Wallenius Wilhelmsen

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This is Wallenius Wilhelmsen

The way the world uses cars and equipment is rapidly changing, and with it the needs for transport and logistics. To take advantage of this opportunity for growth, Wallenius Wilhelmsen Logistics ASA was formed in April 2017, building on a 157-year heritage of driving change in shipping and logistics.

Today, the Wallenius Wilhelmsen group is a market leader in roro shipping and vehicle logistics, serving manufacturers of cars, trucks, heavy equipment and machinery across the world. The company owns and operates around 130 vessels servicing 32 trade routes to six continents, and operates a global inland distribution network, 77 technical service and processing centers, and 13 marine terminals.

The world will keep surprising us, and we will take an active role in defining the future of logistics, imagining new, more sustainable solutions for the changing world of mobility and transport on land and sea.

The Wallenius Wilhelmsen group (OEX: WWL) has 7500 employees in 27 countries and is headquartered in Oslo, Norway.

The former WWL AS has been restructured into two entities; one ocean transport company named Wallenius Wilhelmsen Ocean (WW Ocean) and a land-based logistics entity named Wallenius Wilhelmsen Solutions (WW Solutions). In line with our new structure, WWL ASA will be referred to as Wallenius Wilhelmsen. The Wallenius Wilhelmsen group also incorporates the brands EUKOR and ARC.

Wallenius
Wilhelmsen

WWL ASA in brief

WWL ASA by the numbers

General facts

Emissions and gender distribution

Wallenius Wilhelmsen

WWL ASA in brief

Key figures

Key figures consolidated accounts

		2017	2016	2015	2014	2013
Income statement						
Total income* [9]	USD mill	2 992	2 219	2 159	2 443	2 535
Primary operating profit (EBITDA)*	USD mill	524	728	262	413	445
Operating profit (EBIT)*	USD mill	253	580	103	253	293
Profit/(loss) before tax*	USD mill	148	543	(25)	122	285
Net profit/(loss)	USD mill	146	500	(4)	166	272
Balance sheet						
Non current assets	USD mill	6 322	2 708	2 925	2 955	2 952
Current assets	USD mill	1 487	305	373	398	436
Total assets	USD mill	7 809	3 103	3 299	3 353	3 388
Equity – parent	USD mill	2 566	1 435	1 655	1 707	1 632
Equity – NCI	USD mill	230				
Interest-bearing debt	USD mill	3 764	1 320	1 319	1 325	1 502
Key financial figures						
Cash flow from operations[4]	USD mill	462	211	194	216	194
Liquid funds at 31 Dec [5]	USD mill	796	283	349	375	411
Current ratio [6]		1.0	1.5	1.3	2.7	1.9
Equity ratio [7]	%	36%	48%	50%	51%	48%
Yield						
Return on equity [8]	%	6.9%	32.4%	(0.3%)	9.9%	17.1%

Wallenius Wilhelmsen

		2017	2016	2015	2014	2013
Key figures per share						
Earnings per share** [1]	USD	0.37	2.27	(0.02)	0.75	1.23
Diluted earnings per share [2]	USD	0.37	2.27	(0.02)	0.75	1.23
EBITDA* per share** [3]	USD	1.36	3.31	1.19	1.88	2.02
Average number of shares outstanding	(thousand)	423 105	220 000	220 000	220 000	220 000
Market price at year end	NOK	59.25	33.80[10]	35.30	46.00	56.75
Market price high	NOK	59.25	34.40	51.50	60.25	59.25
Market price low	NOK	35.90	15.76	32.80	41.60	45.00
Dividend per share	NOK	0.00	0.00	1.50	2.00	4.75

Definitions:

(1) Profit for the period after minority interests, divided by average number of shares.

(2) Earnings per share taking into consideration the number of potential outstanding shares in the period.

(3) Operating profit (EBIT) for the period adjusted for depreciation and impairments of assets, divided by average number of shares outstanding.

(4) Net cash flow from operating activities.

(5) Cash, bank deposits and current financial investments.

(6) Current assets divided by current liabilities.

(7) Equity in percent of total assets.

(8) Profit after tax (annualised) divided by average equity.

(9) Restated 2013-2015 figures: revenues/costs relating to procurement and process management with a fixed fee leaving no business risk with WWL Vehicle Services Americas (VSA) is considered “pass through” revenues/costs and will therefore be accounted for on a net basis going forward. Hence, previous reported figures have been restated accordingly.

(10) Den Norske Amerikalinje was demerged in the second quarter of 2016. The demerged entity, named Treasuer ASA, was listed on the Oslo Stock Exchange at NOK 16.00 a share

[*] For 2016 and backwards, figures according to the proportional method, which reflected the group`s underlying operations in more detail than the official accounts. The IFRS accounting principles are applied in both proportionate accounts and official accounts, but the former utilises a different method for consolidating the group`s joint ventures. The presentation reflects proportionately the group`s partnership based ownership structure.
[**] For 2017, earnings per share is calculated based on 220,000,000 shares for Q1 and 423,104,938 shares for the remaining part of 2017.

Words from the CEO

"Through tremendous effort from our management and staff, we can proudly look back on a year that has all the hallmarks of a successful change"

Defining Logistics for a World in Motion

2017 will certainly go down in our long and proud history as a defining moment of adapting to changes in the market. Since 1861, Wilhelmsen has pioneered significant shifts in the maritime industry. Wallenius has since 1934 been at the forefront of changing their business model and driving change for a sustainable world. With the two companies working together since 1999, their decision to create Wallenius Wilhelmsen Logistics ASA was a pro-active step in recognising the changing market environment and acting to create a more efficient and agile platform to build for the future.

Bringing together the activities of five companies into one single enterprise has not been without its complexities. Through tremendous effort from our management and staff, we can proudly look back on a year that has all the hallmarks of a successful change. Establishing the new entity in April, we re-structured the organisation, adjusted our operating model, right-sized as a result and are well on track to adapt the financial structure to match. Throughout the significant change and upheaval, our operations remained un-affected, and we continued serving our customers with focus and dedication. The entire global team pulled together to create a new spirit and energy that serves as an excellent platform for change and growth.

Looking forward, we are ready to embrace the significant changes we see taking place in the automotive and rolling equipment industries. We believe the world will keep surprising us and our focus is to ensure we remain agile and open-minded enough to capitalize on the opportunities a changing market brings, embracing disruption as our forbearers have done. We see shifts from car ownership to car usership, increase in scale of autonomy, increased electrification of vehicles and new entrants providing mobility solutions in very different ways – all challenging existing supply chain, retail and servicing models for vehicles.

To meet this development, we are expanding our service scope in the finished vehicle logistics from factory to dealer, to full life cycle logistics. Our strategy is to develop our logistics infrastructure and service capability into all phases in the life of a vehicle. For every vehicle in the world, from when it leaves the production line and until recycled at end of life, there remains a logistics and servicing need, irrespective of who owns or operates it. Distribution on land or sea, maintenance, repairs, cleaning, re-marketing – all services that require logistics solutions as assets move from individual ownership to the shared economy.

Operating sustainably, ethically and safely will remain keystones of our business. WWL is committed to being transparent and proactive in reporting on Environmental, Social and Governance (ESG) matters. We have established a Global Reporting Index (GRI) framework as reflected in our Sustainability report, which we see as a starting point for further discussion and action rather than the end of a process. We will continue to develop solutions that reduce the impact of our assets and resources on the environment. In expanding our infrastructure and service scope to the whole life cycle of a vehicle, we also see opportunities to industrialise and boost our customers’ efficiency as well as that of our assets, reducing the environmental impact across the value chain.

Craig Jasienski
President and CEO

Management

Craig Jasienski

Chief Executive Officer

Rebekka Glasser Herlofsen

Chief Financial Officer

Christer Nygren

Chief Planning Officer

Ari Marjamaa

Chief Transformation Officer

Erik Noeklebye

CEO EUKOR

Raymond Fitzgerald

COO WWL Logistics & Chairman of ARC

Michael Hynekamp

COO WWL Ocean

Jan Dahm-Simonsen

Chief Human Resources Officer

Board of directors

Lars Håkan Larsson

Chair of the board

Thomas Wilhelmsen

Board member

Jonas Kleberg

Board member

Marianne Lie

Board member

Margareta Alestig

Board member

Vision and strategy

WWL group (WWL) is through its operating companies the market leader in the finished vehicle logistics segment, offering ocean transportation and a diverse global portfolio of landbased logistics solutions.

WWL's **Vision** is *"Defining logistics for a world in motion"*. The world is changing in a rapid pace and with it the need for transport and logistics. As the sharing society, electrification and autonomy develops, finished vehicle supply chains will be disrupted, bringing challenges as well as opportunities. WWL will capitalise on the opportunities a changing market brings, and take an active role in defining the next generation of logistics for this world in motion. Logistics is our expertise and we are building a strong and agile organisation, fit to face the challenges of the future and to expand our share of the 3 trillion-dollar logistics industry.

WWL aims to strengthen its position as the RoRo market leader, growing with its customers, and maintaining its unrivalled high & heavy and breakbulk capabilities. For landbased solutions, WWL will be targeting substantial growth and be looking to extend the scope of services beyond the factory to dealer supply chain to full life cycle logistics in order to capitalise on trends such as autonomy, electrification and new mobility models. Operating sustainably, ethically and safely is at the core of WWL's business, and the company strives towards being an industry cost leader.

Highlights for 2017

2017 was an eventful year in WWL’s 156-year long history. The merger between Wilh. Wilhelmsen ASA (WW ASA) and Wallroll AB (Wallroll) creating Wallenius Wilhelmsen Logistics ASA (WWL ASA) marked a new start for the group. In 2017 WWL also carried out a major organisational restructuring, improved its financial results, and expanded the landbased solutions network.

WWL ASA was established in April 2017, creating a more efficient and agile ownership and governance structure enabling substantial cost synergies and faster decision making. Furthermore, the merger between WW ASA and Wallroll created the unrivalled market leader in the finished logistics segment and facilitated an improved growth path for both the ocean and landbased businesses. After the completion of the merger, Wilh. Wilhelmsen Holding ASA and Wallenius Lines AB each own 160 000,000 shares in the company, representing 37.8% of the share capital.

WWL is well on its way to realise the USD 100 million synergy target set in connection with the merger, and in February 2018 the target was raised to USD 120 million. As per year-end 2017, about USD 75 million of the targeted annualised synergies had been confirmed, delivered through actions related mainly to an organisational restructuring and procurement. The organisational restructuring was successfully completed in August 2017 with limited disruption to the daily operations. The remaining synergies are mainly related to fleet optimisation, ship management and IT, and realisation is expected to materialise during 2018.

In April 2017, WWL initiated a project to establish a legal and funding structure consistent with the business unit structure of Wallenius Wilhelmsen Ocean (WW Ocean), Wallenius Wilhelmsen Solutions (WW Solutions), EUKOR and ARC. As part of the process all ship loans in Wallenius Logistics AB and Wilhelmsen Lines AS will either be refinanced or amended to allow for the restructuring to take place. The process is well on its way and the target is to finalise the process during the second quarter 2018.

For the ocean segment, results developed positively in 2017 supported by increased volumes, improved cargo mix, and realisation of synergies. On the negative side, the ocean segment continued to be faced with overcapacity of tonnage and resulting pressure on freight rates throughout 2017.

For the landbased segment, the underlying activity level and results developed positively during the year, mainly driven by strong performance for technical services in North America and increased volumes for the terminals. Towards the end of the year, Keen Transport Inc. (Keen) was acquired for USD 64 million, making WWL the clear market leader for high & heavy processing and transportation in North America.

Financial review

Consolidated financial results

On 4 April 2017, the merger between Wilh. Wilhelmsen ASA and WallRoll AB was completed (The Merger transaction), with Wilh.Wilhelmsen ASA as the surviving company, renamed to Wallenius Wilhelmsen Logistics ASA (WWL ASA). Following the Merger transaction on 4 April 2017, the ownership in the jointly owned entities, Wallenius Wilhelmsen Logistics AS (WWL AS, jointly owned 100%), EUKOR (jointly owned 80%) and American Roll-on Roll-off Carrier (jointly owned 100%) were all consolidated by WWL ASA. These investments were previous to the merger transaction accounted for under the equity method.

Due to the Merger transaction described above which materially impacts the consolidated historical financial statements for WWL ASA, the below discussion and analysis of financial performance for 2017 compared to financial performance for 2016 is not based on historical financial information since the board is of the opinion that this would not provide meaningful information. Therefore, the discussion and analysis below are based on unaudited proforma income statement information as presented in note 3 to the consolidated financial statements. The proforma income statement for 2017 and 2016 have been prepared on the basis as if the merger transaction had been effective on January 1, 2016.

Total income for WWL was USD 3 800 million for the full year of 2017. Total income for 2017 includes non-recurring items of net USD 57 million, related to a merger accounting loss of USD 64 million and USD 7 million in sales gain on fixed assets in the US. Adjusted for the extraordinary items, total income was USD 3 857 million, up 8% compared with the full year 2016. The increase in total income was driven by increased ocean volumes, increased surcharges related to bunker adjustment clauses ("BAF"), and growth in the landbased business partly offset by lower net freight / CBM for the ocean segment.

For 2017, EBITDA ended at USD 614 million and included negative non-recurring items of USD 92 million, mainly related to the merger accounting loss and organisational restructuring costs. EBITDA adjusted for these items was USD 706 million, an underlying improvement of 19% compared to 2016. The improved performance was primarily driven by an increase in transported volumes, improved cargo mix, realisation of synergies, project cargo shipments in the Atlantic, and improved results for the landbased segment.

Net financial expenses were USD 104 million for the full year of 2017. Interest rates increased during the year, but had only a marginal negative impact due to a large portion of debt being secured through a hedging program. Net financial expenses were positively impacted by USD 25 million in unrealised gains from interest rate hedges.

WWL recorded a tax expense of USD 3 million for the full year of 2017 compared to an expense of USD 22 million in 2016. The reduction in tax expense was caused by a significant reduction in WWL's deferred tax liability due to the reduction in the federal tax rate in the US from 35% to 21%. For further information, please refer to the "note 6 – tax" in the group accounts.

Profit for the full year of 2017 was USD 154 million compared to USD 116 million for 2016. Adjusted for the extraordinary items in 2017 the profit was USD 245 million, an improvement of 111% compared with 2016.

Financial position and capital structure
WWL currently has an equity ratio of 35.8%. The liquidity position is good, with cash and cash equivalents of USD 796 million and about USD 275 million in undrawn credit facilities. WWL had total interest-bearing debt of USD 3 764 million at the end of 2017 of which outstanding bonds totaled USD 388 million and the remainder consisting of bank loans, export credit facilities and leasing commitments. WWL was in compliance with all loan covenants at year-end 2017.

Several financing arrangements were concluded during 2017:

- As part of the purchase consideration, a 5-year unsecured bond of USD 80 million was issued to Wallenius Lines at 6% fixed interest rate, effective 4 April 2017.
- In May 2017, two sale-leaseback transactions concerning four vessels were concluded by EUKOR, each with purchase options in June or September 2027.
- In late September 2017, WWL ASA issued a new NOK 1,000 million unsecured bond with a floating interest rate coupon set at 3-month NIBOR plus 3.00% p.a. and maturity date on 12 October 2022.
- In August and October 2017, WWL purchased forward starting interest rate swaps for USD 785 million to ensure a hedge ratio of 60-70% for the foreseeable future.

Cash flow

The discussion and analysis presented below is based on the historical consolidated cash flow statement for 2017.

Net cash flow from operating, investing and financing activities was positive by USD 715 million in 2017. The net cash flow in 2017 included USD 494 million in “cash and cash equivalents from incoming entities” related to the merger as well as realisation of net financial investments of USD 203 million. Adjusted for these extraordinary cash flow items, the net cash flow was USD 18 million.

The net cash flow from operations was USD 462 million driven by positive earnings (EBITDA). Cash flow from investing activities was USD 710 million, significantly impacted by the extraordinary cash flow items. Adjusted for the extraordinary cash flow items, the net cash flow from investing activities was USD 13 million. The ordinary investments items are mainly related to a sale-leaseback transaction in EUKOR, vessel CAPEX (e.g. drydocking and instalments for newbuildings) and the acquisition of Keen. Net cash flow from financing activities was negative by USD 457 million with proceeds from issue of debt of USD 281 million, repayment of debt of USD 568 million, interest payments of USD 119 million and realised derivatives of USD 31 million as the main items.

GOING CONCERN ASSUMPTION

Pursuant to section 4, sub-section 5, confer section 3, subsection 3a of the Norwegian Accounting Act, it is confirmed that the annual accounts have been prepared under the assumption that the enterprise is a going concern and that the conditions are present.

The ocean segment

WWL's main objective for the ocean segment is to strengthen its position as the RoRo shipping market leader with unrivalled high & heavy and breakbulk capabilities.

Summary of 2017

Total income for the ocean segment for the full year of 2017 was USD 3 125 million, up 6% compared with 2016. The improvement is driven by an underlying recovery in the demand for deep sea transportation combined with an increase in BAF due to higher cost of bunker partly offset by lower net freight/CBM. Transported volumes increased from 64 million cbm in 2016 to 69 million cbm in 2017, up 8%. The cargo mix developed positively in 2017 due to a partial recovery in the markets for high & heavy equipment, and the high & heavy equipment share of transported volumes increased from about 24.5% in 2016 to about 25.6% in 2017.

EBITDA in 2017 ended at USD 587 million and EBITDA adjusted for extraordinary items came in at USD 615 million, an improvement of 17% compared with the full year of 2016. The improvement was driven by an increase in transported volumes, improved cargo mix coupled with a more favourable trade mix, higher utilisation out of traditional export areas such as Asia, Europe and North America, strong project cargo shipments in the Atlantic, and realisation of targeted synergies.

The fleet

At year-end 2017, WWL operated a core fleet of 126 vessels with carrying capacity of 864,000 car equivalent units ("CEU") accounting for about 20% of the global car carrier fleet. In addition, WWL had six vessels on short-term time charters (contracts up towards one year). The size of the core fleet was stable throughout 2017 while the number of short-term charters increased in the second half of 2017 due to increased volumes. Currently, WWL has the flexibility to redeliver 10 vessels in 2018 and 22 vessels in the period from 2019 to 2023.

During 2017, WWL took delivery of two newbuildings on EUKOR's account, exercised one purchase option on chartered vessels, and concluded two sale-leaseback transactions for a total of four vessels. The number of owned vessels decreased from 77 to 76 vessels at the end of the fourth quarter.

Four Post-Panamax vessels are under construction with combined capacity of 32,000 CEU. Two of these vessels are expected to enter service in 2018 and two are scheduled for delivery in 2019. The outstanding instalments for these vessels total USD 170 million. The newbuildings have been financed through regular bank facilities.

The landbased segment

WWL's ambition is to substantially grow the landbased segment by expanding the core and transforming to full life cycle logistics.

Summary of 2017
Total income from the landbased segment for the full year of 2017 was USD 795 million, representing an increase of 13% compared with 2016. For 2017, EBITDA was USD 100 million, and EBITDA adjusted for extraordinary items ended at USD 98 million, up 18% from 2016. The solid result development was driven by improved performance across the board.

Technical services in North America experienced an increase in volumes as well as strong value-adding content work. In the second half of 2017, the positive effect of strong volumes was partly offset by operational inefficiencies and increased costs caused by congestions at certain facilities due to high inventory levels.

The terminal segment also delivered solid results in 2017 mainly due to increased volumes on the back of increased ocean volumes. The results within this segment are primarily driven by the terminals in Zeebrugge, Port Hueneme, Baltimore, Pyeongtaek and Southampton. The overall result for the terminal segment was negatively impacted by planned low volumes as part of the start-up of the Melbourne terminal, which was fully operational from January 2018, coupled with continued low volumes into Kotka (Finland).

The technical services and inland distribution portfolio in Asia Pacific and Europe also experienced a positive development in 2017. Notably, the Chinese inland distribution and the Australian technical services entities showed improved performance, mostly due to a combination of higher volumes, improved efficiency and cost control.

Network development (acquisitions and investments)
WWL has a clear ambition to continue to grow and expand the landbased footprint. In 2017, WWL continued its expansion through a combination of smaller and larger developments. In the first half of 2017, WWL expanded its network with four new yard management contracts, two in Mexico, and two in Europe, marking the re-entry into Europe following the sale of Vehicle Services Europe

(VSE) in 2016. Furthermore, the Oxnard Vehicle Processing Center (“VPC”) in US was expanded to facilitate growth with new and existing customers. In the first part of 2017, 25% of the business in South Africa was sold to a new local partner to improve the company’s competitive position.

In early December, WWL acquired Keen from Platinum Equity for USD 64 million. The acquisition is a good fit strategically and operationally, allowing synergies with the existing operations in North America. The increased footprint represents a good opportunity to capitalise on the improving fundamentals in the mining and construction sector in the US, as well as to substantiate a trend where more advanced work and services are performed at equipment processing centres (EPC), outsourced from original equipment manufacturer (OEM) factories. The transaction was financed through existing credit facilities.

In late December, WWL became part of an investment consortium responsible for developing over 1,130,000 m2 of dedicated land in Pyeongtaek, South Korea. Once the construction is completed in 2022/2023, WWL has committed to purchasing 66,000 m2 of land, and the intention is to develop a VPC and “inland port” extension of the group’s PIRT terminal, to capitalise on the growing market of import vehicles to South Korea. The investment will be about USD 30 million, mainly related to acquisition of land in 2022/2023, when construction is completed.

Market development and outlook

The global demand for deep sea transportation developed favourably in 2017 with modest growth for auto exports and some recovery in the global high & heavy equipment markets.

Auto market

Global auto sales increased by 2.5% in 2017 and totalled 94 million units. The US economy continued to develop positively, however auto sales for the US market were moderately down in 2017 but remained at healthy levels in absolute terms with 17.2 million units sold. Sales in Western Europe continued the positive trend and were up more than 2% from 2016. China again contributed to the largest sales gain in absolute terms, as 2017 was the last year of a temporary tax cut related to auto sales. Auto sales in Brazil and Russia turned a corner in 2017 with double-digit growth figures, but from very low levels.

Global deep-sea auto exports were up about 1.5% from 2016 to 2017 with increased momentum at the end of the year. Auto exports from Europe developed steadily, as demand for premium brands remained solid in many parts of the world. North American exports continued to increase, mostly due to new volumes out of Mexico. Japanese exports increased modestly from 2016, while Korean vehicle exports continued the negative trend, down 8% from 2016, mainly driven by reduced volumes to the Middle East and the Americas. Chinese exports increased in 2017 as Western brands started to export from Chinese production sites. Domestic Chinese OEMs still produced low volumes for export which were mainly delivered to emerging markets.

The sales outlook for 2018 is stable with a forecasted growth of about 2% compared to 2017. US sales growth is predicted to continue to be soft, but to remain historically high in absolute terms, as low fuel prices, wide credit availability and a stronger job market are expected to outweigh some of the negative effects of increased interest rates. Western Europe is foreseen to experience a moderate sales growth while Russia and Brazil are expected to extend the positive momentum into 2018. WWL predicts deep-sea volumes will continue to grow as trends from 2017 are likely to continue with new volumes out of North America, solid exports from Europe, and new volumes out of China. Exports from Japan and Korea are expected to stay relatively flat.

High & heavy market

Global sales of large agricultural, construction and mining equipment increased about 5% in 2017, following four consecutive years of decline. Global trade grew by about 15% in the same period, after declining an average of about 8% in the four previous years.

Global construction equipment volumes were key to the turnaround and increased about 15% year-on-year on widespread geographical import growth in the first three quarters of 2017. Growth in global construction spending grew an estimated 3.1% in 2017. North American spending growth slowed while Western European spending accelerated. Asian growth slowed slightly due to weaker Chinese demand, while India and Japan accelerated. Construction equipment manufacturers reported strong growth across most markets throughout 2017, and the growth is expected to continue in the coming year.

2017 represented a turnaround in mining equipment markets. The favourable commodity price development from 2016 continued, and allowed mining companies to reduce debt and increase shareholder returns significantly, but also to invest in machinery. Aftermarket sales and consumables have been key to the improving sales reported by the OEMs, but new equipment is also in increasing demand due to replacement needs. Global deliveries of large surface mining equipment have increased for six consecutive quarters since the bottom in the second quarter of 2016, and deliveries in 2017 increased more than 50% from a year prior in terms of value. The positive development in sales of mining equipment is expected to continue in 2018.

Despite weak agricultural commodity prices continuing to weigh heavily on farm income, global markets for agricultural equipment showed signs of stabilisation in 2017. The North American market decline for the biggest equipment was down 5% in 2017 after dropping more than 20% in 2016. The key European tractor markets of UK, Germany and France all developed positively in the high horsepower categories, but the relative strength was partly disconnected from general end-user demand due to a 1 January 2018 EU registration deadline. The Brazilian tractor market moved sideways after a strong first half of the year, while Australian sales of large tractors remained strong and increased 10% in 2017. Despite regional differences, the overall market stabilisation from 2017 is expected to continue.

Global fleet

The global vehicle carrier fleet totaled 738 vessels with carrying capacity 4.0 million CEUs at the end of 2017, up about 2% from year-end 2016. In 2017, 24 newbuildings were delivered, and 20 vessels were recycled. Although recycling activity slowed compared to last year, 2017 represented the fourth highest year for recycling. 2017 was an uneventful year in terms of ordering of newbuildings, with only two 7,500 CEU LNG-powered vessels ordered. This resulted in a sharp decline in the orderbook, counting only 30-35 vessels, equivalent to about 5% of the active fleet. The majority of the orderbook is scheduled for delivery in 2018 and the remainder from 2019 to 2021.

Risk and risk management

A conscious strategy and controllable procedures for risk mitigation will, over time, impact profitability in a positive way. WWL has a thorough enterprise risk management model and maps all main risks on a regular basis. On a quarterly basis, management presents a detailed risk assessment, including mitigating actions, covering all business units and functional areas, to the Board of Directors.

The responsibility of governing bodies, management and employees is to be aware of the current environment in which they operate, implement measures to mitigate risks, prepare to act upon unusual observations, threats or incidents, and proactively try to reduce potential negative consequences. Risk evaluation is integrated in all business operations, both at group and business unit level. WWL has sound internal controls, systems and processes for handling financial, market and commercial, operational and regulatory risks.

Financial risks

The main financial risk exposures for WWL is interest rate risk, currency risk and bunker price development. WWL seeks to hedge between 30-70% of the net interest rate exposure, predominantly through interest rate swaps and fixed rate loans.

The dominant currency for both revenues and costs across the group is USD, which is the WWL’s functional currency. The majority of the currency exposure arises on the cost side in the ocean operating companies with EUR, KRW, JPY, SEK and CNY representing about 20% of the operating costs. As a main principle, WWL does not use financial instruments to hedge currency risk in the operating entities, but will assess the merits to do so in periods when the USD is historically strong vs. other currencies.

As a general principle, BAF in customer contracts are the main mechanism to manage bunker oil price risk in WWL. In the short term WWL is exposed to changes in the bunker price since BAF is calculated based on the average price over a historical period, and then fixed during an application period, creating a lag effect.

For a detailed assessment of financial risk, see “note 13 – financial risk”

Market and commercial risk

Demand for WWL's ocean and landbased service offerings are cyclical and closely correlated with global economic activity in general and deep-sea transportation of auto and high & heavy equipment in particular. Changes in the global economy are therefore highly decisive for the development of WWLs' volumes and financial performance.

The geographical pattern of production of autos and high & heavy equipment is continuously changing. A shift in the balance between locally produced and exported cargo may affect the overall demand for deep-sea ocean transportation, resulting in changed utilisation of the fleet.

A shift in customers' market positions can also represent opportunities and risks for WWL's operating entities. However, the company's broad global coverage and client exposure reduces this risk element.

Operational risk

Main operational risks for WWL include tonnage balance, trade imbalance and adverse weather conditions. WWL strives to ensure sufficient fleet flexibility by combining owned tonnage with both long and short-term charters. The owned tonnage and long-term charters represent the core fleet while the short-term charters enable the operating entities to scale up and down capacity to meet changes in demand cost effectively . At the end of 2017 WWL had six short term charters compared to the end of 2016 where two vessels (net) were chartered out on short term contracts. WWL proactively handles trade imbalances through vessel swaps and space charter arrangements for excess volumes with other operators.

Regulatory risk / anti-trust investigation

The operating entities WWL AS and EUKOR have been part of anti-trust investigations in several jurisdictions since 2012. This process is now drawing towards an end with outstanding jurisdictions likely to reach their conclusion in 2018. The antitrust provision was increased with USD 140 million in the fourth quarter based on updated evaluations, taking into account the possible outcome of pending investigations and the possibility for civil claims. The preliminary purchase price allocation has been updated to reflect the increased fair value of liability. As such, the increased provision did not impact the income statement for WWL. WWL's provision at year end was USD 440 million and no payments were outstanding at year end 2017.

Environmental and safety risk

WWL is, by the nature of its activities, exposed to environmental risks both at sea and on land. Environmental risks are reduced through a Global Reporting Initiative (GRI) based environmental management system and environmental due diligence for acquisitions and divestments. As WWL in its current form was created in April 2017, the company has this year established a GRI standard environmental management system based on a thorough materiality assessment. This included identifying and evaluating the importance of ESG (environmental, social and governance) risks and opportunities throughout the value chain, which was done by conducting a stakeholder assessment.

Cyber risk

WWL ASA recognizes information security as an important focus area for a modern and global organization. The company maintains electronic records and relationships with its stakeholder groups, including customers and employees. The interests of the company and its stakeholders are aligned in ensuring the security and privacy of such information is not compromised and or exploited by third parties.

To further enhance cyber resilience, mid- to long-term initiatives are under way, focusing on strengthening the Information Security Management System (ISMS) to meet cyber threats and increase preparedness for handling such incidents.

Regulatory requirements, particularly introduced by EUs General Data Protection Regulation (GDPR) will remain an important focus area in 2018 and WWL ASA is committed to compliance with the binding corporate rules (BCR).

For further information on operational-, environmental and safety-, and cyber risk, please refer to the sustainability section of the Directors' report.

Dividend for 2017

WWL ASAs’ objective is to provide shareholders with a competitive return over time through a combination of rising value for the WWL ASA share and payment of dividend to the shareholders.

WWL ASA targets a dividend which over time shall constitute between 30-50% of the company’s profit after tax. When deciding the size of the dividend, the board will consider future capital requirements to ensure the implementation of its growth strategy as well as the need to ensure that the group’s financial standing remains warrantable at all times. Dividends will be declared in USD and paid out semi-annually.

The board has decided not to recommend a dividend for 2017 at this time as the board would like to see a further strengthening of the solidity of the group before declaring a dividend.

The WWL ASA share price developed positively during 2017 and increased from NOK 35.90 per 31.12.2016 to NOK 59.00 per 31.12.2017 representing an increase of 64%. Following the merger with Wallroll the free float increased by around 70%, which positively impacted the liquidity and trading in the share.

Allocation of net profit

The Board's proposal for allocating the net profit for 2017 is as follows:

Net profit	5 million
Dividend	0 million
To other equity	5 million
Total allocation	**5 million**

Events after the balance sheet date

On February 21st 2018, the European Competition authorities announced the outcome of the investigation in the form of an industry settlement, including WWL AS, EUKOR and four other carriers. The investigation revealed certain instances of conduct contrary to company policies and in breach of EU competition laws. As a part of the industry settlement, WWL AS and EUKOR were fined EUR 207 million in total. WWL had made a provision for the outcome of the investigation and consequently the fine does not impact the income statement.

Prospects

The board maintains a balanced view on the prospects for WWL. The positive volume development combined with continued recovery in the high & heavy markets and realisation of synergies will positively impact the results. However, increased volumes will only partly be translated into increased earnings as the utilisation of the fleet is high and additional capacity could be needed to handle the volumes.

The results are expected to be impacted by the contracted reduction in Hyundai Motor Group volumes with EUKOR (from 50% to 40% as from January 2018), as well as rate reductions from contract renewals during 2017 that will come into effect in 2018. In addition, rate pressure for the ocean segment is expected to continue for some time, although the supply-demand balance is forecasted to slowly improve during 2018.

Sustainability at Wallenius Wilhelmsen Logistics

Wallenius Wilhelmsen Logistics (WWL) firmly believes in a sustainable approach to business by taking conscious action to promote environmental stewardship, social responsibility and ethical business conduct. The company prioritises sustainability not just because it is morally right, but also because sustainability is fundamental for long term value creation. The group sees sustainability as a driver for business development and growth. In taking this approach, WWL is also committed to complying with all relevant environmental, social and business ethics regulations, aiming to be a step ahead of existing and emerging requirements; and to meet the increasing demand for sustainability transparency and performance expectations of its stakeholders.

Reflecting this view is the ‘Lean:Green’ environmental strategy that was adopted early in WWL’s first year of operation: Striving for what is both economic and sustainable will produce the best long-term results for people, profits and the planet. The strategy is being pursued through the following Lean:Green approach:

- Drive progress through initiatives that are both lean and green
- Focus on high impact changes, for both people and the environment
- Engage in regulatory processes; lobbying for environmentally sound global outcomes
- Invest in and support ‘Lean:Green’ technologies; partner to find sustainable solutions
- Embrace transparency; be visible and be credible
- Harness sustainability track record and competence to create commercial value

Sustainability efforts at WWL are categorised into four globally relevant focus areas, which offer strategic direction and encompass all sustainability topics that are material to the company.

Focus areas

These four focus areas also provide the structure for information included in this report, prepared and disclosed in accordance with the Global Reporting Initiative (GRI) Standards: Core option.

WWL and the UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) are a set of 17 goals and 169 underlying targets to ensure a sustainable world by 2030. These goals apply to all and encourage governments and the private sector to mobilise efforts and cooperate to end extreme poverty, fight inequality, tackle environmental challenges, and ensure sustainable resource management.

At WWL we are committed to doing our part. As such, we have identified six SDGs with relevant sub targets to which we have aligned our sustainability strategy and focus areas.

SDG 3: Ensure healthy lives and promote well-being for all at all ages
By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination

SDG 8: Promote inclusive and sustainable economic growth, employment and decent work for all

Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including a focus on high-value added and labour-intensive sectors

SDG 9: Build resilient infrastructure, promote sustainable industrialisation and foster innovation

By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes

SDG 10: Reduce inequality within and among countries

By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

SDG 13: Take urgent action to combat climate change and its impacts

Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

Integrate climate change measures into national policies, strategies and planning

SDG 14: Conserve and sustainably use the oceans, seas and marine resources

By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution

Materiality assessment and stakeholder engagement

Transparency in WWL’s sustainability efforts and performance is essential to promote good relationships with the company’s stakeholders and meet their evolving expectations. To ensure the appropriate focus and relevance of the sustainability work and reporting, WWL has conducted a materiality assessment to identify and prioritise the most material sustainability issues. While financial reporting refers to material information which could influence the economic decisions of users of the financial statements, materiality from a sustainability perspective takes into consideration a much broader stakeholder perspective and examines the aspects through both an internal and external lens. It assesses the potential impact of an aspect on the business and considers the importance of the aspect to stakeholders, in alignment with the GRI definition of materiality in that “materiality is the threshold at which aspects become sufficiently important that they should be reported”.

Materiality in the WWL value chain

The materiality assessment is based on a value chain assessment of WWL group’s operations, mapping out potential sustainability risks and opportunities along the value chain. By taking this approach, the company also includes risks and opportunities that are outside its direct operations but could still have serious impact either up- or downstream.

WWL value chain

The importance of risks and opportunities identified throughout the value chain was then evaluated through a stakeholder assessment. This included a literature, media, and market review, the results of which have allowed for prioritisation and establishment of materiality (see materiality matrix below).

The WWL supply chain

WWL ocean transport services involve the operation of deep sea Roll On Roll Off (RoRo) vessels. The vessels are crewed and run by Ship Managers. Fuel for vessels is supplied by bunker agents. The vessels themselves are either owned by the company or chartered in from tonnage providers. Owned vessels are normally built by shipyards in Japan, Korea or China. The company owns a substantial portion of the cargo handling equipment it uses and leases the remainder. Vessels are green recycled at proper facilities, usually in China.

Cargo is loaded and discharged by stevedores, who may or may not be employed by the company. Cargo operations take place at port RoRo terminals, several of which are owned by the company. The vehicle and equipment services provided by WWL at terminals and other inland facilities are fulfilled by a combination of the company's own employees and contract labour. Energy consumed by facilities is generally provided by the local utility. IT products and services are provided by a variety of vendors to each company in the group.

