compared to the third quarter, adjusted EBITDA was flat.

EBITDA for Solutions Americas – Auto was USD 14 million, with underlying results up compared to fourth quarter last year driven by positive development in VSA despite lower volumes, and a positive development for Syngin.

EBITDA for Solutions Americas – H&H was USD 4 million, with underlying performance up compared to the same period last year. Volumes remained strong, partly due to increased storage volumes.

EBITDA for Solutions – APAC/EMEA was USD 2 million, with underlying performance down compared to same period last year due to a combination of lower volume and inefficiencies.



EBITDA for the Terminals was USD 11 million, with the underlying decline compared to same period last year primarily a result of lower volumes.

Consolidated results – Full year 2019

Adjusted EBITDA for the full year 2019 ended at USD 834 million, up USD 231 million compared to the full year 2018, including USD 166 million positive impact of IFRS 16 implementation, with the underlying improvement driven by the Ocean segment.

USD million	2019	2018	% change
Total income	3 909	4 065	-4%
EBITDA	805	601	34%
EBIT	358	244	46%
Profit for the period	102	58	76%
EPS ²⁾	0.22	0.12	77%
Net interest-bearing debt	3 646	3 625	1%
ROCE	5.0%	3.7%	n/a
Equity ratio	37.5%	38.8%	n/a
EBITDA adjusted	837	606	38%
IFRS 16 EBITDA effect	166	n/a	n/a

1) After tax and non-controlling interests

Total income was USD 3 909 million for the full year of 2019, a decrease of 4% compared with the full year of 2018 with lower revenues for both the Ocean and Landbased segment. Ocean revenues were down 2% driven by lower volumes (-6%), and other revenue, but positively impacted by higher net freight per CBM. Increased fuel cost compensation also contributed positively. Landbased revenues were down 1% compared to previous year.

Adjusted EBITDA ended at USD 837 million for the full year of 2019 compared to USD 606 million in 2018, up by USD 231 million, including USD 166 million positive impact from the implementation of IFRS 16 as of 1 January 2019. The results were positively impacted by the performance improvement initiatives within the Ocean segment leading to more efficient operations, lower bunker consumption and higher net freight per CBM, in addition to favourable net bunker cost development and favourable currency impact as the USD strengthened throughout the year. Underlying results in the Landbased segment were down compared to 2018, driven by higher costs.

During the full year of 2019 the change in the value of the put-call derivative for EUKOR was USD 52 million, recognised as a positive effect under Other gain/(loss) in the income statement.

Net profit for the full year of 2019 ended at USD 102 million.

Market update

Auto exports in the fourth quarter declined 0.7% as auto sales are soft and market uncertainty continues. High & heavy trade has softened, and the outlook remains mixed.

Auto markets

Total light vehicle (LV) sales in the fourth quarter decreased 1.5% compared to the corresponding period last year and was up 6.2% from the previous quarter due to normal cyclicality.

North American sales declined 1.9% y-o-y (down 1.2% q-o-q) as continued incentives, especially initiated from the dealers, and wide credit availability supports the consumer environment. Retail sales were down while fleet sales were up in the US.

Sales in Western Europe increased 4.9% y-o-y. The implementation of the EU WLTP emission testing scheme contributed to several monthly effects as the market entered different standards both in September 2018, September 2019 and January 2020. Several automakers have been struggling to get vehicles compliant and some vehicles have also been subject to increased taxes. The market was negatively impacted by continued UK Brexit downside risks, however sales are expected to be stable through the transition period ending December 2020, with some uncertainty around diesel vehicles. Sales in Europe were down 2.6% q-o-q.

The Chinese market continues to be soft with a decline of 2.3% y-o-y. Compared to last quarter, sales were up 24.5% due to seasonal cyclicality. The Chinese auto market continues to be influenced by the US trade tensions and currency depreciation, and governmental stimulus has not given the consumers the confidence desired.

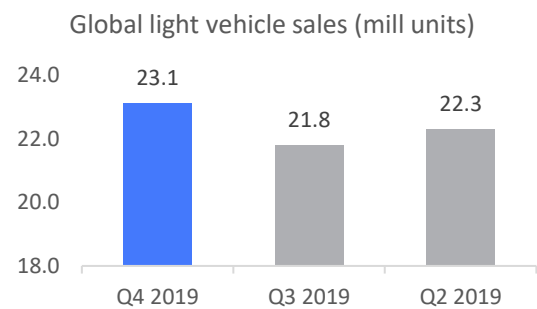
The Russian market was down 2.3% y-o-y while the Brazilian market continued its rebound with 4.4% y-o-y growth.

Total exports in the fourth quarter were down 0.7% compared to the corresponding period last year and up 0.6% from the previous quarter.

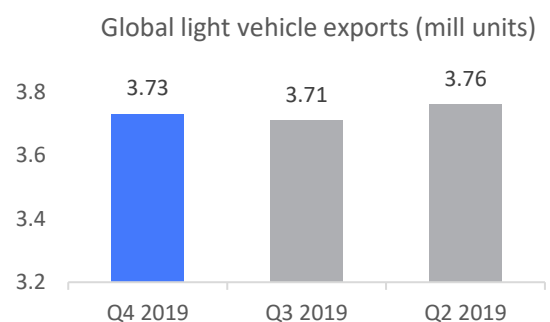
Exports out of North America were up 5.3% y-o-y (up 0.1% q-o-q), as selected automakers saw new volume on Mexico - EU due to normal product cyclicality.

European exports declined 6.4% y-o-y and were up 2.7% q-o-q, on reduced volumes to North America. A model shift for one automaker from Europe to North America contributed to a significant part of this decline.

Japanese exports in the fourth quarter increased 0.5% y-o-y (down 0.3% q-o-q), with North America-bound export declining while volume to Europe increased. Exports out of South Korea increased 1.9% y-o-y and declined 5.2%



Source: IHS Markit / LMCA



Source: IHS Markit / LMCA

q-o-q, the annual growth driven by new SUV models popular in the US market. Chinese exports were up 3.0% y-o-y (down 7.5% q-o-q) driven by continued production ramp-up with broad geographic growth despite U.S. tariff increases.

High and heavy markets¹

Global high & heavy trade has softened through the first eight months of 2019, with exports of construction, mining and farm machinery declining 5% y-o-y.

