Wallenius Wilhelmsen

Annual report

2019

From sea

To land

2019

Wallenius Wilhelmsen in brief

About us

We're Wallenius Wilhelmsen, a market leader in RoRo shipping and vehicle logistics, managing the distribution of cars, trucks, rolling equipment and breakbulk to customers all over the world.

We are 9 400 dedicated employees in 29 countries worldwide, headquartered in Oslo, Norway (OEX: WALWIL). Our main brands are Wallenius Wilhelmsen Ocean, Wallenius Wilhelmsen Solutions, EUKOR, ARC and Armacup. Total income for 2019 was USD 3.9 billion.

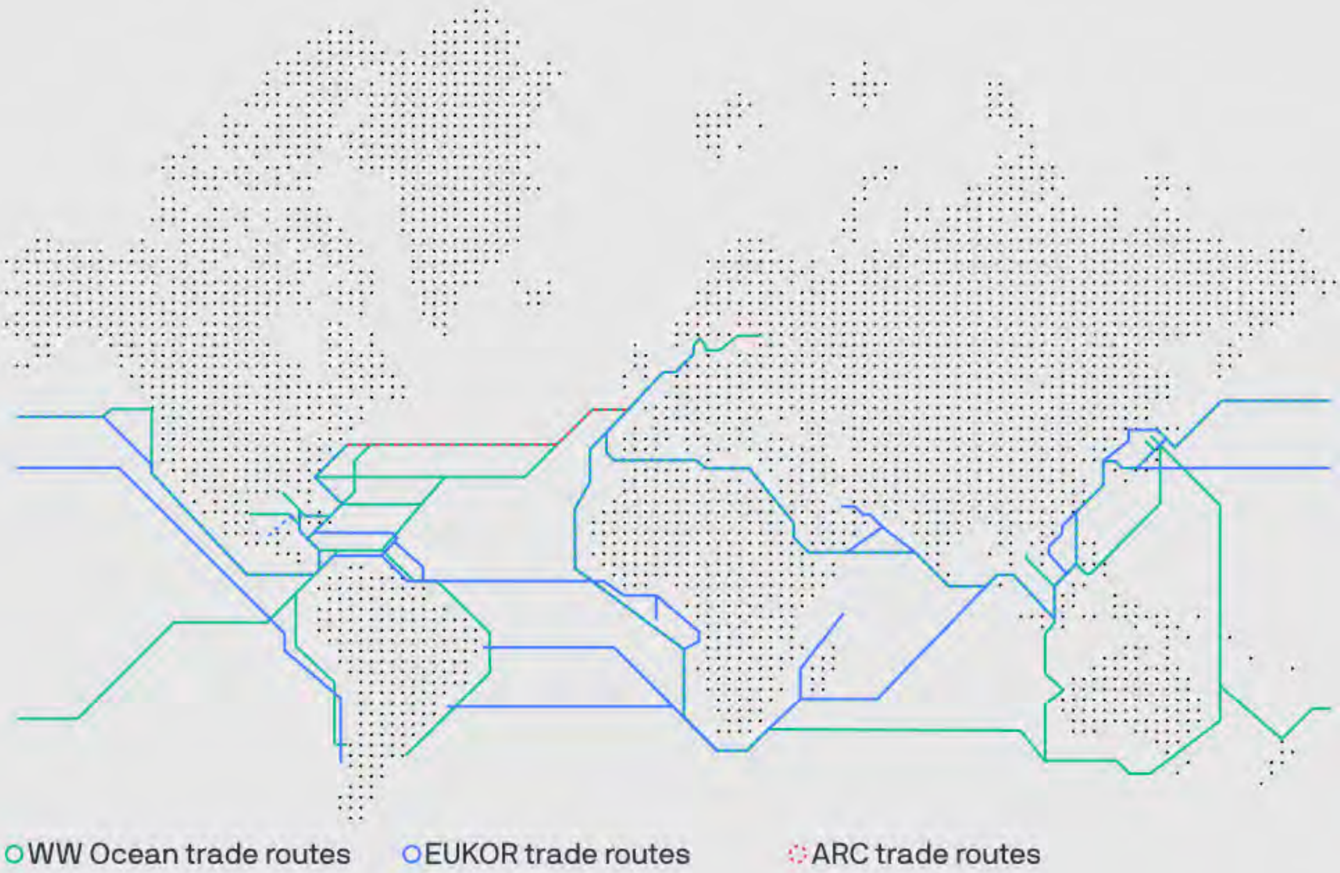
We control 126 vessels servicing 15 trade routes to six continents, together with a global inland distribution network, 120 processing centers, and 11 marine terminals. Our purpose is to build sustainable supply chains, imagining new, more efficient solutions for the changing world of mobility and transport on land and sea. Our goal is a zero emission full-lifecycle supply chain for vehicles; working in partnership with customers and business partners, we can get there!

The world will keep surprising us, and we will take an active role in defining the future of sustainable logistics.