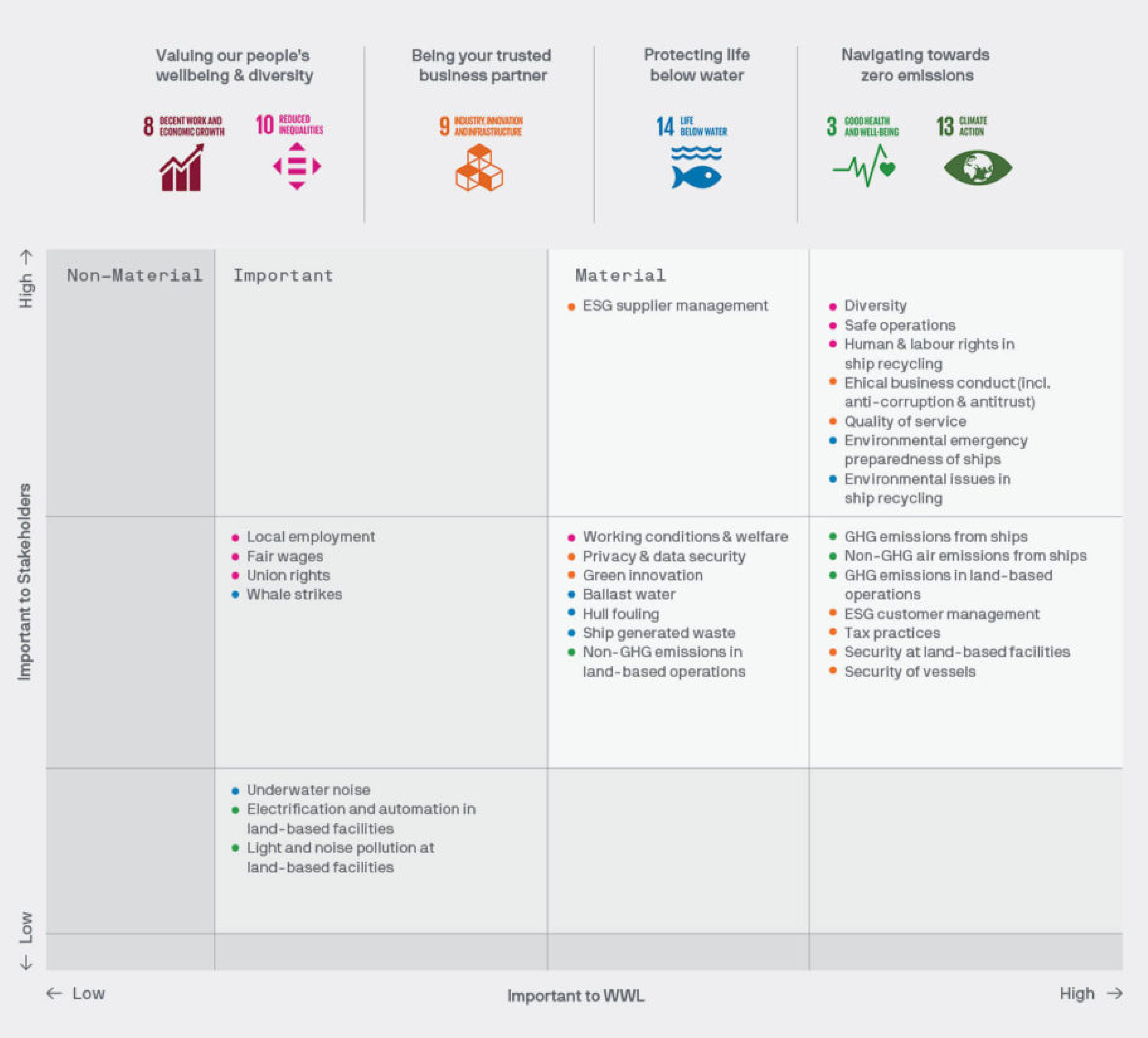
Stakeholder assessment

	Customers	Suppliers	Employees	Investors & banks	Regulators	Communities
Key topics	Quality of service Cost Innovation Sustainability	Human rights Working conditions and HSE Environmental protection Business ethics	Company purpose Working conditions and HSE Diversity, anti-discrimination Environmental protection KPI results and targets Business ethics	Value creation Risks and opportunities Transparency KPI results and targets	Value creation Human rights Working conditions and HSE Environmental protection Innovation Business ethics	Value creation Environmental protection Business ethics Education
Channels and activities	Meetings and dialogue Supply chain code of conduct Procurement policies Supplier audits	Meetings and dialogue Supply chain code of conduct Procurement policies Supplier audits	Engagement survey Performance appraisal Code of conduct Employee board representation	Reports and publications Capital markets day Press release Investor meetings	Meetings and dialogue Cluster collaborations NGO collaborations	Meetings and dialogue NGO collaborations Sponsorships Presentations and guest lectures.

Wallenius Wilhelmsen

Results of materiality assessment

Material topics as presented below provide the basis for information included in this report.

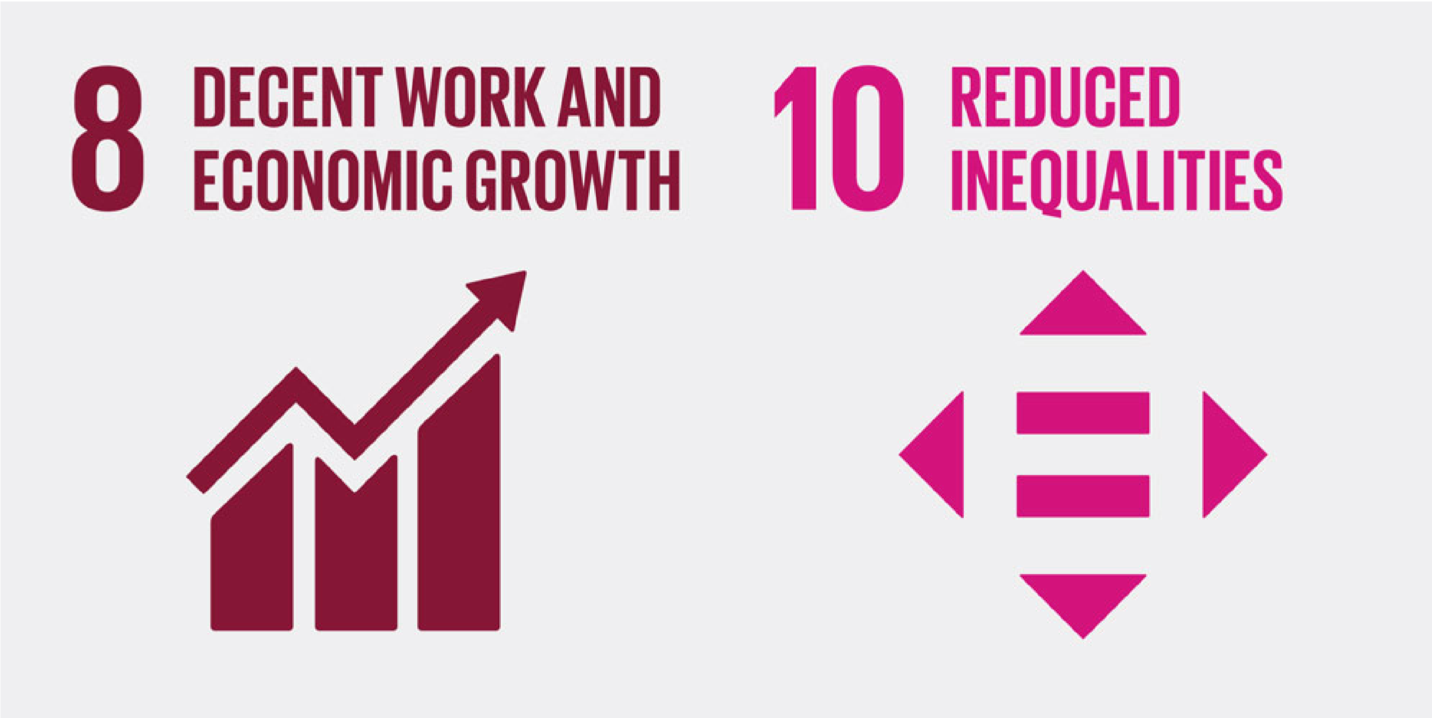


Valuing our people’s wellbeing and diversity

Valuing our people’s wellbeing and diversity is about everyone the company interacts with, including employees, suppliers, customers, and local communities. People are at the core of value creation within the company and represent both a risk and an opportunity.

WWL has 7 497 employees spread across the world and prides itself in being a responsible employer by providing a safe, challenging and fulfilling work environment. The company believes that there is a strong correlation between employee satisfaction, employee engagement and value creation, and considers employees to be its greatest asset.

The company also has a responsibility towards its suppliers to provide a safe work environment, and to ensure that there are no violations of human rights in the supply chain.



Diversity

WWL's broad geographic reach is matched by the diversity of its workforce. The company views this diversity as a key asset in meeting the current and future needs of the business. The company makes all final hiring decisions itself, although external recruitment specialists are used from time to time.

As a group, the employees represent a great breadth of knowledge, experience, culture and background. That breadth is a major contributing factor towards ensuring that the group is prepared to succeed in an uncertain future.

As the future success of the company is also important to its employees, customers and investors, it is important that the diversity of today is preserved and enhanced in the future.

Managing Diversity

The main tool for assessing the diversity of the workforce across WWL is the Human Resources database. Based on the information it contains, management decisions in relation to diversity are made. Each of the companies in the group has its own Human Resources departments which together form the global HR under WWL's Chief Human Resource Officer.

The company is thoroughly committed to the principle of meritocracy in all hiring and promotional processes; the most qualified candidate will prevail. At the same time the company aims to ensure its workforce mirrors the demography of its various recruitment markets.

If a hiring or promotion decision is challenged on the grounds of diversity, the aim is to put weight on a diverse workforce, provided all other objective criteria are similar.

Evaluation of results
Detailed information on the breakdown of the workforce is currently restricted to the white-collar employees of the group.

Total number of employees by region

Asia Pacific	Europe Middle East and Africa	America	Total
1345	973	5179	7497

Total number of employees by employment contract (permanent and temporary), by gender (office workers only)

	Male	Female	Total
Permanent	1169	846	2015
Fixed term/temporary	24	34	58
Total	1193	880	2073

Total number of employees by employment type (full-time and part-time), by gender

	Male	Female	Total
Full time	1191	858	2049
Part time	2	22	24
Total	1193	880	2073

Total number of employees by employment contract (permanent and temporary), by region

	APAC	EMEA	America	Total
Permanent	585	525	905	2015
Fixed term/temporary	34	14	10	58
Total	619	539	915	2073

The company does have external white-collar consultants and contractors who support with the development of specialised business software and provide global general IT support services. However, the number is not significant. There are no significant seasonal variations in the numbers reported above for the white-collar workforce. Data is compiled from the global HR system for white collar employees supported by manual input from local HR managers with regards to blue-collar workers.

The overall gender balance for the white-collar employees of the group is 58:42 male to female, which could be considered acceptable in what traditionally has been seen a male dominated sector. As the group was formed in April 2017, it is not possible to comment on the historical development of the gender balance. For both genders and across all major geographical regions an overwhelming majority of employees are on fulltime and permanent employment contracts.

Ambitions and next steps
During 2018 measures will be taken to be able to provide the same level of detail in the breakdown of production workers as is presented here for white collar workers.

A diversity project will also be undertaken during the year. It will consist of setting targets, minimum standards and ambitions related to the diversity of the workforce.

Safe operations

Safety is the underpinning of WWL’s operations. This is true for all people, including employees, contractors, suppliers, and property. There is no compromise in striving for industry leading safety performance across all fields of operation, both on land and at sea. Fittingly, the scope of safe operations KPIs cover the entire group’s operations and the ultimate responsibility for safety rests with the CEO.

Safety is key to employee retention and morale, it is closely linked to high quality and efficient operation, and excellence in safety is expected by all stakeholders.

That a safe working environment is demanded by employees needs no explanation. The safe operations of the company are also important to other stakeholders due to their being linked to quality and good risk management, as well as simply being what responsible businesses expect of each other.

Managing safety on sea and land

Overseeing safety management in ocean operations is the responsibility of the Corporate Planning Officer's 'Marine Operations Management' team, which has expert competence to follow up safety performance across the fleet, driving the implementation of fleet-wide safety initiatives and leading the investigation of any incidents.

In ocean operations, WWL uses the services of ship management companies who directly oversee the safety on-board. The company follows up on safety performance and initiatives with the different ship managers. The WWL ocean operations safety policy stipulates that vessels owned or controlled by the company shall be operated with high focus on safety of crew, property and the environment. Our ship managers shall adhere to all rules and regulations applicable to each vessel, their own rules and any requirements specified by the Marine Operations Management team.

To monitor the safe operations, each ship manager is measured on safety KPI's. These include, but are not limited to: WWL Safety & Quality Inspections; Lost Time Injury records; Port State Control records; Incident frequency and incident follow-up records.

During the latter part of 2017 WWL started reporting the deficiency ratio for Port State Control (PSC) inspections as a preventative safety KPI. Port authorities have PSC officers who board vessels routinely to conduct safety and compliance inspections. Items which are neither regarded as fully compliant nor non-compliant are termed 'deficiencies' and must be followed up within a specified interval. The ratio of deficiencies to the total number of inspections is a good leading indicator of preventative safety performance.

The company's land operations are undertaken by both direct employees and outsourced labour. Safety is directly overseen by WWL in both cases and is under the responsibility of the President of WW Solutions. Daily safety management is taken care of by operational management.

Among the key principles of WW Solutions' safety policy is that it is unthinkable to identify a hazard and not act. Also, it conveys the understanding that all accidents, injuries, losses and near misses are preventable and must be reported. Naturally, it also includes the commitment to comply with all applicable safety rules and regulations.

WW Solutions' approach to safety is built on the actions of the company's leadership as well as individual accountability. Leadership plays a vital role promoting and reinforcing a safe workplace while, from the front line to the top management team, everyone has an individual responsibility to comply with policy and maintain a safe working environment.

In 2017 the North American division of WW Solutions launched the 'Safety 1st' initiative. It is a programme aligned to the OSHA regulation standards, with 13 Safety Plans. In the event of an accident the Safety 1st programmes calls for a thorough, standardised investigation to understand the root cause of the incident and identify corrective action(s) to be implemented so as to avoid a recurrence.

During the latter part of 2017 a new safety reporting and analysis platform was developed for use by the entire WW Solutions organisation. At the same time, a preventative safety 'ImpACT' KPI was defined and implemented. The KPI represents the number of Safety ImpACTs implemented to resolve unsafe conditions. 'ImpACT' is an amalgamation of Impact and Action and is a reference to initiatives taken in response to any one of four categories of unsafe condition. These are: safety risk (potential danger), Incident, near miss (no injury), Incident without lost time (injury but fit to work next shift), Incident with lost time (injury and unfit to work next shift).

Evaluation of results
The 2017 Lost Time Incident Frequency (LTIF) for all ocean operations was 0.62. A group-wide target for 2017 was not set because WWL was not founded until April of that year. However, the result does compare favourably with the 2016 compound result of 1.26 for the three constituent operating companies of WWL. The LTIF result was positively affected by various safety campaigns as well as Situational Awareness training for both officers and crew. Situational awareness is being aware of what is happening around you in terms of where you are, where you are supposed to be, and whether anyone or anything around you is a threat to your health and safety. Full year results on the PSC deficiency ratio for preventative safety performance are also not available as that reporting initiative only commenced at the end of the year.

Regrettably there was one fatality relating to ocean operations during 2017 in which a male member of the crew was run over during cargo operations at Pyeongtaek in Korea. Independent incident investigation concluded that the stevedore company responsible for operating the tugmaster had not followed safety protocol.

The number of incidences of occupational diseases in 2017 was zero across the fleet, as was the number of incidents of absenteeism. Data on number and types of injuries is not available for 2017 due to differences in the granularity of data recorded by different Ship Managers. The breakdown of each type of incident mentioned by region and gender is also not available.

WW Solutions achieved a global result for LTIF of 21.7 in 2017. Due to differences in the safety KPI used by various parts of the landbased organisation prior to the launch of WW Solutions, no global LTIF goal was set for the company in 2017. For the same reason there are no historical results to compare against. The ImpACT preventative safety KPI was implemented late in 2017, so the first full year result will be for 2018. Data on types of injury, absenteeism, and occupational diseases by gender and region are not available for 2017.

Ambitions and next steps

The 2018 safety target for ocean operations is to achieve a LTIF of less than 1.0 and to implement Port State deficiency ratio reporting with a target of less than 1.0 as an indicator of preventative safety performance. The gaps in GRI reporting relating to injury type will also be filled.

In 2018 WW Solutions will start to report its preventative safety ImpACT KPI and LTIF results on its new performance reporting and analysis platform. The company’s LTIF goal for 2018 is 22.1. As the ImpACT KPI is new for most of the company, it has been decided to let the reporting of the metric stabilise before defining a target. The company also plans to undertake the global rollout of its Safety 1st programme, including a mobile phone application for capturing unsafe conditions by anybody in the organisation. It will also address gaps in its GRI reporting relating to injury type, absenteeism and occupational disease.

Human and labour rights in ship recycling

One of the social issues of shipping is how vessels are recycled at the end of their service lives. In too many cases those working on breaking up vessels must endure unsafe and unhealthy conditions. WWL ‘green recycles’ the vessels that it owns. It has direct influence over whether the approach taken protects the human and labour rights of those undertaking the recycling work. Recycling is supervised on site by a specialist ship management team and overseen by WWL’s Marine Operations Management.

Clearly this issue is material for those who do the work of recycling. However, the Norwegian State Pension Fund's decision to divest several shipping companies with poor vessel recycling standards, shows growing investor impact too. Additionally, the forebears of the company have been recycling vessels with due regard to human and labour rights for many years and it is important to the company's employees that the practice should continue.

Process control and incentives

WWL is firmly committed to green recycling of vessels to industry-leading environmental and social standards. Maintaining control over the process, which is essential to achieving such standards, is done in three ways. First, before any recycling process begins with candidate facilities / yards being vetted by one of a competent and known surveyor. Such yards must have proper safety management, craned berths or floating docks and handling and storage of all materials. Secondly, the vessel is sold through cash buyers to a specific yard to be recycled to specific standards and within a specified timeframe. There is no possibility for the vessel to be recycled other than as Wallenius Wilhelmsen intends. Thirdly, the actual recycling is supervised by a qualified partner who has the right to halt work on safety or environmental grounds. Also, the payment structure for the yard is set up such that they are incentivised to achieve particular safety and environmental performance results.

During the vetting process the yard must be able demonstrate that employees have the necessary qualifications and that working hour and payment regulations are being adhered to. Prior to the commencement of recycling, the Inventory of Hazardous Materials (IHM), which is important in guiding and planning the safe dismantling of a vessel, is updated. During recycling the Ship Manager's site superintendent has the right to halt activities if working conditions or processes are deemed to be unhealthy or unsafe, or if Personal Protective Equipment (PPE) is inadequate. Towards the end of the process it is ensured that items from the vessel that can be repurposed, such as furniture, domestic appliances, and computers are offered to the local community.

Evaluation of results

The WWL group did not recycle any vessels in 2017 because no vessel in the group's fleet had reached end-of-life.

Ambitions and next steps

During 2018 the company will formalise its long-standing green approach to vessel recycling in a green recycling policy. That policy, which will be published on the WWL website, will include reference to the human and labour rights aspects of ship recycling. Additionally, a contract term will be drafted for all future long-term vessel charters that will stipulate that the vessel, if redelivered close to the end of its service life, must be recycled in a manner consistent with WWL's green recycling policy. The company also has an ambition to have the clause inserted in existing long-term charter parties. The proportion of vessels in the group's fleet that are on long term charter is approximately 20%. Finally, in the interests of transparency, the company will publish details of how its owned vessels have been green recycled since 2000 on its website.

Training and development

WWL places great importance to employee training and development. The scope of this is universal; it applies to all employees of the organisation. Performance and career development reviews are currently the primary means by which employees are mentored and coached.

An organisation that is learning is more aware and better prepared to succeed in the evolving and unpredictable markets in which WWL competes. A workforce that is supported in its development tends to be more fulfilled. WWL's ability to maintain its competitiveness and to be a driver of innovation is also in the interests of the company's customers and investors.

Focus on development
A new review process was launched at the start of 2018. It requires more frequent performance and career development dialogues to be conducted. The emphasis is also shifting from past performance to future development.

Evaluation of results
In 2016 100% of white collar workers were invited to take part in a development dialogue. The completion rate was 92% for managers and 97% for the rest of the organization. Due to the major restructuring process in 2017 the process was put on hold. Data on training activities for blue-collar workers was not available for 2017.

Ambitions and next steps
In line with the WWL Board-approved strategy for Human Resources, separate projects on Performance Management, Talent Development and Leadership Development are planned for the strategy period from 2018 to 2022. The data gap on training and development for blue-collar workers will also be addressed during 2018.

Working conditions and welfare

WWL believes that there is a clear link between working conditions and welfare provided by a company on the one hand, and the quality of work on the other. This applies for all those in its workforce, but has special significance for vessel crew because it is relevant for them during work, recreation and resting hours. Therefore, focus is on crew working conditions and welfare.

The company believes that industry-leading work and living standards for crew are central to reaching and maintaining the highest levels of safety and quality in vessel operations. Furthermore, it supports good morale, which is critical in retaining talented crew, and fosters a good and open dialogue between ship and shore.

The value of good working conditions and welfare for crew needs no further explanation. The company anticipates that interest in the matter will grow among customers and investors, due to the increasing expectation from their stakeholders to take a more active role in ensuring at least minimum standards are met in their supply chains.

Managing crew working conditions
This topic encompasses the vessels in the owned fleet only and WWL's Marine Operations Management are responsible for it. They pursue the company's objectives through close collaboration with the various ship management companies used by the group.

A considerable body of regulation establishes minimum requirements for working conditions and welfare on-board, with which WWL is fully compliant. However, the company also ensures insulation, heating and vibration are all within comfortable levels and stipulates the quality of working clothing. Furthermore, it specifies the amount of money to be budgeted for catering services and up-keep of recreational areas.

To ensure crew can remain in contact with family and friends and access the internet, all vessels are equipped with satellite communication equipment which is made available at no cost to the crew. The company also supports seafarers' families through support for social initiatives, like family days and spouse clubs, and by providing insurance programmes.

Evaluation of results
There are two main metrics to assess crew working conditions, the annual retention rate and the crew satisfaction survey. Regarding the former, the target was to retain 95% of crew over the course of the year. The 2017 result for the entire owned fleet was 98%. The crew satisfaction

survey covers a wide range of topics including: treatment onboard (interaction crew / officers); interaction with shore including manning agents; recreation on-board; food and beverages; length of tenure (per rotation) and training. The survey covers a scale of 0-5, where 5 is good. The 2017 result, which represented the views of 30% of the owned fleet, was 4.4.

The results from both metrics are good and demonstrate that the programmes and initiatives are effective and should be continued. The validity of the survey is somewhat constrained by the fact it represented only a portion of the owned fleet.

WWL's fleet comprises approximately 20% long-term charter vessels. The company has limited influence over working conditions and welfare on those vessels but indirectly promote such issues through quality standards in long-term vessel contracting.

Ambitions and next steps

As part of taking a more standardised approach to the marine operations management across the company's owned fleet, the crew satisfaction survey will extend to the crew of all owned vessels in 2018.

Being your trusted business partner

Being your trusted business partner is about WWL’s efficient operations and how the company conducts business. Being a trusted business partner is important not only to suppliers and customers, but also in relation to partners such as industry peers. Ethical business conduct is the foundation of all WWL’s operations and activities, while operational efficiency, and the company’s ability to deliver as agreed, is key to creating value for the client.

WWL is committed to fair competition, anti-corruption and anti-bribery through the entire value chain. The company’s Code of Conduct is applicable to all employees and outlines the top management’s commitment and expectations of sustainable, compliant and responsible business conduct.

Ethical business conduct

That all business should be transacted in an ethical manner is a fundamental requirement in WWL. It applies to all of the company’s activities, everywhere and all the time. The company and its board ensure that this requirement is fulfilled directly; all employees have a responsibility in this regard. Ultimate responsibility for ethical business conduct rests with board and the CEO.

WWL see ethical business conduct as a basic ticket to trade. The various stakeholders of WWL, including its investors, customers and employees, take a similar view.

The WWL compliance program

The company conducts a variety of activities ensuring compliance with applicable laws and regulations through its well-established compliance program. The main components of the compliance programme are: to ensure top level commitment; to have in place adequate policies and instructions; to communicate polices and instructions to the organisation by way of training and e-learning; to carry out risk assessments and proactively monitor the organisation's activities; and to background-check partners. The company is an active member of the Maritime Anti-Corruption Network, where it takes part in actions to improve industry compliance standards. The compliance program is run by the company's Legal & Compliance department.

Evaluation of results

Through its compliance programme the company stores information about who has received training, keeps track records of findings and makes sure to have adequate statistics, which are reported to the company's management and board. Furthermore, risk assessment is carried out on a rolling basis and reported to management and board.

Ambitions and next steps

The company keeps its compliance work in sharp focus and has a clear ambition to constantly improve in this regard. In 2018 the company will undergo a third-party health check of its compliance program to ensure that it is as good as it can be. If gaps are located the ambition will be to change and improve.

Quality of service

The interrelation between Environmental, Social and Corporate governance (ESG) issues on the one hand, and quality of service on the other, is the focus of this material topic. The scope of the issue extends to all the services provided by WWL group and is particularly relevant for its operations and commercial divisions. The focus for this report is on two areas: uptime of the owned fleet and compliance with environmental regulation. The former applies to ocean operations only, while the latter applies to all operations on land and at sea. The company always has a direct supervisory role in ensuring quality of its service, however the actual performance of the service is not necessarily done by direct employees of the company.

In the fiercely competitive markets in which WWL operates, quality of service is a key commercial differentiator and the cornerstone for customer growth and retention. Best practice in ESG is equated with supply chain risk mitigation, efficiency, and is increasingly demanded by customers to drive their own ESG agendas.

Quality Management

The uptime of the owned fleet is primarily built on trust and effective communication between ship and shore, such that requests for additional time in port to undertake necessary repairs, refurbishment or maintenance are granted. The metric for uptime of the fleet is its opposite: unscheduled off-hire. Data on this is reported to the Marine Operations Management team monthly and followed up as required. Good risk management is essential in maintaining fleet uptime, which in practical terms has meant applying preventative maintenance techniques to critical equipment.

Regarding environmental regulation, the commitment for ocean and landbased businesses is the same: full compliance with all applicable regulation. Compliance is maintained through regular audits and strict adherence to company procedures and processes.

The aim is for environmental management plans for all facilities to comply with ISO14001. Many facilities already have ISO14001 certification and most of the company’s Ship Managers are ISO14001 certified.

Evaluation of results

Average unplanned off-hire across the entire owned fleet in 2017 was 16.0 hrs, which is an improvement on the calculated figure for 2016 of 21.0 hrs. The improvement was due to improved quality of vessel maintenance routines and performance driven by a focus on planned maintenance by WWL’s newly established Marine Operations Management team. As a new company a 2017 target for unscheduled off-hire was not set.

During 2017 there was one case of environmental regulation non-compliance from ocean operations. It regarded an oil spill in Zeebrugge of over 20 litres, which is generally regarded as the threshold of ‘significance’ in the industry. No sanction was levied by the local authorities. The standard oil spill response procedures were effectuated to minimise the impact of the spill. The total quantity of the oil spill was estimated to be 40-50 litres and it occurred while discharging oil sludge from the vessel to a receiving barge. The reason for the spill was due to miscommunication over whether a flanged connection was ready for transfer to commence. The details of the case have been shared with relevant stakeholders.

Ambitions and next steps

The target for unscheduled off-hire for 2018 is for each individual ship manager to achieve a result of under 24 hours. To reinforce recent advances and further improve unplanned off-hire time, the company will attempt to switch the emphasis from preventative to predictive maintenance during 2018. This will be done by means of trialling specialist sensor equipment for monitoring vital systems and equipment on-board. As this is state-of-the art technology in shipping, it is premature to set any target for the initiative yet.

On the environmental compliance, the previous year's results demonstrate that existing processes and measures are having the desired effect, so will be continued. For ocean operations an environmental programme has been drawn up and put into effect for the owned fleet which will help keep compliance foremost in the minds of those on the front lines. A corresponding programme is under development for WW Solutions. Finally, during 2018 WWL will seek ISO14001 certification for its corporate environmental management system.

ESG customer management

WWL's customers make regular enquiries and demands in relation to the company's Environmental, Social and Governance (ESG) performance and practices. It is also in the group's interest to determine certain ESG aspects in relation to its business with customers.

Ensuring that services provided to customers always comply with international sanctions, laws and regulations goes with the right to trade in certain countries and is therefore essential to the company's global operations. As WWl's services form a vital part of the supply chains of its customers, compliance with the rules and conditions of international sanctions is paramount for them too.

ESG policy and responsibilities

WWl's policy is to comply fully with the rules associated with international sanctions laws and regulations. The group's commercial teams are responsible for engaging the support of legal expertise on any case where a concern exists about possible sanction compliance. Conversely, the company's compliance experts keep the commercial teams updated on development in relation to international sanctions and have implemented a clear sanctions policy. If a case of non-compliance occurs the compliance experts will make sure that the activity is stopped.

Evaluation of results

In 2017 there were no cases in which the group's companies were found in breach of international sanction laws and regulations, which was an acceptable result. In the past year the company has implemented a clear aligned group sanctions policy.

Ambitions and next steps

The company has an ambition to constantly improve and make sure that all employees and other stakeholders are aware of the implemented sanction policy and intend to roll out an information package, including training and e-learning, in 2018.

Tax Practices

Interest in multinational corporation's global tax planning has increased over recent years. The Organisation for Economic Cooperation and Development (OECD), an intergovernmental group, has worked out 15 actions relating to global tax planning strategies by multinationals in the so called Base Erosion and Profit Shifting (BEPS) project. The group is committed to be a responsible taxpayer, combining professionally executed tax compliance with legitimate tax planning based on valid business purposes. At WWL, corporate tax affairs fall within the responsibilities of the CFO and extend to all jurisdictions where the company operates.

The correct handling of the group's tax affairs is of foremost importance to the group, both from a compliance and an ethical perspective. For the tax authorities of the countries in which WWL operates, payable income tax is an important source of government revenue.

Management in line with OECD guidelines

The company is committed to full compliance with OECD guidelines regarding Transfer Pricing documentation rules, which involves having a Master file, Local file and Country by Country Reporting (CbCR) updated annually for each country in which it operates.

Internal resources in Head Office in Oslo as well as local resources and external advisors are involved in the preparation of the Transfer Pricing documentation. After the documentation is submitted, the Norwegian tax authorities or other local tax authorities can follow up with requests for clarifications.

Evaluation of results

WWL submitted Transfer Pricing documentation, including Country by Country Reporting for all countries in which it operates, in a timely manner for 2017, thereby achieving full compliance with the regulation.

Ambitions and next steps
As activity relating to tax practices is driven by regulation, the primary focus of the company is to continue to maintain full compliance.

Security at landbased facilities

WWL has operations at landbased facilities across the globe. Facilities include ocean terminals, distribution centres and vehicles processing centres. All landbased facilities fall within the scope of WW Solutions. Accordingly, the overall responsibility for security on landbased facilities rests with the President of WW Solutions. On an individual facility level, security is among the direct responsibilities of the respective facility managers.

Landbased facility security is materially significant to WWL for a variety of reasons ranging from its close connection to safety to its role in providing industry-leading quality of service. For its customers, a high focus on security protects and contributes to the integrity and efficiency of their outbound supply chains as well as their own product quality.

Zero-tolerance policy
The group has a zero-tolerance policy for security infractions and a target of zero for stolen units from any facility within our network. At port facilities, the company partners with the local Port Authority staff and security companies to ensure the implementation of the most appropriate and best possible security measures. At plant facilities, where Original Equipment Manufacturers (OEM’s) typically manage security, the company works closely with the contracted security companies to ensure yard/areas that are within the responsibility of WW Solutions to secure. For yards other than those in ports or at manufacturing plants, local security companies are hired to manage the locations and secure the flow of vehicles both in and out of the yards. At all facilities operated by WW Solutions, scanning systems and regular yard inventories are used to track vehicles and prevent lost or stolen units.

Evaluation of results
WW Solutions was formed during 2017. Going into 2017, the component parts from which it was formed did not have harmonised metrics or targets to measure landbased security performance against. That situation is being rectified, but there will not be full-year data to report or comment on until 2018.

Ambitions and next steps
During 2018 various automated systems, such as RFID, with the potential to provide an even

higher level of visibility and security throughout the company's facilities, will be assessed. If the proof of concept is established the system will be strategically rolled out to facilities. Additionally, a project will be run during 2018 to define a company-wide KPI.

Security of vessels

The security of the fleet concerns the prevention of interference with, or harm to vessels, their crew or their cargo by unauthorised parties. This applies whether the effects of such interference would be consistent with the intentions or interests of WWL or not.

The group has a reputation for high-quality and dependable services. Vessel security breaches would have a corrosive effect on that reputation. Security is also important in terms of crew retention. For customers, vessel security is important due to its role in ensuring the timely and fault free transport of their cargo. Investors' interest in the group's vessel security relates to the negative impact the lack of it would have on the value of their investment.

Managing fleet security

Responsibility for fleet security lies with the Marine Operations Management Team. It is they who set the targets, define initiatives and assess performance in relation to security for all vessels in the fleet. All owned or controlled vessels must follow the company's Ship Security Policy, which includes the basic requirement that ship managers adhere to all rules and regulations applicable to each vessel.

To mitigate the threat of piracy, each vessel's Ship Security Officer (SSO) must be well familiar with the vessel specific Ship Security Plan (SSP) and the equipment relating to it. Regular drills are carried out to ensure that all officers and crew are fully aware of procedures within SSP. Under certain conditions a vessel may use the services of a Private Maritime Security Company (PMSC), however only in accordance with the strict requirements of the Ship Security Policy, including that the PMSC has been subject to due diligence.

Regarding stowaways, emphasis is put on prevention by providing vessels with relevant information for upcoming ports of call. The company also works with terminals in areas where stowaways are known to be a problem to assist them in improving routines, detection equipment, fencing and other deterrent measures.

Evaluation of results

There were 5 security breaches on vessels owned by WWL in 2017, all of which related to stowaways and, specifically, to the immigrant situation in European ports. The impact this type and frequency of breach has on cargo or operations is negligible.

Ambitions and next steps
In 2018 the company aims to establish security forums at regular intervals to enhance information sharing and best practice analysis. The Joint Maritime Security Working Group, (JMSWG) ensures and strengthens security competence and capabilities regarding security, facilitates the establishment of a coherent and efficient security network, and encourages the integration of security practices in day to day activities.

ESG supplier management

Each of WWL group's operating companies procure products and services from a varied and globally distributed supplier base. As a significant buyer, the company can influence broader aspects of suppliers and their offerings, including those relating to Environmental, Social and Governance (ESG) performance.

WWL sees effective ESG management and performance as a sound proxy indicator of the general fitness of its supplier base. It is also a reflection of what is expected of the company by its customers.

It is in the interest of society in general that ESG factors be considered in supplier selection at all stages in the value chain. Ultimately, demand is the most effective driver of progress.

WWL actively uses ESG supplier evaluation criteria and processes in some business areas, such as vessel recycling. However, it does not yet have a group-wide policy or approach at this point.

Evaluation of results
A group-wide approach to ESG supplier management does not yet exist, therefore there is no data to report.

Ambitions and next steps
The company is now working on defining and putting into effect a group-wide policy for ESG supplier management. The approach taken to implementing the policy will be adapted to the needs of individual business areas, but it is anticipated that WWL will directly oversee ESG supplier management in most cases.

The company intends to have developed and implemented it's ESG policy during 2018 and to have defined and begun reporting on KPIs in relation to it by the start of 2019.

Privacy and data security

In recent years there have been numerous high-profile cases of lapses in data security and privacy. Many resulted in serious operational, reputational and customer costs or losses. The EU's far-reaching General Data Protection Regulation (GDPR) demonstrates officialdom's level of concern with the issue and emphasises the need for close attention by industry.

As a large, modern and global organisation WWL maintains electronic records and relationships with its stakeholder groups, including customers and employees. The interests of the company and its stakeholders are aligned in ensuring the security and privacy of such information is not compromised and or exploited by third parties.

Information Seurity Management
WWL will comply with the 2018 GDPR regulation through its structured strategic approach to information security, which includes the implementation of a related set of policies and procedures. The company is putting in place systems and processes to report on the 'Number of notifications to clients and data protection authorities' arising from GDPR for the group. Responsibility and ownership of the process will be with the Data Privacy Officer (DPO).

Management of privacy and data security will also interface with ongoing projects and initiatives in information security in general, more specifically the implementation of an Information Security Management system.

Evaluation of results
As the requirements of GDPR take effect during 2018, preparations for reporting the chosen indicator have only been recently completed. Nonetheless, it can be confirmed that there have been no substantiated breaches from the launch of WWL in April 2017 up to the time of writing this report in February 2018.

Ambitions and next steps
WWL aims to have fulfilled the binding corporate rules (BCR) application prior to GDPR taking effect in May 2018. Separately, the information security management system will be reinforced to reflect industry best practice and policies to increase the overall maturity level.

Green innovation

WWL recently debuted its new ‘Lean:Green’ environmental strategy. The name coveys the importance of being environmentally progressive and the idea that being lean and green should be the same thing. Innovations that are truly lean and green can have great market potential, in their own right, or in terms of services that enable them to achieve scale. In short, ‘green innovation’ will go beyond reducing the company’s environmental footprint today; it will define and shape the group’s business in the future.

As with innovation generally, green innovation is best when it draws on the broad knowledge and competence of the organisation, but it has its focal point in the Marine Operations Management team for fleet related activities and with the President of WW Solutions for those relating to land.

For the group to create and capitalise on opportunities for the future, green innovation is a must. The aligned interest of the company’s investors, employees and customers, in the future success of the company, implies an interest in the green innovation of WWL too.

Collaboration for high impact changes
It is the companies stated vision to enable the industry’s journey towards the next generation of propulsion solutions for deep sea shipping. To do this it engages with innovators, suppliers, industry peers, academia and authorities to learn about, evaluate and contribute to the development of possible ways forward.

WWL’s approach to green innovation is guided by a set of six principles listed in the Environmental Policy. They include an emphasis on partnership, investing in lean:green solutions and focussing on high impact changes. The main initiative through which the company actively seeks innovations is through the Ocean Exchange innovation forum at which the WWL’s Orcelle Award is presented.