Global construction and rolling mining equipment exports decreased 5% y-o-y where all regions except Latin America (+6%) experienced negative growth. North America and Europe accounted for the largest volume drops as exports declined 28% and 2% y-o-y respectively. Except for August, the Eurozone construction PMI has remained at levels indicating expansion throughout 2019, recording 51.6 at the end of the fourth quarter. However, the short-lived Eurozone contraction in August was only reflected in decreased exports (-2%) of construction equipment as imports (+11%) has remained in positive growth territory throughout the first 8 months of 2019. The Australian construction PMI, on the other hand, has remained at levels indicating contraction for 16 consecutive months, recording 38.9 in December 2019 – the lowest since May 2013. The Australian market contraction is manifested through declining imports of construction equipment that has seen negative growth in 10 successive months since January 2019, falling 26% y-o-y in the 3-month rolling period ending in October. Global sales of construction equipment are expected to decline in 2020, with OEM majors estimated to record moderate negative overall sales growth in the period, before recovering slightly in 2021. Despite declining sales projections, global demand of construction equipment is still considered to remain close to historically high-levels following 2018's record-setting sales volumes.

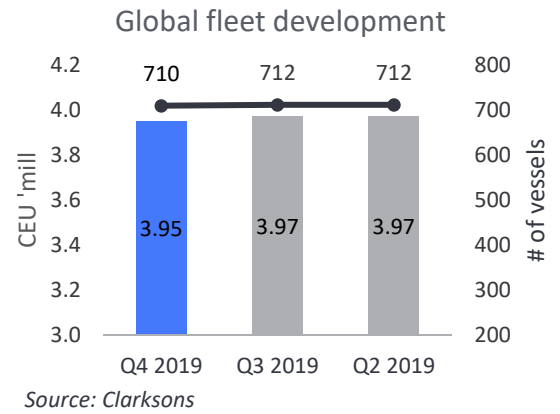
The OEM majors have reported mixed growth levels in mining equipment sales in the fourth quarter led by Hitachi which saw double-digit growth in the low twenties. While aftermarket sales have remained strong, several of the mining equipment OEMs have recorded declining sales in the quarter, citing global economic conditions and disciplined capex spend among miners as the main reasons why customers are postponing investment decisions. Analysts expect global mining machinery sales to decelerate in 2020 with most OEM majors projected to see negative growth in the high-to-low single-digit range.

Global exports of farm machinery declined 5% y-o-y, where sustained growth in Asia (+25%) was offset by declining exports from North America (-17%) and Europe (-9%). Consistent with this trade development, agriculture equipment demand has been mixed across key markets in the fourth quarter. Apart from the US, where large tractor sales grew 3% y-o-y, demand largely weakened. Large tractor sales in Australia declined 3% y-o-y in the fourth quarter, despite sales rebounding in December. In the European market, both German and UK tractor registrations declined 25% and 16% y-o-y, respectively, in the quarter. Moreover, Brazilian tractor sales, which have largely struggled throughout the year, declined 23% y-o-y in the last quarter of 2019. Analysts expect global sales farm machinery sales to decline modestly in 2020 before rebounding the following year.

¹ All import/export data refer to the three-month rolling period ending in August 2019, with the exception of Oceania, referring to the three-month rolling period ending in October 2019. Source: IHS Markit

Global fleet

The global car carrier fleet (>1 000 CEU) totalled 710 vessels with a capacity of 3.95 million CEU at the end of the fourth quarter. During the quarter no vessel was delivered, while two vessels were recycled. No new orders were confirmed in the period (for vessels >4000 CEU). The orderbook for deep-sea vehicle carriers (>4000 CEU) counts 14 vessels, which amounts to about 3% of the global fleet capacity.

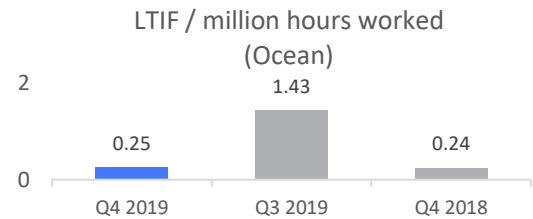


Health, safety and environment

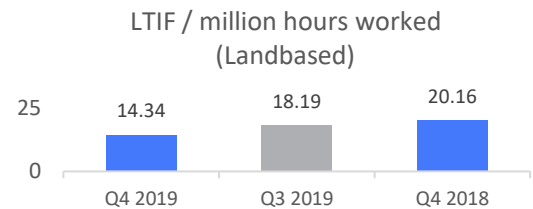
Ocean LTIF saw a significant decrease compared to the previous quarter, with 1 incident in the fourth quarter. Landbased LTIF sustains the improvement compared to 2018. Fleet CO₂ emissions relative to cargo work increased with about 6% relative to the same quarter last year.

Health & safety

The Ocean LTIF has fluctuated over the past 12 months, with no clear trend observed. LTIF for this quarter decreased significantly compared to the previous quarter.

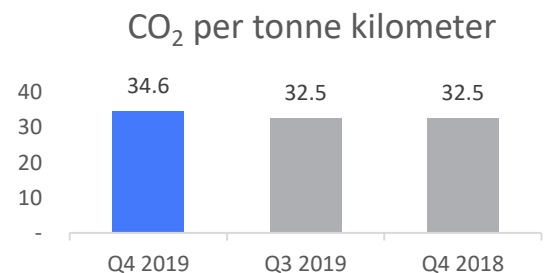


Landbased LTIF continues to show an overall improvement compared to 2018. Reductions are a direct result of management's commitment to cultivate a Safety 1st culture.



Environment

The total CO₂ emitted for the quarter was about 2% higher than the same quarter of 2018, whilst the corresponding total cargo work done decreased by about 4% measured in tonne kilometers. The combination between increased emissions and decline in cargo work resulted in an increase of about 6% in the grams of CO₂ emitted per tonne kilometre compared to same period last year.



The 2019 Ocean Exchange, a sustainable innovation event sponsored by Wallenius Wilhelmsen and which hosts the company's Orcelle Award, was held in Fort Lauderdale, USA. The Orcelle Award was won by Noon Energy for their carbon oxide battery solution that holds the promise to be developed into a zero emission at berth solution for the fleet.