By the numbers

Sustainable logistics for a world in motion

Ocean transportation



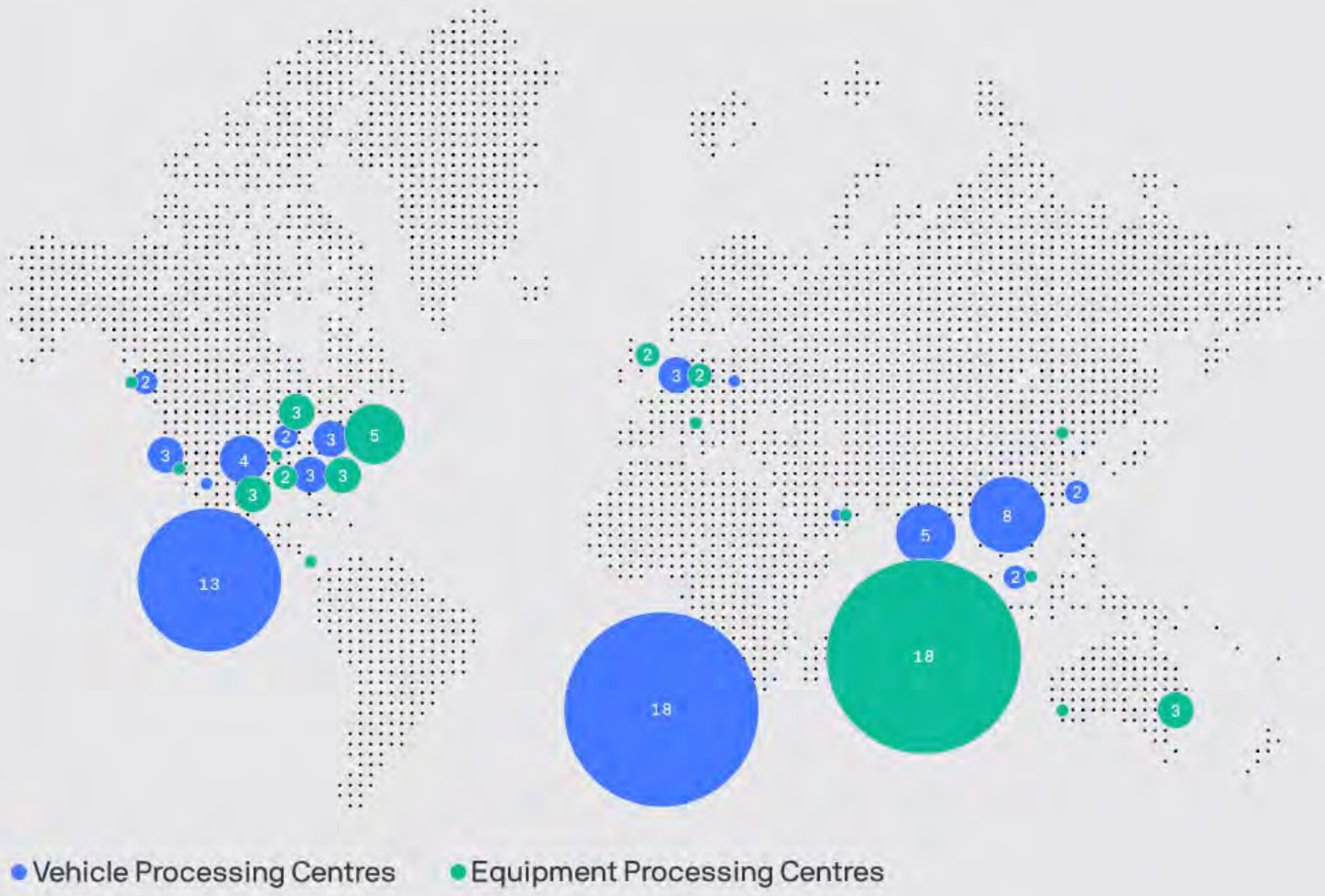
126	4.5	1 200	8 200
vessels	million units transported	sailings	port calls

Terminals

11
terminals

6
million units handled

Processing centres



71	**7**	**50**	**200 000**
vehicle processing centres	million vehicles processed	equipment processing centres	machines processed

Inland distribution

11
inland distribution networks

250 000
units moved


zero emissions journey


Ocean operations
35%
2008 - 2019
Reduced CO_2 emissions per tonne-km
Ocean operations
7%
2018 — 2019
Reduced CO_2 emissions per tonne-km


Total CO_2 emissions from landbased activities
14 600
tonnes
Total CO_2 from electrical consumption: 6 600 tonnes
Total CO_2 from liquid and gaseous fuels: 8 000 tonnes

Wallenius Wilhelmsen offers full life-cycle logistics services for vehicles, from the factory to the end of life and recycling