The company’s overall collaboration with the Ocean Exchange is led by the President of WW Solutions, who is a member of the board. Engaging the relevant members of WWL’s technical or business development staff in the annual event is the responsibility of the Head of Sustainability.

Evaluation of results
The strength and depth of the competing green innovations at the Ocean Exchange continue to grow as does the profile of the delegates. Of the twelve finalists in 2017, five were candidates in the Orcelle Award category, which was a record.

Ambitions and next steps

The ongoing objective of the coming years is to further increase the breadth and depth of the innovator group attracted to the Ocean Exchange while also increasing the scale and capability of Ocean Exchange itself through the recruitment of new sponsors.

Protecting life below water

Protecting life below water is about maintaining biodiversity and safeguarding the ecosystems in the ocean. Through its ocean operations, WWL has a risk of impacting life below water through activities relating to ballast water, hull fouling, ship generated waste and vessel recycling.

The company takes its responsibility for protecting life below water seriously through strict adherence to all applicable rules and regulations. Additionally, it actively engages in the development and support of novel solutions that act to mitigate the environmental impact of its operations.

Environmental emergency preparedness of ships

With a large fleet in global operation, environmental emergencies may arise for reasons both within and outside of the control of the company. By their nature, it is not possible to predict when and where they may occur, or what they concern, but it is possible to make preparations to ensure an optimal emergency response. That is the focus of this material topic which has two indicators; the number of significant spills and the number of oil prevention drills conducted.

Long established and strictly enforced regulation addresses the need for all vessels to be adequately prepared for environmental emergencies. In addition, the potential negative consequences of being ill-prepared in an emergency make it an especially important issue.

Environmentally harmful oil spills are not something any of the company's stakeholders, including customers, investors and employees would want to be associated with. Association with a company which is unprepared when a spill occurs is something they want even less.

Ensuring emergency preparedness

The Marine Operations Management team has the overall responsibility for ensuring the emergency preparedness of the fleet. In practice this is done indirectly through close collaboration with the fleet's varous ship management companies who in turn work with individual vessels.

The focus of preparation on every vessel owned by WWL are SOPEP/OPA 90 drills. Regulation demands these drills are conducted at least bi-annually. They are organised by the ship managers who are also responsible for ensuring that sufficient and effective tools and materials are maintained on-board each vessel to respond to oil spills of various kinds, for example whether on the deck of a vessel or to the sea.

If an environmental emergency does occur the company's Emergency Response Reporting Routines Policy is enacted to minimise damage to enable the company to respond quickly and effectively to minimise environmental damage. The policy includes immediate notification from the vessel to the Marine Operations Management team who are responsible for the group's emergency response.

Evaluation of results

During 2017 there was one case of environmental regulation non-compliance from ocean operations. It regarded an oil spill in Zeebrugge of over 20 litres, which is generally regarded as the threshold of 'significance' in the industry. No sanction was levied by the authorities. The standard oil spill response procedures were effectuated to minimise the impact of the spill. The total quantity of the oil spill was estimated to be 40-50 litres and it occurred while discharging oil sludge from the vessel to a receiving barge. The reason for the spill was due to miscommunication over whether a flanged connection was ready for transfer to commence. The details of the case have been shared with relevant stakeholders.

In 2017 355 SOPEP / OPA 90 drills were conducted across the owned fleet, giving an average of in excess of 4.5 per vessel – well in excess of the regulatory minimum. WWL believes that the attention created by the drill frequency is what helps avoid environmental emergencies occurring in the first place.

Ambitions and next steps
The current approach to emergency preparedness is functioning well and so the existing approach will be continued for 2018.

Environmental issues in ship recycling

One of the environmental issues of shipping is how vessels are broken up and recycled once they reach the end of their service lives. Too often there is a significant negative environmental impact from ship breaking. WWL 'green recycles' vessels that it owns and has direct influence over whether the approach taken is environmentally responsible. The process is supervised on site by a specialist Ship Management team and overseen by Marine Operations Management.

Those communities who live near to where recycling of the company's vessels takes place clearly have a material interest in the environmental aspects of how the vessels are recycled. The Norwegian State Pension Fund's decision to divest its stake in several shipping companies with poor environmental performance on vessel recycling, shows growing investor awareness and interest too. As a stock listed company that also means the issue is very relevant for WWL. Additionally, the forebears of the company have been 'green recycling' vessels in an environmentally responsible way for many years and hence it is important to the company's employees that the practice should continue.

Ensuring process control
WWL is firmly committed to green recycling of vessels to industry-leading environmental and social standards. Maintaining control over the process, which is essential to achieving such standards, is done in three ways. First, before any recycling process begins with candidate facilities / yards being vetted by one of a competent and known surveyor. Such yards must have proper safety management, craned berths or floating docks and handling and storage of all materials. Secondly, the vessel is sold through cash buyers to a specific yard to be recycled to specific standards and within a specified timeframe. There is no possibility for the vessel to be recycled other than as Wallenius Wilhelmsen intends. Thirdly, the actual recycling is supervised by a qualified partner who has the right to halt work on safety or environmental grounds. Also, the payment structure for the yard is set up such that they are incentivised to achieve particular safety and environmental performance results.

During the vetting process the yard must be able demonstrate it has a proper environmental management system in place to contain and manage all materials and substances, including all kinds of oils, arising from the recycling process. Prior to recycling, the Inventory of Hazardous

Materials (IHM), which is important in guiding and planning the safe dismantling of a vessel, is updated. During recycling the ship manager's site superintendent has the right to halt activities if they are concerned that environmental protection measures are inadequate.

Evaluation of results

WWL did not recycle any vessels in 2017 because no vessel in the group's ownded fleet had reached end-of-life status.

Ambitions and next steps

During the course of 2018 the company will formalise its long-standing green approach to vessel recycling in a green recycling policy. That policy, which will be published on the company website, will include reference to environmental aspects of ship recycling. Additionally, a contract term will be drafted for all future long-term vessel charters that will stipulate the vessel, if redelivered close to the end of its service life, must be recycled in a manner consistent with WWL's green recycling policy. The company also has an ambition to have the clause inserted in existing long-term charter parties. The proportion of vessels in the group's fleet that are on long term charter is approximately 20%. Finally, in the interests of transparency, the company will publish details of how its owned vessels have been green recycled since 2000 on its website.

Ballast water

Ships require ballast water for several purposes including stability, trim and manoeuvring. Vessels in the WWL fleet have a ballast capacity of several thousand tonnes. Ballast water is a known vector for the transport of invasive species and hence regulation requires measures to be taken to mitigate the risk of organisms being transferred by ballast water. The regulation applies to all vessels everywhere and all the time.

Protection of marine ecosystems is important for environmental and economic reasons, which makes the issue material for many coastal communities. For WWL it is a compliance issue and part of its commitment to be a responsible logistics provider.

How the topic is managed

Selection and installation of the ballast water treatment system for owned vessels is overseen by the company's Marine Operations management team, while ongoing compliance with the regulation for those vessels is the task of the ship management companies.

Most WWL vessels currently comply through ballast water exchange, however the proportion of the fleet complying with ballast water treatment systems will grow as those systems are installed.

It is the policy of the company to install only systems that have received Type Approval from the United States Coast Guard (USCG) as well as the International Maritime Organisation (IMO), as those are considered to have been most rigorously tested. It is also the intention of the company to select as few different treatment system vendors as possible because a unified standard across the fleet makes training more straightforward and mitigates the risk of non-compliance through human error.

Evaluation of results
WWL has been fully compliant with ballast water regulation throughout 2017. It is also in the final stages of an exhaustive process to select the optimal ballast treatment system vendor for the owned fleet.

Ambitions and next steps
Once the company selects a vendor, installation of the first ballast treatment systems will commence. The goal is to have two systems installed during 2018 and to monitor their performance closely to make any necessary adjustments to the programme at an early stage. By 2025 all vessels in the fleet will have been retrofitted with ballast water treatment systems.

Hull fouling

One of the most impactful and least discussed aspects of vessel performance is hull fouling. In the same way as it is difficult to swim fully clothed, it requires significantly more power to propel a vessel at a constant speed as the level of hull fouling increases. That means hull fouling has a direct relationship to atmospheric emissions of all kinds. Moreover, the organisms that can grow on the hulls of ships can present an invasive species risk with negative environmental and economic consequences.

WWL buys its own fuel and that fuel is the big single item in its cost base. Hull fouling can quickly account for several percent of over consumption, making it a key focus area for the company. Moreover, there is an increasing body of regulation governing management of hull fouling, so it is a compliance issue too. For its commercial and investor stakeholders the compliance aspect makes the topic material. For coastal communities near ports the invasive species risk can be very significant due to the threat of ecosystem disruption, which in turn can have negative economic consequences.

Hull fouling management

Hull fouling management is overseen by the Marine Operations Management team.

All WWL's owned and long-term charted vessels must conform to its Underwater Hull Maintenance Policy. The policy describes the roles, responsibilities, objectives and norms to be followed in relation to hull fouling. The main stakeholders are the Marine Operations Management team of the company, and its ship management companies. Where possible, the company uses hull cleaning vendors that operate 'clean and capture' systems, that collect all the material removed from the hull so that it can be disposed of in a controlled manner that eliminates the invasive species risk.

Evaluation of results

An empirical hull fouling scale has been adopted as part of a fouling management programme. The fouling factor of a vessel is scored on a scale of one (good) to 10. The scale takes account of the type, amount and coverage of full fouling. Implementation across the owned and long-term charter fleet began in 2017 and continues still. The average for the 75% of the owned fleet that were assessed in 2017 was 4. The first year for complete owned fleet results will be 2018.

WWL has also been working to establish a hull fouling management platform online to record all inspection and cleaning quick and convenient review by port state authorities and the company itself. At present 30 vessels in the owned fleet have been registered on the platform.

Ambitions and next steps

In 2018 the hull fouling management programme will be extended to entire owned fleet. Long term charter vessels will also be monitored under the same. Vessels with severe fouling will be the vessel owner's responsibility under the terms of the charter party, while vessels with more moderate fouling will be addressed on a case by case basis.

During 2018, all owned vessels will be logged on online biofouling management platform.

Ship generated waste

The routine operation of a vessel generates waste. Major sub-categories of waste include dunnage, packaging, fuel sludge and food waste. Monitoring the quantities of each waste type generated and disposal methods is the focus of this indicator. For most of the categories mentioned, it makes sense to strive for zero waste, however dunnage is the exception; insufficient dunnage can quickly lead to safety issues.

WWL strives to reduce the production of waste to the greatest extent possible due to the cost and complexity of disposal. That, and the fact that discharge of waste is governed by regulation, make it a material topic for the company. Environmental damage arising from the irresponsible disposal of waste assigns importance to the issue for society in general and port state control authorities in particular.

Managing on-board waste

It is the company's mandate to effect changes in the amount of waste produced and how it is handled for vessels in the owned fleet. The group's Marine Operations Management team are responsible for managing the issue of waste generation on the owned fleet, while the company's ship managers ensure that the policies and requirements set by WWL are followed on individual vessels.

Management of waste onboard the owned fleet is built around well established and understood procedures and the company's steadfast commitment to compliance with all applicable regulations. Some regulatory requirements, such as the Garbage Record Book and Oil Record Book are actively used to add structure to the process. The correct means of disposal of waste varies by type. For instance, overboard discharge of food waste is permitted under certain conditions, whereas more environmentally hazardous waste, like oil sludge, must be discharged to an authorised reception facility.

A sizeable number of WWL's owned vessels have incinerators installed, however the company is gradually phasing out their use and they have not been installed on the latest new-build series. Due to their small size they are less efficient than landbased incinerators. Also, improvements in the capability to compact and store waste on-board along with the more widespread availability of proper waste reception facilities in port, have reduced the dependency on incineration.

Evaluation of results

The amount of garbage landed to shore reception facilities during 2017 from owned fleet was 4915cmb, giving a vessel average of 59.2cbm. Food waste discharged to sea was 210cbm. This was the first full year data, so year on year comparison is not possible. In addition, such a comparison may not be a reliable performance indicator as a lot of the waste, like dunnage, is driven by operations and cannot and should not be reduced to zero. However, the average amount of waste produced per vessel should track downward over an extended period of time.

Ambitions and next steps

During 2018 an initiative will be undertaken to generate a comprehensive overview of on-board waste handling facilities across the owned fleet. Further, new waste management performance metrics will be devised based on the findings of the study. The study’s findings will also be used to inform the drafting of a formal WWL garbage handling procedure to be implemented across the fleet.

Finally, a supplier initiative to reduce the amount of packaging waste left onboard will be developed and applied with greatest focus on suppliers that contribute most to the problem.

Navigating towards zero emissions

Navigating towards zero emissions is about WWL group’s air emissions. The company has significant air emissions throughout its value chain including, SOx, NOx, Particulate Matter, and CO2 and other Green House Gas (GHG) emissions mainly originating from the fleet’s fuel use. WWL acknowledges and embraces the fact that society and business are moving towards zero emissions, a large challenge which represents a potential risk, but also an opportunity to reduce operating costs and differentiate itself in a competitive market.

The company’s lean:green environmental strategy is therefore a central part of the strategy for navigating towards zero emissions. Read more about this strategy in the chapter “Sustainability at WWL”

GHG emissions from ships

Transoceanic shipping is an industry of paradoxes. It is the most carbon efficient mode of transport there is, yet it accounts for over 2% of global CO2 emissions and there is currently no viable substitute for fossil fuels. The emissions arise from the onboard generation of energy for propulsion and electricity to run ancillary systems. All the power generated comes from the fuel oil, which means fuel consumed is accountable for the entirety of Scope 1 and Scope 2 emissions, i.e. the sum of all emissions from sources that are owned or controlled by the company plus emissions from the consumption of purchased energy.

GHG emissions and operating costs are two sides of the same coin and for WWL there is great benefit in reducing both. For the former the benefit is in reducing exposures to disruptive technology and regulation while for the latter there is the potential to significantly reduce the cost base. For the company's customers, related benefits apply. There is also a wider societal interest in reducing GHG emissions due to its connection to climate change.

Several parts of the company contribute directly to the effort including sales, operational and technical teams. For WWL, GHG emissions from its ships is dominated by CO_2 and other GHG emissions are negligible in comparison.

Vessel performance management

Fuel consumption of each vessel, whether at sea or alongside, is recorded daily along with many other factors that affect performance. The data is assessed by the Marine Operations Management team to determine vessel performance. Adjustments are continuously made to achieve a more optimal result. For credibility, the total and relative CO_2 results for the entire fleet under WWL's control are independently verified and reported annually in compliance with the ISO14064 standards for greenhouse gas accounting and verification.

The company's objective for relative CO_2 emissions (carbon intensity), is expressed as a reduction in grams of CO_2 emitted per tonne kilometre (gCO_2/tkm) over a specified time interval. For transparency the actual figure at the start of the interval and the goal to be reached are published.

The relative CO_2 objective will apply to the combined performance of all vessels under the control of the company, regardless of whether they are owned or chartered. Major factors that will contribute to achieving the result will be optimised fleet deployment and utilisation made possible by the creation of WWL, enhancing hull fouling management and by adding four more HERO vessels to the fleet.

Evaluation of results

WWL is undertaking ISO14064 compliant GHG reporting for the total and relative CO_2 emissions for all vessels under its control in 2017. The process involves an external auditor and will be completed during the first quarter of 2018. The results stated below have therefore not been subjected to auditing, however the company does not anticipate significant adjustments.

Scope 1 and Scope 2 are reported as one figure because they come from the same source and are not possible to separate. For 2017 total CO2 arising from all ocean operations was 5 171 315 tonnes. The result is primarily a reflection of the amount of cargo work done in the interval, which is driven by the state of global markets. Fuel efficiency, or relative CO2 emissions, is also a significant factor affecting the results. For the fleet under the group's control, the 2017 carbon intensity result was 35.9 g/tkm. Again, as a first-year result, it is difficult to put in perspective. Given the company's fleet includes a sizeable proportion of smaller vessels with a light cargo profile (more cars, less rolling equipment and breakbulk), the result is acceptable. An improving freight market is the main reason for the 2017 result; vessel utilisation is at an elevated level.

Ambitions and next steps
The company is in the process of recalculating its baseline for relative CO2 emissions. When this process is completed in the early part of 2018 a relative CO2 reduction target will be set. Continued improvement in GHG performance will primarily be achieved in 2018 through hull fouling management improvement as well as by extracting efficiencies from fleet deployment and utilisation arising from the creation of WWL. Additionally, a common data collection and analysis system for use across all owned vessels and long-term charter vessels will improve the robustness of data driven decision making.

Non-GHG air emissions from ships

Deep sea vessels produce a range of emissions other than CO2. They are chiefly nitrogen oxides (NOx), sulphur oxides (SOx) and particulate matter (PM). NOx is a product of the combustion process, SOX originates from the sulphur in the fuel and PM arises from a combination of the type of fuel and how it is combusted. All are the subject of increasingly impactful, global regulations.

WWL's business is built on the bedrock of compliance, that by itself makes non-GHG emissions a material topic for the company. Additionally, the company has a zero emissions vision for its ocean services because it believes it will have the best long-term outcome for people, planet and profit.

NOx, SOx and PM emissions have negative environmental and health impacts, therefore for society in general these emissions are a material issue. For investors and customers, the importance of the issue derives both from their need for compliance in their supply chain and investments respectively and, increasingly, from environmental awareness and criteria used for purchase and investment decisions.

The scope of this material topic is all vessels under WWL's control, whether owned or chartered. Progress with these emissions is driven by regulation as well as by progress with CO2 emissions. responsibility for compliance and vessel preformance lies with the Marine Operations Management team. Their decisions and instructions affect performance in this area, however as with CO2, the results are heavily affected by factors outside the company's control such as the condition of freight markets.

How the topic is managed

WWL is committed to full compliance with all applicable global, regional and local emissions regulation. Compliance with NOx regulation is gained through technical modifications to the main engine during ship building. SOx and PM are regulated as one. For them, compliance is gained either through choice of a fuel of the required sulphur content, or through operation of a device ('scrubber') that removes SOx from engine emissions. Compliance on an individual vessel level is maintained by ship managers through correct use of fuel provided by WWL's bunkering staff.

Sulphur regulation will undergo a step change in 2020 with the introduction of a new global cap of 0.5% sulphur fuel content, an 86% reduction on the current level of 3.5%. Considerable technical, operational and financial uncertainty surrounds the best compliance choice for a vessel. To mitigate the uncertainty the company has been running a 'Four Stream' project for several years which has involved the proactive examination and testing of four different compliance pathways in order to develop a deep understanding of their merits for deepsea, global RORO operation. The company is also the founder and current Chair of the Trident Alliance, a network of almost 50 shipping companies that believe in robust enforcement of sulphur regulations for the combined benefit of health, the environment and fair competition.

Lastly, it is important to note that all the foregoing emissions correlate strongly with CO2 emissions. Therefore, all initiatives to improve fuel efficiency, such as enhanced hull fouling management generally have a positive effect on NOx, SOx and PM emissions too.

Evaluation of results

As this is the first year of reporting for WWL a like-for-like comparison with previous years cannot be made.

The total SOx emissions of the fleet under the group's control in 2017 was 72 194 tonnes. The calculation method used is based on the formula used in Annex 6 of IMO's 3rd GHG Study, 2014 and accounts for both SO2 and SO3.

The average sulphur content in fuel used, which is the parameter on which regulatory limits are based, was 2.18% for the year. The results are driven by 100% compliance with sulphur regulation, the quantity of fuel used, the degree of exposure of the fleet to 0.1% sulphur Emission Control Areas, which exist in northern Europe and North America and the average sulphur content of heavy fuel oil on the market during the year.

Particulate Matter measurement requires sophisticated equipment and specialist competence. For this reason, there is no PM result to provide other than that WWL following the applicable regulation throughout 2017 because sulphur and PM are regulated as one.

Every vessel must have an International Air Pollution Prevention certificate (IAPP) which states the relative NOx emissions of the engines onboard. The most effective indicator of NOx performance for WWL is the average International Air Pollution Prevention (IAPP) certification value for the owned fleet. The 2017 result for the owned fleet was 13.68g/kWh.

The validity of this as a KPI is underscored by the fact that NOx and CO2 emissions go hand in hand.

Ambitions and next steps
The continuation of the Four Stream and Trident Alliance initiatives are central to the continued progress on SOx. In addition, the approach to GHG will also pay dividends for all non-GHG emissions.

GHG emissions in land-based operations

Although the land-based activities of WWL are not energy intensive compared to its ocean activities, due to their extent, they do account for significant GHG emissions. The scope of land based GHG emissions includes all kinds of facilities, including vehicle processing centres, vehicle distribution centres and ocean terminals, and vehicles which the company operates. Facilities and vehicles over which the company has operational control, can be directly or in-directly influenced in relation to their GHG emissions, depending on what form the energy in question takes. Leadership on land-based facility and vehicle GHG emissions lies with the respective operational manager.

GHG emissions are directly linked to operating cost for WWL and are increasingly accompanied by environmental regulation, which is a combination of importance to the company. For the company's customers, interest is linked to their desire for their supply chains to reflect the zero emission vehicles that they are increasingly producing and renewably-powered factory facilities that they are producing them at.

Reducing energy consumption
Energy consumption is managed on an individual facility basis. The leading source of energy at most facilities is electricity and the focus of improvement is on large, inefficient consumers. A notable case in point has been the upgrading to LED lighting at several facilities.

Energy is also consumed by cargo handling and distribution vehicles. Local or regional regulation govern emissions from such vehicles and WWL is committed to always complying fully with them.

Evaluation of results
Due to the recent corporate level reorganisation, work remains to be done to implement a robust and global land-based GHG emissions reporting routine. Although data on energy consumed has been recorded during 2017, the process is not fully mature and hence the data set is not complete.

Ambitions and next steps
During 2018 a new global performance reporting system for all land-based facilities is being brought online. It is anticipated that it will provide robust full-year baseline GHG emissions figures.

The data acquired will contribute to the development of environmental policies, objectives and initiatives for WWL's landbased business. This work will also be completed during 2018.

Non-GHG emissions in landbased operations

The land-based operations of WWL include terminals, equipment processing centres and trucking operations. All of these consume energy and for the majority that energy is derived either directly or indirectly from fossil fuels, which means that the operations account for both GHG and non-GHG emissions. The latter is the focus of this material aspect and includes primarily NOx and Particulate Matter emissions. The scope of land based non-GHG emissions includes all kinds of facilities and vehicles which the company operates. Facilities and vehicles over which the company has operational control, can be directly or in-directly influenced in relation to their non-GHG emissions, depending on what form the energy in question takes. Leadership on land-based facility and vehicle GHG emissions lies with the respective operational manager.

Regulations that govern vehicle non-GHG emissions apply in many of the jurisdictions in which the company operates and compliance with them is a minimum ticket to trade for WWL. Local communities increasingly take interest in the non-GHG emissions of industrial facilities because of the negative health impacts such emissions can have.

Managing non-GHG emissions

Non-GHG emissions in the group's operations are predominantly due to mechanical or electrical power generation, which means they are closely linked to GHG emissions. Thus, the main approach to reducing non-GHG emissions has been to reduce GHG emissions.

Evaluation of results

Data on land-based non-GHG emissions has not been reported previously.

Ambitions and next steps

During 2018 a project will be run to establish non-GHG reporting across WWL's landbased organisation. It will also serve to inform any related policies, objectives and initiatives that need to be taken.

Wallenius Wilhelmsen GRI Index - 2017

Global Reporting Initiative (GRI) is a independent international standards organisation which has developed the world's most widely used framework for sustainability reporting. The GRI guidelines consist of reporting principles, aspects and indicators that organizations can use to disclose information related to economic, environmental and social performance.

This report has been prepared in accordance with the GRI Standards: Core option.

The table below shows Wallenius Wilhelmsen reporting relative to the GRI Standards guidelines.

GENERAL DISCLOSURES

GRI §	Description	Source (page no.)
Organisational profile		
102-1	Name of the organization	This is Wallenius Wilhelmsen (p.2)
102-2	Activities, brands, products, and services	This is Wallenius Wilhelmsen (p.2)
102-3	Location of headquarters	*"Strandveien 20, 1366 Lysaker, Norway"*
102-4	Location of operations	This is Wallenius Wilhelmsen (p.2) Diversity (pp.44-45)
102-5	Ownership and legal form	Corporate governance (pp.84-102)
102-6	Markets served	This is Wallenius Wilhelmsen (p.2) Diversity (pp.44-45)
102-7	Scale of the organization	This is Wallenius Wilhelmsen (p.2) Diversity (pp.44-45)
102-8	Information on employees and other workers	Diversity (pp.44-45)
102-9	Supply chain	ESG supplier management (pp.60-61)
102-10	Significant changes to the organization and its supply chain	Highlights for 2017 (pp.15-16)
102-11	Precautionary Principle or approach	*"Precautionary Principle is applied"*
102-12	External initiatives	Sustainability at Wallenius Wilhelmsen Logistics (pp.34-78)
102-13	Membership of associations	Sustainability at Wallenius Wilhelmsen Logistics (pp.34-78)
Strategy		
102-14	Statement from senior decision-maker	Words from the CEO (p.8)
Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	Vision and strategy (p.14)
Governance		
102-18	Governance structure	Corporate governance (pp.84-102)
Stakeholder engagement		
102-40	List of stakeholder groups	Materiality assessment and stakeholder engagement (pp.38-41)
102-41	Collective bargaining agreements	Pension obligations (p.115) Note 13, Pension (p.149)
102-42	Identifying and selecting stakeholders	Materiality assessment and stakeholder engagement (pp.38-41)
102-43	Approach to stakeholder engagement	Materiality assessment and stakeholder engagement (pp.38-41)
102-44	Key topics and concerns raised	Materiality assessment and stakeholder engagement (pp.38-41)
Reporting practice		
102-45	Entities included in the consolidated financial statements	Corporate governance (pp.84-102)
102-46	Defining report content and topic Boundaries	Materiality assessment and stakeholder engagement (pp.38-41)
102-47	List of material topics	Materiality assessment and stakeholder engagement (pp.38-41)
102-48	Restatements of information	*NA - First year of reporting*
102-49	Changes in reporting	*NA - First year of reporting*
102-50	Reporting period	*01.01.17-31.12.17*
102-51	Date of most recent report	*NA - First year of reporting*
102-52	Reporting cycle	*Yearly*
102-53	Contact point for questions regarding the report	*Anna Larsson (anna.larsson@walleniuswilhelmsen.com)*
102-54	Claims of reporting in accordance with the GRI Standards	*Wallenius Wilhelmsen GRI Index - 2017*
102-55	GRI content index	*Wallenius Wilhelmsen GRI Index - 2017*

MATERIAL TOPICS

WWL topic / § no.	Description	Source (page number)	Omission	Reason for omission	Explanation for omission
Valuing our people's wellbeing and diversity - **Diversity**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	43-45			
103-2	The management approach and its components	43-45			
103-3	Evaluation of the management approach	43-45			
GRI 102 - General disclosures					
102-8	Information on employees and other workers	44-45	Statistics do not include production workers	Information not available	Measures will be taken to provide the same level of detail in the breakdown of production workers as is presented for white collar workers during 2018
Valuing our people's wellbeing and diversity - **Safe operations**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	45-48			
103-2	The management approach and its components	45-48			
103-3	Evaluation of the management approach	45-48			
GRI 403 - Occupational health and safety					
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	47-48	Number and types of injuries not reported and statistics is not broken down by gender or region	Information not available	A reporting system will be established during 2018 to close this omission
Valuing our people's wellbeing and diversity - **Human and labour rights in ship recycling**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	48-50			
103-2	The management approach and its components	48-50			
103-3	Evaluation of the management approach	48-50			
Wallenius Wilhelmsen - Own indicator					
WWL-1	Number of ships recycled	49, 67			
Valuing our people's wellbeing and diversity - **Training and development**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	50			
103-2	The management approach and its components	50			
103-3	Evaluation of the management approach	50			
GRI 404 - Training and education					
404-3	Percentage of employees receiving regular performance and career development reviews	50	Not reported for 2017	Information not available	A reporting system will be established during 2018 to close this omission
Valuing our people's wellbeing and diversity - **Working conditions and welfare**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	51-52			
103-2	The management approach and its components	51-52			
103-3	Evaluation of the management approach	51-52			
Wallenius Wilhelmsen - Own indicator					
WWL-2	Crew retention rate	51-52			
WWL-3	Crew satisfaction results	51-52			
Being your trusted business partner - **Ethical business conduct**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	53-54			
103-2	The management approach and its components	53-54			
103-3	Evaluation of the management approach	53-54			
Wallenius Wilhelmsen - Own indicator					
WWL-4	Ethical business conduct	NA	Not reported	Information not available	(A) new indicator(s) for external reporting of ethical business conduct will be established during 2018
Being your trusted business partner - **Quality of service**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	54-56			
103-2	The management approach and its components	54-56			
103-3	Evaluation of the management approach	54-56			
GRI 306 - Effluents and waste					
306-3	Significant spills	55, 65			
Wallenius Wilhelmsen - Own indicator					
WWL-5	Unplanned off-hire	55			
Being your trusted business partner - **ESG customer management**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	56-57			
103-2	The management approach and its components	56-57			
103-3	Evaluation of the management approach	56-57			
GRI 419 - Socioeconomic compliance					
419-1	Non-compliance with laws and regulations in the social and economic area (sanction laws and regulations)	56			

Being your trusted business partner - **Tax practices**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	57-58			
103-2	The management approach and its components	57-58			
103-3	Evaluation of the management approach	57-58			
Wallenius Wilhelmsen - Own indicator					
WWL-6	Transfer pricing documentation compliance	57			
Being your trusted business partner - **Security at landbased facilities**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	58-59			
103-2	The management approach and its components	58-59			
103-3	Evaluation of the management approach	58-59			
Wallenius Wilhelmsen - Own indicator					
WWL-7	Security at landbased facilities	NA	Not reported	Information not available	An indicator for security at land-based facilities will be established during 2018
Being your trusted business partner - **Security of vessels**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	59-60			
103-2	The management approach and its components	59-60			
103-3	Evaluation of the management approach	59-60			
Wallenius Wilhelmsen - Own indicator					
WWL-8	Number of security breaches on vessels owned by WWL	59-60			
Being your trusted business partner - **ESG supplier management**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	60-61			
103-2	The management approach and its components	60-61			
103-3	Evaluation of the management approach	60-61			
Wallenius Wilhelmsen - Own indicator					
WWL-9	ESG supplier management	NA	Not reported	Information not available	An indicator for ESG supplier management will be established during 2018.
Being your trusted business partner - **Privacy and data security**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	61			
103-2	The management approach and its components	61			
103-3	Evaluation of the management approach	61			
Wallenius Wilhelmsen - Own indicator					
WWL-10	Number of substantiated breaches of privacy and data security	61			
Being your trusted business partner - **Green innovation**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	62-63			
103-2	The management approach and its components	62-63			
103-3	Evaluation of the management approach	62-63			
Wallenius Wilhelmsen - Own indicator					
WWL-11	Number of Orcelle Award finalists	62			
Protecting life below water - **Environmental emergency preparedness of ships**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	64-66			
103-2	The management approach and its components	64-66			
103-3	Evaluation of the management approach	64-66			
GRI 306 - Effluents and waste					
306-3	Significant spills	55, 65			
Wallenius Wilhelmsen - Own indicator					
WWL-12	Average number of safety drills per vessel	65			
Protecting life below water - **Environmental issues in ship recycling**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	66-67			
103-2	The management approach and its components	66-67			
103-3	Evaluation of the management approach	66-67			
Wallenius Wilhelmsen - Own indicator					
WWL-13	Number of ships recycled	49, 67			
Protecting life below water - **Ballast water**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	67-68			
103-2	The management approach and its components	67-68			
103-3	Evaluation of the management approach	67-68			
GRI 307 - Environmental compliance					
307-1	Non-compliance with environmental laws and regulations	68			
Protecting life below water - **Hull fouling**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	68-69			
103-2	The management approach and its components	68-69			
103-3	Evaluation of the management approach	68-69			
Wallenius Wilhelmsen - Own indicator					
WWL-14	Average hull fouling factor	69			
WWL-15	Number of vessels registered in online hull fouling management platform	69			

Protecting life below water - **Ship generated waste**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	69-71			
103-2	The management approach and its components	69-71			
103-3	Evaluation of the management approach	69-71			
Wallenius Wilhelmsen - Own indicator					
WWL-16	Ship generated waste	70	Only total waste and food waste reported	Information not available	During 2018 an initiative will be undertaken to generate a comprehensive overview of on-board waste handling facilities across the owned fleet, and establish a reporting indicator
Navigating towards zero emissions - **GHG emissions from ships**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	72-74			
103-2	The management approach and its components	72-74			
103-3	Evaluation of the management approach	72-74			
GRI 305 - Emissions					
305-1	Direct (Scope 1) GHG emissions	73-74	Base year not reported	Information not available	As the company was established in 2017, a base line will be established during 2018
305-2	Energy indirect (Scope 2) GHG emissions	73-74	Base year not reported	Information not available	As the company was established in 2017, a base line will be established during 2018
305-3	GHG emissions intensity	73-74			
305-5	Reduction of GHG emissions	NA	Not reported	Information not available	As the company was established in 2017, a base line will be established during 2018
Navigating towards zero emissions - **Non-GHG air emissions from ships**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	74-76			
103-2	The management approach and its components	74-76			
103-3	Evaluation of the management approach	74-76			
GRI 305 - Emissions					
305-7	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	75-76			
Navigating towards zero emissions - **GHG emissions in land-based operations**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	76-77			
103-2	The management approach and its components	76-77			
103-3	Evaluation of the management approach	76-77			
GRI 305 - Emissions					
305-1	Direct (Scope 1) GHG emissions	NA	Not reported	Information not available	A GHG reporting system for land-based operations will be established during 2018
305-2	Energy indirect (Scope 2) GHG emissions	NA	Not reported	Information not available	A GHG reporting system for land-based operations will be established during 2018
305-3	GHG emissions intensity	NA	Not reported	Information not available	A GHG reporting system for land-based operations will be established during 2018
305-5	Reduction of GHG emissions	NA	Not reported	Information not available	A GHG reporting system for land-based operations will be established during 2018
Navigating towards zero emissions - **Non-GHG air emissions from land-based operations**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	77-78			
103-2	The management approach and its components	77-78			
103-3	Evaluation of the management approach	77-78			
GRI 305 - Emissions					
305-7	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	NA	Not reported	Information not available	A reporting system for non-GHG air pollution for land-based operations will be established during 2018

Signatures

Lars Håkan Larsson Chair	**Thomas Wilhelmsen** Board member	**Jonas Olof Gillis Kleberg** Board member
Marianne Lie Board member	**Kerstin Margareta Alestig Johnson** Board member	**Craig Jasienski** President and CEO

Implementation and reporting on corporate governance

Wallenius Wilhelmsen Logistics ASA (WWL) is a public limited company organised under Norwegian law. Listed on the Oslo Stock Exchange, the company is subject to Norwegian securities legislation and stock exchange regulations. WWL was established in April 2017, by a merger of the jointly owned shipping activities and relevant assets of Wilh. Wilhelmsen ASA and Wallenius Lines AB.

This report is based on the requirements covered in the Norwegian Code of Practice for Corporate Governance ("the code", dated 30 October 2014 http://www.nues.no), the Public Limited Companies Act and the Norwegian Accounting Act, approved by the board and published as part of the company's annual report. The report is also available on the company's webpage (https://www.walleniuswilhelmsen.com/investor-relations/).

Comply or explain principle
In addition to provisions and guidance that in part elaborate on company, accounting, stock exchange and securities legislations, as well as the Stock Exchange Rules (from 30 November 2005 with later amendments), the code also covers areas not addressed by legislation. Built on a "comply or explain" principle, the code requires the company to justify deviations from its 15 provisions and to describe alternative solutions where and if applicable.

Sustainable business model
A responsible business model is necessary to be sustainable. Acknowledging that the company's activities affect its surroundings, WWL issues a report consistent with the requirements of the GRI (Global Reporting Initiative) Standard. The Sustainability report for 2017 can be found under chapter 5. It describes how WWL manages its business in relation to the full sweep of environmental, social and governance issues that are material to it.

Governing elements
Employees and others working for and on behalf of the company should carry out their business in a sustainable, ethical and responsible manner and in accordance with current legislation and the company's standards.

To ensure that the right results are achieved in the right way, the company has a set of governing elements including its values, basic philosophy, leadership expectations, code of conduct, compliance polices and company principles. A corporate social responsibility statement is part of WWL's governing principles. Making up the core of the company's governance framework, the governing elements guide the employees in making the right decisions and navigating safely in a rapidly changing environment.

A summary of the governing elements is available electronically on the company's intranet, as written documentation and as e-learning. In 2017, as in 2016, anti-corruption, competition law as well as fraud and theft received particular attention. The focus on anti-corruption, competition law etc. will continue in 2018.

Deviations from the code: None

The business

Articles of Association
WWL's business activities and the scope of the board' authority is restricted to the business specified in article 3 of the company's Articles of Association which reads as follows:

"The objective of the company is to engage in shipping, maritime services, aviation, industry, commerce, finance business, brokerage, agencies and forwarding, to own or manage real estate, and to run business related thereto or associated therewith. This may take place in a direct manner, or in an indirect manner by way of guarantee, share subscription, or in other ways."

The full articles of association are presented on the company's webpage (https://www.walleniuswilhelmsen.com/investor-relations/).