The European Commission unveiled its environmental Green Deal strategy, which is considered as one of its flagship policy initiatives. The strategy is ambitious: it aims to 'reconcile the economy with the planet'. Notably, it makes several references to possible measures to reduce shipping emissions. These range from inclusion of shipping in the EU emissions trading scheme to lifting tax exemptions on marine fuel.

Prospects

The board maintains a balanced view on the prospects for Wallenius Wilhelmsen. However, uncertainty remains on the volume outlook in light of weaker sales for both auto and high & heavy. In addition, the outbreak of the novel coronavirus is likely to have some short-term effects on volumes. Rates remain at a low level, and there is still strong competition for tendered volumes. The gradual improvement in tonnage balance is expected to continue, but with more uncertain volume outlook any rate improvements may take longer to materialise.

Wallenius Wilhelmsen has a solid platform for growth, an efficient cost base and is well positioned to succeed in a challenging market. Furthermore, continuous focus on efficiency in operations and the flexibility to adjust the fleet will continue to support profitability going forward.

Lysaker, 11 February 2020
The board of directors of Wallenius Wilhelmsen ASA

Håkan Larsson – Chair

Thomas Wilhelmsen

Jonas Kleberg

Marianne Lie

Margareta Alestig

Forward-looking statements presented in this report are based on various assumptions. The assumptions were reasonable when made but are inherently subject to uncertainties and contingencies that are difficult or impossible to predict. Wallenius Wilhelmsen ASA cannot give assurances that expectations regarding the outlook will be achieved or accomplished.

Income statement

USD million	Notes	Q4 2019	Q4 2018	2019	2018
Operating revenue	4	932	1,020	3,909	4,063
Gain/(loss) from disposal of assets	13	(1)	2	(0)	1
Total income		932	1,022	3,909	4,065
Operating expenses	4	(770)	(854)	(3,104)	(3,463)
Operating profit before depreciation, amortisation and impairment (EBITDA)		162	168	805	601
Other gain / (loss)	3	49	36	51	(12)
Depreciation and amortisation	5, 6	(130)	(88)	(498)	(345)
Operating profit (EBIT)		81	116	358	244
Share of profit from joint ventures and associates		1	1	1	2
Financial income/(expenses)	7	(22)	(83)	(247)	(169)
Profit before tax		60	34	112	78
Tax income/(expenses)	10	(19)	11	(10)	(20)
Profit for the period		41	45	102	58
Profit for the period attributable to:					
Owners of the parent		41	43	93	52
Non-controlling interests		(0)	1	10	6
Basic earnings per share (USD)	8	0.10	0.10	0.22	0.12

Statement of comprehensive income

USD million	Q4 2019	Q4 2018	2019	2018
Profit for the period	41	45	102	58
Other comprehensive income:				
Items that may subsequently be reclassified to the income statement				
Changes in fair value of cash flow hedge instruments	(0)	(4)	2	(4)
Hedging gains reclassified to the income statement related to cash flow hedges	2	-	2	-
Currency translation adjustment	5	(7)	(0)	(12)
Items that will not be reclassified to the income statement				
Remeasurement pension liabilities, net of tax	(7)	2	(7)	2
Other comprehensive income for the period	(0)	(8)	(4)	(13)
Total comprehensive income for the period	41	36	99	45
Total comprehensive income attributable to:				
Owners of the parent	41	36	87	40
Non-controlling interests	0	1	11	5
Total comprehensive income for the period	41	36	99	45

Balance sheet

USD million	Notes	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Deferred tax assets		92	105
Goodwill and other intangible assets	5	652	711
Vessels, other tangible and leased assets	6, 12	5,806	5,225
Investments in joint ventures and associates		1	2
Other non-current assets	3	196	162
Total non-current assets		6,747	6,204
Current assets			
Bunkers/luboil		108	107
Trade receivables		420	489
Other current assets		123	130
Cash and cash equivalents		398	484
Total current assets		1,048	1,210
Total assets		7,796	7,414
EQUITY and LIABILITIES			
Equity			
Share capital	8	28	28
Retained earnings and other reserves		2,650	2,619
Total equity attributable to owners of the parent		2,678	2,647
Non-controlling interests		243	228
Total equity		2,921	2,876
Non-current liabilities			
Pension liabilities		61	65
Deferred tax liabilities		96	116
Non-current interest-bearing debt	11, 12	3,549	3,054
Non-current provisions	2	140	133
Other non-current liabilities		6	63
Total non-current liabilities		3,852	3,431
Current liabilities			
Trade payables		148	220
Current interest-bearing debt	11	495	530
Current income tax liabilities		14	14
Current provisions	2	54	46
Other current liabilities		312	298
Total current liabilities		1,023	1,107
Total equity and liabilities		7,796	7,414

Cash flow statement

USD million	Notes	Q4 2019	Q4 2018	2019	2018
Cash flow from operating activities					
Profit before tax		60	34	112	78
Financial (income)/expenses		22	83	247	169
Share of net income from joint ventures and associates		(1)	(1)	(1)	(2)
Depreciation and amortisation		130	88	498	345
(Gain)/loss on sale of tangible assets		1	0	0	1
Change in net pension assets/liabilities		(6)	(10)	(10)	(11)
Change in derivative financial assets	3	(49)	(36)	(52)	12
Other change in working capital		(10)	(18)	(38)	(292)
Tax (paid)/received	10	6	(8)	(7)	(27)
Net cash flow provided by operating activities¹⁾		153	132	749	272
Cash flow from investing activities					
Dividend received from joint ventures and associates		-	(2)	-	-
Proceeds from sale of tangible assets		(1)	3	1	10
Investments in vessels, other tangible and intangible assets		(61)	(38)	(145)	(171)
Investments in subsidiaries, net of cash acquired		-	-	-	(22)
Investments in joint ventures		-	(1)	-	(1)
Proceeds from sale of joint venture		1	-	1	-
Interest received		3	3	10	9
Changes in other investments		-	2	-	-
Net cash flow provided by/(used in) investing activities		(58)	(34)	(133)	(174)
Cash flow from financing activities					
Proceeds from issue of debt		50	473	687	1,269
Repayment of debt		(184)	(585)	(1,102)	(1,455)
Interest paid including interest derivatives		(48)	(46)	(202)	(177)
Realised other derivatives		(1)	(1)	(31)	(30)
Dividend to non-controlling interests		(1)	(1)	(4)	(17)
Dividend to shareholders		(25)	-	(51)	-
Net cash flow used in financing activities		(209)	(160)	(701)	(410)
Net increase in cash and cash equivalents		(115)	(62)	(86)	(312)
Cash and cash equivalents, excluding restricted cash, at beginning of period		513	545	484	796
Cash and cash equivalents at end of period¹⁾		398	484	398	484

¹⁾ The group is located and operating world wide and every entity has several bank accounts in different currencies. Unrealised currency effects are included in net cash provided by operating activities.