9 400

full time employees

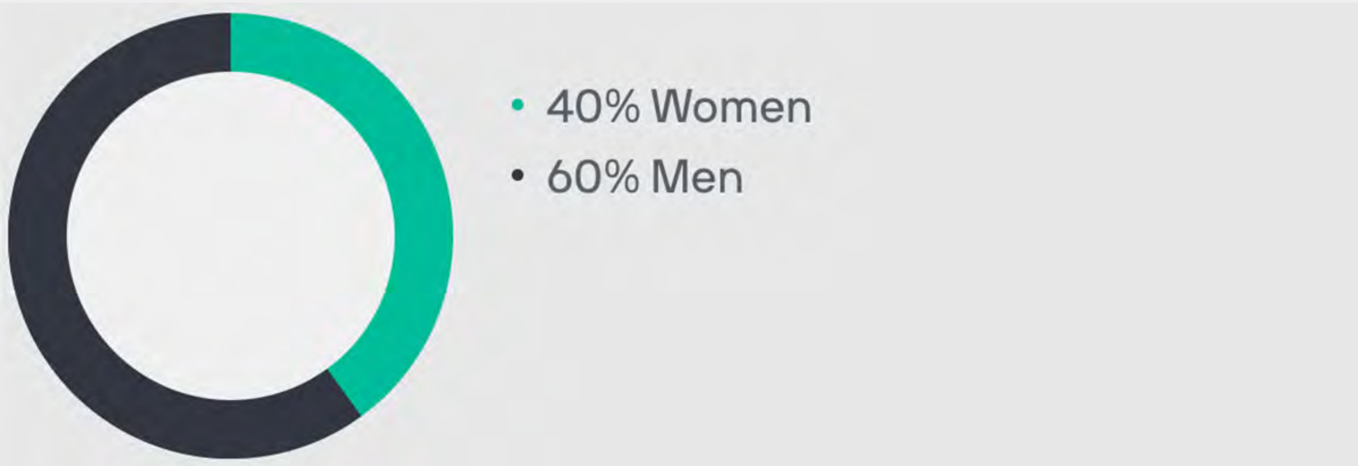
29

countries

Gender distribution

Office workers

Board members



Key figures

Key figures consolidated accounts

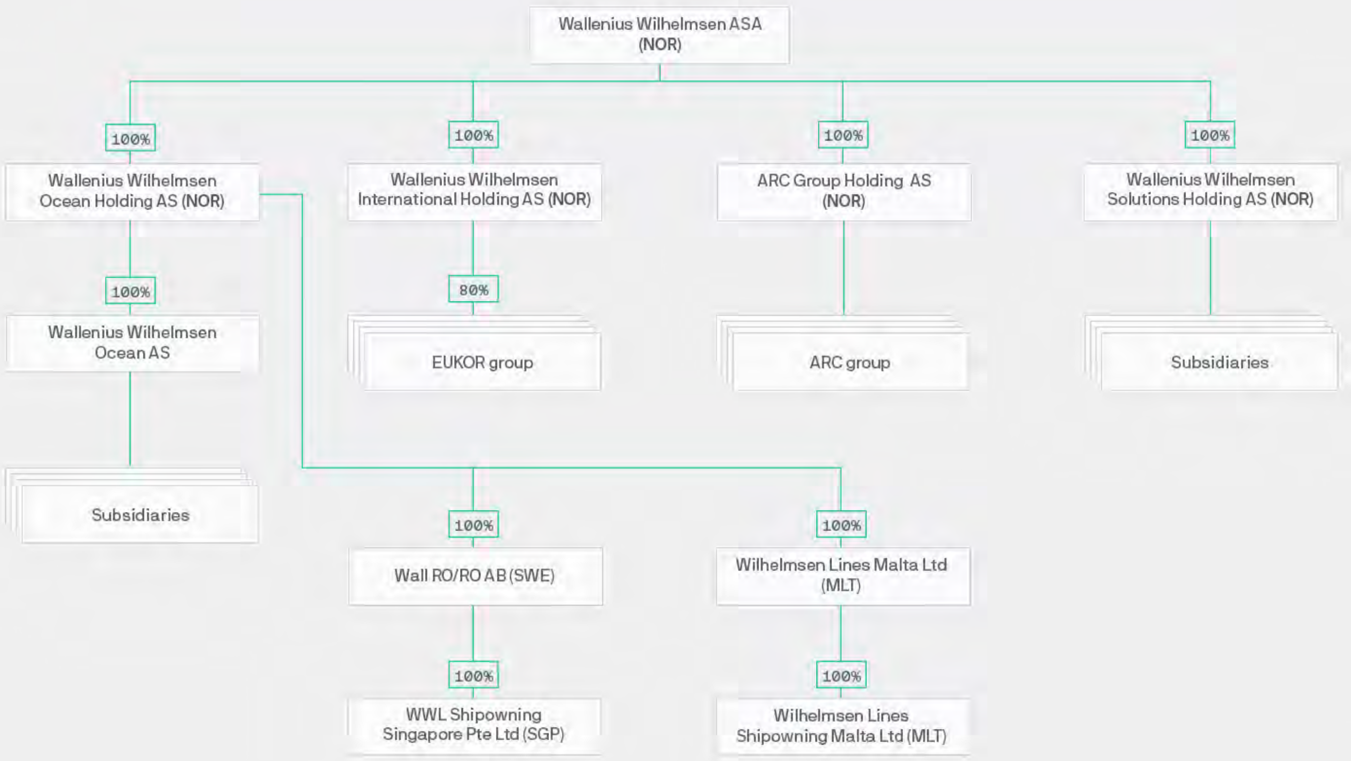
USD million unless otherwise stated	2019	2018	Restated 2017
Income statement			
Total income	3,909	4,065	3,027
Operating profit before depreciation, amortisation and impairment (EBITDA)	805	601	573
Operating profit (EBIT)	358	244	301
Profit before tax	112	78	148
Profit for the period	102	58	146
Balance sheet			
Non-current assets	6,747	6,204	6,376
Current assets	1,048	1,210	1,487
Total assets	7,796	7,414	7,863
Equity – parent	2,678	2,647	2,622
Equity – NCI	243	228	228
Interest-bearing debt	4,044	3,584	3,764
Key financial figures			
Net cash flow provided by operating activities	749	272	462
Liquid funds at 31 Dec	398	484	796
Current ratio [1]	1.0	1.1	1.0
Equity ratio [2]	37%	39%	36%
Yield			
Return on equity	3.5%	2.0%	5.1%
Key figures per share			
Basic and diluted earnings per share	0.22	0.12	0.37
EBITDA per share	1.90	1.42	1.54
Average number of shares outstanding (thousand)	423,105	423,105	423,105
Market price at year end (NOK)	21.82	29.70	59.25
Market price high (NOK)	32.05	65.00	59.25
Market price low (NOK)	19.38	27.90	35.90
Dividend paid per share (USD)	0.12	–	–