Strategy
WWL groups' strategy is to create value by further developing its ocean and landbased business. WWL group will leverage its market positions, global network and collective competence to continue to grow a sustainable and profitable business.

A set of strategic objectives have been defined to support the overarching strategy:

- Be the RoRo market leader, unrivalled in H&H and Breakbulk
- Substantially grow the landbased business, transforming to full life cycle logistics
- Enable our industry's journey towards sustainability through collaborative initiatives
- Be an industry cost leader to improve our competitiveness
- Be agile through lean and flexible processes
- Use digital technology to work more efficiently

Deviations from the code: None

Equity and dividend

Equity

WWL group has a sound level of equity tailored to its objectives, strategy and risk profile. As of 31 December 2017, the total equity amounted to USD 2 796 million, corresponding to 35.8% of the total capital. In 2016, the total equity amounted to USD 1 435 million equal to 48% of the total capital.

Dividend policy

Wallenius Wilhelmsen Logistics ASA's (WWL ASA) objective is to provide shareholders with a competitive return over time through a combination of rising value for the WWL ASA share and payment of dividend to the shareholders. The Board targets a dividend which over time shall constitute between 30 and 50% of the company's profit after tax. When deciding the size of the dividend, the Board will consider future capital requirements to ensure the implementation of its growth strategy as well as the need to ensure that the Group's financial standing remains warrantable at all times. Dividends will be declared in USD and paid out semi-annually.

Dividend 2016

There were no dividend payout for the financial year 2016.

Dividend 2017

The board has decided not to recommend a dividend for 2017 at this time as they would like to see a further strengthening of the solidity of the group.

Own shares

The company does not hold own shares.

As of 31 December 2017, there was no mandate to the board of directors regarding purchase of own shares.

Authorisations to the Board of Directors

In the AGM in 2017, the Board of Directors was granted an authorisation to increase the share capital by NOK 22,001,456 representing 10% of the issued share capital. The authorisation is valid until the AGM in 2018, but not longer than 30 June 2018.

Deviations from the code: None

Equal treatment of shareholders and transactions with close associates

Shareholders
As of 31 December 2017, the company had 4017 shareholders, of which 290 were foreign and the remaining were Norwegian. This indicates an increase of 20% in the number of shareholders at the turn of the year. The Norwegian shareholders count for 210 960 519 of the company's shareholder base or 49.86% of the total number of shares.

One share class
The company has one class of shares, comprising 423,104,938 shares with a par value of NOK 0.52 each.

Share capital
Where the board resolves to carry out an increase in share capital and waive the pre-emption rights of existing shareholders on the basis of a mandate granted to the board, the justification should be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital.

Transactions with close associates
Any transactions the company carries out in its own shares are carried out through the stock exchange and at prevailing stock exchange prices. Any transactions taking place between a principal shareholder or close associates and the company will be conducted on arm's length terms. In the event of material transactions, the company will seek independent valuation. Relevant transactions will be publicly disclosed to seek transparency. Pursuant to the instructions issued by and for the board, directors are required to inform the board if they have interests and/or relations, directly or indirectly, with other companies within the Wilh.Wilhelmsen group or the Wallenius group.

Overview of insiders
A list of insiders can be found on the Oslo Stock Exchange under the company's ticker (https://www.oslobors.no/markedsaktivitet/#/details/WWL.OSE/overview).

Deviations from the code: None

Freely negotiable shares

All shares in the company are freely negotiable and listed on the Oslo Stock Exchange under the ticker “WWL”.

Deviations from the code: None

Governing bodies

The company's governing bodies consist of the general meeting, the board of directors and the company's executive team.

General meeting

The general meetings deal with and decide on the following matters:

- Adoption of the annual report and accounts including the consolidated accounts and the distribution of dividend
- Adoption of the auditor's remuneration
- Determination of the remuneration for board members and deputy board members
- Election of members and deputy members to the board, and election of the auditors (if they are up for election)
- Any other matter that belongs under the annual general meeting by law or according to the Articles of Association.

The general meeting will normally be held in the middle of the second quarter.

Shareholders with known address are notified by mail no later than 21 days prior to the meeting and all relevant documents are published on WWL's website no later than 21 days prior to the meeting. Shareholders may, upon request, receive hard copies of the material.

Shareholders wishing to attend the general meeting must notify the company at least two working days before the meeting takes place. Shareholders may participate at the meeting without being present in person, and can vote in advance through electronic communication. Guidelines for such participation and voting are included in the notice to the meeting. Last, but not least, the shareholders can appoint a proxy to vote for their shares. Shareholders with known address receive a proxy appointment form. The form is downloadable from the company's web pages.

The chair, auditor and representatives from the company are present at the general meeting, which is organised in a way that facilitates dialogue between shareholders and representatives from the company. General meetings are presided over by the Chairman of the board.

The minutes from the AGM are available on the company's website (https://www.walleniuswilhelmsen.com/investor-relations/) immediately after the meeting and may be inspected by shareholders at the company's office.

Nomination committee

The general meeting appoints the nomination committee, approves the guidelines for the committee's work and the remuneration to be paid for participating in the committee. The committee nominates candidates to the board and proposes board members' remuneration. As part of its nomination process, the committee will have contact with major shareholders, the board and the company's executives to ensure the process takes the board's and company's interests into consideration. A justification for a candidate will include information on each candidate's competence, capacity and independence.

The nomination committee currently consists of Anders Ryssdal (chair), Thomas Wilhelmsen and Jonas Kleberg.

Both Thomas Wilhelmsen and Jonas Kleberg are members of the board of directors. None of the committee members are executives in the company.

In 2017, the nomination committee held one meeting.

Board of directors – composition and independence

The company does not have a corporate assembly, and therefore the general meeting elects the board. The board shall consist of between three and nine members and up to three deputy members. The board of directors currently comprises five members. The Board of Directors elects its own chair, and WWL is therefore in deviation from section 8 of the Code.

Three of the directors, Lars Håkan Larsson, Marianne Lie and Margareta Alestig are independent of the majority owners, the executive management and significant business relations. The board does not include executive personnel. However, WWL's CEO and CFO are always present at the board meetings as are other executives depending on agenda and issues to be discussed.

Information on the background and experience of the directors is available on the company's web pages (https://www.walleniuswilhelmsen.com/about-us/#board-of-directors), which also lists the number of shares in the company held by each director.

All the board members have attended a seminar hosted by the Oslo Stock Exchange. The objective of the course was to provide information on legislation, rules, regulations and best practice that are relevant for board members of listed companies.

Board member	Elected	Period	Up for election
Håkan Larsson	April 2017	2 yrs	2019
Thomas Wilhelmsen	April 2017	2 yrs	2019
Jonas Kleberg	April 2017	2 yrs	2019
Marianne Lie	April 2017	2 yrs	2019
Margareta Alestig	April 2017	2 yrs	2019

Board responsibility and work

The instruction for the board includes rules on the work of the board and its administrative procedures determining what matters should be considered by the board. The board has the ultimate responsibility for the management of the company and that the business is run in a sustainable and responsible way.

The board heads the company's strategic planning and makes decisions that form the basis for the administration's execution of the strategy.

The chair of the board has an extended duty to ensure that the board operates well and carries out its duties.

The board establishes an annual plan for its work. In 2017, the company arranged eight board meetings, including three half days of strategy meetings.

In addition to the board meetings, the board regularly visits relevant business locations to ensure they have a solid understanding of the business, market and outlook for the shipping and logistics industry. Such updates may also be given through a variety of communication channels, including a board portal containing timely and relevant information.

Audit committee

The company's audit committee, currently consists of two members, Marianne Lie (Chair) and Margareta Alestig. The committee's objective is to act as a preparatory working committee and support in connection with the board's supervisory roles with respect to financial reporting and the effectiveness of the company's internal control system.

Remuneration committee

The board has not deemed it as necessary to have a separate remuneration committee, and therefore acts collectively as the remuneration committee. The board sets guidelines for remuneration for the executive personnel, including long- and short-term bonus schemes and pension plans. They also decide the general remuneration principles for other employees in the company.

Management team

In 2017, the executive management team in WWL consists of a chief executive officer (CEO) and seven other executive team members:

- chief financial officer (CFO)
- chief planning officer (CPO)
- chief transformation officer (CTO)
- chief executive officer (CEO) EUKOR Car Carriers
- chief operating officer (COO) WWL Logistics & Chairman of ARC
- chief operating officer (COO) WWL Ocean
- chief human resources officer (CHRO)

The executive management discusses and coordinates all main business and management issues relevant for the company. An overview of the background and expertise of the executive management is available on the company's website (https://www.walleniuswilhelmsen.com/about-us/#executive-team).

CEO

The board's instruction to the CEO includes a statement of duties, responsibilities and delegated authorities. The CEO has the overall responsibility for the company's results and for conducting the businesses and affairs of the company and its businesses in a proper and efficient manner, in the company's and its shareholders' best interest.

The CEO has a particular responsibility to ensure that the board receives accurate, relevant and timely information that is sufficient to allow it to carry out its duties. The company's operations, financial results, projections, financial status or other topics specified by the board, is regularly shared with the board between board meetings.

The CEO has delegated the responsibility of the different business areas to other members of the executive management.

CFO

The CFO heads finance, legal and strategy for WWL. The CFO is responsible for providing the CEO and the board with reliable, relevant and sufficient financial information related to WWL's business activities, and assuring that such information is based on requirements for listed companies.

Governance in partly owned companies

WWL holds a controlling ownership interest in EUKOR Car Carriers and in Armacup. Each entity has its own board responsible for issues related to the specific operating entity.

WWL's ambition is to be a demanding and reliable owner, taking the long-term interests of the companies, as well as its own, into consideration when developing its future strategy, including how ownership will be exercised, financial prospects as well as expectation towards code of conduct, environmental and sustainable standards and aspirations.

Deviations from the code: The chair of the board also acts as chair of the general meeting and the board elects its own chair as stated in the company's Articles of Association. Given the small size of the board and the fact that the board jointly is responsible for its decisions, a separate remuneration committee is not regarded as necessary. The whole board therefore acts as the remuneration committee. The majority of the nomination committee is not independent from the board of directors.

Risk Management and internal control

Board responsibility

The board is responsible for the company’s internal control and risk management, and believes that the company’s systems are sound and appropriate given the extent and nature of the company’s activities. The system contributes to sound control characterised by integrity and ethical attitudes throughout the organisation. It is based on the company’s guidelines for business standard and corporate social responsibility.

The board reviews the company’s risk matrix four times a year and the internal control arrangements at least once a year, preferably together with the company’s auditor.

About the system

Governing documents, code of conduct, company principles (including corporate social responsibility), policies, guidelines and process descriptions are documented and electronically available to the company’s employees through the company’s global integrated management system. Various internal control activities give management assurance that the internal control of financial systems is working adequately and according to management’s expectations.

The company’s internal control is a process designed to provide reasonable assurance of:

- Effective and efficient operations
- Sound risk management
- Reliable financial reporting
- Compliance with laws and regulations
- Necessary resources provided and used in cost efficient ways

Internal control includes:

- Activities established to evaluate and confirm the quality of internal control regarding financial reporting (per segment)
- Procedure for year-end financial statement and the WWL board's responsibility statement semi-annually and annually
- Enterprise risk assessment – including reporting of the segment's internal control
- Quarterly reporting on risk assessment to the board
- Risk factors are described and made public to the market in the company's second quarter and annual reports

WWL's governing documents are in line with the group financial strategy.

External reassurance
Confirmation from external auditors and internal procedures i.e. business reviews (financial, operational and quality) give the management and board confidence that the company complies with external and internal rules and regulations.

The company's auditors conduct the audit in accordance with the laws, regulations and auditing standards and practices generally accepted in Norway and give reasonable assurance as to whether the consolidated financial statements are free from material misstatements and whether internal control over financial reporting were appropriate in the circumstances relevant to the audit. The audit includes examining on test basis evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting policies used and the reasonableness of accounting estimates made by management as well as evaluation of the overall financial statement presentation including the disclosures.

Whistleblowing
WWL has a global whistleblowing system including procedures and channels for giving notice about potential non-compliance, e.g. corruption, theft, fraud, sexual harassment or other breaches to the company's business standards. Strengthening transparency and safeguarding that the business standards are applied the way they are intended, the procedures also ensure that the group has a professional way of handling potential breaches to laws and regulations, self-imposed business standards or other serious irregularities. The procedures also include guidelines to safeguard the whistle-blower.

Deviations from the code: None

Remuneration of the board of directors

Remuneration of directors is determined by the annual general meeting and is not dependent upon the company’s results. The fee reflects the responsibilities of the board, its expertise, the amount of time devoted to board related work and the complexity of the company’s businesses. None of the company’s directors hold share options in the company.

None of the directors perform assignments for the company other than serving on the board of the company or other companies within the Wilh.Wilhelmsen or Wallenius groups.

Deviations from the code: None

Information and communication

Communication principles and standards

Transparency, accountability and timeliness guides the group's communication activities. In its reporting, the company follows applicable securities and accounting legislations and the guidelines set out by the Oslo Stock Exchange and The Norwegian Investor Relations Association and their opinion of best practice related to financial reporting and Investor Relations information.

Communication channels and activities

The quarterly, interim and annual results are presented to the financial markets and business journalists. All presentations are transmitted directly by webcast. Results are also posted on the company's investor relations pages (https://www.walleniuswilhelmsen.com/investor-relations/). Further, the company hosts an annual capital markets day (For the 2017 capital markets day presentation see: https://www.walleniuswilhelmsen.com/globalassets/wwl-asa-capital-markets-day-2017.pdf), to give the stakeholders more in-depth knowledge about the company's activities and strategies. The market is regularly informed about the company's activities and results through stock exchange notices, annual and interim reports, press releases and updates on the company's web site.

Extensive information about the activities of the group is provided on the group's web pages. A separate section named "Investors relations" (https://www.walleniuswilhelmsen.com/investor-relations//) includes relevant information to shareholders, including reports and presentations, financial calendar, share information, contact and news and media. The company has a dedicated Investor relations team, and the main point of contact is Mr. Bjørnar Bukholm.

The company is present on social media, but has strict rules on who can utilise social media for company purposes and has clear guidelines stating that stock sensitive information must be published through the stock exchange before it is made available in social media.

Silent period

For a period of four weeks before the planned release of quarterly financial reports – the silent period – the company will not comment on matters related to its general financial results or expectations, and contact with external analysts, investors and journalists will be minimized. This is done to reduce the risk of information leakages and that the market has access to different information.

Deviations from the code: WWL ASA is in deviation of section 13 of the Code, which recommends guidelines covering the company's contact with its shareholders outside the General Meeting. Although the Board of Directors has not determined such guidelines, shareholders are invited to four quarterly presentations a year, as well as a capital markets day. A financial calendar is also updated and made public for the shareholders annually. WWL ASA's website is also regularly updated with relevant information.

Auditor

The company's auditor – PricewaterhouseCoopers AS (PwC) – attends all Board Audit Committee meetings and is always present when the annual accounts are approved.

To ensure that the board has solid understanding of the accounts and any changes in the accounting principles, the auditor discusses changes in IFRS relevant for the company's accounting principles or other law requirements relevant for the company with the board. The auditor also runs through the main issues related to the audits carried out. There were no disagreements between the management and PwC during 2017.

It is of importance to the board that the auditor is independent of management. The board therefore has at least one meeting with PwC without senior management being present. If used for other services than accounting, the parties will follow guidelines as described in the Auditing and Auditors' Act. The auditor provides the board with a confirmation of independence in relation to non-audit services provided.

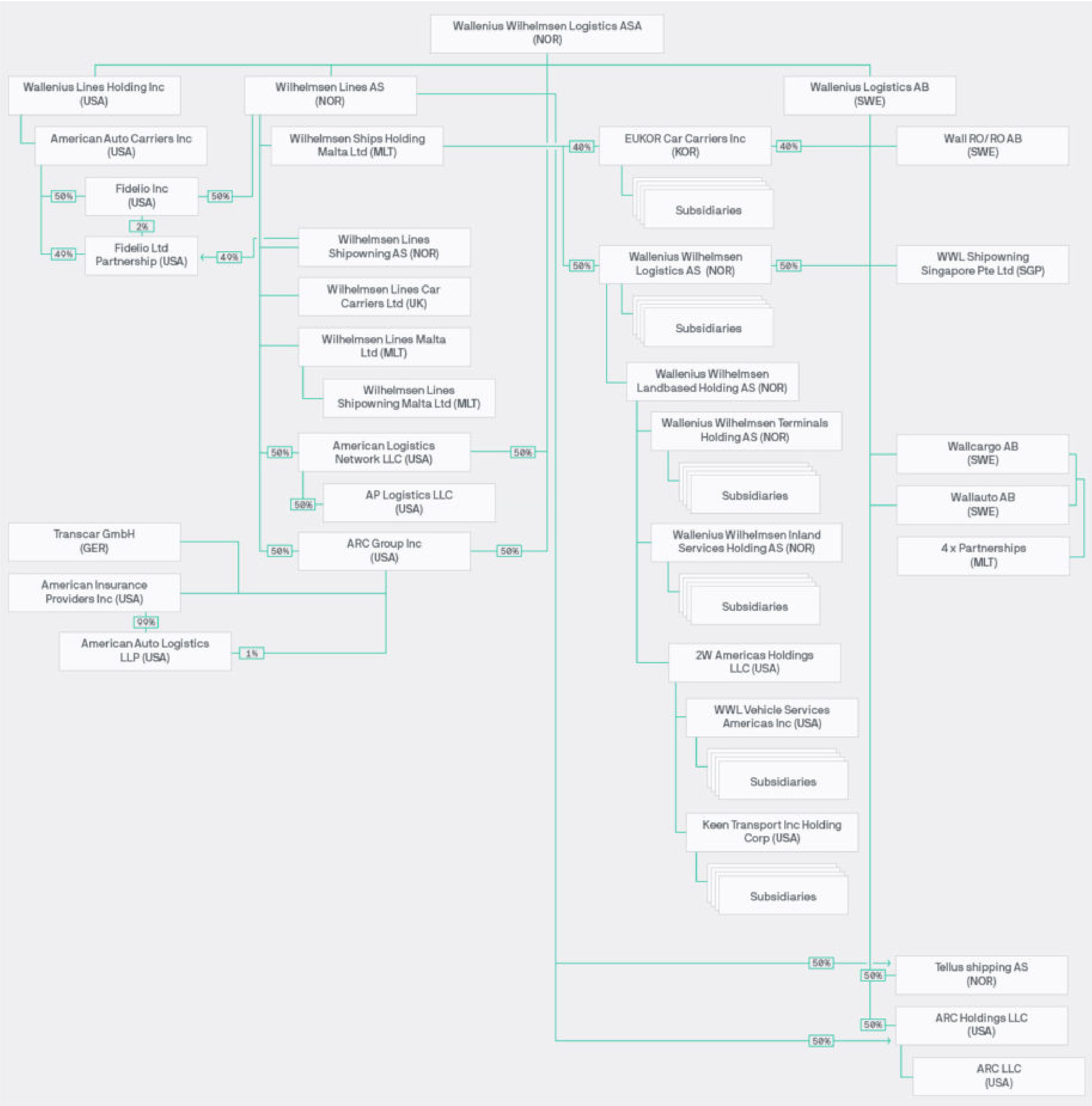
In 2017, PwC has audited accounts, notes, the director's report and read through and commented on the board's report on corporate governance and the company's sustainability report.

For the financial year 2017, Bjørn Lund has been the company's engagement partner from PwC.

Deviations from the code: None

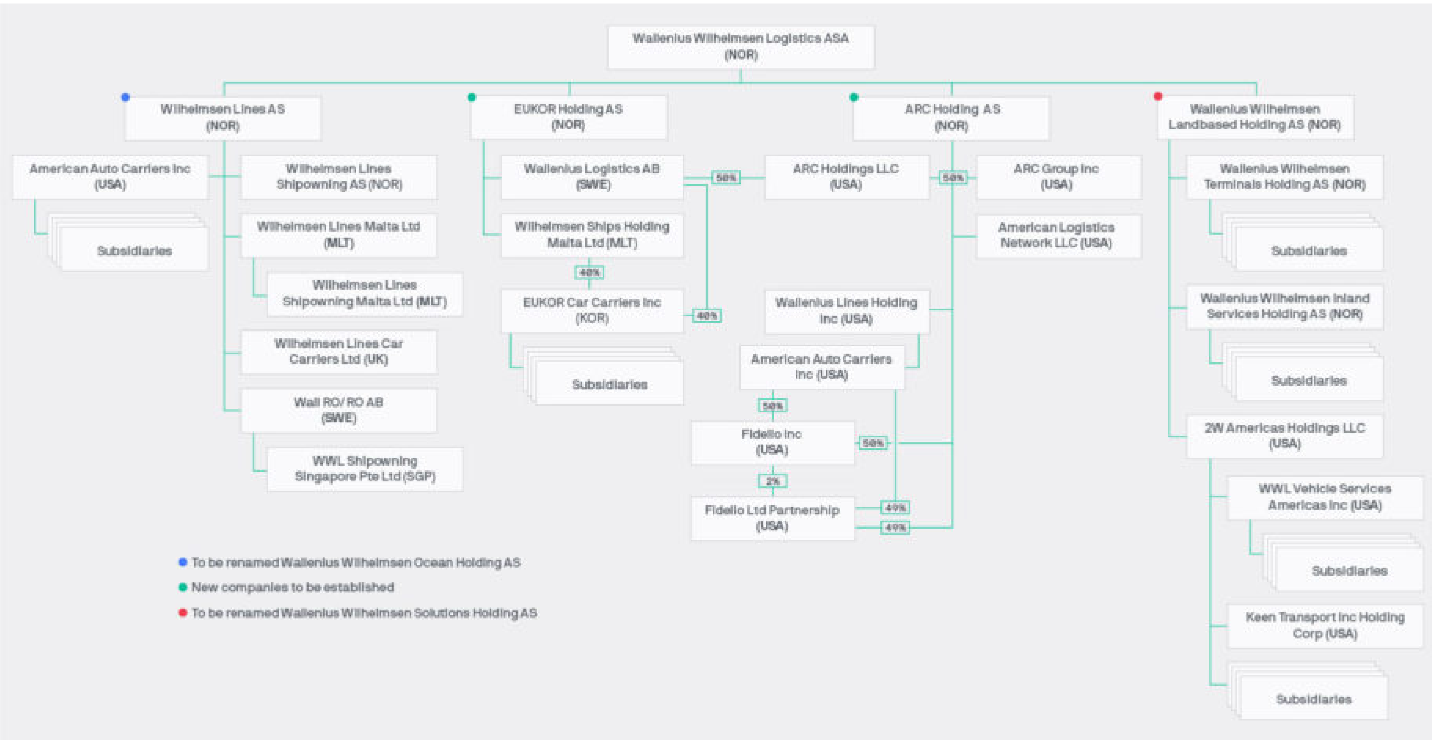
Corporate structure

Current Structure



Target Structure

In April 2017, WWL group initiated a project to establish a legal and funding structure consistent with the business unit structure of Wallenius Wilhelmsen Ocean (WW Ocean), Wallenius Wilhelmsen Solutions (WW Solutions), EUKOR and ARC. A legal restructuring will be undertaken to move the relevant entities into these four groups, and is expected to be completed in April 2018.



Wallenius Wilhelmsen

2017 – Wallenius Wilhelmsen Logistics ASA Group

Annual Accounts and Notes

As part of our efforts to be environmentally conscious we encourage readers to view this document on screens rather than printing.

Income statement

USD mill	Notes	2017	2016
Operating revenue	1/2	3 024	257
Share of profit/(loss) from joint ventures and associates	6	15	119
Loss on previously held equity interest	3	(64)	
Gain on sale of assets	1/5/8	16	375
Total income		**2 992**	**751**
Operating expenses	1/2	(2 467)	(130)
Operating profit before depreciation, amortisation and impairment (EBITDA)		**524**	**620**
Depreciation and amortisation	7/8	(272)	(81)
Operating profit (EBIT)		**253**	**539**
Financial income	1	70	112
Financial expenses	1	(175)	(129)
Profit before tax		**148**	**522**
Tax income/(expense)	9	(3)	(22)
Profit for the period		**146**	**500**
Profit for the period attributable to:			
Owners of the parent		134	500
Non-controlling interests	10	11	
Basic and diluted earnings per share (USD)	11	0.37	2.27

Comprehensive income

USD mill	Notes	2017	2016
Profit for the year		146	500
Other comprehensive income			
Items that may be subsequently reclassified to the income statement			
Cash flow hedges, net of tax		(3)	12
Currency translation adjustment and recycling of currency translation adjustment related to previously held equity investment		3	(2)
Items that will not be reclassified to the income statement			
Remeasurement postemployment benefits, net of tax	13	1	1
Other comprehensive income, net of tax		**2**	**10**
Total comprehensive income for the period		**148**	**510**
Total comprehensive income attributable to			
Owners of the parent		135	510
Non-controlling interests		13	
Total comprehensive income for the period		**148**	**510**

Notes 1 to 24 on the next pages are an integral part of these financial statements.

Balance sheet

USD mill	Notes	31.12.2017	31.12.2016
Assets			
Non current assets			
Deferred tax assets	9	99	55
Goodwill and other intangible assets	7	774	6
Vessels and other tangible assets	8	5 364	1 879
Pension assets	13	2	
Investments in joint ventures and associates	6	1	768
Other non current assets	14	82	1
Total non current assets		**6 322**	**2 708**
Current assets			
Current financial investments	15		202
Bunkers/ luboil		96	3
Account receivables	14	472	
Other current assets	14	123	18
Cash and cash equivalents		796	81
Total current assets		**1 487**	**304**
Total assets		**7 809**	**3 013**

Lysaker, 16 March 2018

Lars Håkan Larsson
Chair

Thomas Wilhelmsen
Board member

Jonas Olof Gillis Kleberg
Board member

Marianne Lie
Board member

Kerstin Margareta Alestig Johnson
Board member

Craig Jasienski
President and CEO

USD mill	Notes	31.12.2017	31.12.2016
Equity and liabilities			
Equity			
Share capital	11	28	16
Retained earnings and other reserves		2 540	1 419
Total equity attributable to owners of the parent		**2 568**	**1 435**
Non-controlling interests	10	228	
Total equity		**2 796**	**1 435**
Non current liabilities			
Pension liabilities	13	73	40
Deferred tax liabilities	9	106	
Non current interest-bearing debt	17	3 103	1 205
Non current provision		183	
Other non current liabilities	14	89	128
Total non current liabilities		**3 554**	**1 374**
Current liabilities			
Account payables	14	221	1
Current income tax liabilities	9	13	7
Public duties payable		4	1
Current provision		257	
Other current liabilities	14	963	195
Total current liabilities		**1 458**	**204**
Total equity and liabilities		**7 809**	**3 013**

Notes 1 to 24 on the next pages are an integral part of these financial statements.

Cash flow statement

USD mill	Notes	2017	2016
Cash flow from operating activities			
Profit before tax		148	522
Financial (income)/expenses, excluding unrealised financial derivates		157	117
Financial derivatives unrealised		(53)	(100)
Depreciation/impairment	7/8	272	81
(Gain)/loss on sale of tangible assets		(2)	3
(Gain)/loss on demerger	5		(375)
Loss on previously held equity interest	3	64	
Change in net pension assets/liabilities		(2)	(1)
Other change in working capital		(74)	22
Share of (profit)/loss from joint ventures and associates	6	(15)	(119)
Dividend received from joint ventures and associates	6		64
Tax paid (company income tax, witholding tax)		(32)	(5)
Net cash flow provided by/(used in) operating activities		**462**	**211**
Cash flow from investing activities			
Proceeds from sale of tangible assets		154	13
Investments in vessels, other tangible and intangible assets	7/8	(83)	(149)
Investments in subsidaries, net of cash aquired	4	(64)	
Proceeds from sale of financial investments		218	117
Investments in financial investments		(15)	(79)
Dividend received (financial investments)			3
Interest received		4	
Cash and cash equivalents, incoming entities merger	3	494	
Changes in other investments		1	
Net cash flow provided by/(used in) investing activities		**710**	**(95)**

USD mill	Notes	2017	2016
Cash flow from financing activities			
Proceeds from issue of debt	17	281	248
Repayment of debt	17	(568)	(258)
Loan to related party	20	(15)	
Interest paid including interest derivatives	20	(119)	(73)
Realised other derivatives		(31)	(42)
Dividend to non-controlling interests		(5)	
Dividend to shareholders			(17)
Net cash flow provided by/(used in) financing activities		**(457)**	**(143)**
Net increase/(decrease) in cash and cash equivalents		**715**	**(27)**
Cash and cash equivalents, excluding restricted cash, at 01.01		81	108
Currency on cash and cash equivalents*			
Cash and cash equivalents, excluding restricted cash, at 31.12		**796**	**81**

*The group is located and operate worldwide and every entity has several bank accounts in different currencies. The cash flow effect from revaluation of cash and cash equivalents is included in net cash flow provided by/(used in) operating activities.

Notes 1 to 24 on the next pages are an integral part of these financial statements.

Statement of changes in equity

USD mill	Share capital	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 31.12.2016	16	1 419	1 435		1 435
Profit for the year		134	134	11	146
Other comprehensive income			0	2	2
Total comprehensive income	**0**	**135**	**135**	**13**	**148**
Merger with Wallroll AB	12	989	1 002	224	1 225
Change in non-controlling interest		(3)	(3)	(4)	(7)
Dividend to non-controlling interests			0	(5)	(5)
Balance 31.12.2017	**28**	**2 540**	**2 568**	**228**	**2 796**
Balance at 31.12.2015	30	1 623	1 655		
Profit for the year		500	500		
Other comprehensive income		10	10		
Total comprehensive income	**0**	**510**	**510**		
Demerger Den Norske Amerikalinje AS	(15)	(716)	(730)		
Balance 31.12.2016	**16**	**1 4 19**	**1 435**		

Paid/proposed dividend

In line with the company's new dividend policy where the board shall consider future capital requirements and the groups' financial standing before deciding on a dividend, the board has decided not to recommend a dividend for 2017.

The annual general meeting held 20 June 2017 decided not to pay dividend for the fiscal year 2016.

The demerger of Den Norske Amerikalinje AS (owns the Hyundai Glovis shareholding) from the group was effective on 8 June 2016. The demerged entity named Treasure ASA was listed on the Oslo Stock Exchange on 8 June 2016. All shareholders of
WWL ASA received 1 share in Treasure ASA for every share held in WWL ASA.

The company's share capital is as follows:	Number of shares	NOK mill	USD mill
Share capital 31.12.2017	423 104 938	220	28

As of 31 December 2017 the company had no own shares.

The merger between Wilh. Wilhelmsen ASA and Wallroll AB was completed on 4 April 2017 and led to an increase of the share capital with NOK 106 million/ USD 12. See note 3 for further information.

The demerger of Den Norske Amerikalinje AS from the group led to a reduction of the share capital with NOK 106 million/ USD 15 million in the second quarter of 2016.

Notes 1 to 24 on the next pages are an integral part of these financial statements.

Significant accounting policies

General information and background

On 4 April 2017, Wilh. Wilhelmsen ASA merged with Wallroll AB, with Wilh. Wilhelmsen ASA being the surviving company and renamed Wallenius Wilhelmsen Logistics ASA (WWL ASA). The transaction is defined as 'the merger transaction'. Prior to 4 April 2017, the group was called WWASA and primarily owned vessels and held ownership stakes in joint ventures alongside Walleniusrederierna AB. All reference to WWASA is now renamed WWL ASA.

Following the merger transaction on 4 April 2017, the ownership in the jointly owned entities, Wallenius Wilhelmsen Logistics AS (WWL AS, jointly owned 100%), EUKOR (jointly owned 80%), Tellus Shipping AS (jointly owned 100%) and American Roll-on Roll-off Carrier (jointly owned 100%) were all consolidated by WWL ASA. These investments were previous to the merger transaction accounted for under the equity method. Following the merger transaction, the group is mainly made up of ocean and landbased operations.
The ocean segment is a world-leading, sustainable transporter of car and ro-ro cargoes incorporating the groups existing 30 vessels (owned and operated) from prior to the merger, 68 vessels in EUKOR, 24 vessels (owned and operated) in former Wallroll AB companies, 2 vessels from Tellus Shipping AS and 8 vessels in American Roll-on Roll-off Carrier, bringing the total fleet at merger date to 132 vessels.

The merger also fully integrates the landbased operations of WWL AS, which is a leading terminal and inland logistics and solutions provider. The group now operate 11 terminals in 16 different countries. In the US WWL provides vehicle finishing services for a number of vehicle manufacturers across 72 locations with 6 400 employees.

The landbased segment further expanded its position in the US with the purchase on 7 December 2017, of Keen Transport ('the purchase'), which provides value-added facility services, equipment modification, transportation and load consolidation for about 20 original equipment manufacturers (OEMs) across 14 locations with 450 employees. Wallenius Wilhelmsen Logistics ASA (referred to as the parent company) is domiciled in Norway. The consolidated accounts for fiscal year 2017 include the parent company and its subsidiaries (referred to collectively as the group).

The annual accounts for the group and the parent company were issued by the board of directors on 16 March 2018.

The parent company is a public limited liability company which is listed on the Oslo Stock Exchange.

Basis of preparation

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union. The financial statements for the parent company have been prepared and presented in accordance with simplified IFRS approved the Norwegian Ministry of Finance 3 November 2014. In the parent company, the company has elected to apply the exception from IFRS for dividends and group contributions. Otherwise, the accounting policies for the group also applies to the parent company to the extent applicable.

The 2016 financial figures are as reported previous year. Q1 2017 is WWL ASA group as before merger.

The group accounts are presented in US dollars (USD), rounded off to the nearest whole million. Most entities in WWL ASA group have USD as functional currency.

The parent company is presented in its functional currency USD.

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities (including financial derivatives) at fair value through the income statement.

Preparing financial statements in conformity with IFRS and simplified IFRS requires the management to make use of estimates and assumptions which affect the application of the accounting policies and the reported amounts of assets and liabilities, revenues and expenses.

Estimates and associated assumptions are based on historical experience and other factors regarded as reasonable in the circumstances. The actual result can vary from these estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are described in more detail below in the section on critical accounting estimates and assumptions.

The accounting policies outlined below have been applied consistently for all periods presented in the group accounts.

Standards, amendments and interpretations

The following new or amendments to standards and interpretations have been issued and become effective during the current period. These include;

- Amendments to IAS 12 – Income taxes regarding recognition of deferred tax assets for unrealised losses, for periods beginning on or after 1 January 2017

Significant accounting policies

- Amendments to IAS 7 – Cash flow statements, for periods beginning on or after 1 January 2017

The above pronouncements did not have a material impact on the financial statements of the company, beyond disclosures.

New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

- IFRS 9, The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. The group has assessed the impact of IFRS 9 and has concluded that no material financial effect is expected from the implementation of the standard.
- IFRS 15, Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018.

  The group has assessed the potential impact of IFRS 15 on the groups revenue streams. Summarized, the group is not expecting any material changes to the current recognition of revenue arising from the implementation of IFRS 15 modified retrospective method.
- IFRS 16, Leases, issued in January 2016 and effective from 1 January 2019 covers the recognition of leases and related disclosure in the financial statements, and will replace IAS 17 Leases. In the financial statement of lessees, the new standard requires recognition of all contracts that qualify under its definition of a lease as right-of-use assets and lease liabilities in the balance sheet, while lease payments should be split in interest expense and reduction of lease liabilities. The right-of-use assets are to be depreciated in accordance with IAS 16 "Property, Plant and Equipment" over the shorter of each contract's term and the assets useful life. The standard consequently implies a significant change in lessees' accounting for leases currently defined as operating leases under IAS 17, both as regards impact on the balance period of time in exchange of consideration. While this definition is not dissimilar to that of IAS 17, it would have required further evaluation of each contract to determine whether all leases contracts in the group currently not defined as financial lease, would be qualify as leases under new standard. Expected date of adoption by the group is 1 January 2019.

  The group is continuing its assessment of the impact of IFRS 16. The group has now qualitatively evaluated all significant leases and is now quantitatively assessing the effect as of the effective date 1.1. 2019.

  Adoption of IFRS 16 is expected to have material effect on the balance sheet and classification of expenses in the income statement. The currently material lease contracts are related to vessel, land and properties. At effective date 01.01.2019 IFRS 16 is expected to have a material effect on the balance sheet.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group or the parent company.

Shares in subsidiaries, joint ventures and associates (parent company)
Shares in subsidiaries, joint ventures and associates are presented according to the cost method.
Group relief received is included in dividends from subsidiaries. Group contributions and dividends from subsidiaries are recognised in the year for which it is proposed by the subsidiary to the extent the parent company can control the decision of the subsidiary.
Shares in subsidiaries, joint ventures and associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed the recoverable amount of the investment. An impairment loss is reversed if the impairment situation is deemed to no longer exist.

Significant accounting policies

Consolidation policies

Subsidiaries

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than half of the voting rights. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.
Intercompany transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.
The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of WWL ASA.

Joint arrangements and associates

Joint arrangements and associates are entities over which the group or parent company has joint control or significant influence respectively but does not control alone.

The group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Significant influence generally accompanies investments where the group or the parent company has 20-50% of the voting rights. The group's investments in joint ventures and associates are accounted for by the equity method. Such investments are recognised at the date of acquisition at their acquisition cost, including excess values and possible goodwill.