Statement of changes in equity

USD million

	Notes	Share capital	Own shares	Total paid-in capital	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
2019								
Balance at 31 December 2018		28	(0)	28	2,619	2,647	228	2,876
Profit for the period		-	-	-	93	93	10	102
Other comprehensive income		-	-	-	(5)	(5)	2	(4)
Total comprehensive income		-	-	-	87	87	11	99
Sale of own shares		-	0	0	0	0	-	0
Transactions with non-controlling interests		-	-	-	(6)	(6)	7	1
Dividend to owners of the parent	9	-	-	-	(51)	(51)	-	(51)
Dividend to non-controlling interests		-	-	-	-	-	(4)	(4)
Balance 31 December 2019		28	(0)	28	2,650	2,678	243	2,921

USD million

	Notes	Share capital	Own shares	Total paid-in capital	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
2018								
Balance at 31 December 2017		28	-	28	2,594	2,622	228	2,850
Profit for the period		-	-	-	52	52	6	58
Other comprehensive income		-	-	-	(12)	(12)	(1)	(13)
Total comprehensive income		-	-	-	40	40	5	45
Acquisition of own shares	8	-	(0)	(0)	(3)	(3)	-	(3)
Put option non-controlling interests on acquisition of subsidiary		-	-	-	(12)	(12)	-	(12)
Transactions with non-controlling interests on acquisition of subsidiary		-	-	-	-	-	13	13
Dividend to non-controlling interests		-	-	-	-	-	(17)	(17)
Balance 31 December 2018		28	(0)	28	2,619	2,647	228	2,876

Note 1 - Accounting Principles

This consolidated interim financial report has been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting. The consolidated interim financial reporting should be read in conjunction with the annual financial statements for the year end 31 December 2018 for Wallenius Wilhelmsen ASA group (the group), which has been prepared in accordance with IFRS's endorsed by the EU.

The accounting policies implemented are consistent with those of the annual financial statements for the group for the year end 31 December 2018, with the exception of IFRS 16 Leases as described below.

Changes in accounting policies – implementation of IFRS 16 Leases

IFRS 16 Leases replaces IAS 17 Leases that relate to the recognition of leases and related disclosures. The adoption of IFRS 16 Leases from 1 January 2019 resulted in significant changes to the group's accounting for leases previously defined as operating leases under IAS 17.

In accordance with the implementation of IFRS 16, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments),
- variable lease payment that are based on an index or a rate, and
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the lessee's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Time charter contracts contain a lease element and a performance obligation for the provision of time charter services. The lease of the vessel, representing the use of the vessel without any associated performance obligations or warranties, is accounted for in accordance with IFRS 16. Typically, lease revenues are recognized on a straight-line basis over the lease term. Revenues for time charter services are recognised over time as the service is rendered in accordance with IFRS 15.

Use of judgements and estimates

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The effect of a change in an accounting estimate is recognised in profit or loss in the period where the estimate is revised or in the period of the revision and future periods if the change affects both.

The significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for the critical judgements in determining the lease term following the implementation of IFRS 16.

Critical judgements in determining the lease term

From 1 January 2019 the Group has implemented the new leasing standard IFRS 16. For all leases, except for short-term leases and leases of low value, a lease liability and a corresponding right-of-use asset is recognised in the consolidated statement of financial position.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

As a result of rounding adjustments, the figures in one or more columns may not add up to the total of that column.

Note 2 - Provisions and contingencies

The operating entities WW Ocean and EUKOR have been part of anti-trust investigations in several jurisdictions since 2012. Wallenius Wilhelmsen expects the proceedings with the outstanding jurisdictions to be largely resolved in the first half of 2020, while the timeline for the resolution of civil claims is more uncertain. In fourth quarter, USD 30 million was recognised as an operating expense in the income statement. The increase is related to expected higher legal costs in disputed cases. In total, USD 194 million in provision remains to cover expected pay outs related to jurisdictions with ongoing anti-trust proceedings and potential civil claims as of 31 December 2019. The ongoing

investigations of WW Ocean and EUKOR are confidential, and Wallenius Wilhelmsen is therefore not able to provide more detailed comments.

Contingencies

The group is party to lawsuits related to laws and regulations in various jurisdictions arising out of the conduct of its business. The potential civil claims related to the anti-trust investigations are uncertain and as such there is a contingency related to the provision made.

Note 3 - Other gain/(loss)

Non-controlling shareholders hold a put option for their 20% shareholding in EUKOR through a shareholder agreement entered into in 2002. The shareholder agreement also contains a symmetrical call option held by the group.

Non-controlling interests containing a symmetrical put and call option held by the non-controlling interest shareholders and the group, respectively, is recognised as one integrated derivative financial instrument. The derivative financial instrument is recognised as a non-current asset when the options are exercisable and the fair value of the non-controlling interest exceed the value of the exercise price for symmetrical put and call option.

During fourth quarter 2019 the change in the value of the derivative was USD 49 million, corresponding year-to-date USD 52 million, recognised as a positive effect under Other

gain/(loss) in the income statement. One of the most important element to calculate this gain is the estimated value of the 20% non-controlling interest related to Eukor. The gain is mainly explained by an increase in the estimated value of the Eukor shares driven by a decrease in the WACC by 1% because both the short and long-term USD interest rates have decreased significantly.

The change in value during fourth quarter 2018 was a gain of USD 36 million. The year-to-date 2018 effect was a loss of USD 12 million due to a significant loss recognised in first quarter 2018 of USD 40 million. The loss was mainly related to a change in the fair value of the non-controlling interest reflected in the net financial derivative value.