1 Current assets divided by liabilities

2 Equity in percent of total assets

See page 158-160 in the annual report PDF for presentations of alternative performance measures. For 2017, earnings per share is calculated based on 220,000,000 shares for first quarter and 423,104,938 shares for the remaining part of 2017.

Corporate structure



Board of Directors

Håkan Larsson

Chair of the board

Jonas Kleberg

Board member

Margareta Alestig

Board member

Marianne Lie

Board member

Thomas Wilhelmsen

Board member

Management

Craig Jasienski

Chief Executive Officer

Rebekka Glasser Herlofsen

Chief Financial Officer

Erik Nøklebye

Chief Executive Officer EUKOR

Michael Hynekamp

Chief Operating Officer WW Ocean & WW Solutions

Jan Dahm-Simonsen

Chief Human Resources Officer

Målfrid Lundell

Chief Transformation Officer

Simon White

Chief Digital Officer

Words from the CEO

"By managing what we can control, and through the dedication of our 9400 employees, we were able to improve profitability despite the tough environment."

Managing what we can control

Providing services around the world opens many opportunities for us. But it also means we can be affected by things going wrong in the global economy – such as trade wars, pandemics or falls in the oil price. In 2019, we continued to focus on managing the factors that we can control or influence, so we could adapt well to the market. With a strong track record of delivering on synergies, we launched a USD 100 million performance improvement programme towards the end of 2018, with a reaffirmed target to complete it by the end of 2020. The great imagination of our people and better use of data and technology helped us to reach about USD 74 million by the end of 2019. These improvements, combined with our operating teams' relentless efficiency and dedication, delivered improved results on falling volumes.

Global auto markets softened overall this year, accounting for roughly half of the reduced volumes we experienced in our ocean segment compared to the previous year. Other volume reductions were due to our commercial priorities, opting not to continue servicing unprofitable cargo in certain corridors. These planned events helped us to operate flexibly and improve our service to clients, as well as improving EBITDA even as volumes and income decreased. The general softening also had an impact on throughput of volume in our landbased segment, but we retained similar margins through our variable cost model.

The softening auto markets and minor vessel overcapacity meant ocean rates remained under pressure throughout 2019, resulting in certain ocean business becoming economically unviable. We will continue to strive for rates that reflect the true cost of servicing the market's demands. At current rate levels, investment activity in new vessels stayed low across the industry and is expected to be similar in 2020. Acquisitions made for our landbased segment have continued to contribute positively and ahead of our original plans. Land activities will continue to be an area for growth and expansion as vehicle value chains face disruption and we seek opportunities to adapt to the changing needs of the future.

Delivering in a tough market

In 2019 we operated within a shaky global economy. Trade wars, the oil price, Brexit – all contributed to a year of low confidence in the market. General market sentiment was negative. Changing tariffs on goods, slowing economies and new environmental regulations on vehicles in various markets led to a decline in consumer confidence, impacting auto sales. We were not immune to trade wars causing volatility in the stock markets and saw a weakened and fluctuating stock price throughout the year.

But by managing what we could control, and through the dedication of our 9 400 employees, we were able to improve profitability despite the tough environment. With better margins and improved cash flow, we paid a dividend of USD 12 per share. Several major and important contracts were renewed during the year, including the Hyundai Motor Group contract in December 2019. The share price strengthened towards the end of the year because of our ability to improve results in difficult market conditions and our customers' confidence in us, displayed through their commitment.

The year ended with the shipping industry's preparation for the 2020 sulphur cap. We were pleased that customers accepted the increased costs and proud of the preparations our teams made in readying the fleet, which resulted in a smooth transition into 2020.

Climate change raises its voice

The world woke up to the impact of climate change in 2019 and we saw young people everywhere take a stand. Increasing abnormal weather events and further scientific proof that we're not meeting the temperature targets of the Paris Agreement have prompted a far broader and visceral debate among politicians, business leaders and the population at large. These developments have given us pause. It's clear that sustainability can no longer just be **how** we do business, but for the future it **is** our business.