The group's share of profit after tax from joint ventures and associates is recognised in the income statement as an operating income. The investments in joint ventures and associates are related to the group's operating activities and therefore classified as part of the operating activity. The share of profit after tax from joint ventures and associates is added to the capitalised value of the investments together with its share of equity movements not recognised in the income statement. Sale and dilution of the share of associate companies is recognised in the income statement when the transactions occur for the group. Unrealised gains on transactions are eliminated.
When an investment ceases to be an associate, the difference between (1) the fair value of any retained investment and proceeds from disposing of the part interest in the associate and (2) the carrying amount of the investment at the date when significant influence is lost, is recognised in the income statement.
If the ownership interest in a joint venture or an associate is reduced, but the investment continues to be a joint venture or an associate, a gain or loss is recognised in the income statement corresponding to the difference between the proportionate book value of the investment sold and the proceeds from disposing of the part interest in the joint venture or associate.

Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair value of the asset transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any assets or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.
The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are

Significant accounting policies

less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit and loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit and loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value. Any gains or losses arising from such remeasurement are recognised in profit and loss.

Segment reporting

The operating segments are reported in a manner consistent with the internal financial reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for coordinating business and management issues to optimise use of knowhow, resources and align decision making related to the implementation of the company's strategy. In addition to CEO, CFO and the COO executives, the team consists of department heads and main corporate functions.

Related parties transactions

In 2016 and Q1 2017 the group had transactions with significant joint ventures. These JVs are from 4 April 2017 fully consolidated subsidiaries. The group transacts with other related parties on commercial terms such as Wilhelmsen Ship Service (WSS) and Wilhelmsen Ships Management (WSM).
See note 14, 20 and 21 to the group accounts for transactions with joint ventures and associates, and note 7 to the parent company's accounts.
See note 12 to the group accounts concerning remuneration of senior executives in the group, and note 2 to the parent company accounts for information concerning loans and guarantees for employees in the parent company.

Foreign currency transaction and translation

Transactions

In individual companies, transactions in foreign currencies are initially recorded in the functional currency by applying the rate of exchange as of the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of the exchange at the balance sheet date. The realised and unrealised currency gains or losses are included in financial income or expense.

Change in in fair value of qualifying cash flow hedging derivatives, qualifying net investment hedges, gains and losses are recognised in comprehensive income.

Translations

In the consolidated financial statements, the assets and liabilities of non USD functional currency subsidiaries, joint ventures and associates, including the related goodwill, are translated into USD using the rate of exchange as of the balance sheet date. The results and cash flow of non USD functional currency subsidiaries, joint ventures and associates are translated into USD using average exchange rate for the period reported (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).

Exchange adjustments arising when the opening net assets and the net income for the year retained by non USD operations are translated into USD, are recognised in other comprehensive income. On disposals of a non USD functional currency subsidiary, joint venture or associate, the deferred cumulative amount recognised in equity relating to that particular entity is recognised in the income statement.

Revenue recognition

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of trade allowances, rebates and amounts collected on behalf of third parties. The group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The specific accounting policies for the group's main types of revenue are explained below:

Time charter revenue

The time charter revenue is generated from either variable time charter or fixed time charter contracts. Revenues from time charters are accounted for as operating leases under IAS 17. Revenues from fixed time charter contracts are recognised on a straight-line basis over the lease term as service is performed and adjusted for off-hire days as applicable. Revenues from variable time charter contracts are recognised over the lease term as service is performed in accordance with the applicable variable charter hire agreed with the counterparty.

Voyage charter revenue and expenses

Voyage charter revenue and expenses is recognized by estimating the total income and expenses for a

Significant accounting policies

vessel on a round trip. The voyage charter revenues and expenses are recognized on a percentage of completion basis over the length of the round trip voyage.

Landbased service revenue
Landbased services are recognised in the accounting period in which the services have been rendered and completed.

Cash-settled compensation

Cash–settled payments/ bonus plans
For cash-settled payments, a liability equal to the portion of services received is recognised at the current fair value determined at each balance sheet date.

Cash-settled share-based payment
The group operates a cash settled share-based payment incentive scheme for employees at senior executive management level. A liability equal to the portion of services received is recognised at the current fair value of the options determined at each balance sheet date. The total expense is recognised over the vesting period which is 12 months from grant date. The social security contributions payable in connection with the grant of the options is considered an integral part of the grant itself and the charge will be treated as a cash-settled transaction.
The cash-settled share-based payment scheme was cancelled on the merger acquisition date 4 April 2017.

See note 12 to the group accounts and note 2 and 14 to the parent accounts concerning remuneration of senior executives.

Tangible assets

Vessels and other tangible assets acquired by group companies are stated at historical cost. Depreciation is calculated on a straight-line basis. A residual value, which reduces the depreciation base, is estimated for vessels. The estimate is based on a 10 years' average rolling demolition prices for general cargo vessels. In addition, a charge for environmental friendly recycling is deducted. The calculation is done on an annual basis.

The carrying value of tangible assets equals the historical cost less accumulated depreciation and any impairment charges.

The group capitalises loan costs related to the construction of new vessels, on the basis of the group's average borrowing rate on interest-bearing debt. Shipbuilder instalments paid, other direct vessel costs and the group's interest costs related to financing the acquisition cost of vessels are capitalised as they are paid.

Tangible assets are depreciated over the following expected useful lives:

Vessels	25- 30 years
Property	30-50 years
Land	no depreciation
Other tangible assets	3-10 years

Each component of a tangible asset which is significant for the total cost of the item for which useful life is different will be depreciated separately. Components with similar useful lives will be included in a single component.

An analysis of the group's fleet concluded that vessels based on a pure car truck carrier/roll-on roll-off design do not need to be separated into different components since there is no significant difference in the expected useful life for the various components of these vessels over and above docking costs. Costs related to docking and periodic maintenance will normally be depreciated over the period until the next docking.

The estimated residual value and expected useful life of long-lived assets are reviewed at each balance sheet date, and where they differ significantly from previous estimates, depreciation charges will be changed accordingly.

Goodwill and other intangible assets

Amortisation of intangible assets is based on the following expected useful lives:

Goodwill	Indefinite life
Customer relations/contracts	3-10 years
Other intangible assets	3-10 years

Goodwill
Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previous equity interests in the acquiree over the fair value of the group's share of the identifiable net assets of the acquired subsidiary, joint venture or associate. Goodwill arising from the acquisition of subsidiaries is classified as an intangible asset. Goodwill arising from the acquisition of an interest in a joint venture or an associate company is included under investment in associated companies, and tested for impairment as part of the carried amount of the investment.

Goodwill from acquisition of subsidiaries is tested annually for impairment and carried at cost less impairment losses. Impairment losses on goodwill are not reversed. Gain or loss on the sale of a business includes the carrying amount of goodwill related to the sold business.

Significant accounting policies

Goodwill is allocated to relevant cash-generating units ("CGU"). The allocation is made to those CGU or groups of CGU which are expected to benefit from the acquisition.

Customer relations and contracts
Identifiable customer relationships and other contractual arrangements as part of business combinations are capitalised when:

- the asset arises from contractual or other legal rights or the relationships are separable, and
- it is probable that the future economic benefits that are attributable to the asset will flow to the entity

Customer relations and contracts are amortised over the expected useful lives in accordance with the straight-line method.

Other intangible assets
The port use rights that has been acquired through the merger transaction is recognized as an intangible asset. The amount recognized is estimated based on the discounted value of differential cash flow for the future port right period.

The differential cash flow is calculated based on the difference between;

- the estimated rental payments based on market terms vs.
- the rental payments under the contractual port use right arrangement. The port use right intangible asset is amortized by using the unit of production method.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Capitalised expenses related to software assets are amortised over the expected useful lives in accordance with the straight-line method.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Impairment of goodwill and other non financial assets

Non financial assets
At each reporting date an assessment is made whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, estimates of the asset's recoverable amount is made. The recoverable amount is the highest of the fair market value of the asset, less cost to sell, and the net present value (NPV) of future estimated cash flow from the employment of the asset ("value in use"). The NPV is based on a discount rate according to a weighted average cost of capital ("WACC") reflecting the company's required rate of return. If the recoverable amount is lower than the book value, impairment has occurred and the asset shall be revalued. Impairment losses are recognised in the profit and loss statement. Assets are grouped at the lowest level where there are separately identifiable independent cash flows.

Vessels and newbuilding contracts
Future cash flow is based on an assessment of the group's expected time charter earnings and estimated level of operating expenses for each type of vessel over the remaining useful life of the vessel. Vessels are organised and operated as a fleet and evaluated for impairment on the basis that the whole fleet is the lowest CGU. The vessels are trading in global network as part of a fleet, where the income of a specific vessel is dependent upon the total fleet's earnings and not the individual vessel's earnings. Further the group's vessels are interchangeable among the operating companies which are seen through the ongoing operational co-operation (long term chartering activities, vessel swaps, space chartering, combined schedules etc.).

Goodwill
Goodwill acquired through business combinations has been allocated to the relevant CGU. An assessment is made as to whether the carrying amount of the goodwill can be justified by future earnings from the CGU to which the goodwill relates.

If the "value in use" of the CGU is less than the carrying amount of the CGU, including goodwill, goodwill will be written down first. Thereafter the carrying amount of the CGU will be written down. Impairment losses related to goodwill cannot be reversed.

Significant accounting policies

Leases
Leases for vessels and equipment where the group carries substantially all the risks and rewards of ownership are classified as financial leases.

Financial leases are capitalised at the inception of the lease at the lower of fair value of the leased item or the present value of agreed lease payments. Each lease payment is allocated between liability and finance charges. The corresponding rental obligations are included in other non current liabilities. The associated interest element is charged to the income statement over the lease period so as to produce a periodic rate of interest on the remaining balance of the liability for each period.

Financial leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any financial incentives from the lessor, are charged to the income statement on a straight-line basis over the period of the lease.

Financial assets
The group and the parent company classify financial assets in the following categories: trading financial assets at fair value through the income statement, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose of the asset.

Management determines the classification of financial assets at their initial recognition.

Financial assets carried at fair value through the income statement are initially recognised at fair value, and transaction costs are expensed in the income statement.

Short term investments
This category consists of financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of profit from short term price gains. Short term investments are valued at fair value. The resulting unrealised gains and losses are included in financial income and expense. Derivatives are also placed in this category unless designated as hedges. Assets in this category are classified as current.

Loans and receivables
Loans and receivables are non derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non current assets. Loans and receivable are classified as other current assets or other non current assets in the balance sheet.

Loans and receivables are recognised initially at their fair value plus transaction costs. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred, and the group has transferred by and large all risk and return from the financial asset.

Realised gains and losses are recognised in the income statement in the period they arise.

Available-for-sale financial assets
Available-for-sale financial assets are non derivatives that are either designated in this category or not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses recognised as a separate component in other comprehensive income until the investments is derecognised, at which time the cumulative gain or loss previously reported in equity is included in the income statement.
Available-for-sale financial assets are included in non current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Financial derivatives
Derivatives are included in current assets or current liabilities, except for maturities greater than 12 months after the balance sheet date. These are classified as non current assets or other non current liabilities as they form part of the group's long term economic hedging strategy and are not classified as held for trading.

Derivatives are recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured on a continuous basis at their fair value.

Derivatives which do not qualify for hedge accounting
Most derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments which do not qualify for hedge accounting are recognised in the income statement stated in financial income/expense.

Derivatives which do qualify for hedge accounting
Changes in the fair value of any derivative instruments which do qualify for hedge accounting are recognised in other comprehensive income.

Deferred tax/ deferred tax assets
Deferred tax is calculated using the liability method on all temporary differences arising between the

Significant accounting policies

tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws which have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available, and that the temporary differences can be deducted from this profit.
Deferred income tax is calculated on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group.

For group companies subject to tonnage tax regimes, the tonnage tax is recognised as an operating cost.

Pension obligations

Group companies have various pension schemes, and the employees are covered by pension plans which comply with local laws and regulations. These schemes are generally funded through payments to insurance companies or pension funds on the basis of periodic actuarial calculations. The group and the parent company have both defined contribution and defined benefit plans up to 31 December 2017.
The group has a contribution plan for all Norwegian employees with salaries exceeding 12 times the Norwegian National Insurance base amount (G). The group has obligations for some employees' related to salaries in excess of 12 times the Norwegian National Insurance base amount (G) mainly financed from operations.

A defined contribution plan is one under which the group and the parent company pay fixed contributions to a separate legal entity. The group and the parent company have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the group and the parent company pay contributions to publicly or privately administered pension insurance plans on an obligatory, contractual or voluntary basis. The group and the parent company have no further payment obligations once the contributions have been paid. The contributions are recognised as a payroll expense when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.
A defined benefit plan is one which is not a defined contribution plan. This type of plan typically defines an amount of pension benefit an employee will receive on retirement, normally dependent on one or more factors such as age, years of service and pay.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.
The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the statement of income.

Receivables

Trade receivables and other receivables, that have fixed or determinable payments that are not quoted in an active market are classified as receivables.

Receivables are recognised at face value less any impairment. Provision for impairment is made to specified receivable items when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the receivable, the estimated future cash flows of the investments have been affected.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other current highly liquid investments with original maturities of three months or less, or bank overdrafts. Bank overdrafts are shown under borrowings in current liabilities on the balance sheet.

Dividend in the group accounts

Dividend payments to the parent company's shareholders are recognised as a liability in the group's financial statements from the date when the dividend is approved by the general meeting.

Significant accounting policies

Dividend and group contribution in the parent accounts

Proposed dividend for the parent company's shareholders is shown in the parent company accounts as a liability at 31 December current year. Group contribution received from subsidiaries are recognised as financial income and current assets in the financial statement at 31 December current year.

Loans

Loans are recognised at fair value when the proceeds are received, net of transaction costs. In subsequent periods, loans are stated at amortised cost using the effective interest method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the term of the loan.

Loans are classified as current liabilities unless the group or the parent company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Bunkers/ luboil

Bunkers is valued at the lower of cost and net realisable value. Bunkers represents the lubrication oil held on board the vessels.

Provisions

The group and the parent company make provisions for legal claims when a legal or constructive obligation exists as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be estimated with a sufficient degree of reliability. Provisions are not made for future operating losses.

Critical accounting estimates and assumptions

In connection with the preparation of the consolidated financial statements, management has made assumptions and estimates about future events, and applied judgements that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. The assumptions, estimates and judgements are based on historical experience, current trends and other factors that management believes to be relevant at the time the consolidated financial statements are prepared. Actual results may differ from these estimates. Critical accounting estimates are those that have a significant risk of causing a material adjustment within the next twelve months. Management believes the following areas are critical accounting estimates.

Anti-trust provision

In arriving at the estimated costs for anti-trust proceedings taking into consideration outstanding jurisdictions and the possibility for civil claims, management makes a number of critical assumptions affecting the estimates. The judgements are made in conjunction with external legal counsel based on amongst other status of the outstanding proceedings as well as the possibility for civil claims.

Business combinations

During 2017 the group has been party to two business combinations, the merger in April 2017 and the purchase of Keen Transport in December 2017, both of these business combinations resulted in significant judgement required by management in determining the fair values of the assets and the purchase price allocation.

Significant judgements are made in order to estimate the valuation of vessels, customer relationships, contracts, assembled workforces, outstanding debt and the allocation of the purchase consideration to the underlying business units. Certain estimates are prepared in conjunction with the advice of independent valuation experts where appropriate.

Impairment of goodwill

The key assumptions used in respect of goodwill and impairment testing are the determination of cash-generating units, the cash flow forecast of these units, the long-term growth rate for cash flow forecast and the rate used to discount the cash flow forecasts.

Note 1

Combined items, income statement

USD mill	Notes	2017	2016
Operating Revenue			
Freight revenue		2 404	
Landbased		561	
Other revenue	20/21	59	257
Total operating revenue		**3 024**	**257**
Gain on sale of assets			
Gain on sale of vessels		9	
Gain on sale of landbased facilities		7	
Gain on sale of associate	5		375
Total gain on sale of assets		**16**	**375**
Operating expenses			
Voyage expenses			
Port & canal expenses		(328)	
Stevedoring - loading/discharging		(312)	
Bunker		(429)	
Other voyage expenses		(182)	
Total voyage expenses		**(1 250)**	**0**
Charter expenses		**(303)**	**(25)**

USD mill	Notes	2017	2016
Ship operating expenses			
Crew expenses*		(84)	(39)
Maintenance of vessels		(27)	(15)
Ship management fee		(8)	
Other ocean expenses		(63)	(7)
Total ship operating expenses		**(182)**	**(62)**

*Crew/seagoing personnel are hired and not employed by the group.

USD mill	Notes	2017	2016
Other expenses			
Rent (office/buildings/terminals/land etc)		(44)	(1)
Manufacturing cost		(162)	
Employee benefits	12	(320)	(12)
Hired personnel		(50)	
External services		(21)	(6)
Loss on sale of assets		(13)	(3)
Other administration expenses		(121)	(7)
Total other expenses		**(732)**	**(28)**
Total operating expenses	2	**(2 467)**	**(115)**

Note 1 Combined items, income statement. Continued

USD mill	Notes	2017	2016
Financial income/(expenses)			
Financial income			
Investment management		3	11
Interest income		4	
Other financial items		(3)	(1)
Net financial income		**4**	**10**
Interest expenses			
Interest expense		(111)	(41)
Interest rate derivatives - realised		(26)	(28)
Net interest expenses		**(137)**	**(69)**

USD mill	Notes	2017	2016
Interest rate derivatives - unrealised		**25**	**25**
Foreign currency gain or loss			
Net currency gain/(loss) - operating items		5	
Net currency gain/(loss) - financial items		(1)	(14)
Derivatives for hedging of cash flow risk - realised		(21)	(23)
Derivatives for hedging of cash flow risk - unrealised		20	39
Derivatives for hedging of translation risk - realised		(11)	(20)
Derivatives for hedging of translation risk - unrealised		11	27
Net currency gain or loss		**4**	**10**
Derivatives for hedging of bunkers			
Unrealised portion of bunker hedges		(3)	9
Realised portion of bunker hedges		3	(2)
Net derivatives for hedging of bunkers		**0**	**7**
Financial income/(expenses)		**(104)**	**(17)**

See note 18 on financial risk and the section of the accounting policies concerning financial instruments.

Note 2

Segment reporting

The chief operating decision-maker monitors the business by combining operations having similar operational characteristics such as product services, market and underlying asset base, into operating segments. The ocean segment is engaged in ocean transport of cars, roll-on roll-off (ro-ro) cargo and project cargo. Its main customers are global car manufacturers and manufacturers of agriculture and other high and heavy equipment. The customer's cargo is carried in a worldwide transport network. This is the group's most capital intensive segment.

The landbased segment has much the same customer groups as ocean. Customers operating globally are offered sophisticated landbased services. The segment's primary assets are human capital (expertise and systems) and customer contacts reflected in long-term relationships.

The holding segment includes the parent company, and other minor activities (including corporate group activities like operational management, tax and finance) which fail to meet the definition for other core activities.

Eliminations are transactions between the group's three segments mentioned above.

The figures shown for 2016 is according to the proportionate method for JV. The group's internal financial reporting was earlier based on the proportionate method. The major contributors in the ocean and landbased segments were joint ventures and hence the proportionate method gave the chief operating decision-maker a higher level of information and a better picture of the group's operations.

The amounts provided with respect to the Q1 2017 figures are according to the equity method and in a manner consistent with that of the income statement.

Note 2 Segment reporting. Continued

USD mill	Ocean		Landbased		Holding		Eliminations		Total	
Income statement	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue other operating segments					3	4	(3)	(4)	0	0
Operating revenue external customers	2 464	1 430	609	352			(49)	(30)	3 024	1 751
Share of profit/(loss) from joint ventures and associates**	10	2	5	12					15	13
Loss on previously held equity interest					(64)				(64)	0
Gain on sale of assets	9		7	80		375			16	455
Total income	**2 483**	**1 431**	**621**	**444**	**(61)**	**379**	**(51)**	**(34)**	**2 992**	**2 219**
Operating expenses*	(1 967)	(1 196)	(538)	(311)	(13)	(19)	51	34	(2 467)	(1 492)
Operating profit before depreciation, amortisation and impairment (EBITDA)	**515**	**235**	**83**	**133**	**(74)**	**359**	**0**	**0**	**524**	**728**
Depreciation and amortisation	(240)	(137)	(32)	(11)					(272)	(148)
Operating profit (EBIT)	**275**	**98**	**51**	**122**	**(74)**	**359**	**0**	**0**	**253**	**580**
Financial income/(expenses) - net	(91)	(30)	(1)	(1)	(13)	(5)			(104)	(37)
Profit/(loss) before tax	**185**	**68**	**50**	**121**	**(87)**	**354**	**0**	**0**	**148**	**543**
Tax income/(expense)	(5)	(21)	4	(13)	(2)	(5)			(3)	(39)
Profit/(loss) for the year	**179**	**47**	**55**	**108**	**(88)**	**349**	**0**	**0**	**146**	**504**
Profit/(loss) for the period attributable to:										
Owners of the parent	171	45	52	106	(88)	349			134	500
Non-controlling interests	8	2	3	2					11	4

*Cash settled portion of bunker hedge swaps is included in net operating profit by reduction/(increase) of voyage related expenses
** WWL landbased booked a bargain purchase gain of USD 80 million as a result of step acquisition in Vehicle Services Americas (VSA) and CAT-WWL, and sale of Vehicle Services Europe (VSE) in the first quarter of 2016.

Note 2 Segment reporting. Continued

USD mill	Ocean	Landbased	Holding	Eliminations	Total
Operating expenses	2017	2017	2017	2017	2017
Voyage expense	(1 250)				(1 250)
Charter expenses	(303)				(303)
Ship operating expenses	(98)				(98)
Rent (office/buildings/terminal/land etc)	(84)				(84)
Manufacturing cost	(8)	(35)			(44)
Crew expenses		(162)			(162)
Hired personnel		(50)			(50)
Employee benefits	(107)	(204)	(9)		(320)
External services	(15)	(5)	(1)		(21)
Loss on sale of assets	(10)	(3)			(13)
Other administration expenses	(92)	(79)	(2)	51	(121)
Total operating expenses	**(1 967)**	**(538)**	**(13)**	**51**	**(2 467)**

Freight revenue	2 464
Total voyage expenses	(1 250)
Gross profit-T/C result	**1 214**

In 2017, income of approximately USD 250 million and USD 241 million are from two external customers belonging to the group's ocean segment.

Note 2 Segment reporting. Continued

USD mill	Europe*		Americas		Asia & Africa		Elimination		Total landbased & holding		Ocean		Elimination		Total	
Geographical areas	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Total income	131	457	379	13	100	38	(49)		561	508	2 488	243	(57)		2 992	751
Total assets	1 010	154	585	36	122				1 717	190	6 265	2 823	(173)		7 809	3 013
Investment in tangible assets	1		5		1				7		71	149			78	149

*Russia is defined as Europe
*The holding segment is included in Europe

The ocean segment
Assets in the ocean segment, which comprise mainly of vessels, operate internationally, with individual vessels calling at various ports across the globe. The group does not consider the domicile of its customers as a relevant decision making guideline and hence does not consider it meaningful to allocate vessels and income to specific geographical locations. This is therefore allocated under the “ocean” geographical area.

Total income
Area income is based on the geographical location of the company and includes sales gains and share of profits from joint ventures and associates.

The share of profits from joint ventures and associates is allocated in accordance with the location of the relevant company’s head office. This does not necessarily reflect the geographical distribution of the underlying operations, but it would be difficult to give a correct picture when consolidating in accordance with the equity method.

Total assets
Area assets are based on the geographical location of the assets.

Investments in tangible assets
Area capital expenditure is based on the geographical location of the assets.

Note 2 Segment reporting. Continued

The amounts provided to the chief operating decision-maker with respect to total assets, liabilities and equity are measured in a manner consistent with that of the balance sheet.
The balance sheet is based on equity consolidation and is therefore not directly consistent with the 2016 segment reporting for the income statement.

USD mill	Ocean		Landbased		Holding		Eliminations		Total	
Balance Sheet	12.31.2017	12.31.2016	12.31.2017	12.31.2016	12.31.2017	12.31.2016	12.31.2017	12.31.2016	12.31.2017	12.31.2016
Deferred tax asset	23		11		66	64		(8)	99	55
Goodwill and other intangible assets	290	6	484						774	6
Vessels and other tangible assets	5 237	1 878	126						5 364	1 878
Investment in joint ventures and associates	1	641		126					1	767
Other non current assets	70		42				(28)		84	0
Current financial investments		202							0	202
Other current assets	560	38	222		55	8	(146)	(23)	691	23
Cash and cash equivalents	634	67	128		35	15			796	81
Total assets	**6 815**	**2 832**	**1 013**	**126**	**156**	**87**	**(175)**	**(32)**	**7 809**	**3 013**
Equity majority	2 531	1 596	400	126	(362)	(287)			2 568	1 435
Equity minority intersts	219		8						228	0
Deferred tax	37	8	69					(8)	106	0
Interest-bearing debt	3 074	1 124	303		387	196			3 764	1 320
Other non current liabilities	290	43	8		76	126	(28)		345	169
Other current liabilities	664	60	225		54	52	(146)	(23)	798	89
Total equity and liabilities	**6 8 15**	**2 831**	**1 013**	**126**	**156**	**87**	**(175)**	**(32)**	**7 809**	**3 013**
Investments in tangible assets	64		14						78	

Investments related to business combination see note 3.

Note 3

Business combinations - Merger

On 4 April, the merger between Wilh. Wilhelmsen ASA and Wallroll AB was registered as completed, with Wilh. Wilhelmsen ASA as the surviving company. From 4 April 2017, the new name of Wilh. Wilhelmsen ASA became Wallenius Wilhelmsen Logistics ASA.

After completion of the merger and following share transactions on 20 April, Wilh. Wilhelmsen Holding ASA and Wallenius Lines AB each owns 160 000 000 shares in the company, each representing 37.8% of the share capital and the votes in the company. The merger led to an increase of the share capital with NOK 106 million/ USD 12 million.

The intention of the transaction is to merge the ownership in the jointly owned entities Wallenius Wilhelmsen Logistics (jointly owned 100%), EUKOR (jointly owned 80%), Tellus Shipping AS (jointly owned 100%) and American Roll-on Roll-off Carrier (jointly owned 100%), in addition to the ownership of the majority of their vessels and affected assets and liabilities.

The markets in which the jointly owned entities operate are going through rapid change and require a more agile and efficient business model. In addition to establishing one common owner and governance structure, the merger is expected to enable synergies through combining the assets and harvesting economies of scale, including more optimal tonnage planning, and administrative, commercial, and operational efficiencies between the entities. The merger will create a world-leading, sustainable transporter of car and ro-ro cargoes, and will facilitate an improved growth path for the land-based logistics business as well as the ocean business.

For a full description of the transaction, please refer to the Stock Exchange Notice from WWL ASA dated 20 January 2017.

Details of net assets acquired and goodwill is as follows:

USD mill	
Share consideration	1 002
Bond consideration	80
Total purchase consideration	**1 082**
Non-controlling interest	224
Fair value of previously held interests	710
Cost of business combination	**2 015**
Fair value of net identifiable assets acquired (see below)	1 642
Goodwill	**373**

The goodwill is attributable to the companies' strong position in the market and the synergies expected to arise after the merger.

The goodwill will not be deductible for tax. The non-controlling interests is measure to fair value at the merger date.

The purchase price allocation is as follows:

USD mill	Fair value
Intangible assets, incl customer relations/contracts and other intangible assets	403
Vessels, property and fixtures	3 748
Other non current assets	186
Other current assets	624
Cash and cash equivalents	494
Non current interest-bearing debt	(2 246)
Other non current liabilities	(756)
Other current liabilities	(812)
Net identifiable assets acquired	**1 642**
Goodwill	373
Net assets acquired	**2 015**

Note 3 Business combinations - Merger. Continued

Business combination intangible and tangible assets (note 7 and 8)

USD mill	Ocean	Landbased
Goodwill	176	196
Customer contracts	96	234
Customer relationships		32
Vessels	3 602	
Property/land/terminals	45	38
Other intangible assets	33	9
Other tangible assets		63

Purchase consideration - cash flow

USD mill	
Cash consideration April 2017	0
Less balance acquired	
Cash incoming entities through the merger	494
Net	494
Net flow of cash	**494**

Revenue and profit contribution

WWL ASA pre-merger proforma accounts are under the assumption that the merger took place on 1 January 2017, consolidated pro-forma revenue and profit for the period from 1 January to 31 December 2017 would have been USD 3 800 million and USD 154 million respectively. Purchase price adjustments are the following:

USD mill	
Depreciation vessels	(21)
Amortisation intangible assets	(49)
Interests expense, corporate bond Walleniusrederiarne AB	(3)

The proforma adjustments are included in proforma figures for 2017.

Acquisition related costs

Merger-related costs of USD 9 million that were not directly attributable to the issue of shares are included in other expenses in income statement and in operating cash flows in the statement of cash flows.

USD mill	
The group share of joint ventures previously held	
Book value previously held interests	775
Fair value of previously held interests	710
Loss on previously held equity interests	**(64)**

Note 3 Business combinations - Merger. Continued

USD mill 04.04.2017	WWASA group	JV "out"	Walleniusrederierna	JV to subsidaries	Fair value adjustments	WWL ASA group
Non current assets						
Deferred tax assets	56		3	48		108
Goodwill and other intangible assets	6			728	48	782
Vessels and other tangible assets	1 822		1 057	2 609	83	5 570
Pension assets				2		2
Investments in joint ventures and associates	775	(775)		1		1
Other non current assets	1			151		152
Total non current assets	**2 659**	**(775)**	**1 060**	**3 539**	**131**	**6 614**
Current assets						
Current financial investments	150					150
Other current assets	16		22	582		620
Cash and cash equivalents	121		40	455		616
Total current assets	**287**	**0**	**62**	**1 038**	**0**	**1 386**
Total assets	**2 946**	**(775)**	**1 122**	**4 576**	**131**	**8 001**

Note 3 Business combinations - Merger. Continued

USD mill 04.04.2017	WWASA group	JV "out"	Walleniusrederierna	JV to subsidaries	Fair value adjustments	WWL ASA group
Equity						
Share capital	16				12	28
Retained earnings and other reserves	1 446	(775)	371	1 671	(341)	2 371
Non-controlling interests					224	224
Total equity attributable to owners of the parent	**1 462**	**(775)**	**371**	**1 671**	**(106)**	**2 622**
Non current liabilities						
Pension liabilities	40		1	36		77
Deferred tax liabilities			18	77	33	128
Non current interest-bearing debt	1 155		619	1 621	80	3 474
Other non current liabilities	124			473	124	721
Total non current liabilites	**1 318**	**0**	**638**	**2 207**	**237**	**4 400**
Current liabilities						
Current income tax liabilities	7			15		22
Public duties payable	1			3		4
Other current liabilities	159		114	680		952
Total current liabilities	**166**	**0**	**114**	**698**	**0**	**978**
Total equity and liabilities	**2 946**	**(775)**	**1 122**	**4 576**	**131**	**8 001**

Reconciliation of change in equity		
Equity at the merger date		1 462
Share consideration		1 002
Non controlling interests		224
Booked value of previously held interests	(775)	
Fair value of previously held interests	710	
Loss on previously held equity interest	(64)	(64)
Equity opening balance 04.04.2017		**2 622**

The fair value adjustments are related to fair value of customer relationships, customer contracts and goodwill (intangible assets) and fair value of vessels (tangible assets).

The adjustments of non current liabilties related to deferred tax on intangible assets, corporate bond issued to Wallenius/ Soya group and fair value of interest-bearing debt.

Note 3 Business combinations - Merger. Continued

Pre-merger unaudited proforma accounts

WWL ASA pre-merger proforma accounts are under the assumption that the merger took place on 1 January 2016. The figures are adjusted for the demerger of Treasure ASA, gain/loss on intercompany transactions and WWL Vehicle Services Americas acquisition as well as inclusion of SG&A costs in WallRoll AB.

The figures are unaudited.

USD mill	Ocean		Landbased		Holding		Eliminations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Total income	3 125	2 938	802	703	(61)	4	(66)	(65)	3 800	3 581
Operating expenses*	(2 538)	(2 414)	(702)	(620)	(14)	(19)	66	65	(3 186)	(2 988)
Operating profit before depreciation, amortisation and impairment (EBITDA)	**587**	**525**	**100**	**83**	**(74)**	**(15)**	**0**	**0**	**614**	**592**
Depreciation and amortisation	(292)	(286)	(42)	(40)					(334)	(326)
Operating profit/(loss) (EBIT)	**296**	**238**	**58**	**43**	**(74)**	**(15)**	**0**	**0**	**280**	**266**
Profit/(loss) for the period	**181**	**92**	**58**	**24**	**(85)**	**0**	**0**	**0**	**154**	**116**

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

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

Note 4

Business combinations - acquistions

Keen Transport

Wallenius Wilhelmsen Logistics ASA has purchased 100% of the shares in KTI Holding Corporation (Keen) from Platinum Equity for USD 64 million pluss pro contra working capital, total USD 67 million.

Keen operates 14 high & heavy equipment processing centres (EPC's) and a specialty trucking entity in the US. With its 450 employees Keen provides value-added facility services, equipment modification, transportation and load consolidation for about 20 original equipment manufacturers (OEMs).

Keen's customer relationships encompass decades of continuous service with median relationship length of more than 23 years for the top 10 OEM customers. Keen's book of business is built on the back of a 45-year long relationship with several customers. As a highly differentiated service offering, Keen operates near most of its major customers, and in many cases as an extension of the customer's manufacturing facility (much like WWL in the vehicle processing space with VSA).

The transaction will be financed through existing credit facilities.

The purchase price allocation is preliminary due to final calculation of intangible assets/ customer relationship's fair value.

Details of net assets acquired and goodwill is as follows:

USD mill	
Cash consideration	67
Total purchase consideration	**67**
Fair value of net identifiable assets acquired (see below)	62
Goodwill	**5**

The goodwill is attributable to the strong position in the market and the synergies expected to arise after the acquisition.

The goodwill will not be deductible for tax.

The preliminary purchase price allocation is as follows:

USD mill	Fair value
Intangible assets, incl customer relations/contracts and other intangible assets	36
Property, fixtures and vessels	25
Other current assets	18
Cash and cash equivalents	3
Deferred tax liabilities	(13)
Other current liabilities	(7)
Net identifiable assets acquired	**62**
Goodwill	5
Net assets acquired	**67**

Revenue and profit contribution

The acquired business contributed revenues of USD 5.6 million and net profit before tax of USD 0.5 million to the group for the period from 7 December to 31 December 2017.

If the acquisition had occurred on 1 January 2017, consolidated pro-forma revenue and profit for the period from 1 January to 7 December 2017 would have been USD 84.3 million and USD 5.3 million respectively.

Purchase consideration - cash flow

Cash consideration December 2017	67
Less balance acquired Cash	3
Net	3
Net outflow of cash = investing activities	**(64)**

Acquisition related costs

Acquisition-related costs of USD 1 million that were not directly attributable to the issue of shares are included in other expenses in income statement and in operating cash flows in the statement of cash flows.

Note 5

Demerger

Demerger of Den Norske Amerikalinje AS (/Hyundai Glovis)

The demerger of Den Norske Amerikalinje AS (owns the Hyundai Glovis shareholding) from the group was effective on 8 June 2016. The demerger was accounted for at fair value and contributed with a significant non-recurring gain in the second quarter of USD 375 million. The book value of equity, after the accounting gain, was reduced with USD 730 million by the demerger.

The demerged entity named Treasure ASA was listed on the Oslo Stock Exchange on 8 June 2016. All shareholders of WWL ASA received 1 share in Treasure ASA for every share held in WWL ASA.

USD mill	Demerger
Balance Sheet	31.12.2016
Non current assets	
Investments in joint ventures and associates	712
Other non current assets	17
Total non current assets	**730**
Total current assets	**0**
Total assets	**730**
Equity	
Share capital	(15)
Retained earnings and other reserves	**(716)**
Total equity attributable to owners of the parent	**(730)**
Total non current liabilites	0
Total current liabilities	**0**
Total equity and liabilities	**(730)**

USD mill	As reported	Demerger	Remaining operation
Income statement	2016	2016	2016
Operating revenue	257		257
Other income			
Share of profit from joint ventures and associates	119	13	106
Gain on sale of assets	375	375	
Total income	**751**	**388**	**363**
Operating expenses			
Vessel expenses	(36)		(36)
Charter expenses	(25)		(25)
Employee benefits	(51)		(51)
Other expenses	(18)		(18)
Depreciation and impairment	(81)		(81)
Total operating expenses	**(212)**	**(0)**	**(212)**
Operating profit (EBIT)	**539**	**387**	**152**
Financial income/(expenses)	(17)	(1)	(16)
Profit before tax	**522**	**387**	**135**
Tax income/(expense)	(22)	(2)	(20)
Profit for the period attributable to the owners of the parent	**500**	**385**	**115**

Note 6

Investments in immaterial joint venture and associate

The group has interests in individually immaterial joint venture and associate that are accounted for using the equity method.

USD mill		2017		2017
Company	Business office, country	Voting share/ ownership	Nature of relationship	Carrying amount
Ocean				
Port Newark Auto Terminal	New Jersey, USA	50%	Joint venture	1
Tianjin Port WW Vehicle Log CO Ltd	Tianjin, China	30%	Associate	

Both companies are private companies and there are no quoted market price available for the shares.

There are no contingent liabilities relating to the group's interest in the joint venture and associate.