The financial derivative is recognised as an other non-current asset and has a carrying value of USD 146 million at the end of

Note 4 - Segment reporting

USD million	Ocean		Landbased		Holding & Eliminations		Total	
	Q4 2019	Q4 2018	Q4 2019	Q4 2018	Q4 2019	Q4 2018	Q4 2019	Q4 2018
Net freight revenue	666	687	-	-	-	-	666	687
Surcharges	52	76	-	-	-	-	52	76
Other operating revenue	38	45	176	213	0	-	214	258
Internal operating revenue	0	-	36	20	(36)	(20)	-	-
Gain/(loss) on sale of assets	(1)	0	0	2	(0)	(0)	(1)	2
Total income	756	807	212	235	(36)	(20)	932	1,022
Cargo expenses	(160)	(164)	-	-	28	13	(133)	(150)
Bunker	(160)	(192)	-	-	-	-	(160)	(192)
Other voyage expenses	(113)	(117)	-	-	(0)	(1)	(113)	(118)
Ship operating expenses	(64)	(56)	-	-	-	-	(64)	(56)
Charter expenses	(45)	(85)	-	-	-	-	(45)	(85)
Manufacturing cost	-	-	(45)	(64)	8	6	(37)	(57)
Other operating expenses	(34)	(4)	(105)	(115)	1	1	(138)	(118)
Selling, general and administrative	(39)	(36)	(36)	(34)	(5)	(6)	(80)	(76)
Total operating expenses	(615)	(654)	(186)	(213)	31	14	(770)	(854)
Operating profit before depreciation, amortisation and impairment (EBITDA)	141	152	26	22	(5)	(6)	162	168
Other gain/(loss)	49	36	-	-	-	-	49	36
Depreciation	(100)	(66)	(14)	(4)	0	-	(114)	(70)
Amortisation	(7)	(9)	(10)	(9)	(0)	-	(16)	(18)
Operating profit (EBIT)¹⁾	83	114	3	8	(5)	(6)	81	116
Share of profit from joint ventures and associates	0	-	0	-	0	-	1	1
Financial income/(expenses)	(24)	(62)	(2)	(11)	5	(10)	(22)	(83)
Profit before tax	60	53	1	(2)	(1)	(16)	60	34
Tax income/(expense)	15	(1)	(6)	6	(57)	6	(19)	11
Profit for the period	75	52	(5)	4	(29)	(10)	41	45
Profit for the period attributable to:								
Owners of the parent	75	49	(5)	5	(29)	(10)	41	43
Non-controlling interests	(0)	3	(0)	(1)	0	(0)	(0)	2

¹⁾ Cash settled portion of bunker hedge swaps is included in net operating profit by reduction/(increase) of voyage related expenses.

Note 4 - Segment reporting

USD million	Ocean		Landbased		Holding & Eliminations		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Net freight revenue	2,754	2,815	-	-	-	-	2,754	2,815
Surcharges	244	234	-	-	-	-	244	234
Other operating revenue	142	172	769	842	-	-	911	1,014
Internal operating revenue	1	-	131	69	(133)	(69)	-	-
Gain/(loss) on sale of assets	(1)	(1)	0	2	(0)	(0)	(0)	1
Total income	3,141	3,220	900	914	(133)	(69)	3,909	4,065
Cargo expenses	(675)	(697)	-	-	103	62	(572)	(635)
Bunker	(675)	(740)	-	-	-	-	(675)	(740)
Other voyage expenses	(456)	(483)	-	-	(0)	(1)	(456)	(484)
Ship operating expenses	(228)	(226)	-	-	-	-	(228)	(226)
Charter expenses	(198)	(362)	-	-	-	-	(198)	(362)
Manufacturing cost	-	-	(220)	(266)	27	6	(193)	(259)
Other operating expenses	(48)	(25)	(425)	(433)	3	1	(469)	(456)
Selling, general and administrative	(160)	(160)	(133)	(125)	(21)	(15)	(313)	(301)
Total operating expenses	(2,439)	(2,692)	(777)	(824)	112	53	(3,104)	(3,463)
Operating profit before depreciation, amortisation and impairment (EBITDA)	702	528	123	90	(21)	(16)	805	601
Other gain/(loss)	52	(12)	(1)	-	-	-	51	(12)
Depreciation	(383)	(262)	(54)	(17)	-	-	(436)	(279)
Amortisation	(24)	(32)	(38)	(34)	(0)	-	(62)	(67)
Operating profit (EBIT)¹⁾	348	222	30	39	(21)	(16)	358	244
Share of profit from joint ventures and associates	1	2	0	0	0	(0)	1	2
Financial income/(expenses)	(233)	(164)	(49)	(14)	36	9	(247)	(169)
Profit before tax	116	60	(19)	25	15	(7)	112	78
Tax income/(expense)	29	(20)	(11)	(3)	(28)	4	(10)	(20)
Profit for the period	145	40	(29)	22	(13)	(4)	102	58
Profit for the period attributable to:								
Owners of the parent	136	35	(30)	20	(13)	(4)	93	52
Non-controlling interests	9	5	1	1	-	(0)	10	6

¹⁾ Cash settled portion of bunker hedge swaps is included in net operating profit by reduction/(increase) of voyage related expenses.

Note 5 - Goodwill, customer relations/contracts and other intangible assets

USD million	Goodwill	Customer relations/contracts	Other intangible assets	Total intangible assets
2019				
Cost at 1 January	350	421	49	819
Adjustment of purchase price allocation	(3)	-	-	(3)
Additions	-	-	7	7
Disposal	-	-	(29)	(29)
Currency translation adjustment	-	-	(1)	(1)
Cost at 31 December	346	421	26	793
Accumulated amortisation and impairment losses at 1 January	-	(91)	(16)	(107)
Amortisation	-	(57)	(5)	(62)
Disposal	-	-	28	28
Accumulated amortisation and impairment losses at 31 December	-	(148)	7	(141)
Carrying amounts at 31 December	346	273	33	652

USD million	Goodwill	Customer relations/contracts	Other intangible assets	Total intangible assets
2018				
Cost at 1 January	332	398	33	763
Additions	2	5	7	14
Acquisitions through business combination	16	17	8	42
Currency translation adjustment	-	-	-	(1)
Cost at 31 December	350	420	49	819
Accumulated amortisation and impairment losses at 1 January	-	(37)	(4)	(41)
Amortisation	-	(54)	(12)	(67)
Accumulated amortisation and impairment losses at 31 December	-	(91)	(16)	(107)
Carrying amounts at 31 December	350	329	32	711