Sustainability has been part of our DNA for decades and we focused on it extensively this year. But we knew it had to be at the heart of our purpose and not just one of the ways in which we did business: Sustainable Logistics for a world in motion. Sustainability is now central to providing our services to the world's vehicle and equipment manufacturers. We firmly believe that not only will supply chains of the future be disrupted, but also that there is significant room for emissions reduction across vehicle value chains. We can reduce the environmental impact of vehicles in the supply chain just by removing fragmented logistics KPI inefficiencies in the outbound logistics chain, in dialogue with our customers. This will also stop money being wasted, which is good for business and ensures balance between financial and sustainability targets.

We are supporting our new purpose by continuing to embrace zero-emission deep sea shipping. This bold and audacious aspiration is certainly a challenge and we believe partnerships are central to the industry's progress in this area.

Exploring the most viable solutions with many partners is the way forward. One example is joining the Zero-Emission Coalition to get a zero-emission deep sea vessel on the market by 2030. We are also working with customers, academia and industry partners on developing a responsibly sourced carbon neutral biofuel – LEO. Together with Wallenius Marine, we aim to have the first wind-powered deep sea RoRo vessel ready in service by 2022. Importantly, we see this as a journey. What may be viable for the next ten years may not be viable in 20 years. We embrace that uncertainty and continue our pursuit for sustainable solutions.

Digitalising our way to sustainable logistics

Industry 4.0 continues to offer businesses across the globe unprecedented access to data and the ability to analyse that data to improve. We see digitalisation as a key enabler for us: towards our customers, for our employees and how we achieve sustainable solutions in vehicle value chains. Through our Digital Accelerator team established during the year, we have embarked on several promising projects together with our customers, partners and start-ups – exploring the future of logistics in an industry heading for a new business model.

To be a service partner of choice across the new vehicle lifecycle as it takes shape, means leveraging technology for the supply chain of the future. But our people will continue to be at the heart of serving our customers and our engagement with the community. Preparing ourselves for a digital future requires training and reskilling and we are delighted with the efforts so far and the speed in which our employees have embraced new working methods and digital tools. Equally, technology will support us in areas of safety – physical and psychological – as we apply data to identify and remove risks and create healthy workplaces.

We aim for a diverse and inclusive workforce, and as a global enterprise operating in 29 countries, we continue to seek diversity in its broadest sense. Being an attractive employer means engaging with our employees throughout their time with us and providing an environment where imagination is not curbed, courage replaces fear, and candour and trust are key enablers. Speed to market will only increase in the future and we believe these attributes will support that need.

Ultimately, everyone in the company sharing a clear purpose – delivering Sustainable Logistics for a world in motion – is paramount to giving us all direction and meaning in our work, and digitalisation will be key to enabling us all on that journey.

Craig Jasienski
President and CEO

Board of Directors’ report — Financial review

Purpose and strategy

Wallenius Wilhelmsen ASA (‘Wallenius Wilhelmsen’), through its operating companies, is the market leader in the finished vehicle logistics segment, offering ocean transportation and landbased vehicle logistics solutions. Wallenius Wilhelmsen’s purpose is ‘Sustainable logistics for a world in motion’. With vehicle logistics as our core competence area we will actively promote sustainability in our customers’ value chains. We will also seek to expand our reach to include operations and involvement in the entire value chain through the whole lifecycle and usership of vehicles.

The world is changing rapidly, and with this change comes a greater need for more efficient transport and logistics solutions. Trends in the wider auto industry, such as car sharing, autonomous vehicles, electrification and digitalisation, will bring both challenges and opportunities for logistics providers. Wallenius Wilhelmsen aims to capitalise on the opportunities linked to a changing market and take an active role in defining sustainable logistics for a world in motion.

Wallenius Wilhelmsen has adopted a ‘Lean:Green’ sustainability strategy which is built around the core belief that there is a correlation between economic and sustainable outcomes. The commitment to be among the leaders in sustainability in our industry will help Wallenius Wilhelmsen prepare for the physical and transitional risks that climate change will bring. Our goal is to lead the journey towards zero emissions by prioritising Lean:Green service offerings, optimising core operations to reduce the company’s carbon footprint, and improve sustainability for each service line. Through digitalising the supply chain and providing a fully digital, transparent, predictable and dynamic value chain solution, we aim to measure, optimise and make clear the sustainability impact across the unit lifecycle for OEMs, end users and service providers.

For landbased solutions, Wallenius Wilhelmsen will be targeting continued growth. We aim to extend the scope of services to full lifecycle logistics by offering services and products that build on and expand beyond today’s activities. This includes innovating new products and improving customer experiences by providing industrialised scaled service offerings throughout the lifecycle and use of vehicles with an increased focus on fleet providers and vehicle end users.
Wallenius Wilhelmsen will continue to drive operational effectiveness by applying technology to digitalise and automate our core operations. We will achieve agility and sustainability in

daily business through harnessing data, reinventing processes, and introducing adaptive decision-making and collaborative execution across the group.