Reconciliations of the group's share of profit from joint ventures and associates:	
Share of profit from joint ventures pre merger 04.04	14
Share of profit from joint venture and associate	1
Share of profit from joint ventures and associates	**15**

Note 6 Investments in immaterial joint venture and associate. Continued

Investments in joint ventures

Wallenius Wilhelmsen Logistics AS (WWL AS) was prior to 4 April 2017 a joint venture between WWL ASA and Walleniusrederierna AB (Wallenius) and was established in 1999. It is an operating company within both the shipping and the logistics segment. The company provides global transportation services for the automotive, agricultural, mining and construction equipment industries and its services consist of supply chain management, ocean transportation, terminal services, inland distribution and technical services. WWL AS is the contracting party in customer contracts with industrial manufacturers for cars, agricultural machinery, etc.

EUKOR Car Carriers (EUKOR) was prior to 4 April 4 2017 a joint venture between WWL ASA, Wallenius, Hyundai Motor Company and Kia Motors Corporation. EUKOR is one of the world's largest shipping companies specialised in transporting cars and other rolling cargo. EUKOR is party to contracts for ocean transportation of Hyundai and Kia cars out of Korea, as well as a global provider of quality car carrying services for a diversified customer base.

American Roll-on Roll-off Carrier Group manages several US based companies, all of which were prior to 4 April 2017 established on a joint venture basis between WWL ASA and Wallenius. These companies include a liner service operating company, a ship owning company, and a logistics services provider.
American Roll-on Roll-off Carrier (ARC), a vessel-operating company, is the largest US flag ro-ro carrier and the third largest US flag carrier overall in international trade and provides ro-ro liner services in the US - international trades. Fidelio Limited Partnership (FLP) owns 7 ships, of which all are US-flag vessels under contract in the US government's Maritime Security Program (MSP). FLP charters vessels to ARC. The logistic companies are supporting the shipping segment.

All companies are private companies and there are no quoted market price available for the shares.

WWL AS and EUKOR are subject to antitrust investigations of the car carrying industry in several jurisdictions. See note 23 for contingencies.

	Business office, country	2017 Voting share/ownership	2016 Voting share/ownership
Ocean			
EUKOR Car Carriers Inc	Seoul, Republic of Korea	80%	40%
Tellus Shipping AS	Lysaker, Norway	100%	50%
American Roll-On Roll-Off Carrier Holdings LLC	New Jersey, USA	100%	50%
Fidelio Inc	New Jersey, USA	100%	50%
Fidelio Limited Partnership	New Jersey, USA	100%	50%
Ocean/Landbased			
Wallenius Wilhelmsen Logistics AS	Lysaker, Norway	100%	50%
Landbased			
American Roll-On Roll-Off Carrier Group Inc	New Jersey, USA	100%	50%
American Logistics Network LLC	New Jersey, USA	100%	50%

Note 6 Investments in immaterial joint venture and associate. Continued

Summarised financial information - according to the group's ownership

USD mill	2017	2016
Share of profit		
Share of total income	380	1 575
Share of operating expenses	(340)	(1 361)
Share of depreciation	(17)	(67)
Share of net financial items	(3)	(19)
Share of tax expense	(4)	(17)
Share of profit for the year*	**14**	**106**

*The share of profit for 2017 is 3 months period ending 31 March 2017.

Investments in joint ventures

USD mill	2017	2016
Share of equity (equity method)		
Book value		752
Excess value (goodwill)		16
Joint ventures' assets, equity and liabilities (the group's share of investment)		
Share of non current assets		1 491
Share of cash and cash equivalents		181
Share of current assets		247
Total share of assets	**0**	**1 918**
Share of equity 01.01	768	689
Share of profit for the period	14	106
Loss on previously held interests	(64)	
Dividend to shareholder		(52)
Charged directly to equity	(8)	26
Currency translation differences		(1)
Fair value of previously held interests	(710)	
Share of equity 31.12	**0**	**768**
Share of non current financial liabilities		668
Share of other non current liabilities		117
Share of current financial liabilities		93
Share of other current liabilities		272
Total share of liabilities	**0**	**1 150**
Total share of equity and liabilities	**0**	**1 918**

Note 6 Investments in immaterial joint venture and associate. Continued

Investments in joint ventures

Set out below are the summarised financial information, based on 100%, for EUKOR Car Carriers Inc, which, in the opinion of the directors, was a material joint venture to the group up to 4 April 2017. Joint ventures up to 4 April 2017 not considered to be material are defined under "other" (based on 100%).

USD mill	2016 EUKOR Car Carriers Inc	2016 Other
Summarised income statement/OCI		
Total income	1 381	2 311
Operating expenses	(1 168)	(2 023)
Depreciation and impairment	(105)	(49)
Net operating profit	**108**	**238**
Financial income/(expenses)	(43)	(5)
Profit before tax	**65**	**234**
Tax expense	(2)	(33)
Profit for the year, after minority interest	**63**	**193**
Other comprehensive income	30	(3)
Total comprehensive income	**93**	**190**
Dividend received from joint ventures, WWL ASA share	40	12

USD mill	12.31.2016 EUKOR Car Carriers Inc	12.31.2016 Other
Summarised balance sheet		
Non current assets	2 704	787
Other current assets	136	387
Cash and cash equivalents	189	211
Total assets	**3 029**	**1 385**

USD mill	12.31.2016 EUKOR Car Carriers Inc	12.31.2016 Other
Non current financial liabilities	1 290	303
Other non current liabilities	5	231
Current financial liabilities	167	53
Other current liabilities	238	344
Total liabilities	**1 700**	**931**
Net assets	**1 329**	**454**

The information above reflects the 100% amount of the financial statements of the joint ventures adjusted for consolidation eliminations and differences in accounting policies between the group and the joint ventures.

	12.31.2016 EUKOR Car Carriers Inc	12.31.2016 Other
Reconciliation of summarised financial information		
Net assets 01.01	1 336	289
Profit for the period	63	193
Other comprehensive income:		
Cash flow hedges, net of tax	29	
Currency translation differences		(2)
Remeasurement postemployment benefits, net of tax	1	(1)
Dividend to shareholder	(100)	(24)
Net assets 31.12	**1 329**	**454**
WWL ASA share	532	221
Goodwill	11	6
Carrying value 31.12	**542**	**226**

Note 6 Investments in immaterial joint venture and associate. Continued

Investments in associates

	Business office/country	2016 Voting/control share
Ocean/Landbased		
Hyundai Glovis Co Ltd	Seoul, Republic of Korea	0%
Holding		
Shippersys AB	Stockholm, Sweden	0%

Effective on 8 June 2016, Den Norske Amerikalinje AS (owning the Hyundai Glovis shareholding) was demerged from the group.
See note 5 regarding the demerger.
The shareholding in Shippersys AB was sold in December 2016.

USD mill	2016
Share of profit from associates	
Hyundai Glovis Co Ltd	13
Other associates	
Share of profit from associates	**13**
Book value of material associates	**0**
Specification of share of equity and profit:	
Share of equity 01.01	337
Share of profit for the year	13
Demerger of Hyundai Glovis Co Ltd	(338)
Sale of share in Shippersys AB	
Dividend to shareholders	(12)
Share of equity 31.12	**0**

USD mill	2016
Joint ventures' assets, equity and liabilities (the group's share of investment)	
Reconciliations of the group's income statement and balance sheet	
Share of profit from joint ventures	106
Share of profit from associates	13
Share of profit from joint ventures and associates	**119**
Share of equity from joint ventures	768
Share of equity from associates	
Share of equity from joint ventures and associates	**768**

Up to 4 April 2017, the group's share of profit/(loss) (after tax) from joint ventures and associates was recognised in the income statement as an operating income. These investments in joint ventures and associates are related to the group's operating activities and therefore classified as part of the operating activity. All those joint ventures and associates were to that date equity consolidated. From the merger date 4 April 2017, all previous joint ventures became subsidiaries and are fully consolidated. See critical accounting policies and note 3 business combinations for further information.

Note 7

Goodwill and customer relations/contracts, and other intangible assets

USD mill	Goodwill	Customer relations/ contracts	Other	Total intangible assets
2017				
Cost at 01.01	6		1	7
Additions			4	4
Acquisitions through business combination*	377	398	42	817
Disposal			(14)	(14)
Cost at 31.12	**383**	**398**	**33**	**815**
Accumulated amortisation and impairment losses at 01.01			(1)	(1)
Amortisation		(37)	(11)	(48)
Disposal			8	8
Accumulated amortisation and impairment losses at 31.12	**0**	**(37)**	**(4)**	**(41)**
Carrying amounts at 31.12	**383**	**362**	**29**	**774**

*See the business combination notes 3 and 4 for more information.

"Other" includes port use right and software.
The estimated fair value of port use right that has been acquired through the merger transaction is recognized as an intangible asset on the basis that the contract is considered favourable. The port use right intangible asset is amortised by using the unit of production method and recorded as a depreciation and amortisation expense. Cost is USD 116 million and accumulated amortisation is USD 93 million.
The useful life of software is 3 to 7 years.

	Goodwill
2016	
Cost at 01.01	7
Cost at 31.12	**7**
Accumulated amortisation and impairment losses at 01.01	(1)
Accumulated amortisation and impairment losses at 31.12	**(1)**
Carrying amounts at 31.12	**6**

	2017	2016
Segment-level summary of the goodwill allocation		
Ocean	182	6
Landbased	201	
Total goodwill allocation	**383**	**6**

Note 7 Goodwill and customer relations/contracts, and other intangible assets. Continued

Impairment – Intangible assets with a definite useful life

The group has significant investments in intangible assets. At every balance sheet date the group considers whether there are any indications of impairment on the book values of these assets. If such indications exist, a valuation is performed to assess whether the asset is impaired or not. Evaluating whether an asset is impaired or if an impairment should be reversed, requires a high degree of judgment and may to a large extent depend upon the selection of key future assumptions.

As per 31 December 2017 there is no indications of impairment of the group's intangible assets with a definite useful life.

Impairment –Goodwill

The group is reviewing goodwill for impairment on a yearly basis, or more frequently, if circumstances indicate an impairment. The test is performed at year-end. An impairment loss is recognized if the estimated recoverable amount is lower than the carrying amount of the cash generating unit. The main objective for the group in making impairment calculations is to ensure consistency in the assumptions being used.

Value in use is the net present value of future cash flows arising from the CGU.

Future cash flow is based on an assessment of what is the CGUs expected earnings indefinitely. Key assumptions are future estimated cash flows based on group management's latest long-term forecast. The estimated future cash flows reflect both past experience as well as external sources of information concerning expected future market development.

Management has estimated a moderate improvement in cash flows over the five year forecasting period 2018-2022 with moderate growth assumptions for the remaining useful life (terminal value).

	Growth rate	Discount rate
Assumptions		
Ocean	0-1.0%	7.5%
Landbased	2.0%	8.0%

The WACC can be estimated as follows:
Borrowing rate: Debt ratio*(implied 20 year US swap rate + loan margin)
+ Equity Return: Equity ratio*(implied 20 year US swap rate + Beta*market premium)
= WACC

Based on the value in use estimates, management has concluded that no impairment exist as per 31 December 2017.

Note 8

Vessels, property and other tangible assets

USD mill	Property & land	Other tangible assets	Vessels & docking	Newbuilding contracts	Total tangible assets
2017					
Cost at 01.01		2	2 457		2 459
Additions		14	29	35	78
Acquisitions through business combination*	87	78	3 416	186	3 767
Reclassification from newbuilding contracts to vessels			101	(101)	0
Disposal	(5)	(5)	(164)		(174)
Currency translation adjustment	2	1			3
Cost at 31.12	**85**	**89**	**5 840**	**120**	**6 134**
Accumulated depreciation and impairment losses at 01.01		(1)	(579)		(581)
Depreciation	(3)	(13)	(208)		(224)
Disposal		5	31		36
Currency translation adjustment		(1)			(2)
Accumulated depreciation and impairment losses at 31.12	**(3)**	**(10)**	**(757)**		**(770)**
Carrying amounts at 31.12	**81**	**79**	**5 083**	**120**	**5 364**

*See the business combination notes 3 and 4 for more information.

Economic lifetime	30-50 years	3-10 years	30 years
Depreciation schedule	Straight-line	Straight-line	Straight-line

Vessels include dry-docking, of which carrying amounts at year end was USD 51 million (2016: USD 19 million).

During 2017, 2 new vessels were delivered (2016: 2 new deliveries). The group has 4 new vessels due for delivery in 2018 (2) and 2019 (2). See note 19 for commitments related to the newbuilding program.

Note 8 Vessels, property and other tangible assets. Continued

USD mill	Property & land	Other tangible assets	Vessels & docking	New building contracts	Total tangible assets
2016					
Cost at 01.01		2	2 439	33	2 474
Additions			11	138	149
Reclassification from newbuilding contracts to vessels			172	(172)	(0)
Disposal			(164)		(164)
Cost at 31.12		**2**	**2 457**	**0**	**2 459**
Accumulated depreciation and impairment losses at 01.01		(1)	(646)		(648)
Depreciation			(81)		(81)
Disposal			148		148
Accumulated depreciation and impairment losses at 31.12		**(1)**	**(579)**		**(581)**
Carrying amounts at 31.12		**0**	**1 878**	**0**	**1 879**
Economic lifetime	30-50 years	3-10 years	30 years		
Depreciation schedule	Straight-line	Straight-line	Straight-line		

Note 8 Vessels, property and other tangible assets. Continued

Impairment – Tangible assets
The group has significant investments in vessels, property and other tangible assets. At every balance sheet date the group considers whether there are any indications of impairment on the book values of these assets. If such indications exist, a valuation is performed to assess whether the asset is impaired or not. Evaluating whether an asset is impaired or if an impairment should be reversed, requires a high degree of judgment and may to a large extent depend upon the selection of key future assumptions.

As per 31 December 2017 there is no indications of impairment of the group's tangible assets.

Vessels are organised and operated as a fleet and evaluated for impairment on the basis that the whole fleet is the lowest cash generating unit (CGU). The recoverable amount is the higher of estimated market value (third party quotations) and value in use calculations. As a consequence, vessels will only be impaired if the recoverable value of the fleet is lower than the total book value.

Vessels on financial lease
The group has 38 vessels on financial lease. The contracts are made for fixed periods of 10 to 25 years . Lease terms are negotiated on an individual basis contain a wide range of different terms and conditions. As of year-end 2017, remaining lease term for the 38 vessel on financial lease is ranging from 5 to 29 years. Of the 38 leases 1 have options to extend the lease period and 37 leases have purchase options.

Leases are recognised as a right-of-use asset and corresponding liability at the date of which the leased assets is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaning balance of the liability for each period. 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.

Financial lease assets and financial lease liabilities acquired through the merger transaction is recognised at estimated fair value.

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

- Fixed payments
- Variable lease payment that are based on floating interest
- The exercise price of a purchase option if the lessee is reasonable 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 group'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
- Any initial direct cost and
- Docking cost

Payments associated with short term leases are recognized on a straight-line basis as an expense in income statement. See note 18 for operational lease commitments.

Book value 31.12.2017	USD	2 175 million
Depreciation of leased vessels 2017	USD	95 million

For leasing commitments, see interest-bearing debt note 17.

Note 9

Tax

Tonnage tax
Companies subject to tonnage tax regimes are exempt from ordinary tax on their shipping income. In lieu of ordinary taxation, tonnage taxed companies are taxed on a notional basis based on the net tonnage of the companies' vessels. Income not derived from the operation of vessels in international waters, such as financial income, is usually taxed according the ordinary taxation rules applicable in the resident country of each respective company. The group had four wholly owned companies resident in UK, Malta, Singapore and Norway which were taxed under a tonnage tax regime in 2017. Further, the group have an ownership of 80 % in EUKOR which is a tonnage taxed company resident in the Republic of Korea. The company Wall RoRo AB was ordinary taxed in Sweden in 2017, but will enter into the new Swedish tonnage tax regime as from 1 January 2018.

The tonnage tax is considered as an operating expense in the accounts.

Ordinary taxation
The ordinary rate of corporation tax in Norway is 24% for 2017. Norwegian limited liability companies are encompassed by the participation exemption method for share income. Thus, share dividends and gains are tax free for the receiving company. Corresponding losses on shares are not deductible. The participation exemption method does not apply to share income from companies considered low taxed and that are located outside the European Economic Area (EEA), and on share income from companies owned by less than 10% resident outside the EEA.

For group companies owned more than 90%, and located in Norway and within the same tax regime, taxable profits in one company can be offset against tax losses and tax loss carry forwards in other group companies. Deferred tax/deferred tax asset has been calculated on temporary differences to the extent that it is likely that these can be utilised and for Norwegian entities the group has applied a rate of 23%.

Deferred tax
The WWL group's deferred tax liability in US has been significantly reduced caused by the reduction of the federal tax rate from 35% to 21%. The reduction has consequently resulted in a significant tax income (change in deferred tax) in 2017 on US sourced deferred tax liability.

Foreign taxes
In regards to the withholding tax case on dividends from EUKOR to Wilhelmsen Ships Holding Malta Ltd for the period 2010-2014 the company has decided to bring the 2010 decision in National Tax Tribunal before the administrative court in Korea. Hearings have been held, but as of today no court decision has been received.
The administrative appeal to the Board of Audit and Inspection (BAI) for the period 2011-2014 is still pending.

Note 9 Tax. Continued

USD mill	2017	2016
Specification of tax expense for the year		
Current income tax (including witholding tax)	26	9
Change in deferred tax*	(23)	13
Total tax expense	**3**	**22**

*Change in deferred tax caused by the reduction of federal tax in USA is about USD 32 million

Reconciliation of actual tax expense against expected tax expense in accordance with the income tax rate of 24%	2017	2016
Profit before tax	148	522
24% (2016: 25%) tax	36	130
Tax effect from		
Non taxable income	(12)	(94)
Share of profits from joint ventures and associates	(4)	(30)
Other permanent differences	3	1
Change of tax rate foreign activities	(32)	
Corporate income tax different tax rate than 24%	6	
Currency transition from USD to local currency for tax purpose	6	6
Withholding tax	1	9
Calculated tax expense for the group	**3**	**22**
Effective tax rate for the group	2%	4%

The effective tax rate for the group will, from period to period, change dependent on the group gains and losses from investments inside the exemption method and tax exempt revenues from tonnage tax regimes. Change in local tax rate will impact the effective tax rate too. USD to NOK currency transition for Norwegian tax purpose will have a positive effect if the USD/ NOK increase during the period, related to corporate and shipowning entities in Norway.

Note 9 Tax. Continued

USD mill	2017	2016
Net deferred tax liabilities at 01.01	55	66
Currency translation differences	5	3
Demerger		(2)
Merger	(77)	
Acquisition	(13)	
Income statement charge	23	(13)
Net deferred tax assets/(liabilities) at 31.12	**(7)**	**55**
Deferred tax assets in balance sheet	99	55
Deferred tax liabilities in balance sheet	(106)	
Net deferred tax assets/(liabilities)	**(7)**	**55**

Note 9 Tax. Continued

The movement in deferred income tax assets and liabilties during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

USD mill	Tangible/ intangible assets	Deferred capital gains	Other	Total
Deferred tax liabilities				
At 31.12.2016	(37)	(13)	2	(50)
Through income statement	78	2	(23)	57
Merger	(126)			(126)
Acquisition	(13)			(13)
Currency translations	3		3	7
Deferred tax liabilities at 31.12.2017	**(96)**	**(10)**	**(18)**	**(126)**
At 31.12.2015	(39)	(17)	3	(56)
Through income statement	2	1	(1)	1
Currency translations		4		4
Deferred tax liabilities at 31.12.2016	**(37)**	**(13)**	**2**	**(50)**

USD mill	Non current assets and liabilities	Current assets and liabilities	Tax losses carried forward	Total
Deferred tax assets				
At 31.12.2016	57	(1)	51	105
Through income statement	(58)	3	18	(34)
Merger	51	(2)		49
Currency translations			(2)	(2)
Deferred tax assts at 31.12.2017	**51**	**0**	**67**	**119**
At 31.12.2015	85	(5)	43	122
Through income statement	(28)	5	9	(15)
Demerger			(2)	(2)
Charged directly to equity	2		(2)	0
Currency translations	(2)	(1)	3	(1)
Deferred tax assets at 31.12.2016	**57**	**(1)**	**51**	**105**

The net currency gain and losses are recognised on entities level due to different functional currency than local currency.

Note 10

Subsidiaries with material non-controlling interest

	Business office/country	2017 Voting/control share	Non-controlling interest
Ocean			
EUKOR Car Carriers Inc	Seoul, Republic of Korea	80.0 %	20.0 %

Set out below is the summarised financial information for the subsidiary that has non-controlling interests (NCI) material to the group. The amounts disclosed are 100% and before inter-company eliminations for the period 1 April to 31 December 2017.

USD mill	2017
Summarised balance sheet	
Non current assets	2 217
Current assets	473
Total assets	**2 690**
Non current liabilities	1 204
Current liabilities	400
Total liabilities	**1 604**
Net assets	**1 086**
Accumulated non-controlling interests (NCI)	217
Summarised income statement/OCI	
Total income	1 210
Profit for the year	41
Other comprehensive income	(1)
Total comprehensive income	**40**
Profit allocated to material NCI	8
Dividends paid to material NCI	

USD mill	2017
Summarised cash flows	
Net cash flow provided by/(used in) operating activities	129
Net cash flow provided by/(used in) investing activities	6
Net cash flow provided by/(used in) financing activities	(134)
Net increase/(decrease) in cash and cash equivalents	**1**
Accumulated NCI - EUKOR Car Carrieres Inc	217
Accumulated NCI - immaterial subsidiaries	11
Accumulated non-controlling interests (NCI)	**228**
Profit for the period attributable to NCIs - EUKOR Car Carriers Inc*	8
Profit for the period attributable to NCIs - immaterial subsidiaries*	3
Profit for the period to NCIs*	**11**

*Period from 1 April to 31 December 2017

Note 11

Earnings per share

Basic earnings per share is calculated by dividing profit for the period after minority interests, by average number of total outstanding shares. There are no shares or dilutive instruments outstanding.

For 2017, earnings per share is calculated based on 220 000 000 shares for Q1 and 423 104 938 shares for the remaining part of 2017.

For 2016, earnings per share was calculated based on 220 000 000 shares.

The company's share capital is as follows:

	Number of shares	NOK mill	USD mill
Share capital 31.12.2017	423 104 938	220	28

The merger between Wilh. Wilhelmsen ASA and Wallroll AB was completed on 4 April 2017 and led to an increase of the share capital with NOK 106 million/ USD 12. See note 3 for further information.

The demerger of Den Norske Amerikalinje AS from the group led to a reduction of the share capital with NOK 106 million/ USD 15 million in 2016. See note 5 for more information.

Note 12

Employee benefits

USD mill	Note	2017	2016
Pay		222	8
Payroll tax		23	1
Pension cost	13	14	2
Other remuneration		61	1
Total employee benefits		**320**	**12**

	2017	2016
Number of employees		
Group companies in Norway	77	23
Group companies abroad	2 750	13
Total employees	2 827	36
Average number of employees*	**1 432**	**38**

*The merger took place 4 April 2017

Remuneration of senior executives

USD thousand	Pay	Bonus	Pension premium	Other remuneration	Total
2017: 4 April - 31 December					
President and CEO - Craig Jasienski [1]	373		130	77	580
Chief Financial Officer - Rebekka Glasser Herlofsen	275		33	46	354
Chief Operating Officer (COO) WWL ocean - Michael Hynekamp [2]	332			526	858
Chief Operating Officer (COO) WWL logistics - Raymond Fitzgerald	567			44	611
Chief Executive Officer (CEO) EUKOR - Erik Nøkleby	238		48	89	375

[1] Including gross up of pension expense USD 65.
[2] Including expat expenses, home, education and travel expenses USD 301.

	Pay	Bonus	Pension premium	Other remuneration	Total
2017: 1 January - 4 April					
President and CEO - Jan Eyvin Wang [3]	794	480	362	427	2 064
CFO - Benedicte Bakke Agerup [4]	954	175	1	5	1 135

[3] Including gross up of pension expense USD 362 in other remuneration. Holiday pay, stay on fee until merger date and severance pay are included in pay.
[4] Including severance pay and pension settlement.

	Pay	Bonus	Pension premium	Other remuneration	Total
2016					
President and CEO - Jan Eyvin Wang [5]	405	181	498	412	1 495
CFO - Benedicte Bakke Agerup	239	89	30	17	375

[5] Including gross up of pension expense USD 372.

Remuneration is paid in NOK and USD, which means that the USD amounts are not comparable from year to year.
Rates of remuneration can be compared by taking account of changes in the USD exchange rate.

Note 12 Employee benefits. Continued

USD thousand	2017	2016
Board of directors		
Lars Håkan Larsson (chair from 4 April 2017) [6]		
Thomas Wilhelmsen (chair until 4 April 2017)		
Marianne Lie	39	39
Jonas Kleberg (from 4 April 2017)		
Margareta Alestig (from 4 April 2017)		
Diderik Schnitler (until 4 April 2017) [7]	39	39
Bente Brevik (until 4 April 2017)	39	39
Christian Berg (until 4 April 2017)		

[6] Lars Håkan Larsson - steering committee fee until the merger date is USD 181.
[7] Mr Diderik Schnitler has an additional consulting agreement for which he received USD 24 (2016: USD 24).

Nomination committee		
Anders Ryssdal	6	
Jonas Kleberg	3	
Thomas Wilhelmsen	3	

Remuneration of the nomination committee totalled USD 10 in 2016.
The board's remuneration for external board members, for the fiscal year 2016 are received in 2017.
The board's remuneration for the fiscal year 2017 will be approved by the general meeting 25 April 2018 and paid/expensed in 2018.

See also note 20 Related party transactions, and note 2 Employee benefits in the parent company accounts.

Long term incentive scheme

Long-term variable remuneration
In addition to short term variable remuneration, it is proposed that a long-term incentive plan for senior executives is introduced in 2018 to promote and reward a long-term strategic perspective whilst helping senior executives build a meaningful personal share ownership in the company. The plan will make awards over WWL ASA common shares, which will vest after three years, subject to continued employment and the achievement of financial and strategic long-term performance targets.

For CEO, maximum annual payments can be 50% of base salary and for the other senior executives 40% of base salary.

Expensed audit fee

USD mill	2017	2016
Statutory audit	1.4	0.3
Other assurance services	0.6	0.2
Tax and legal advisory services fee	0.6	
Total expensed audit fee	**2.5**	**0.6**

Note 13

Pension

Description of the pension scheme

In order to reduce the group's exposure to certain risks associated with defined benefit plans, such as longevity, inflation, effects of compensation increases, the group regularly reviews and continuously improves the design of its post-employment defined benefit plans.

Subsidiaries have separate schemes for their employees in accordance with local rules, and the pension schemes are for the material part defined contribution plans.

Defined benefit plan in Korea

Employees with more than one year of service are entitled to receive a lump-sum payment upon termination of their employment depending on their length of service and rate of pay at the time of termination, regardless of the reason for termination. The scheme is generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

The liability recognised in the balance sheet in respect of retirement benefit obligations is the present value of the retirement benefit obligations at the balance sheet date less the fair value of plan assets. The retirement benefit obligations are calculated annually by independent actuaries using the projected unit credit method. The present value of the retirement benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds and that have terms to maturity approximating to the terms of the related pension obligation. The remeasurements of the net defined benefit liability are recognized in other comprehensive income.

Salaries exceeding 12G

The group has "Ekstrapensjon", a contribution plan for all Norwegian employees with salaries exceeding 12 times the Norwegian National Insurance base amount (G). The new contribution plan replaced the group obligations mainly financed from operation. However, the group still has historical obligations for some employees' related to salaries exceeding 12 times the Norwegian National Insurance base amount (G) mainly financed from operations.

In addition, the group has agreements on early retirement. These obligations are mainly financed from operations.

The group has obligations towards some employees in the group's senior executive management. These obligations are mainly covered via group annuity policies in Storebrand.

Pension costs and obligations includes payroll taxes. No provision has been made for payroll tax in pension plans where the plan assets exceed the plan obligations.

The liability recognised in the balance sheet in respect of the remaining defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Note 13 Pension. Continued

	Funded		Unfunded	
	2017	2016	2017	2016
Number of people covered by pension schemes at 31.12				
In employment	118	2	29	2
In retirement (inclusive disability pensions)	77		774	687
Total number of people covered by pension schemes	**195**	**2**	**803**	**689**

	Expenses		Commitments	
	2017	2016	12.31.2017	12.31.2016
Financial assumptions for the pension calculations				
Discount rate	2.30%	2.50%	2.30%	2.30%
Anticipated pay regulation	2.00%	2.25%	2.00%	2.00%
Anticipated increase in National Insurance base amount (G)	2.00%	2.25%	2.00%	2.00%
Anticipated regulation of pensions	0.10%	0.60%	0.10%	0.10%

Anticipated pay regulation are business sector specific, influenced by composition of employees under the plans. Anticipated increase in G is tied up to the anticipated pay regulations. Anticipated regulation of pensions is determined by the difference between return on assets and the hurdle rate.

USD mill	2017			2016		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Pension expenses						
Service cost	1		1	1		1
Net interest cost		1	1		1	1
Cost of defined contribution plan	12		12			0
Net pension expenses	**13**	**1**	**14**	**1**	**1**	**2**

USD mill	2017	2016
	Total	Total
Remeasurements - Other comprehensive income		
Effect of changes in financial assumptions		1
Effect of experience adjustments	1	
Return on plan assets (excluding interest income)		
Total remeasurements included in OCI (parent and subsidaries)	**1**	**1**
Tax effect of pension OCI (parent and subsidaries)		
Net remeasurements in OCI (parent and subsidaries)	**1**	**1**
Remeasurements included in OCI (joint ventures)		
Total remeasurements included in OCI	**1**	**1**

Note 13 Pension. Continued

USD mill	2017	2016
Pension obligations		
Defined benefit obligation at end of prior year	43	44
Effect of changes in foreign exchange rates	3	1
Service cost - current	1	1
Interest expense	1	1
Benefit payments from employer	(4)	(3)
Remeasurements - change in assumptions	1	(1)
Business combinations	33	
Pension obligations at 31.12	**77**	**43**

USD mill	2017	2016
Gross pension assets		
Fair value of plan assets at end of prior year	3	2
Effect of changes in foreign exchange rates		
Interest income		
Employer contributions	1	1
Return on plan assets (excluding interest income)		
Business combinations	2	
Gross pension assets at 31.12	**6**	**3**

USD mill	2017			2016		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Total pension obligations						
Defined benefit obligations	3	73	76	3	40	43
Service cost	1		1	1		1
Total pension obligations	**4**	**73**	**77**	**3**	**40**	**44**
Fair value of plan assets	6		6	3		3
Net pension liabilities	**2**	**(73)**	**(71)**	**(0)**	**(40)**	**(40)**

	12.31.2017	12.31.2016	12.31.2015	12.31.2014	12.31.2013
Historical developments					
Defined benefit obligations	(77)	(44)	(45)	(58)	(98)
Plan assets	6	3	2	2	38
Surplus/(deficit)	**(71)**	**(40)**	**(42)**	**(56)**	**(60)**

Note 14

Combined items, balance sheet

USD mill	Note	2017	2016
Other non current assets			
Long term investments		18	
Financial derivatives		5	
Loan to related party	20	15	
Other non current assets		44	1
Total other non current assets		**82**	**1**
Other current assets			
Account receivables related party	20	1	3
Financial derivatives			9
Payroll tax withholding account	16	1	1
Prepaid expenses		121	6
Total other current assets		**123**	**18**
Other non current liabilities			
Financial derivatives		73	128
Other non current liabilities		16	
Total other non current liabilities		**89**	**128**
Other current liabilities			
Account payables related party	20	3	1
Next year's instalment on interest-bearing debt	17	661	115
Financial derivatives		35	25
Other current liabilities related party	20		1
Accrued operating expenses		235	
Other current liabilities		30	54
Total other current liabilities		**963**	**197**

Note 14 Combined items, balance sheet. Continued

Account Receivables

At 31 December 2017, USD 89 million in account receivables had fallen due but not been subject to impairment. These receivables are related to a number of customers. Historically, the percentage of bad debts has been low and the group expects the customers to settle outstanding receivables. At 31 December 2017, the group's bad debt provision amounts to approximately USD 2.5 million.

Receivables fallen due but not subject to impairment have the following age composition:

USD mill	2017	2016
Aging of account receivables fallen due		
Up to 90 days	58	
90-180 days	17	
Over 180 days	13	
Account receivables per segment		
Ocean	311	4
Landbased	161	
Holding		
Total account receivables	**472**	**4**

Account Payables

At 31 December 2017, USD 11 million in account payables had fallen due. These payables refer to a number of separate suppliers and are related to general business. The group expects to settle outstanding payables.

	2017	2016
Account payables per segment		
Ocean	157	1
Landbased	64	
Holding		
Total account payables	**221**	**1**

See note 18 on credit risk.

Note 15

Current financial investments

USD mill	2017	2016
Market value current financial investments		
Bonds		143
Other financial assets		59
Total current financial investments	**0**	**202**

The fair value of the investments that are actively traded in organised financial markets is determined by reference to quoted market price at the close of business on the balance sheet date.

Net unrealised loss 31.12	0	(11)

Note 16

Restricted bank deposits and undrawn committed drawing rights

USD mill	2017	2016
Payroll tax withholding account	1	1
Undrawn committed drawing rights	275	50
Undrawn committed loans	201	

Note 17

Interest-bearing debt

USD mill	Note	2017	2016
Interest-bearing debt			
Bank loans		1 712	886
Leasing commitments		1 653	239
Bonds	18	388	196
Bank overdraft		12	
Total interest-bearing debt		**3 764**	**1 320**
Book value of mortgaged and leased assets			
Vessels		4 993	1 814
Property & land		81	
Total book value of mortgaged and leased assets		**5 074**	**1 814**
Repayment schedule for interest-bearing debt			
Due in year 1	14	661	115
Due in year 2		709	292
Due in year 3		609	307
Due in year 4		292	83
Due in year 5 and later		1 493	523
Total interest-bearing debt		**3 764**	**1 320**

The overview above shows the actual maturity structure, with the amount due in year one as the first year's instalment classified under other current liabilities.

Note 17 Interest-bearing debt. Continued

USD mill	Note	2017	2016
Net interest-bearing debt			
Non current interest-bearing debt		3 103	1 205
Current interest-bearing debt	14	661	115
Total interest-bearing debt		**3 764**	**1 320**
Cash and cash equivalents		796	81
Current financial investments	14		202
Net interest-bearing debt		**2 968**	**1 038**

A key part of the liquidity reserve takes the form of undrawn committed drawing rights, which amounted to USD 275 million at 31 December 2017 (2016: USD 50 million). See note 16.

Loan agreements entered into by the group contain financial covenants relating to free liquidity, debt-earnings ratio, current ratio and loan to value. In addition, some loan facilities contain financial covenants relating to value-adjusted equity. The group was in compliance with these covenants at 31 December 2017 (analogous for 2016).

	2017	2016
The carrying amounts of the group's borrowings are denominated in the following currencies		
USD	3 458	1 124
NOK	305	196
Total	**3 764**	**1 320**

See otherwise note 18 for information on financial derivatives (interest rate and currency hedges) relating to interest-bearing debt.

Note 17 Interest-bearing debt. Continued

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

USD mill	2017
Cash and cash equivalents	796
Liquid investments*	
Borrowings – repayable within one year (including overdraft)	661
Borrowings – repayable after one year	3 103
Net debt	**2 968**

Cash and liquid investments	796
Gross debt – fixed interest rates	1 234
Gross debt – variable interest rates	2 530
Net debt	**2 968**

	Other assets		Liabilities from financing activities				
USD mill	Cash	Liquid investments*	Finance leases due within 1 year	Finance leases due after 1 year	Borrowings due within 1 year	Borrowings due after 1 year	Total
Net debt at 01.01	81	202	(6)	(149)	(108)	(1 056)	**(1 038)**
Cash flows	218	(202)	(24)	88	(230)	452	**302**
Merger and acquisitions	497		(176)	(1 385)	(116)	(965)	**(2 146)**
Foreign exchange adjustments						(7)	**(7)**
Other non-cash movements						(80)	**(80)**
Net debt at 31.12.2017	**796**	**0**	**(206)**	**(1 446)**	**(454)**	**(1 657)**	**(2 968)**

*Liquid investments comprise current investments that are traded in an active market, being the group's financial assets held at fair value through profit or loss.

Note 18

Financial risk

The group has exposure to the following financial risks from its operations:

- Market risk
    - Foreign exchange rate risk
    - Interest rate risk
    - Bunker price risk
- Credit risk
- Liquidity risk

Market Risk

Economic hedging strategies have been established in order to reduce market risks in line with the financial strategy approved by the board of directors. EUKOR applied hedge accounting according to IAS 39 for their bunker hedges. Hedge accounting according to IAS 39 has not been applied for any other economic hedges. For the mentioned bunker hedges, the realized profit/loss was taken through income statement and any change in market value of the hedge derivatives was taken through OCI. There were no open bunker hedge contracts at the end of 2017.

Any change in market value of other hedge derivatives is recognised in the income statement.

Foreign exchange rate risk

The group is exposed to currency risk on revenues and costs in non-functional currencies (transaction (cash flow) risk) and balance sheet items denominated in currencies other than USD (translation risk). The group's largest foreign exchange exposure is EUR against USD, but the group also has exposure towards a number of other currencies whereof KRW, JPY, SEK, CNY and NOK are most important.

Hedging of transaction risk

As a main principle, WWL group does not use financial instruments to hedge cash flow risk in the operating entities, but will make an assessment of the merits to do so in periods when the USD is historically strong vs. other currencies. As of year-end 2017 no material hedges were in place except the former hedge portfolio of USD/NOK currency options that is being phased out in 2018 as the options mature.