Note 6 - Vessels, other tangible and leased assets

USD million	Property & land	Other tangible assets	Vessels & docking	Newbuilding contracts	Leased assets	Total tangible assets
2019						
Cost at 1 January	114	67	5,953	95	-	6,230
Additions	11	17	37	43	47	155
Implementation IFRS 16	-	-	-	-	861	861
Reclassification	1	(2)	(2,199)	(72)	2,272	-
Disposal	(12)	(38)	(6)	-	(2)	(57)
Currency translation adjustment	(0)	1	-	-	4	4
Cost at 31 December	114	45	3,786	66	3,181	7,192
Accumulated depreciation and impairment losses at 1 January	(2)	(15)	(988)	-	-	(1,005)
Depreciation	(10)	(12)	(177)	-	(236)	(436)
Disposal	12	37	6	-	1	56
Reclassification	(1)	1	189	-	(189)	-
Currency translation adjustment	0	(1)	-	-	0	0
Accumulated depreciation and impairment losses at 31 December	(0)	10	(971)	-	(424)	(1,386)
Carrying amounts at 31 December	114	55	2,815	66	2,757	5,806

USD million	Property & land	Other tangible assets	Vessels & docking	Newbuilding contracts	Leased assets	Total tangible assets
2018						
Cost at 1 January	135	37	5,840	120	-	6,132
Additions	-	44	63	50	-	157
Reclassification	-	-	75	(75)	-	-
Disposal	(13)	(11)	(24)	-	-	(49)
Currency translation adjustment	(7)	(2)	-	-	-	(9)
Cost at 31 December	114	67	5,953	95	-	6,230
Accumulated depreciation and impairment losses at 1 January	(6)	(8)	(757)	-	-	(770)
Depreciation	(4)	(18)	(256)	-	-	(278)
Disposal	6	10	24	-	-	40
Currency translation adjustment	2	1	-	-	-	3
Accumulated depreciation and impairment losses at 31 December	(2)	(15)	(988)	-	-	(1,005)
Carrying amounts at 31 December	113	52	4,965	95	-	5,225

2019 material additions

In 2019, the group took delivery of the Post-Panamax vessel M/V Traviata with a capital expenditure of USD 39 million.

Further, a revision of T/C contracts for one vessel, has increased the leased assets with USD 15 million in 2019.

Cont. Note 6 - Vessels, other tangible and leased assets

Specification of leased assets

USD million	Property & land	Vessels	Vehicles	Other assets	Total leased assets
2019					
IFRS 16 implementation at 1 January	419	440	1	0	861
Existing financial leases under IAS 17 ¹⁾	-	2,302	2	-	2,304
Total leases assets at 1 January	419	2,742	3	0	3,165
Additions	7	-	0	-	8
Change in lease payments	10	30	-	-	40
Disposal	(2)	-	(0)	-	(2)
Reclassification to tangible assets	-	(32)	-	-	(32)
Currency translation adjustment	5	-	(1)	(0)	3
Cost at 31 December	439	2,739	2	0	3,181
Accumulated depreciation and impairment losses at 1 January	-	-	-	-	-
Existing financial leases under IAS 17	-	(190)	(1)	-	(191)
Depreciation	(43)	(193)	(1)	(0)	(236)
Disposal	1	-	0	-	1
Reclassification to tangible assets	-	2	-	-	2
Currency translation adjustment	(0)	-	1	0	0
Accumulated depreciation and impairment losses at 31 December	(42)	(381)	(1)	(0)	(424)
Carrying amounts at 31 December	397	2,359	1	0	2,757

¹⁾ During the year, the group has reclassified some assets defined earlier as lease, to fixed assets.

During the year, an option to purchase a vessel was exercised, resulting in increased leased vessels and leasing commitments with USD 15 million. During the year, the transfer of ownership

was effective, the vessel was reclassified from leased asset to tangible asset, resulting in a net decrease of USD 30 million in leased assets.

Note 7 - Financial income and expenses

USD million	Q4 2019	Q4 2018	2019	2018
Financial income				
Interest income	3	3	10	9
Other financial items	3	1	5	4
Net financial income	7	3	15	13
Financial expenses				
Interest expenses	(47)	(43)	(194)	(161)
Interest rate derivatives - realised	(1)	(3)	(8)	(17)
Interest rate derivatives - unrealised	18	(25)	(53)	32
Other financial items	(2)	(5)	(6)	(8)
Net financial expenses	(32)	(76)	(261)	(154)
Currency				
Net currency gain/(loss)	(6)	16	(5)	(8)
Derivatives for hedging of foreign currency risk - realised	(1)	(1)	(31)	(30)
Derivatives for hedging of foreign currency risk - unrealised	12	(18)	25	16
Net currency	5	(4)	(11)	(21)
Financial derivatives bunker				
Unrealised bunker derivatives	(2)	(7)	10	(7)
Realised bunker derivatives	1	-	1	-
Net bunker derivatives	(1)	(7)	11	(7)
Financial income/(expenses)	(22)	(83)	(247)	(169)

Note 8 - Shares

Earnings per share takes into consideration the number of outstanding shares in the period. However, the company had no outstanding shares in the period.

The annual general meeting on 25 April 2018, authorised the company to acquire up to 10% of own shares. In 2018, Wallenius Wilhelmsen purchased a total of 800,000 shares in the market to cover for management's share incentive program and for an employee share purchase program financially supported

by "The Foundation for WW Group employees". In September 2019, 21,855 of own shares were used in the employee share purchase program.

Basic earnings per share is calculated by dividing profit for the period after non-controlling interests, by average number of total outstanding shares. Basic earnings per share for the fourth quarter was USD 0.10 compared with a USD 0.10 in the same quarter last year.

The company's share capital is as follows:

Share capital 31 December 2019
Own shares 31 December 2019

	Number of shares	NOK million	USD million
Share capital 31 December 2019	423,104,938	220	28
Own shares 31 December 2019	764,009		

Note 9 - Dividend

Ordinary dividend of 6 cent per share, total of USD 25 million, was paid to the shareholders in May 2019. The Annual General Meeting also gave the board authority to pay a second dividend payment of up to USD 6 cents per share for a period limited in time up to the annual general meeting in 2020, but no longer than to 30 June 2020.