Ultimately, Wallenius Wilhelmsen's clear objective is to provide shareholders with a competitive return over time through a combination of an increase in share value and dividend payments.

Highlights for 2019

2019 was characterised by improved profitability for Wallenius Wilhelmsen, despite a decline in volumes. In 2018, Wallenius Wilhelmsen initiated a two-year performance improvement programme targeting USD 100 million in bottom-line impact through operational improvements. The programme gained strong traction early on, and had a significant positive impact on the group's performance in the ocean segment in 2019.

Contract portfolio improvements have provided increased flexibility to optimise voyages and extract efficiencies in the trade network of EUKOR and Wallenius Wilhelmsen Ocean. Voyage rationalisation and relinquishment of unprofitable volumes helped us achieve higher net freight revenue per cubic meter (CBM) and better utilisation factor on the vessels, contributing to lower voyage costs. In addition, more efficient hull cleaning has contributed to lower fuel oil consumption, by applying robotics and digital images to optimise frequency of cleaning and also use of higher quality, anti-fouling paint. Since the start of the programme a total of USD 74 million in annual savings potential had been identified per end of 2019 and USD 69 million of those have been realised. Most of the remaining savings will come through leveraging digitalisation and introducing new technologies to optimise voyage and vessel management, further increasing operational efficiency and reducing costs.

As a result of this programme, financial results in 2019 showed improvement compared to 2018 despite lower volumes. The performance improvements were all related to the ocean segment, whereas the results in the landbased segment declined when the positive impact from the IFRS 16 accounting standard implementation is excluded, primarily as a result of lower volumes and some increase in costs. In addition to the performance improvement programme, ocean segment results benefited from a favourable cargo mix with a higher share of high and heavy cargo compared to 2018, lower net bunker costs, and a favourable currency impact as the US dollar strengthened throughout the year.

While the financial performance improved, the overall market weakened during 2019, with slower or negative growth for automotive, and a slowdown for high and heavy – albeit from very high growth rates the two preceding years. The ocean segment is still facing the challenge of overcapacity of tonnage resulting in pressure on freight rates, which remain at a low level. On the positive side, the order book remains very low, per end of 2019 at about 3% of the global fleet.

The softening market combined with significant uncertainty regarding the potential impact of trade tensions affected the share price, which declined by 27% during the year.

Financial review 2019

Consolidated financial results

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

Adjusted EBITDA ended at USD 837 million for the full year of 2019 compared to USD 606 million in 2018, up by USD 231 million. However, this included a USD 166 million positive impact from the implementation of IFRS 16 as of 1 January 2019. For more information about the impact on the financial results from the implementation of IFRS 16, please see the section below, as well as note 10 to the financial statements. For a explanation the definition of adjusted EBITDA, please refer to the section on "Reconciliation of alternative performance measures" in the Annual Accounts.

Performance improvement initiatives within the ocean segment had a positive effect on the results. They led to cost savings through more efficient operations and lower bunker consumption, and also contributed to higher net freight per CBM as a result of the voyage rationalisation and relinquishment of unprofitable volumes. In addition, particularly the first half of the year saw strong high and heavy volumes which also contributed to higher net freight per CBM. For the ocean segment, results were further boosted by favourable net bunker cost development and favourable currency impact as the USD strengthened throughout the year. Underlying results in the landbased segment were down compared to 2018, driven by lower volumes coupled with some increase in costs.

A few one-off items also had an impact on EBITDA in 2019. An increase to the anti-trust provision had a USD 30 million negative effect on the ocean segment EBITDA (further explained below) and an adjustment to pension liabilities in the landbased segment had a further USD 3 million negative impact. Including these items, reported EBITDA ended at USD 805 million.

The new IFRS 16 leasing standard became effective from 1 January 2019. The standard significantly changed how the group accounts for its lease contracts for vessels, land, buildings and equipment previously accounted for as operating leases. Virtually all leases were brought onto the balance sheet, thereby increasing the group's assets and liabilities, while at the same time having a positive effect on EBITDA since the relevant lease expenses are no longer included as operating expenses. Since 1 January 2019, the lease liabilities are measured at the present value of remaining lease payments, discounted using the incremental borrowing rate.

A put-call structure exists in the shareholder agreement with the minority shareholders for the investment in EUKOR. Any changes in the valuation of the net derivative is recognised in the profit and loss statement. During 2019, the change in the value of the derivative was USD 52 million recognised as a gain under Other gain/(loss) in the income statement. The change is mainly due to a decrease in the discount rate applied as both the short and long-term US Dollar interest rates have decreased significantly, thereby affecting the valuation of the EUKOR shares. The corresponding value change in 2018 was a USD 12 million loss.

Net financial expenses were USD 247 million for the full year of 2019 compared to USD 169 million in 2018. Interest expense (including realised interest rate derivatives) was USD 202 million, an increase of USD 24 million compared to USD 178 million in 2018. The reason behind the increase is the implementation of IFRS 16 as of 1 January 2019 which increased interest expenses with USD 40 million for the full year of 2019. The underlying interest expenses decreased as a result of a decline in the US Dollar LIBOR rate during the year. Net financial expenses were negatively affected by a USD 31 million loss from realised currency derivatives primarily related to a basis swap for a bond which matured and was repaid in 2019. The total impact from mark-to-market movements in unrealised hedge positions for interest rate, currency and bunker was a loss of USD 18 million, consisting of USD 53 million in losses from unrealised interest rate hedges, and gains from unrealised currency derivatives of USD 25 million and unrealised bunker hedges of USD 10 million. In comparison, the total impact from mark-to-market movements in unrealised hedge positions in 2018 was a gain of USD 41 million.