The portfolio of derivatives used to hedge the group's transaction risk exhibit the following income statement sensitivity:

USD mill	(20%)	(10%)	0%	10%	20%
Sensitivity					
Income statement sensitivities of economic hedge program					
Transaction risk					
USD/NOK spot rate	6.54	7.36	8.18	8.99	9.81
Income statement effect (post tax)	**7**	**4**	**0**	**(3)**	**(3)**

(Tax rate used is 23% that equals the Norwegian tax rate)

Note 18 Financial risk. Continued

Hedging of translation risk

For balance sheet items denominated in other currencies than USD, the group will in each case consider whether to hedge the exposure. The group has outstanding NOK-denominated bonds of about NOK 2.5 billion (USD 306 million). The corresponding amount was NOK 1.7 billion (USD 196 million) for 2016. A large part of this debt (NOK 2.0 billion) has been hedged against USD with basis swaps.

FX sensitivities

On 31 December 2017, material foreign currency balance sheet exposure subject to translation risk was in NOK, EUR, KRW and JPY. Income statement sensitivities (post tax) for the net exposure booked were as follows:

USD mill Sensitivity	(20%)	(10%)	0%	10%	20%
Translation risk					
USD/NOK	6.54	7.36	8.18	8.99	9.81
Income statement effect (post tax)	**(5)**	**(4)**	**0**	**3**	**3**
USD/EUR	0.96	1.08	1.20	1.32	1.44
Income statement effect (post tax)	**(2)**	**(2)**	**0**	**2**	**2**
USD/KRW	856.32	963.36	1 070.40	1 177.44	1 284.48
Income statement effect (post tax)	**1**	**1**	**0**	**(1)**	**(0)**
USD/JPY	90.10	101.37	112.63	123.89	135.16
Income statement effect (post tax)	**1**	**1**	**0**	**(1)**	**(1)**

(Tax rate used is 23% that equals the Norwegian tax rate)

Note 18 Financial risk. Continued

A negative USD 4 million in translation difference was booked in other comprehensive income for the period ended 31 December 2017 (2016: negative USD 2 million). All fair value changes of the financial derivatives, except bunkers derivatives in EUKOR, are booked against the income statement. Equity sensitivities will therefore equal sensitivities in the income statement.

USD mill	Note	2017	2016
Through income statement			
Financial currency			
Net currency gain/(loss) - operating currency		5	
Net currency gain/(loss) - financial currency		(1)	(14)
Derivatives for hedging of cash flow risk - realised		(21)	(23)
Derivatives for hedging of cash flow risk - unrealised		20	39
Derivatives for hedging of translation risk - realised		(11)	(20)
Derivatives for hedging of translation risk - unrealised		11	27
Net financial currency	1	**4**	**10**
Through other comprehensive income			
Currency translation differences through other comprehensive income		(4)	(2)
Total net currency effect		**1**	**7**

Interest rate risk

WWL group seeks to hedge between 30-70% of the net interest rate exposure, predominantly through interest rate swaps and fixed rate loans.

Interest rate contracts held by the group corresponded to about 50% (2016: about 60%) of its outstanding long-term interest exposure at 31 December. However, when fixed rate debt is included, the hedge ratio is about 70% (2016: about 80%) as at 31 December. Financial leases are considered fixed rate debt for this calculation.

USD mill	2017	2016
Maturity schedule interest rate hedges (nominal amounts)		
Due in year 1	31	100
Due in year 2	266	150
Due in year 3	156	230
Due in year 4	301	50
Due in year 5 and later*	1 317	230
Total interest rate hedges	**2 070**	**760**
*of which forward starting	765	

Note 18 Financial risk. Continued

In the second half of 2017, WWL group purchased forward starting interest rate swaps for USD 785 million to ensure a hedge ratio of 60-70% for the foreseeable future. These new swaps start their term after existing swaps have matured, gradually from 2019 onwards. Maturity for the longest interest rate swaps are in 2027. (2016: No forward starting swaps).

The group had outstanding swaption contracts with a notional value of USD 150 million that expired at the end of 2017. At the expiry date, the counterparties exercised the swaptions and thus extended the maturity until 2021.

The average remaining term of the existing loan portfolio is about 4.6 years, while the average remaining term of the running interest rate derivatives and fixed interest loans is approximately 4.0 years.

Interest rate sensitivities

The group's interest rate risk originates from differences in duration and amounts between interest-bearing assets and interest-bearing liabilities. On the asset side, bank deposits are subject to risk from changes in the general level of interest rates, primarily in USD. On the liability side, the mix of debt and issued bonds with attached fixed or floating coupons – in combination with financial derivatives on interest rates (plain vanilla interest rates swaps) – are exposed to changes in the level and curvature of interest rates. The group uses the weighted average duration of interest-bearing assets, liabilities and financial interest rate derivatives to compute the group's sensitivity towards changes in interest rates.

The below table summarizes the interest rate sensitivity towards the fair value of interest bearing assets and liabilities:

USD mill

Fair value sensitivities of interest rate risk

Change in interest rates' level	(2%)	(1%)	0%	1%	2%
Estimated change in fair value (post tax)	**(18)**	**(9)**	**0**	**9**	**18**

(Tax rate used is 23% that equals the Norwegian tax rate)

Note 18 Financial risk. Continued

Apart from the fair value sensitivity calculation based on the group's net duration, the group has cash flow risk exposure stemming from the risk of increased future interest payments on the unhedged part of the group's interest-bearing debt.

All financial derivatives are booked against the income statement in accordance with the fair value accounting principle. Equity sensitivities will therefore equal sensitivities in the income statement.

USD mill	2017		2016	
	Assets	Liabilites	Assets	Liabilites
Interest rate derivatives				
Holding segment		8		12
Ocean segment	4	36		41
Landbased	1			
Total interest rate derivatives	**5**	**44**	**0**	**53**
Derivatives used for cash flow hedging				
Holding segment		9		34
Ocean segment			6	
Total currency cash flow derivatives	**0**	**9**	**6**	**34**
Derivatives used for translation risk hedging (basis swaps)				
Holding segment		55		66
Ocean segment				
Total cross currency derivatives (basis swaps)	**0**	**55**	**0**	**66**
Derivatives used for bunker hedging				
Ocean segment			3	
Total bunker derivatives	**0**	**0**	**3**	**0**
Total market value of derivatives	**5**	**108**	**9**	**153**

Book value equals fair value.

Note 18 Financial risk. Continued

Bunker price risk
WWL group is exposed to bunker price fluctuations through its operations in Wallenius Wilhelmsen Logistics (WWL), American Roll-On Roll-Off Carrier Holdings LLC and EUKOR Car Carriers.

As a general principle, bunker adjustment factors (BAF) in customer contracts are the main mechanism to manage bunker oil price risk in WWL group. In the short term, WWL group is exposed to changes in the bunker price since BAF is calculated based on the average price over a historical period, and then fixed during an application period, creating a lag effect.
At the end of 2017 the group had no derivative contracts to hedge bunker price risk.

Credit Risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and originates primarily from the group's customer receivables, financial derivatives used to hedge interest rate risk or foreign exchange risk, as well as bank deposits.

Trade receivables
The group's exposure to credit risk through its operating entities is influenced mainly by individual characteristics of each customer. The demographics of the group's customer base, including the default risk of the industry and country, in which the customers operate, has less of an influence on credit risk.

The group's shipping segment has historically been considered to have low credit risk as the customers tend to be large and well-reputed. In addition, cargo can be held back.

Cash and cash equivalents
The group's exposure to credit risk on cash and cash equivalents is considered to be very limited as the group maintains banking relationships with well reputed and familiar banks and where the group - in most instances - has a net debt position towards these banks.

Financial derivatives
The group's exposure to credit risk on its financial derivatives is considered to be limited as the group's counterparties are well reputed and familiar banks.

Guarantees
In connection with the restructuring and refinancing of the Ocean business area, the parent company has provided a parent company guarantee towards the banks involved in the financing of Wilhelmsen Lines AS. Financial guarantees are provided between the subsidiaries. See note 16 for further details on these.

Credit risk exposure
The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was:

USD mill	Note	2017	2016
Exposure to credit risk			
Long term investments	14	18	
Financial derivatives - asset	14	5	9
Loan to related party	14	15	
Other non current assets	14	44	1
Accounts receivable		472	4
Other current assets	14	123	6
Current financial investments	15		202
Cash and cash equivalents		796	81
Total exposure to credit risk		**1 472**	**301**

Book value equals market value.

Note 18 Financial risk. Continued

Liquidity Risk

The group's approach to managing liquidity is to secure that it will always have sufficient liquidity to meet its liabilities, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group's liquidity risk is considered low in that it holds significant liquid assets in addition to credit facilities with the banks.

At 31 December, the group had USD 796 million (2016: USD 283 million) in liquid assets which can be realised over a three-day period in addition to USD 275 million (2016: USD 50 million) in undrawn capacity under its bank facilities. In addition, USD 200 million is available through banking partners to finance the delivery of the four newbuildings currently under construction.

USD mill	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Later than 5 years
Undiscounted cash flows financial liabilities				
Bank loans	616	618	1 111	495
Leasing commitments	108	108	335	559
Bonds	70	103	270	
Financial derivatives	29	15	34	25
Total interest-bearing debt	**824**	**845**	**1 750**	**1 079**
Current liabilities (excluding next year's instalment on interest-bearing debt and financial derivatives)	746			
Total gross undiscounted cash flows financial liabilities 31.12.2017	**1 569**	**845**	**1 750**	**1 079**
Bank loans	156	229	365	348
Leasing commitments	13	13	39	185
Bonds	5	87	105	13
Financial derivatives	56	57	42	2
Total interest-bearing debt	**230**	**387**	**551**	**548**
Current liabilities (excluding next year's instalment on interest-bearing debt and financial derivatives)	56			
Total gross undiscounted cash flows financial liabilities 31.12.2016	**287**	**387**	**551**	**548**

Interest expenses on floating interest-bearing debt included above have been computed using interest rate curves as of year-end.

Note 18 Financial risk. Continued

Covenants

Most financing is subject to certain financial and non-financial covenants or restrictions. The main covenant related to the group's bond debt is limitation on the ability to pledge assets.

The main bank and lease financing of the group have financial covenant clauses relating to one or several of the following:

- Minimum liquidity
- Current assets/current liabilities
- Net interest-bearing debt/ EBITDA
- Loan to value clauses

The minimum ratios are adjusted to reflect the financial situation of the relevant borrowing company or group of companies. Certain subsidiary loan agreements also have change of control clauses. As of the balance date, the group is in compliance with all financial and non-financial covenants.

Covenants can be adjusted in the event of material changes in accounting principles.

Capital risk management

The group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors return on capital employed, which the group defines as operating profit divided by capital employed (shareholders equity and interest-bearing debt). The board also monitors the level of dividends to shareholders.

The group seeks to maintain a balance between the potentially higher returns that can be achieved with a higher level of debt and the advantages of maintaining a solid capital position. The group's target is to achieve a return on capital employed over time that exceeds 8%. In 2017 the return on capital employed was 5.4%

USD mill	2017	2016
Capital employed		
Average equity	2 115	1 545
Average interest-bearing debt	2 542	1 320
Profit/(loss) after tax	146	500
Operating profit	253	539
Return on equity	6.9%	32.4%

Note 18 Financial risk. Continued

Fair value estimation

The fair value of financial instruments traded in an active market is based on quoted market prices at the balance sheet date. The fair value of financial instruments not traded in an active market (over-the-counter contracts) are based on third party quotes.

These quotes use the maximum number of observable market rates for price discovery. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value and
- The fair value of foreign exchange option contracts is determined using observable forward exchange rates, volatility, yield curve and time-to-maturity parameters at the balance sheet date, resulting in an option premium.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

USD Mill	Fair value	Book value
Interest-bearing debt		
Bank loans	1 712	1 712
Leasing commitments	1 653	1 653
Bonds	389	388
Bank overdraft	12	12
Total interest-bearing debt 31.12.2017	**3 765**	**3 764**
Bank loans	882	886
Leasing commitments	238	239
Bonds	193	196
Total interest-bearing debt 31.12.2016	**1 312**	**1 320**

Note 18 Financial risk. Continued

USD mill	Level 1	Level 2	Level 3	Total balance
Fair value hierarchy:				
Financial assets at fair value through income statement				
Financial derivatives		5		5
Total assets 31.12.2017	**0**	**5**	**0**	**5**
Financial liabilities at fair value through income statement				
Financial derivatives		108		108
Total liabilities 31.12.2017	**0**	**108**	**0**	**108**
Financial assets at fair value through income statement				
Financial derivatives		9		9
Equities	59			59
Bonds	143			143
Total assets 31.12.2016	**202**	**9**	**0**	**210**
Financial liabilities at fair value through income statement				
Financial derivatives		153		153
Total liabilities 31.12.2016	**0**	**153**	**0**	**153**

The quoted market price used for financial assets held by the group is the current close price. The group held no instruments qualifying for inclusion in level 1 at year end.

The fair value of financial instruments not traded in an active market are based on third-party quotes (Mark-to-Market). These quotes use the maximum number of observable market rates for price discovery. The different valuation techniques typically applied by financial counterparties (banks) were described above. These instruments - currency and interest rate derivatives - are included in level 2.

Note 18 Financial risk. Continued

Financial instruments by category:

USD mill	Loans and receivables	Assets at fair value through the income statement	Other	Total
Assets				
Other non current assets	15	5	62	82
Current financial investments				0
Bunkers/luboil			96	96
Accounts receivable	472			472
Other current assets			123	123
Cash and cash equivalent	796			796
Assets at 31.12.2017	**1 283**	**5**	**281**	**1 569**

USD mill	Liabilities at fair value through the income statement	Other financial liabilities at amortised cost	Total
Liabilities			
Non current interest-bearing debt		3 103	3 103
Non current provision		183	183
Other non current liabilities	73	16	89
Accounts payable		221	221
Current provision		257	257
Current interest-bearing debt		661	661
Other current liabilities	35	268	302
Liabilities 31.12.2017	**108**	**4 708**	**4 816**

Note 18 Financial risk. Continued

USD mill	Loans and receivables	Assets at fair value through the income statement	Other	Total
Assets				
Other non current assets			1	1
Current financial investments		202		202
Bunkers/luboil			3	3
Accounts receivable	4			4
Other current assets		9	7	15
Cash and cash equivalent	81			81
Assets at 31.12.2017	**84**	**210**	**10**	**305**

USD mill	Liabilities at fair value through the income statement	Other financial liabilities at amortised cost	Total
Liabilities			
Non current interest-bearing debt		1 205	1 205
Other non current liabilities	128		128
Accounts payable		1	1
Current interest-bearing debt		115	115
Other current liabilities	25	56	81
Liabilities 31.12.2016	**153**	**1 377**	**1 530**

Note 19

Commitments

Operating leases

The group has various operating lease agreements for vessels over various length. In addition, the group has lease agreements for landbased terminals, equipment, office rental and office equipment.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as presented in the table:

USD mill	2017	2016
Within one year	215	23
Later than one year but no later than five years	561	87
Later than five years	644	1
Nominal amount of operating lease commitments	**1 420**	**111**

Commitments related to the newbuilding program

The group has 4 new vessels due for delivery in 2018 (2) and 2019 (2). The vessels have been financed through regular bank facilities.

The commitments related to the newbuilding program are presented in the table:

USD mill	2017	2016
Due in year 1	92	
Due in year 2	78	
Nominal amount of newbuilding commitments	**170**	**0**

Commitments related to terminal investment

The group became part of an investment consortium responsible for developing over 1 130 000 m2 of dedicated land in Pyeongtaek, South Korea. Once the construction is completed in 2022/2023, the group has committed to purchasing 66 000 m2 of land, and the intention is to develop a VPC and “inland port” extension of the group’s PIRT terminal, to capitalise on the growing market of import vehicles to South Korea. The investment will be about USD 30 million, mainly related to acquisition of land in 2022/2023, when construction is completed.

Note 20

Related party transactions

The two main shareholders of Wallenius Wilhelmsen Logistics ASA are Walleniusrederiarne AB and Wilh. Wilhelmsen Holding ASA with 37.8% of the shares respectively. Wilhelm Wilhelmsen family controls Wilh Wilhelmsen Holding ASA through Tallyman AS, and the Wallenius/Kleberg family controls Walleniusrederierna AB through "Rederi AB Soya" (Soya group).

Remuneration to Mr Wilhelm Wilhelmsen was ordinary paid pension of USD 199 thousand and car allowance of USD 22 thousand. For participation in the nomination committee, Thomas Wilhelmsen and Jonas Kleberg were each paid USD 3 thousand.

The group has undertaken several transactions with related parties within Wilh. Wilhelmsen Holding ASA (WWH), Wilservice AS and Wilhelmsen Maritime Services group (WMS group). All transactions are entered into in the ordinary course of business of the company and the agreements pertaining to the transactions are all entered into on commercial market terms.

Wilh. Wilhelmsen Holding ASA (WWH) delivers services to the WWL ASA group related to accounting services ("Shared Services") and in-house services such as canteen, post, switchboard and rent of office facilities. Generally, Shared Services are priced using a cost plus 5% margin calculation, in accordance with the principles set out in the OECD Transfer Pricing Guidelines and are delivered according to agreements that are renewed annually. In addition, the Soya group delivers accounting services and rent of office facilities to the WWL ASA group.

Historically and currently the majority shareholders, WWH and Soya, further deliver several services to the group, all of which are made on an arm's length principle based on market terms, based on the principles set out in the OECD's transfer pricing guidelines for group services, including, inter alia, cost plus basis or based on independent broker estimates, as the case may be. In the event services are provided to both external and internal parties, the prices set forth in the contracts regarding such services, are on same level for both the external and the internal customers. The services cover:

- Ship management including crewing, technical and management service
- Insurance brokerage
- Agency services
- Freight and liner services
- Marine products to vessels

As a part of the merger between WWASA and WallRoll AB, Walleniusrederierna AB received a corporate bond, with nominal value of USD 80 million. Interest is 6% annually payable-in-kind and maturity is in 2022. It is based on standard bond agreement and trustee is Nordic Trustee. The corporate bond is fully tradeable and transferable (as any other corporate bond).

Note 20 Related party transactions. Continued

USD mill	Note	2017	2016
Operating revenue from related parties related parties within WWH group		1	
Operating expenses to related parties within WWH group		4	7
Operating expenses to related parties within Soya group		4	
Non current receivables from related parties within Soya group*	14	15	
Current receivables from related parties within Soya group		1	

*Interest free loan to Walleniusrederierna AB

Non current payables to related parties within WWH group			1
Non current loan/payables to related parties within Soya group	14	3	
Interest-bearing debt/bond to related parties within Soya group	15	82	

Note 20 Related party transactions. Continued

Q1 2017 and 2016 transactions with joint ventures and associates

Wallenius Wilhelmsen Logistics AS (WWL) was a joint venture between WWL ASA and Walleniusrederierna AB (Wallenius). It is an operating company within both the ocean segment and the landbased segment. It operates most of the WWL ASA's and Wallenius' owned vessels. The distribution of income from WWL to WWL ASA and Wallenius was based on the total net revenue earned by WWL from the operating of the combined fleets of WWL ASA and Wallenius, rather than the net revenue earned by each party's vessels.

EUKOR Car Carriers Inc was also chartering vessel from WWL ASA. The contracts governing such transactions are based on commercial market terms and mainly related to the chartering of vessels on short and long term charters.

USD mill	Business office, country	Ownership	Note	2017	2016
Operating revenue from joint ventures					
Wallenius Wilhelmsen Logistics AS	Lysaker, Norway	50%	21	53	227
EUKOR Car Carriers Inc	Seoul, Republic of Korea	40%	21	6	30
Tellus Shipping AS	Lysaker, Norway	50%			
ARC**	New Jersey, USA	50%			
Freight revenue from joint ventures				**59**	**257**

**American Roll-on Roll-off Carrier Holdings LLC, Fidelio Inc, Fidelio Limited Partnership, American Logistics Network LLC and American Roll-On Roll-Off Carrier Group Inc.

Account receivables from related party			
Joint ventures	14		3

Account payables to related party			
Joint ventures	14		1

In addition, joint ventures and Hyundai Glovis Co Ltd (previously associate) have several transactions with each other. The contracts governing such transactions are based on commercial market terms and mainly related to the chartering of vessels on short and long term charters.

Further, shipowning subsidiaries and Shippersys AB (associate until end of 2016) have transactions with each other. The contracts governing such transactions are based on commercial market terms and relates to software solutions for the shipping industry.

Note 21

Operating lease revenue

Prior to 4 April 2017, the group owned vessels and held ownership stakes in joint ventures alongside Walleniusrederiana AB.

Following the merger transaction on 4 April 2017, the ownership in the jointly owned entities, Wallenius Wilhelmsen Logistics AS (WWL AS, jointly owned 100%), EUKOR (jointly owned 80%), Tellus Shipping AS (jointly owned 100%) and American Roll-on Roll-off Carrier (jointly owned 100%) were all consolidated by WWL ASA. Of the pre-merger group's total controlled fleet as of 31 March 2017, 28 (26) vessels are chartered out on operating lease with variable time charter rates and 3 (6) vessels are chartered out on operating lease with fixed time charter rates.

USD mill	Notes	2017	2016
Variable Time Charter	20	53	227
Fixed Time Charter	20	6	30
Other operating revenues			
Total operating revenues		**59**	**257**

Future minimum lease income under non-cancellable fixed operating lease agreements:

USD mill	2016
Duration less than one year	26
Duration between one and five years	101
Duration over five years	
Total future minimum lease payments	**127**

Note 22

Principal subsidiaries

USD mill	Business office, country	Nature of business	2017 Ownership interest held by the group	2016 Ownership interest held by the group	2017 Ownership interest held by non-controlling interests	2016 Ownership interest held by non-controlling interests
Ocean/landbased						
2W Americas Holdings, LLC	New Jersey, USA	Intermediate holding company	100%	50%		
American Roll-On Roll-Off Carrier Holdings LLC	New Jersey, USA	Intermediate holding company	100%	50%		
Armacup Maritime Services Ltd	Auckland New Zealand	Vessel operator	65%	33%	35%	
EUKOR Car Carriers Inc	Seoul, Republic of Korea	Shipowner and operator	80%	40%	20%	
Fidelio Limited Partnership	New Jersey, USA	Shipowner	100%	50%		
KTI Holding Corporation	New Jersey, USA	Intermediate holding company	100%			
Wall RO/RO AB	Stockholm, Sweden	Shipowner	100%			
Wallenius Logistics AB	Stockholm, Sweden	Intermediate holding company	100%			
Wallenius Wilhelmsen Inland Services Holding AS	Lysaker, Norway	Intermediate holding company	100%	50%		
Wallenius Wilhelmsen Landbased Holding AS	Lysaker, Norway	Intermediate holding company	100%	50%		
Wallenius Wilhelmsen Logistics AS	Lysaker, Norway	Vessel and landbased operator	100%	50%		
Wallenius Wilhelmsen Terminals Holding AS	Lysaker, Norway	Intermediate holding company	100%	50%		
Wilhelmsen Lines AS	Lysaker, Norway	Intermediate holding company	100%	100%		
Wilhelmsen Lines Car Carriers Ltd	Southampton, United Kingdom	Shipowner	100%	100%		
Wilhelmsen Lines Malta Ltd	Floriana, Malta	Intermediate holding company	100%	100%		
Wilhelmsen Lines Shipowning AS	Lysaker, Norway	Shipowner	100%	100%		
Wilhelmsen Lines Shipowning Malta Ltd	Floriana, Malta	Shipowner	100%	100%		
Wilhelmsen Ships Holding Malta Ltd	Floriana, Malta	Intermediate holding company	100%	100%		
WWL Shipowning Singapore Pte Ltd	Singapore	Shipowner	100%			
WWL Vehicle Service Americas Inc	New Jersey, USA	Landbased operator	100%	50%		

The group's principal subsidiaries at 31 December 2017 are set out above. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business. Effective on 8 June 2016, Den Norske Amerikalinje AS (owning the Hyundai Glovis shareholding) was demerged from the group. See note 5 regarding the demerger.

Note 23.

Contingencies

The size and global activities of the group dictate that companies in the group from time to time will be involved in disputes and legal actions.

Anti-trust investigations

The operating entities Wallenius Wilhelmsen Logistics (WWL AS) and EUKOR Car Carrier (EUKOR) have been part of anti-trust investigations in several jurisdiction since 2012. This process is now drawing towards an end with outstanding jurisdictions likely to reach their conclusion in 2018. The antitrust provision was increased with USD 140 million in the fourth quarter based on updated evaluations, taking into account the possible outcome of pending investigations and the possibility for civil claims. The preliminary purchase price allocation has been updated to reflect the increased fair value of liability. As such, the increased provision did not impact the income statement for WWL group. WWL's provision stood at year end was USD 440 million and no payments were outstanding at year end 2017. See note 24 for events after the balance sheet date.

The group is not aware of any further financial risk associated with other disputes and legal actions which are not largely covered through insurance arrangements. Any such disputes/actions which might exist are of such a nature that they will not significantly affect the group's financial position.

Note 24.

Events after the balance sheet date

On 21 February 2018, the European Competition authorities announced the outcome of the investigation in the form of an industry settlement, including WWL AS, EUKOR and four other carriers. The investigation revealed certain instances of conduct contrary to company policies and in breach of EU competition laws. As a part of the industry settlement, WWL AS and EUKOR were fined EUR 207 million in total. WWL had made a provision for the outcome of the investigation and consequently the fine does not impact the income statement.

No other material events occurred between the balance sheet date and the date when the accounts were presented which provide new information about conditions prevailing on the balance sheet date.

Wallenius Wilhelmsen

2017 – Wallenius Wilhelmsen Parent

Annual Accounts and Notes

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Income statement

USD mill	Notes	2017	2016
Operating income	1	**3**	**4**
Operating expenses			
Employee benefits	2	(9)	(10)
Depreciation and impairment	3	(0)	
Other operating expenses	1	(4)	(9)
Total operating expenses		**(13)**	**(20)**
Net operating profit/(loss)		**(10)**	**(15)**
Financial income and expenses			
Financial income	1	32	573
Financial expenses	1	(18)	(21)
Financial derivatives	1	4	23
Financial income/(expense)		**17**	**576**
Profit before tax		**7**	**560**
Tax income/(expense)	4	(2)	(3)
Profit for the year		**5**	**557**
Transfers and allocations			
(To)/from equity		(5)	(557)
Total transfers and allocations		**(5)**	**(557)**

Comprehensive income

USD mill	Notes	2017	2016
Profit for the year		5	557
Items that will not be reclassified to the income statement			
Remeasurement postemployment benefits, net of tax	9	1	1
Total comprehensive income		**6**	**558**
Attributable to			
Owners of the parent		6	558
Total comprehensive income for the year		**6**	**558**

Balance Sheet

USD mill	Notes	31.12.2017	31.12.2016
Assets			
Non current assets			
Deferred tax assets	4	66	64
Intangible assets	3		
Tangible assets	3		
Investments in subsidiaries	5	1 682	600
Total non current assets		**1 748**	**665**
Current assets			
Other current assets	6/10	55	8
Cash and bank deposits		35	15
Total current assets		**90**	**23**
Total assets		**1 838**	**688**

USD mill	Notes	31.12.2017	31.12.2016
Equity and liabilities			
Equity			
Share capital	8	28	16
Retained earnings	8	1 292	298
Total equity		**1 320**	**314**
Non current liabilities			
Pension liabilities	9	38	38
Non current interest-bearing debt	10	324	196
Total non current liabilities		**362**	**234**
Current liabilities			
Public duties payable		1	1
Other current liabilities	9/10	155	140
Total current liabilities		**156**	**140**
Total equity and liabilities		**1 838**	**688**

Lysaker, 16 March 2018

Lars Håkan Larsson
Chair

Thomas Wilhelmsen
Board member

Jonas Olof Gillis Kleberg
Board member

Marianne Lie
Board member

Kerstin Margareta Alestig Johnson
Board member

Craig Jasienski
President and CEO

Notes 1 to 14 on the next pages are an integral part of these financial statements.

Cash flow statement

USD mill	Notes	2017	2016
Cash flow from operating activities			
Profit before tax		7	560
Depreciation and impairment	3		
Financial (income)/expense		(13)	(148)
Change in net pension assets/liabilities		1	(1)
Other change in working capital		(18)	(13)
Net cash provided by/(used in) operating activities		**(23)**	**397**
Cash flow from investing activities			
Investments in subsidiaries, associates and joint ventures			(428)
Loans granted to subsidiaries and associates		(50)	
Interest received		1	
Dividend received		30	
Dividends received from associates and joint ventures			145
Net cash flow provided by/(used in) investing activities		**(19)**	**(283)**
Cash flow from financing activities			
Proceeds from issuance of debt		126	
Repayment of debt		(23)	(90)
Interest paid including interest rate derivatives		(41)	(65)
Net cash flow provided by/(used in) financing activities		**63**	**(156)**
Net increase/(decrease) in cash and cash equivalents		**20**	**(42)**
Cash and cash equivalents at 01.01*		15	57
Cash and cash equivalents at 31.12		**35**	**15**

* The company has several banks accounts in different currencies. The cash flow effect from revaluation of cash and cash equivalents is included in net cash flow provided by/(used in) operating activities.

Notes 1 to 14 on the next pages are an integral part of these financial statements.

Note 1

Combined items, income statement

USD mill	Notes	2017	2016
Operating income			
Intercompany income	12	3	4
Total operating income		**3**	**4**
Other operating expenses			
Intercompany expenses	12		(3)
Other administration expenses		(4)	(6)
Total other operating expenses		**(4)**	**(9)**
Financial income/(expenses)			
Financial income			
Dividend from subsidiaries and group contribution	12	30	145
Interest income		1	
Gain on sale of investments			428
Other financial income		1	
Total financial income		**32**	**573**
Financial expenses			
Interest expenses		(11)	(12)
Net currency loss		(6)	(8)
Other financial expenses		(1)	(1)
Total financial expenses		**(18)**	**(21)**

	Notes	2017	2016
Financial derivatives			
Realised gain/(loss) related to currency derivatives		(32)	(27)
Realised gain/(loss) related to interest rate derivatives		(4)	(24)
Realised gain/(loss) related to bunker hedging	11	3	(2)
Unrealised gain/(loss) related to currency derivatives		36	33
Unrealised gain/(loss) related to interest rate derivatives		3	9
Unrealised gain/(loss) related to commodities		(3)	35
Total financial derivatives		**4**	**23**
Financial income/(expenses)		**17**	**576**

See note 18 on financial risk and the section of the accounting policies concerning financial instruments.

Note 2

Employee benefit

USD mill	2017	2016
Pay	6	7
Payroll tax	1	1
Pension cost	1	3
Termination gain defined benefit plan		(1)
Other remuneration	1	1
Total employee benefits	**9**	**10**
Number of employees *	0	23
Average number of employees	**12**	**23**

* All employees (11) are moved to WWL AS in 2017.

Remuneration of Senior Executives

USD thousand	Pay	Bonus	Pension premium	Other remuneration	Total
04.04.2017 - 31.12.2017					
CEO - Craig Jasienski	373		130	77	450
CFO - Rebekka Glasser Herlofsen	275		33	46	321

The CEO Craig Jasienski has a severance pay guarantee under which he has the right to receive up to 100% of his annual salary for 24 months (notice period of 6 month plus 18 month) after leaving the company as a result of mergers, substantial changes in ownership, or decision by the board of directors. Possible income during the period is deducted up to 50%, which comes into force after 6 months' notice period. The CEO is guaranteed 50% of the annual salary as bonus in 2018.

The CEO retirement age is 65. He is following the company pension policy for salary below and above 12G (defined contribution plan), and in addition the company has obligation towards CEO. This obligation is mainly covered via group annuity policies in Storebrand. CEO is member of the long term incentive scheme from 2018, the maximum annual payment is 50% of base salary.

The CFO Rebekka Glasser Herlofsen has a severance pay guarantee under which she has the right to receive up to 100% of her annual salary for 18 months (notice period of 6 months plus 12 months) after leaving the company as a result of mergers, substantial changes in ownership, or decision by the board of directors. Possible income during the period is deducted up to 50%, which comes into force after 6 months' notice period. She is following the company pension policy for salary below and above 12G (defined contribution plan). CFO will be a member of the long term incentive scheme from 2018, the maximum annual payment is 40% of base salary.

Note 2 Employee benefit. Continued

USD thousand	Pay	Bonus	Pension premium	Other remuneration	Total
01.01.2017 - 03.04.2017					
President and CEO - Jan Eyvin Wang*	794	480	362	427	2 064
CFO - Benedicte Bakke Agerup*	954	175	1	5	1 135

*Including gross up of pension expense USD 362 in other remuneration. Holiday pay, stay on fee until merger date and severance pay are included in pay.
**Including severance pay and pension settlement.

USD thousand	Pay	Bonus	Pension premium	Other remuneration	Total
2016					
President and CEO - Jan Eyvin Wang*	405	181	498	412	1 495
CFO - Benedicte Bakke Agerup	239	89	30	17	375

*Including gross up of pension expense: President and CEO Jan Eyvin Wang USD 372.

Remuneration is paid in NOK, which means that the USD amounts are not comparable from year to year. Rates of remuneration can be compared by taking account of changes in the USD exchange rate.

Mr. Jan Eyvin Wang and Ms. Benedicte Bakke Agerup left WWL ASA when the transition to WWL ASA was completed, 4 April 2017. Mr. Wang are entitled to a 24 months' severance package. Possible income during the period will be deducted up to 50%. WWL ASA has agreed to continue to pay his pension premium until it is fully financed by 1 Aug 2018. Mr. Wang is entitled to compensation for a company car and various minor benefits until the age of 67. President and CEO - agreed retirement age is 62, provided not agreed to be postponed. The pension should approximately be 66% at age 67.

Ms. Bakke Agerup was entitled to an 18 months' severance package. Possible income during the period will be deducted up to 50%, which comes into force after the notice period (6 months). Accrued pension obligations for salary exceeding 12G was paid out after the notice period.

Note 2 Employee benefit. Continued

USD thousand	2017	2018
Remuneration of the board of directors		
Håkan Larsson (chair)		
Thomas Wilhelmsen		
Jonas Kleberg		
Marianne Lie	39	39
Margareta Alestig		
Diderik Schnitler**	39	39
Bente G Brevik	39	39

**Diderik Schnitler has an additional consulting agreement with the group where he got paid USD 24 (2016: USD 24).

Remuneration of the nomination committee totalled USD 12 in 2017 (2016: USD 10). The board's remuneration for the fiscal year 2017 will be approved by the general meeting 25 April 2018 and paid/expensed in 2018.

Loans and guarantees

There were no loans or guarantees to employees or members of the board per 31 December 2017.

Name	Number of shares	% of shares
Shares owned or controlled by representatives of WWL ASA at 31.12.2017		
Board of directors		
Håkan Larsson (chair)		
Thomas Wilhelmsen	42 000	0.01%
Jonas Kleberg		
Marianne Lie		
Margareta Alestig		
Senior executives		
President and CEO - Craig Jasienski	30 316	0.01%
CFO - Rebekka Herlofsen	15 316	0.00%
Nomination Commitee		
Jonas Kleberg		
Thomas Wilhelmsen	42 000	0.01%
Anders Ryssdal		

Note 2 Employee benefit. Continued

Long term incentive scheme

Long term variable remuneration

In addition to short term variable remuneration, it is proposed that a long-term incentive plan for senior executives is introduced in 2018 to promote and reward a long-term strategic perspective whilst helping senior executives build a meaningful personal share ownership in the company. The plan will make awards over WWL ASA common shares, which will vest after three years, subject to continued employment and the achievement of financial and strategic long-tem perfomance targets.

For CEO, maximum annual payments can be 50% of base salary and for the other senior executives 40% of base salary.

USD thousand	2017	2016
Expensed audit fee (excluding VAT)		
Statutory audit	110	90
Other assurance services	244	233
Total expensed audit fee	**354**	**323**

Note 3

Intangible and tangible assets

USD mill	Intangible assets	Tangible assets
2017		
Cost 01.01	1.5	1.4
Cost 31.12	**1.5**	**1.4**
Accumulated ordinary depreciation 01.01	1.3	1.3
Depreciation	0.1	0.1
Accumulated ordinary depreciation 31.12	**1.5**	**1.4**
Carrying amounts 31.12	**0.0**	**0.0**
Economic lifetime	Up to 3 years	3-10 years
Depreciation schedule	Straight-line	Straight-line

USD mill	Intangible assets	Tangible assets
2016		
Cost 01.01	1.5	1.4
Cost 31.12	1.5	1.4
Accumulated ordinary depreciation 01.01	1.2	1.1
Depreciation	0.1	0.1
Accumulated ordinary depreciation 31.12	**1.3**	**1.3**
Carrying amounts 31.12	**0.1**	**0.2**
Economic lifetime	Up to 3 years	3-10 years
Depreciation schedule	Straight-line	Straight-line

USD mill	2017	2016
The company has a lease agreement for the office building, Strandveien 20.		
Due in year 1	1	
Due in year 2	1	
Due in year 3	1	
Due in year 4	1	
Due in year 5 and later	3	2
Total expense related to lease agreement of office building	**7**	**2**

Note 4

Tax

USD mill	2017	2016
Distribution of tax (income)/expense for the year		
Payable tax/witholding tax		
Change in deferred tax	2	3
Total tax (income)/expense	**2**	**3**
Basis for tax computation		
Profit before tax	7	560
24% tax (2016: 25% tax)	2	140
Tax effect from		
Witholding tax		
Non taxable income		(137)
Current year's calculated tax	**2**	**3**
Effective tax rate	28%	0%
Deferred tax assets/(liabilites)		
Tax effect of temporary differences		
Current assets and liabilities	17	26
Non current liabilities and provisions for liabilities	9	9
Tax losses carried forward	40	29
Deferred tax assets/(liabilities)	**66**	**64**
Composition of deferred tax and changes in deferred tax		
Deferred tax assets 01.01	64	65
Charged directly to equity		
Change of deferred tax through income statement	(2)	(3)
Currency translation differences	3	2
Deferred tax assets/(liabilities) 31.12	**66**	**64**

The main part of deferred tax asset is related to tax loss carried forward. Also, most temporary differences will vary in size.