In November, the board approved an additional dividend of 6 cent per share, totalling USD 25 million. The dividend have an effect on retained earnings and other reserves in fourth quarter of 2019. In total, the dividend for financial year 2018 total USD 51 million.

Note 10 - Tax

The effective tax rate for the group will, from period to period, change dependent on the group's gains and losses from investments inside the exemption method and tax-exempt revenues from tonnage tax regimes. Tonnage tax is considered as operating expense in the accounts.

The group recorded a tax expense of USD 19 million for the fourth quarter 2019, compared with an income of USD 11 million the same quarter last year. An updated assessment of valuation allowance for tax losses carry forward for the Norwegian legal entities as of year-end 2019 resulted in an

increased tax expense for the fourth quarter.

In fourth quarter the group received USD 11.4 million in tax refund related to the Korea withholding tax case on dividends. The tax income was recognised in third quarter 2019 following the rejection of the 2010 case by the Supreme Court in Korea on dividends from EUKOR to Wilhelmsen Ships Holding Malta Ltd. The refund is related to periods 2010-2015.

Note 11 - Interest-bearing debt

USD million	31 Dec 2019	31 Dec 2018
Non-current interest-bearing debt	3,549	3,054
Current interest-bearing debt	495	530
Total interest-bearing debt	4,044	3,584
Cash and cash equivalents	398	484
Net interest-bearing debt	3,646	3,100

Repayment schedule for interest-bearing debt	Bank loans	Leasing	Bonds	Other	31 Dec 2019
Due in 2020	165	320	9	1	495
Due in 2021	168	240	85	2	495
Due in 2022	178	260	218	0	657
Due in 2023	632	255	-	14	901
Due in 2024 and later	432	1,065	-	-	1,496
Total interest-bearing debt	1,574	2,140	312	18	4,044

Reconciliation of liabilities arising from financing activities	31 Dec 2018	Cash flow	Non cash changes					31 Dec 2019
			Net change leasing commitments	Foreign exchange movement	Amortisation	Other ¹⁾	Reclassification	
Bank loans	1,409	176	-	(0)	2	-	(177)	1,409
Leasing commitments	1,274	118	47	2	-	701	(322)	1,819
Bonds	309	-	-	(1)	0	5	(10)	304
Bank overdraft / other interest-bearing debt	63	-	-	(0)	-	3	(50)	16
Total non-current interest-bearing liabilities	3,055	293	47	1	2	710	(559)	3,549
Current portion of interest-bearing liabilities	530	(708)	4	0	0	110	559	495
Total liabilities from financing activities	3,584	(414)	51	1	2	820	-	4,044

¹⁾ Mainly effects from implementation of IFRS 16 Leases. See note 12 for more information.

Reconciliation of liabilities arising from financing activities	31 Dec 2017	Cash flow	Non cash changes					31 Dec 2018
			Debt assumed as part of acquisition	Foreign exchange movement	Amortisation	Other ²⁾	Reclassification	
Bank loans	1,344	25	-	-	6	-	34	1,409
Leasing commitments	1,435	171	-	-	-	-	(333)	1,274
Bonds	324	89	-	(12)	-	5	(98)	309
Bank overdraft / other interest-bearing debt	-	51	12	-	-	-	-	63
Total non-current interest-bearing liabilities	3,103	336	12	(12)	6	5	(396)	3,054
Current portion of non-current debt	661	(522)	-	(5)	-	-	396	530
Total liabilities from financing activities	3,764	(186)	12	(17)	6	5	-	3,584

²⁾ Interest on corporate bond with maturity in 2022.

Note 12 - IFRS 16 - Leases

The new IFRS 16 Leasing standard was effective from 1 January 2019. The standard significantly changes how the group accounted for its lease contracts for vessels, land, buildings and equipment previously accounted for as operating leases. Virtually all leases are brought into the balance sheet increasing the groups assets and liabilities, in addition to affecting income statement figures. This note summarises the impact on the financial reporting of Wallenius Wilhelmsen group from implementing the new standard. The new standard has no impact on the covenant requirements of the group.

The lease contracts

The company has a number of leases related to vessels and land that account for the significant part of the lease liability. The group also leases office space and equipment. A lease liability and right-of-use asset are presented for these contracts which previously were reported as operating leases.

Recognition and measurement approach on transition
Wallenius Wilhelmsen will apply IFRS 16 retrospectively with recognition of the cumulative implementation effect recognised at the date of initial application 1 January 2019. By doing this, comparative financial information are not restated, but the cumulative effect of initially applying this standard is reflected as an adjustment to the opening balance. At the time

of transition, leases entered under IAS 17 are not reassessed.

Since 1 January 2019, the lease liabilities are measured at the present value of remaining lease payments, discounted using the incremental borrowing rate at such date. The right-of-use assets are measured at an amount equal to the lease liability less prepayments and other direct costs.

The standard has provided options on scope and exemptions and below the group's policy choices are described:

- The standard are not applied to leases of intangible assets and these will continue to be recognised in accordance with IAS 38 Intangible assets.
- All leases deemed short-term (<12 months) by the standard are exempt from reporting.
- All leases deemed to be of low value by the standard, or considered insignificant to the group, are exempt from reporting, which are mainly office equipment and company cars.
- Non-lease components are separated from the lease component in all vessel leases. For other lease agreements, the group will apply a materiality threshold when evaluating separation.

USD million

The effect on balance sheet as at 1 January 2019 is presented below.

Lease liability at 1 January 2019	855
Right-of-use asset at 1 January 2019	861
Difference between lease liability and right-of-use asset at 1 January 2019	6
Effect from prepayments and currency translation	6

Reconciliation of lease commitment and lease liability

Operating lease commitment as at 31 December 2018	1,164
Relief option for short-term leases ¹⁾	(1)
Relief option for leases of low-value assets	(7)
Option periods not previously reported as lease commitments	18
Undiscounted lease liability	1,173
Effect of discounting lease commitment to net present value	(318)
Lease liability as at 1 January 2019	855

¹⁾ Mainly related to current vessel leases.