The group recorded a tax expense of USD 10 million in 2019, compared with an expense of USD 20 million in 2018. The reduced tax expense is partly due to a positive outcome of a withholding tax case in Korea. The Supreme Court in Korea ruled in the company's favour, resulting in a repayment of withholding tax on dividends from EUKOR paid in the period 2010-2015 of USD 12.4 million. In addition, the group recorded a reversal of USD 6.7 million in accrued withholding tax on dividends for the years 2016-2018. Total effect of this case is thus a tax payable income of USD 19.1 million. Another significant tax effect in 2019 was the recognition of a tax expense of USD 37 million as a result of an updated assessment of valuation allowance for tax losses carry forward for the Norwegian legal entities.

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

Financial position and capital structure

Wallenius Wilhelmsen had an equity ratio of 37.5% at the end of 2019, down from 38.8% at the end of 2018. The implementation of IFRS 16 new accounting standard for leases as of 1 January 2020 had a negative impact on the equity ratio by about 4 percentage points, so excluding this effect the equity ratio has continued to strengthen during the year. The liquidity position is good, with cash and cash equivalents of USD 398 million and around USD 377 million in undrawn credit facilities. The group had total interest-bearing debt of USD 4 044 million at the end of 2019. Outstanding bonds were about USD 312 million with the remainder consisting of bank loans and leasing commitments. The group complied with all loan covenants at year-end 2019.

Several financing arrangements were concluded during 2019. In March, Wallenius Wilhelmsen Ocean completed financing for scrubber installations for a total of USD 30 million through additional tranches to existing ship financing facilities. EUKOR secured refinancing for three vessels at a total of USD 126 million, and refinanced existing credit facilities of USD 70 million. Finally, the WW Solutions credit facility was refinanced and increased from USD 250 million to USD 450 million in May 2019.

Cash flow

Net cash flow from operating, investing and financing activities was negative by USD 86 million in 2019.

The net cash flow from operations amounted to USD 749 million.

Net cash flow used in investing activities was USD 133 million. The most significant investing activities were the final instalment for the second HERO newbuilding delivered in April 2019 of about USD 40 million, execution of a vessel purchase option of about USD 30 million, regular dry dockings and instalment of ballast water treatment systems of about USD 35 million, and about USD 20 million in the landbased segment for a combination of investments into new facilities and equipment and maintenance CAPEX.

Net cash flow from financing activities was negative USD 701 million. The main items were net proceeds from issue of debt of USD 687 million, repayment of debt of USD 1 102 million, interest payments of USD 202 million, realised derivatives of USD 31 million, and USD 51 million in dividends to shareholders.

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

The main objective for the ocean segment is to strengthen its position as the RoRo shipping market leader with unrivalled high and heavy and break-bulk capabilities. The company will also take a leading position in the journey to zero emissions by prioritising Lean:Green service offerings and optimising core operations to reduce carbon footprint.

Summary of 2019

Total income was USD 3 141 million for the full year 2019, down 2% compared to 2018 due to lower volumes and less other operating revenue, primarily as a result of less chartering out activity. Higher net freight per CBM and increased fuel cost compensation from customers had a positive impact on revenues. Ocean volumes were down 6% compared to 2018. Commercial priorities where Wallenius Wilhelmsen has chosen not to renew contracts or carry cargo at unprofitable rate levels were an important driver behind the reduced volumes.

Volumes declined for most of the main trades in 2019, with the exception of the Asia-North America trade (+6%) which benefited from continued strong demand in the US. The largest decline was seen in the Atlantic trade (-14%). However, this was almost entirely due to unprofitable volumes not renewed in the Atlantic with impact from 1 January 2019. The Oceania (-4%) trade was also affected by a contract not renewed with impact from November 2019, with only a small decline in total volumes in 2019 due to more general demand weakening. Both the Europe-Asia (-10%) and Asia-South America (-12%) trades registered significant decline driven primarily by weaker demand, while Asia-Europe trade (-4%) declined partially as a result of rationalised sailings.

The high and heavy share increased to 29.4%, up from 28.3% in 2018 due to a combination of lower auto volumes and strong volumes in the high and heavy segment in the first half of the year.

Adjusted EBITDA for the ocean segment ended at USD 732 million in 2019, an increase of USD 200 million compared to 2018, including a USD 123 million positive impact from the implementation of IFRS 16. The increase in EBITDA, despite lower volumes, was driven by the performance improvement programme contributing about USD 50 million of improvements compared to 2018, better cargo mix and higher net freight per CBM, lower net bunker cost and a favourable currency impact as the USD strengthened throughout the year. In December 2019, we completed the transition to very low (0.5%) sulphur fuel oil ("VLSFO") to comply with the IMO 2020 regulation in force from 1 January 2020. The cost of the transitions was about USD 8 million. This includes the cost of sloshing fuel tanks with marine gas oil to prepare for the change of fuel, and the additional cost of running on VLSFO for a period prior to 1 January 2020.