Note 5

Investments in subsidiaries

USD mill			2017	2016
	Business office country	Voting share / ownership share	Book value	
Wilhelmsen Ships Holding Malta Ltd*	Floriana, Malta	100%/ 0%		
Wilhelmsen Lines AS	Lysaker, Norway	100%	600 464	600 464
Wallenius Logistics AB	Stockholm, Sweden	100%	1 059 393	
American Roll-On Roll-Off Carrier Group Inc**	New Jersey, USA	50%	14 028	
American Logistics Network LLC*	New Jersey, USA	50%	4 509	
Wallenius Lines Holding Inc	Stockholm, Sweden	100%	3 690	
Total investments in subsidiaries			**1 682 084**	**600 464**

*The parent company has 1 A share and 1 B share, the remaining part is owned by Wilhelmsen Lines AS (229 637 478 C shares)
**The other 50% is owned by Wilhelmsen Lines AS

Merger between Wilh.Wilhelmsen and Wallroll AB

The merger between Wilh. Wilhelmsen ASA and Wallroll AB was effective on 4 April 2017, with Wilh. Wilhelsen as the surviving company. The merger led to an increase of share capital with NOK 106 million / USD 12.

The merged entity named Wallenius Wilhelmsen Logistics ASA was listed on the stock exchange on 20 April 2017. Wilh. Wilhelmsen Holding ASA and Walleniusrederierna AB own each 160 000 000 shares in the company, representing 37.8% of the share capital and the votes.

Demerger of NAL (/Hyundai Glovis)

The demerger of Den Norske Amerikalinje AS (owns the Huyndai Glovis shareholding) from the group was effective on 8 June 2016. The demerger was accounted for at fair value and contributed with a significant non-recurring gain in the second quarter of USD 375 million. The book value of equity, after the accounting gain, was reduced with 730 million by the demerger.

The demerged entity named Treasure ASA was listed on the Oslo Stock Exchange on 8 June 2016. All shareholders of WWL ASA received 1 share in Treasure ASA for every share held in WWL ASA.

Note 6

Combined items, balance sheet

USD mill	Note	2017	2016
Other current assets			
Intercompany receivables	12	55	4
Financial derivatives			3
Other current receivables			1
Total other current assets		**55**	**8**
Other current liabilities			
Account payables			
Intercompany payables	12	11	1
Next year's instalment on interest-bearing debt		64	
Financial derivatives		72	112
Other current liabilities		8	27
Total other current liabilities		**155**	**140**

The fair value of current receivables and payables is virtually the same as the carried amount, since the effect of discounting is insignificant.
Borrowing is at floating rates of interest with margins approximately at today's market terms except for bonds. Fair value is virtually identical with the carried amount.

Note 7

Restricted bank deposits and undrawn committed drawing rights

USD mill	2017	2016
Payroll tax withholding account	0	1
Undrawn committed drawing rights	0	50
- Of which backstop for outstanding certificates and bonds with a remaining term of less than 12 months to maturity.		50

Note 8

Equity

USD mill	Share capital	Other paid-in capital	Retained earnings	Total
Change in equity				
Equity 31.12.2016	16	89	208	314
Merger with Wallroll AB	12	989		1 002
Profit for the year			5	5
Other comprehensive income for the year			(1)	(1)
Equity 31.12.2017	**28**	**1 079**	**213**	**1 320**
Equity 31.12.2015	30	89	365	485
Demerger Den Norske Amerikalinje AS	(15)		(716)	(730)
Profit for the year			557	557
Other comprehensive income for the year			1	1
Adjustment previous year			1	1
Equity 31.12.2016	**16**	**89**	**208**	**314**

As of 31 December 2017 the company's share capital comprises 423 104 938 shares with a nominal value of NOK 0.52 each. The company had no own shares.

Dividend/Equity transaction

The merger between Wilh. Wilhelmsen ASA and WallRoll AB (part of Walleniusrederierna AB) was effective on 4 April 2017, with Wilh. Wilhelmsen as the surviving company. The merged entity named Wallenius Wilhelmsen Logistics ASA was listed on the Oslo Stock Exchange on 20 April 2017. Wilh.Wilhelmsen Holding ASA and Walleniusrederierna AB each owns 160 000 000 shares in the company each representing 37.8% of the share capital and the votes in the company.

The demerger of Den Norske Amerikalinje AS (owns the Hyundai Glovis shareholding) from the group was effective on 8 June 2016. The demerged entity named Treasure ASA was listed on the Oslo Stock Exchange on 8 June 2016. All shareholders of WWL ASA received 1 share in Treasure ASA for every share held in WWL ASA. The demerger led to a reduction of the share capital with NOK 106 million/ USD 15 million in the second quarter of 2016.

Note 8 Equity. Continued

The largest shareholders at 31.12.2017

Shareholders	Note	Number of shares	% of shares
Walleniusrederierna AB	12	160 000 000	37.82%
Wilh. Wilhelmsen Holding ASA	12	160 000 000	37.82%
Folketrygdfondet		11 129 228	2.63%
Danske Invest Norske Instit. II.		5 801 378	1.37%
JP Morgan Chase Bank N.A. London		4 859 810	1.15%
Danske Invest Norske Aksjer Inst.		3 075 804	0.73%
VPF Nordea Norge Verdi		2 882 613	0.68%
The Bank of New Yourk Mellon SA/NV		2 673 127	0.63%
Storebrand Norge I Verdipapirfond		2 558 935	0.60%
BNP Paribas Securities Services		2 290 689	0.54%
Others		67 833 354	16.03%
Total number of shares		**423 104 938**	**100.00%**

Note 9

Pensions

Description of the pension scheme
In order to reduce the company's exposure to certain risks associated with defined benefit plans, such as longevity, inflation, effects of compensation increases, the company regularly reviews and continuously improves the design of its post-employment defined benefit plans. Until 31 December 2014, the company provided both defined benefit pension plans and defined contribution pension plans.

The company's defined contribution pension schemes for Norwegian employees are with Storebrand, similar solutions with different investment funds. Maximum contribution levels according to regulations were followed up to 31 December 2014. From 1 January 2015, the contributions from the company are changed to be in accordance with new requirements.

The company has "Ekstrapensjon", a contribution plan for all Norwegian employees with salaries exceeding 12 times the Norwegian National Insurance base amount (G). The new contribution plan replaced the company obligations mainly financed from operation.

The company has obligations towards some employees in the company's senior executive management. These obligations are mainly covered via company annuity policies in Storebrand.

Pension costs and obligations includes payroll taxes. No provision has been made for payroll tax in pension plans where the plan assets exceed the plan obligations.

The liability recognised in the balance sheet in respect of the remaining defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Note 9 Pensions. Continued

	Funded		Unfunded	
	2017	2016	2017	2016
Number of people covered by pension schemes at 31.12				
Previous employees not yet retired	2	2		2
In retirement (inclusive disability pensions)			642	654
Total number of people covered by pension schemes	**2**	**2**	**642**	**656**

	Expenses		Commitments	
	2017	2016	31.12.2017	31.12.2016
Financial assumptions for the pension calculations				
Discount rate	2.30%	2.50%	2.30%	2.30%
Anticipated pay regulation	2.00%	2.25%	2.00%	2.00%
Anticipated regulation of National Insurance base amount (G)	2.00%	2.25%	2.00%	2.00%
Anticipated regulation of pensions	0.10%	0.60%	0.10%	0.10%

Anticipated pay regulation are business sector specific, influenced by composition of employees under the plans. Anticipated increase in G is tied up to the anticipated pay regulations.
Anticipated regulation of pensions is determined by the difference between return on assets and the hurdle rate.

Note 9 Pensions. Continued

USD mill	2017			2016		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Pension expenses						
Service cost	1		0	1		1
Termination gain defined benefit plan			0			0
Net interest cost		1	1		1	1
Cost of defined contribution plan			0			0
Net pension expenses	**1**	**1**	**1**	**1**	**1**	**2**

USD mill	2017	2016
Remeasurements - Other comprehensive income		
Effect of changes in financial assumptions		1
Effect of experience adjustments	(1)	
Return on plan assets (excluding interest income)		
Total remeasurements included in OCI	**(1)**	**1**
Tax effect of pension OCI		
Net remeasurement in OCI	**(1)**	**1**

USD mill	2017	2016
Pension obligations		
Defined benefit obligations 01.01	41	42
Effect of changes in foreign exchange rates	2	1
Service cost - current		1
Interest expense	1	1
Benefit payments from employer	(3)	(3)
Remeasurements - change in assumptions	1	(1)
Pension obligations 31.12	**42**	**41**

Note 9 Pensions. Continued

USD mill	2017	2016
Gross pension assets		
Fair value of plan assets 01.01	3	2
Effect of changes in foreign exchange rates		
Interest income		
Employer contributions	1	1
Return on plan assets (excluding interest income)		
Gross pension assets 31.12	**4**	**3**

		2017			2016	
USD mill	Funded	Unfunded	Total	Funded	Unfunded	Total
Total pension obligations						
Defined benefit obligations	3	38	41	3	38	40
Service cost	1		1	1		1
Total pension obligations	**4**	**38**	**42**	**3**	**38**	**41**
Fair value of plan assets	4		4	3		3
Net pension liabilities	**0**	**38**	**38**	**(0)**	**(38)**	**(38)**

Premium payments in 2018 are expected to be USD 0 million (2017: USD 0.9 million) No employees in 2018.
Payments from operations are estimated at USD 2.9 million (2017: USD 2.5 million)

Note 10

Interest-bearing debt

USD mill	2017	2016
Interest-bearing debt		
Bonds	387	196
Repayment schedule for interest-bearing debt		
Due in year 1	64	
Due in year 2	98	81
Due in year 3	10	93
Due in year 4		9
Due in year 5 and later	216	12
Total interest-bearing debt	**387**	**196**

As of 31 December 2017 weighted average interest rate on interest-bearing debt is 3.75%

Note 11

Financial risk

The company has exposure to the following financial risks from its operations:

- Market risk
  - Foreign exchange rate risk
  - Interest rate risk
- Credit risk
- Liquidity risk

Market risk

For the group as a whole, economic hedging strategies have been established in order to reduce market risks in line with the financial strategy approved by the board of directors. Separate economic hedging strategies have not been established for the parent company for the market risks. As a consequence, financial derivatives part of the group's economic hedging strategies, can be held by the company and included in the parent company's accounts without any direct hedging effect for the parent company. Hedge accounting according to IAS 39 has not been applied for these economic hedges. Any change in market value of hedge derivatives is therefore recognised in the income statement.

Foreign exchange rate risk

The company is exposed to currency risk on revenues and costs in non-functional currencies (transaction (cash flow) risk) and balance sheet items denominated in currencies other than USD (translation risk). The company's largest individual foreign exchange exposure is NOK against USD.

Hedging of cash flow risk

As a main principle, the group does not use financial instruments to hedge cash flow risk in the operating entities, but will make an assessment of the merits to do so in periods when the USD is historically strong vs. other currencies. As of year-end 2017 no material hedges were in place except the former hedge portfolio of USD/NOK currency options that is being phased out in 2018 as the options mature.

The portfolio of derivatives used to hedge the group's transaction risk exhibit the following income statement sensitivity:

USD mill	(20%)	(10%)	0%	10%	20%
Sensitivity					
Income statement sensitivities of economic hedge program					
Transaction risk					
USD/NOK spot rate	6.54	7.36	8.18	8.99	9.81
Income statement effect (post tax)	**7**	**4**	**0**	**(3)**	**(3)**

(Tax rate used is 23% that equals the Norwegian tax rate)

Note 11 Financial risk. Continued

Hedging of translation risk

The company has outstanding NOK-denominated bonds of about NOK 2.5 billion (USD 306 million). The corresponding amount was NOK 1.7 billion (USD 196 million) for 2016. A large part of this debt (NOK 2.0 billion) has been hedged against USD with basis swaps.

FX sensitivities

On 31 December 2017, material foreign currency balance sheet exposure subject to translation risk was in NOK. Income statement sensitivities (post tax) for the net exposure booked were as follows:

USD mill	(20%)	(10%)	0%	10%	20%
Sensitivity					
Translation risk					
USD/NOK	6.54	7.36	8.18	8.99	9.81
Income statement effect (post tax)	**(3)**	**(3)**	**0**	**2**	**2**

(Tax rate used is 23% that equals the Norwegian tax rate)

All financial derivatives are booked against the income statement. Equity sensitivities will therefore equal sensitivities in the income statement.

Interest rate risk

The group's strategy, of which WWLASA is a part, seeks to hedge between 30-70% of the net interest rate exposure, predominantly through interest rate swaps and fixed rate loans.

Interest rate contracts held by the company corresponded to about 40% (2016: about 95%) of its outstanding long-term interest exposure at 31 December. However, when fixed rate debt is included, the hedge ratio is about 60% (2016: about 95%) as at 31 December. It should be noted that the company also takes on hedges on behalf of the group.

USD mill	2017	2016
Maturity schedule interest rate hedges (nominal amounts)		
Due in year 1		40
Due in year 2		
Due in year 3		
Due in year 4		
Due in year 5 and later	150	150
Total interest rate hedges	**150**	**190**

The company has not entered into any forward starting swaps (analogous for 2016).

Note 11 Financial risk. Continued

The average remaining term of the existing loan portfolio is about 3.1 years, while the average remaining term of the running interest rate derivatives and fixed interest loans is approximately 5.8 years.

Interest rate sensitivities

The company's interest rate risk originates from differences in duration and amount between interest-bearing assets and interest-bearing liabilities. On the asset side, bank deposits are subject to risk from changes in the general level of interest rates, primarily in USD. On the liability side, the mix of debt and issued bonds with attached fixed or floating coupons – in combination with financial derivatives on interest rates (plain vanilla interest rates swaps) – are exposed to changes in the level and curvature of interest rates. The group uses the weighted average duration of interest-bearing assets, liabilities and financial interest rate derivatives to compute the group's sensitivity towards changes in interest rates.

The below table summarizes the interest rate sensitivity towards the fair value of assets and liabilities:

USD mill

Fair value sensitivities of interest rate risk

Change in interest rates' level	(2%)	(1%)	0%	1%	2%
Estimated change in fair value (post tax)	**(6)**	**(3)**	**0**	**3**	**6**

(Tax rate used is 23% that equals the Norwegian tax rate)

Apart from the fair value sensitivity calculation based on the group's net duration, the group has cash flow risk exposure stemming from the risk of increased future interest payments on the unhedged part of the group's interest-bearing debt.

All financial derivatives are booked against the income statement in accordance with the fair value accounting principle. Equity sensitivities will therefore equal sensitivities in the income statement.

Note 11 Financial risk. Continued

USD mill	2017		2016	
	Assets	Liabilites	Assets	Liabilites
Interest rate derivatives				
Wallenius Wilhelmsen Logistics ASA		8		12
Total interest rate derivatives	**0**	**8**	**0**	**12**
Derivatives used for cash flow hedging				
Wallenius Wilhelmsen Logistics ASA		9		34
Total currency cash flow derivatives	**0**	**9**	**0**	**34**
Derivatives used for translation risk hedging (basis swaps)				
Wallenius Wilhelmsen Logistics ASA		55		66
Total cross currency derivatives (basis swaps)	**0**	**55**	**0**	**66**
Derivatives used for bunker hedging				
Wallenius Wilhelmsen Logistics ASA			3	
Total bunker derivatives	**0**	**0**	**3**	**0**
Total market value of derivatives	**0**	**72**	**3**	**112**

Book value equals fair value.

Bunker price risk

The group's strategy for bunker is to secure bunker adjustment clauses (BAF) in contracts of affreightment. Various forms of BAF's are included in most of the contracts of affreightment held by the operating entities.

Note 11 Financial risk. Continued

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrumentfails to meet its contractual obligations, and originates primarily from the company's customer receivables, financial derivatives used to hedge interest rate risk or foreign exchange risk, as well as bank deposits.

Trade receivables

The company's direct exposure to credit risk on its receivables is limited as the company does not have any direct relationship with the customers.

However, the company's underlying exposure to credit risk through its subsidiaries is influenced mainly by individual characteristics of each customer. The demographics of the customer base, including the default risk of the industry and country, in which the customers operate, has less of an influence on credit risk.

Cash and cash equivalents

The company's exposure to credit risk on cash and cash equivalents is considered to be very limited as the company maintains banking relationships with well reputed and familiar banks. In addition, the group – of which WWL ASA is a part - in most instances - has a net debt position towards these banks.

Financial derivatives

The company's exposure to credit risk on its financial derivatives is considered to be limited as the group's counterparties are well reputed and familiar banks,

Guarantees

WWL ASA has provided a parent company guarantee towards the banks involved in the financing of Wilhelmsen Lines AS.

Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was:

USD mill	Note	2017	2016
Exposure to credit risk			
Other non current assets	6		
Inter-company receivables	6	55	4
Financial derivatives - asset	6		3
Other current receivables	6		1
Cash and cash equivalents	11	35	15
Total exposure to credit risk		**90**	**23**

Book value equals fair value.

Note 11 Financial risk. Continued

Liquidity risk

The company's approach to managing liquidity is to secure that it will always have sufficient liquidity to meet its liabilities, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company's liquidity risk is considered low in that it holds significant liquid assets.

At 31 December, the company had USD 34 million (2016: USD 15 million) in liquid assets which can be realised over a three-day period.

USD mill	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Later than 5 years
Undiscounted cash flows financial liabilities				
Bonds	70	103	270	
Financial derivatives	11	2	7	3
Total interest-bearing debt	**81**	**105**	**277**	**3**
Current liabilities (excluding next year's instalment on interest-bearing debt and financial derivatives)	91			
Total gross undiscounted cash flows financial liabilities 31.12.2017	**172**	**105**	**277**	**3**
Bonds	5	87	105	13
Financial derivatives	40	43	30	2
Total interest-bearing debt	**46**	**131**	**135**	**15**
Current liabilities (excluding next year's instalment on interest-bearing debt and financial derivatives)	140			
Total gross undiscounted cash flows financial liabilities 31.12.2016	**185**	**131**	**135**	**15**

Interest expenses on interest-bearing debt included above have been computed using interest rate curves as of year-end.

Covenants

The main covenant on the company's bond debt is limitation on the ability to pledge assets.

As of the balance date, the group is in compliance with all financial and non-financial covenants.

Note 11 Financial risk. Continued

Fair value estimation

The fair value of financial instruments traded in an active market is based on quoted market prices at the balance sheet date. The fair value of financial instruments not traded in an active market (over-the-counter contracts) are based on third party quotes.

These quotes use the maximum number of observable market rates for price discovery. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value and
- The fair value of foreign exchange option contracts is determined using observable forward exchange rates, volatility, yield curve and time-to-maturity parameters at the balance sheet date, resulting in an option premium.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

USD mill	Fair value	Book amount
Interest-bearing debt		
Bonds	389	387
Total interest-bearing debt 31.12.2017	**193**	**196**
Bonds	193	196
Total interest-bearing debt 31.12.2016	**193**	**196**

USD mill	Level 1	Level 2	Level 3	Total balance
Fair value hierarchy:				
Financial liabilities at fair value through income statement				
Financial derivatives		72		72
Total liabilities 31.12.2017	**0**	**72**	**0**	**72**
Financial assets at fair value through income statement				
Financial derivatives		3		3
Total assets 31.12.2016	**0**	**3**	**0**	**3**
Financial liabilities at fair value through income statement				
Financial derivatives		112		112
Total liabilities 31.12.2016	**0**	**112**	**0**	**112**

There were no level 3 instruments in 2017 and 2016.

The quoted market price used for financial assets held by the group is the current close price. The group held no instruments qualifying for inclusion in level 1.

The fair value of financial instruments not traded in an active market are based on third-party quotes (Mark-to-Market). These quotes use the maximum number of observable market rates for price discovery. The different valuation techniques typically applied by financial counterparties (banks) were described above. These instruments - currency and interest rate derivatives - are included in level 2.

See note 18 to the group accounts for further information on financial risk, and note 17 to the group accounts concerning the fair value of interest-bearing debt.

Note 11 Financial risk. Continued

Financial instruments by category

USD mill	Loans and receivables	Assets at fair value through the income statement	Other	Total
Assets				
Other current assets	50	4	1	55
Cash and cash equivalents	35			35
Assets at 31.12.2017	**85**	**4**	**1**	**90**

		Liabilites at fair value through the income statement	Other financial liabilites at amortised cost	Total
Liabilities				
Non current interest-bearing debt			387	387
Current interest-bearing debt			64	64
Other current liabilities		92		92
Liabilities 31.12.2017		**92**	**451**	**543**

	Loans and receivables	Assets at fair value through the income statement	Other	Total
Assets				
Other current assets	4	3	1	8
Cash and cash equivalents	15			15
Assets at 31.12.2016	**19**	**3**	**1**	**23**

		Liabilites at fair value through the income statement	Other financial liabilites at amortised cost	Total
Liabilities				
Non current interest-bearing debt			196	196
Other current liabilities		112	28	140
Liabilities 31.12.2016		**112**	**224**	**335**

Note 12

Related party transactions

The two main shareholders of Wallenius Wilhelmsen Logistics ASA are Walleniusrederierna AB and Wilh. Wilhelmsen Holding ASA with 37.8% of the shares respectively. Wilhelm Wilhelmsen family controls Wilh. Wilhelmsen Holding ASA through Tallyman AS, and the Wallenius/Kleberg family controls Walleniusrederierna AB through "Rederi AB Soya".

Remuneration to Mr Wilhelm Wilhelmsen was ordinary paid pension of USD 199 thousand and car allowance of USD 22 thousand. For participation in the nomination committee, Thomas Wilhelmsen and Jonas Kleberg were each paid USD 3 thousand.

See note 2 regarding fees to board of directors and note 8 regarding ownership.

The company has undertaken several transactions with related parties within the Wilh. Wilhelmsen Holding group (WWH group). All transactions are entered into in the ordinary course of business of the company.

WWH delivers services to the WWL ASA group related to inter alia human resources and accounting ("Shared Services") and in-house services such as canteen, post, switchboard and rent of office facilities. Generally, Shared Services are priced using a cost plus 5% margin calculation, in accordance with the principles set out in the OECD Transfer Pricing Guidelines and are delivered according to agreements that are renewed annually.

USD mill	Note	2017	2016
Intercompany income			
WWL ASA group subsidiaries		3	4
Operating revenue from group companies	1	**3**	**4**
Intercompany expenses			
WWH group		(2)	(3)
Operating expenses to group companies	1	**(2)**	**(3)**
Dividend from subsidiaries and group contribution			
WWL ASA group subsidiaries		30	145
Total dividend from subsidiaries and group contribution	1	**30**	**145**
Intercompany receivables			
WWL ASA group subsidiaries		55	4
Account receivables group companies	6	**55**	**4**
Intercompany payables			
WWH group			1
WWL ASA group subsidiaries		11	
Account payables group companies	6	**11**	**1**

Note 13

Events after the balance sheet date

No material events occurred between the balance sheet date and the date when the accounts were presented which provide new information about conditions prevailing on the balance sheet date.

Note 14

Statement on the remuneration for senior executives

The Statement on senior executives' remuneration has been prepared in accordance with the Norwegian Public Limited Companies Act, the Norwegian Accounting Act and the Norwegian Code of Practice and is adopted by the board of directors.

For the purposes of this statement, company employees referred to as senior executives are currently: Mr Craig Jasienski (President and CEO), Ms Rebekka Glasser Herlofsen (CFO), Mr Michael Hynekamp (President and COO WWL Ocean), Mr Raymond Fitzgerald (President and COO WWL Logistics & Chairman of ARC) and Mr Erik Nøklebye (President and CEO EUKOR Car Carriers).

Mr Jan Eyvin Wang (president and CEO) and Ms Benedicte Bakke Agerup (CFO) were employed until the 5th of April 2017.

The following guidelines are applied for 2018.

General principles for the remuneration of senior executives

The remuneration of the president and CEO is determined by the board, whereas remuneration of other senior executives is determined administratively on the basis of frameworks specified by the board of directors.

The remuneration level shall reflect the complexity and responsibilities of each role and shall take into account the group's breadth of international operations. Being headquartered in Norway, the board of directors will primarily look to other Norwegian companies operating in an international environment for comparison. Remuneration of the senior executives shall be at a competitive level in the relevant labour market(s). It should be a tool for the board of directors to attract and retain the required leadership and motivational for the individual executive. The remuneration system should be flexible and understandable.

Market comparisons are conducted on a regular basis to ensure that remuneration levels are competitive.

Fixed salary

The main element of the remuneration package shall be the annual base salary. This is normally evaluated once a year according to individual performance, market competitiveness and (local) labour market trends.

Benefits in kind

The senior executives receive benefits in kind that are common for comparable positions. These include telecommunication, insurance and car allowance.

Short term variable remuneration

As a key component of the total remuneration package, the annual, variable pay scheme emphasizes the link between performance and pay and aims to be motivational. It aligns the senior executives with relevant, clear targets derived from the overall strategic goals. The variable pay scheme takes into consideration both key financial targets and individual targets (derived from the annual operating plan). For CEO, maximum annual payments can be 50% of base salary and for the other senior executives this varies with position up to 50% of base salary. The board reserves the ability to make exceptional additional awards for exceptional performance.

Long term variable remuneration

In addition to short term variable remuneration, it will be proposed to the Annual General Meeting (AGM) (Q2 2018) that a long-term incentive plan for senior executives is introduced in 2018, to promote and reward a long-term strategic perspective whilst helping senior executives build a meaningful personal share ownership in the company. The plan will make awards over WWL ASA common shares, which will vest after three years, subject to continued employment and the achievement of financial and strategic long-term performance targets.

For CEO, maximum annual payments can be 50% of base salary and for the other senior executives 40% of base salary.

Pension and insurance schemes (Norway based executives)

Pension and Insurance benefits for senior executives include coverage for old age, disability, spouse and children, and supplement payments by the Norwegian National Insurance system.

The President and CEO has a defined benefit plan for salary exceeding 12G and the option to take early retirement is insured.

The remaining Executives have a defined contribution plan for salary exceeding 12G.

For salary below 12G, they are all part of the collective agreement.

Severance package scheme

Mr Wang and Ms Bakke Agerup left WWL ASA when the transition to WWL ASA was completed, 5 April 2017.

Note 14 Statement on the remuneration for senior executives. Continued

Mr Wang is entitled to salary and full compensation until the age of 62, which is by 1 August 2018. Possible income during the period will be deducted up to 50%, which comes into force after the notice period (6 months). WWL ASA has agreed to continue to pay his pension premium until it is fully financed by 1 August 2018. Mr. Wang is entitled to compensation for a company car and various minor benefits until the age of 67.

Ms Bakke Agerup is entitled to an 18 months' severance package. Possible income during the period will be deducted up to 50%, which comes into force after the notice period (6 months). Accrued pension obligations for salary exceeding 12G was paid out after the notice period.

Severance package scheme

The President and CEO has a severance pay guarantee under which he has the right to receive up to 100% of his annual salary for 18 months after leaving the company as a result of mergers, substantial changes in ownership, or a decision by the board. Possible income during the period is deducted up to 50%, which comes into force after six months' notice period.

The other senior executives also have arrangements for severance payment beyond redundancy period following departure from the group.

Statement on senior executive remuneration in the previous fiscal year

Remuneration policy and development for the senior executives in the previous fiscal year built upon the same policies as those described above. For further details regarding the individual remuneration elements, see note 2 concerning pay and other remuneration for senior executives of the parent company and note 4 of the group accounts concerning senior executives of the group.

To the General Meeting of Wallenius Wilhelmsen Logistics ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Wallenius Wilhelmsen Logistics ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The financial statements of the group, which comprise the balance sheet as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to § 3-9 of the Norwegian Accounting Act.

- The accompanying financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

During 2017, WWL ASA completed a material business combination. As a result, the 2017 audit report introduces new Key Audit Matters (KAM) related to our audit of business combinations, which is relevant for the financial year 2017 only. The KAM below related to impairment test of goodwill and impairment considerations related to other intangible assets arising on the business combination are potentially recurring KAMs. We have retained the two KAMs from 2016 related to anti-trust provisions as well as impairment considerations related to vessels, as these risks remain relevant.

Key Audit Matter	How our audit addressed the Key Audit Matter

Business Combinations

We refer to the Significant accounting policies and Critical accounting estimates and assumptions and note 3 (Business combinations).

On 4 April 2017, Wallenius Wilhelmsen Logistics ASA (WWL ASA) merged with Wallroll AB (Wallroll) in a transaction where WWL ASA was the acquiring entity.

The effect of the business combination is that the entities as described in note 3 Business combinations, are now, all fully consolidated. The above mentioned transactions resulted in significant changes to the consolidated financial statements.

The total purchase consideration was USD 2,015 million made up of; issuance of shares, issuance of bond debt, amounts attributable to Non-Controlling Interest (NCI) and revaluation of previously held interests. In arriving at the total purchase consideration, management were required to exercise significant judgment to assess the fair value of NCI and previously held interests.

The business combination leads to a material increase in the value of both tangible and intangible assets. Due to the size of the transaction and the significant judgement required by management in determining the purchase price allocation (PPA), this has been an area of focus. In particular we focused on the assessments

We evaluated and challenged managements' PPA assessment and the process by which this was performed. Management engaged a third party for assistance with the PPA. We have assessed the third party's competence, capacity and objectivity and we did this by among other, meeting with the third party and performing the procedures described below related to the PPA report issued to management of WWL ASA.

We assessed managements' accounting policy against IFRSs and obtained explanations from management as to how the specific requirements of the standards, in particular IFRS 3 – Business Combinations, were met. In order to assess each of the assumptions in managements' purchase price allocation, we discussed with management and challenged their assessments, especially related to their valuation assessment for the identifiable assets acquired being vessels, customer relationships, contracts & assembled workforce and liabilities assumed being primarily debt. In addition, we assessed the allocation of purchase consideration, which determined the goodwill attributable to the different reporting segments identified. For certain key assumptions we specifically used the sources of data and performed among other the procedures outlined below;

- We reviewed managements' authorized budgets and forecasting and where possible compared these to current and historical market data to corroborate the reasonableness of cash flows used by management. In addition, we verified the mathematical accuracy of the model. We found that the cash flows were reasonable.

- We used our internal valuation specialists and external market data to assess the assumptions used to build the discount rate. We considered that the made regarding valuation of vessels, customer relationships, contracts, assembled workforces, outstanding debt and the allocation of the purchase consideration. The fair value of NCI and previously held interest was determined according to how management applied judgment to allocate portions of the total purchase price consideration to the businesses that were acquired.

assessment made by management was within a reasonable range. We checked the consistency of the use of the discount rate against all identifiable assets and ensured the mathematical accuracy of its application in the cash flow projections.

- We obtained the broker valuation certificates which management compiled to support the valuations of the vessels. We satisfied ourselves that the external brokers had both the objectivity and the competence to provide the estimate, that they were identified brokers in the bank lending facilities, that they used methods in line with our expectations and that they were provided with the relevant facts in order to develop their valuations. We found that the valuations supported managements' valuations of the vessels in a reasonable manner.

We evaluated the appropriateness of the related disclosures in note 3 to the financial statements for the Group to the requirements of the applicable financial reporting framework, IFRS, including IFRS 3 – Business Combinations. We satisfied ourselves that the disclosure appropriately explained the transactions.

Impairment Assessment for Goodwill

We refer to Significant accounting policies and Critical accounting estimates and assumptions and note 7 (Goodwill and customer relations/contracts, and other intangible assets).

The business combination discussed above resulted in a significant increase in goodwill in 2017. The net book value of goodwill as of 31 December 2017 is USD 383 million (USD 6 million as of 31 December 2016). The impairment test for goodwill was performed at 31 December 2017 and in line with IFRS requirements.

This assessment involved significant management judgement in preparing cash flow forecasts for the applicable reporting segments and in assessing the discount rate.

We evaluated and challenged managements' impairment assessment and the process by which this was performed. We assessed managements accounting policy against IFRSs and obtained explanations from management as to how the specific requirements of the standards, in particular IAS 36 – Impairment of assets, were met.

The forecast for the future cash flows were based on a detailed budgeting process. We challenged managements' forecasting accuracy by comparing budgeted profit against actuals for 2016 and 2017 and we assessed the explanations for deviations as evidence of reliability of Groups' forecasting process. Our testing and discussions satisfied us that managements' budgeting process was reasonable.

In order to challenge each of the assumptions in the forecast, we held discussions with management. For certain key assumptions, we performed procedures in line with those described in the first two bullet points of the business combination KAM described above. Our findings show that managements assessments were within a reasonable range.

Widely communicated efficiency savings affect the forecasted future cash flows. To corroborate explanations provided to us by management, we scrutinized approved action plans in place to enhance profitability. We noted that these plans are driven by cost savings and revenue enhancing activities. Consequently, we considered the extent to which these are achievable and within managements' control. These considerations included applying sensitivities to the assumptions applied. The analysis showed that although different assumptions could have been made, those presented to us by management were within an acceptable range.

We considered the appropriateness of the related disclosures in note 7 to the financial statements for the Group to the requirements of the applicable financial reporting framework, IFRS, including IAS 36 – Impairment of assets and found the disclosures to be adequate.

Impairment Assessment for Assets: Vessels and Intangible Assets

We refer to the Significant accounting policies and Critical accounting estimates and assumptions and note 8 (Vessels, property and other tangible assets) and note 7 (Goodwill and customer relations/contracts, and other intangible assets).

The group has a large number of vessels with a combined carrying amount USD 5,083 million. Impairment indicators were not identified for the fleet at the applicable cash generating units (CGUs) being Ocean, EUKOR and ARC. Based on this, no impairment test was performed and no impairment charge was recognized.

The group also has a large amount of intangible assets, other than goodwill, at a net book value of USD 391 million as of 31

We evaluated and challenged managements' assessment and conclusion of no impairment indicators at 31 December 2017 and the process by which this was performed. We assessed managements accounting policy against IFRSs and obtained explanations from management as to how the specific requirements of the standards, in particular IAS 36 – Impairment of assets, were met.

Impairment indicators assessed included among other the following; market capitalization being greater than net asset value, positive financial performance compared to budget, assessment related to broker valuations for which we could not see indications that vessels values had declined significantly during the year ended 2017. Further, we did not observe significant changes in market interest rates or other market rates of return. We also assessed the status of customer contracts and relations and did not identify any significant negative events that could indicate

December 2017. Impairment indicators were not identified for these intangible assets being mainly customer contracts and relations. Therefore, no impairment test was performed and no impairment charge was recognized.

We focused on this area due to the relative size of the amounts and the significant judgement used in arriving at the conclusion that no impairment indicators were identified by management.

impairment of customer contracts and relations.

Based on the procedures we performed we came to the same conclusion as management that no impairment indicators were identified.

We assessed the appropriateness of the related disclosures in note 7 and note 8 to the financial statements for the Group to the requirements of the applicable financial reporting framework, IFRS, including IAS 36 – Impairment of assets. We noted that the disclosure appropriately presented managements conclusions.

Provision related to anti-trust investigations

We refer to the Significant accounting policies including the Critical accounting estimates and assumptions, note 23 (Contingencies) and note 24 (Events after the balance sheet date).

The provision for anti-trust investigations amounts to USD 440 million as of 31 December 2017 and is both material and involves significant judgement by management. We focused our audit effort among other on the provision recognized for the EU since this was the single largest amount and is individually significant. In addition, there are several other provisions related to other jurisdictions and the possibility for civil claims.

We obtained a breakdown of the provisions made for anti-trust investigations by company and by jurisdiction. We assessed managements' accounting policy against IFRSs and obtained explanations from management as to how the specific requirements of the standards, in particular IAS 37 – Provisions, contingent liabilities and contingent assets, were met.

We obtained explanations from management, general counsel and external counsel for the amounts provided for provisions related to jurisdictions as well as the possibility for civil claims.

We tested the reliability of the estimate made by management with reference to the provision made as of 31 December 2016 and the rulings and settlements during 2017. We also confirmed the provisions made at 31 December 2017 for the EU commission investigation with the settlement reached on 21 February 2018.

The calculation of a provision is inherently uncertain. Changes to the assumptions used could result in different amounts compared to those calculated by management. We considered that the above assessments made by management were within a reasonable range.

In reading the note disclosures, we concluded that the note appropriately describes the risks involved and judgments made by management.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, the report on corporate governance and the sustainability report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Chief Executive Officer for the Financial Statements

The Board of Directors and the Chief Executive Officer (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the parent company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company or the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the report on corporate governance and the sustainability report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 16 March 2018
PricewaterhouseCoopers AS

Bjørn Lund
State Authorised Public Accountant

Wallenius
Wilhelmsen

Responsibility statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2017 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit for the entity and the group taken as a whole.

We also confirm that the Board of Directors’ Report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Lysaker, 16 March 2018

The board of directors of Wallenius Wilhelmsen Logistics ASA