Note 12 - IFRS 16 - Leases

IFRS 16 effect income statement

USD million	Ocean		Landbased		Total ¹⁾	
	Q4 2019	2019	Q4 2019	2019	Q4 2019	2019
Operating expenses	30	123	11	43	41	166
Operating profit before depreciation, amortisation and impairment (EBITDA)	30	123	11	43	41	166
Depreciation and amortisation	(27)	(110)	(9)	(37)	(36)	(147)
EBIT	3	12	2	6	5	19
Interest expense	(4)	(20)	(5)	(19)	(9)	(40)
Profit for the period	(2)	(8)	(3)	(13)	(4)	(21)

¹⁾ There are no leases in the Holding segment

Note 13 - Gain/(loss) from disposal of assets

USD million	Q4 2019	Q4 2018	2019	2018
Deferred consideration Syngin Technology LLC (Landbased)	-	2	-	2
Other	(1)	2	(0)	(1)
Net gain/(loss) on sale of assets	(1)	2	(0)	1

Note 14 - Events after the balance sheet date

The Board has decided to propose an ordinary dividend of 7 cents per share to the Annual General Meeting in April 2020. The board also proposes that the Annual General Meeting gives the Board authority to approve a second dividend payment of up to USD 7 cents per share for a period limited in

time up to the annual general meeting in 2021, but no longer than to 30 June 2021. In total, the proposed dividend for 2019 is equivalent to about USD 60 million.

Reconciliation of alternative performance measures

Definitions of Alternative Performance Measures (APMs)

This section describes the non-GAAP financial alternative performance measures (APM) that are used in the quarterly and annual reports.

The following measures are not defined nor specified in the applicable financial reporting framework of IFRS. They may be considered as non-GAAP financial measures that may include or exclude amounts that are calculated and presented according to the IFRS. These APMs are intended to enhance comparability of the results and cash flows from period to period and it is the Group's experience that these are frequently used by investors, analysts and other parties. Internally, these APMs are used by the management to measure performance on a regular basis. The APMs should not be considered as a substitute for measures of performance in accordance with IFRS.

EBITDA is defined as Total income (Operating revenue and gain/(loss) on sale of assets) adjusted for Operating expenses excluding other gain/(loss). EBITDA is used as an additional measure of the group's operational profitability, excluding the impact from financial items, taxes, depreciation and amortisation.

EBITDA adjusted is defined as EBITDA excluding items in the result which are not regarded as part of the underlying business. Example of such items are restructuring costs, anti-trust, gain/loss on sale of vessels and other tangible assets and other income and expenses which are not primarily related to the period in which they are recognised.

EBIT is defined as Total income (Operating revenue and

gain/(loss) on sale of assets) less Operating expenses excluding other gain/(loss), Other gain/loss and depreciation and amortisation. EBIT is used as a measure of operational profitability excluding the effects of how the operations were financed, taxed and excluding foreign exchange gains & losses.

EBIT adjusted is defined as EBIT excluding items in the result which are not regarded as part of the underlying business. Example of such items are restructuring costs, anti-trust, gain/loss on sale of vessels and other tangible assets, impairment, other gain/loss and other income and expenses which are not primarily related to the period in which they are recognised.

For the quarters Capital Employed (CE) is calculated based on quarterly average of Total assets, Total liabilities and total interest-bearing debt. For the full year CE is calculated based on yearly average of Total assets, Total liabilities and total interest-bearing debt. CE is measured in order to assess how much capital is needed for the operations/business to function and evaluate if the capital employed can be utilized more efficiently and/or if operations should be discontinued.

In the quarterly reporting Return on Capital Employed (ROCE) is based on annualised EBIT divided by capital employed. For the annual reporting the EBIT in the ROCE calculation is the actual EBIT for the full year. ROCE is used to measure the return on the capital employed without taking into consideration the way the operations and assets are financed during the period under review. The group considers this ratio as appropriate to measure the return of the period.

Reconciliation of alternative performance measures

USD million

	Q4 2019	Q4 2018	2019	2018
Reconciliation of Total income to EBITDA and EBITDA adjusted				
Total income	932	1,022	3,909	4,065
Operating expenses excluding other gain/(loss)	(770)	(854)	(3,104)	(3,463)
EBITDA	162	168	805	601
EBITDA Ocean	141	152	702	528
Restructuring costs	-	-	-	3
Loss on sale of tangible assets	-	-	-	1
Anti-trust expense	30	-	30	-
EBITDA adjusted Ocean	171	152	732	532
EBITDA Landbased	26	22	123	90
Pension cost following plan amendment	3	-	3	-
Gain on sale of tangible assets	-	-	-	(0)
EBITDA adjusted Landbased	29	22	125	89
EBITDA Holding/Eliminations	(5)	(6)	(21)	(16)
Restructuring costs	-	-	-	2
EBITDA adjusted Holding/Eliminations	(5)	(6)	(21)	(15)
EBITDA adjusted	194	168	837	606
Reconciliation of Total income to EBIT and EBIT adjusted				
EBITDA	162	168	805	601
Other gain/loss	49	36	51	(12)
Depreciation and amortisation	(130)	(88)	(498)	(345)
EBIT	81	116	358	244
Restructuring costs	-	-	-	5
Pension cost following plan amendment	3	-	3	-
Anti-trust expense	30	-	30	-
Gain on sale of other tangible assets	-	-	-	0
Change in fair value of derivative financial asset	(49)	(36)	(52)	12
EBIT adjusted	65	80	338	261
Reconciliation of total assets to capital employed and ROCE calculation and return on equity calculation				
	Quarter average		Yearly average	
	Q4 2019	Q4 2018	2019	2018
Total assets	7,936	7,440	8,033	7,638
Total liabilities	5,017	4,581	5,139	4,776
Total equity	2,919	2,859	2,894	2,863
Total interest-bearing debt	4,091	3,644	4,271	3,674
Capital employed	7,009	6,503	7,165	6,537
EBIT annualised	275	355	358	244
ROCE	3.9%	5.5%	5.0%	3.7%
Profit for the period annualised	165	179	102	58
Return on equity	5.6%	6.3%	3.5%	2.0%
			31 Dec 2019	31 Dec 2018
Net interest-bearing debt				
Cash and cash equivalents			398	484
Non-current interest bearing debt			3,549	3,054
Current interest-bearing debt			495	530
Net interest-bearing debt			3,646	3,100