EBITDA was also affected by an increase to the provisions set aside for antitrust claims by USD 30 million, recognised as an operating expense, to cater for potential higher legal costs in disputed cases. Including this impact, reported EBITDA ended at USD 702 million.

The fleet

At year end 2019, the ocean business operated a core fleet of 123 vessels with carrying capacity of 867,400 car equivalent units (CEU) accounting for about 20% of the global car carrier fleet. The group owned 80 vessels, had 46 vessels on long-term charter contracts and net three vessels were on short-term time charters out (contracts up to one year). The size of the core fleet (owned and long-term charters) overall was stable throughout 2019, while the number of short-term charters varied during the year due to seasonal volume shifts. During 2019, the group took delivery of one newbuilding on WW Ocean's account and EUKOR exercised one purchase option on chartered vessels. One vessel on long-term charter was redelivered upon expiry of the charter in December 2019. The number of owned vessels increased from 78 at the end of 2018 to 80 vessels by the end of 2019. Per end of 2019, the group retains flexibility to redeliver up to 11 vessels by end of 2020 (excluding vessels on short charter).

Wallenius Wilhelmsen has an ongoing newbuild programme for a total of four Post-Panamax vessels (8 000 CEU), with two vessels remaining to be delivered. Vessel number three is expected to enter service in the second quarter of 2020, and the fourth and last vessel under this programme is scheduled for delivery in Q4 2020. The outstanding instalments for these vessels are about USD 80 million. The newbuildings have been financed through bank facilities.

The landbased segment

Wallenius Wilhelmsen's ambition is to substantially grow the landbased segment by expanding the core offering and expanding to full lifecycle logistics.

Summary of 2019

Total income from the landbased segment for the full year of 2019 was USD 900 million, a decline of 1% compared with 2018. Both Solutions Americas – H&H and Solutions APAC/EMEA experienced strong volume growth in 2019 compared to 2018, while Solutions Americas – Auto and Terminals experienced lower volumes in 2019 compared to the previous year.

Adjusted EBITDA was USD 125 million, up USD 36 million compared to 2018 but including a USD 43 million positive impact from the implementation of IFRS 16, so underlying performance was down. The results were positively affected by continued strong development for Solutions Americas – Auto, including solid growth in Syngin Technology, which was acquired in July 2018, as well as strong performance in Solutions Americas – H&H. Solutions APAC/EMEA results, excluding the positive impact of IFRS 16 implementation, were flat compared to 2018, while underlying performance for Terminals declined as a result of lower volumes and some inefficiencies, as it takes time to adjust to the volume decline.

EBITDA for the landbased segment was also affected by an adjustment to pension liabilities which had a USD 3 million negative impact. Including this adjustment, EBITDA ended at USD 123 million.

VSA, part of Solutions Americas – Auto, experienced some decline in volumes during 2019, but maintained a solid financial performance due to efficiency improvements in the operations. Solutions Americas – Auto was furthermore strengthened by a good financial performance in Syngin. EBITDA for the full year 2019 ended at USD 60 million, up from USD 40 million in 2018, including a positive impact from implementation of IFRS 16 of USD 17 million. Solutions Americas – H&H experienced strong volume growth in 2019, which coupled with full realisation of synergies from the acquisition of Keen contributed to a strong result. EBITDA for 2019 was USD 20 million, up from USD 12 million in 2018, including an IFRS 16 implementation effect of USD 4 million.

Solutions APAC/EMEA benefited from growth in high-margin and value-added services, particularly in the first part of the year, while lower volumes and some inefficiencies in operations pulled down performance in the later part of 2019. This segment was also positively affected by the freight-forwarding and supply-chain management businesses moving to Solutions APAC/EMEA from 2019, from the ocean segment and Terminals segment, respectively. EBITDA was USD 13 million, up from USD 6 million in 2018, including a positive impact from IFRS 16 implementation of USD 6 million.

Lower volumes in 2019 had an impact on the Terminals segment, as did some cost inefficiencies as it takes time to adjust to lower volumes. This led to a decrease in the underlying performance, with EBITDA ending at USD 41 million for the full year 2019, up by USD 8 million compared to 2018 but positively affected by USD 15 million from the IFRS 16 implementation.

Network development

Wallenius Wilhelmsen has a clear ambition to continue to grow and expand the landbased footprint. In 2019, WW Solutions and Mitsubishi Corporation LT, Inc (MCLOGI) agreed to merge their inland finished vehicle transport and logistics services in Thailand, creating a 50/50 joint venture named MCW Logistics Solutions. The intention is further to expand the business into other countries in ASEAN (The Association of Southeast Asian Nations) with the objective to establish MCW Logistics Solutions as the preferred supplier of finished vehicle logistics solutions in ASEAN. The transaction will be concluded in March and commercial start up is planned for April 1st, 2020, subject to certain customary conditions.

Market development and outlook

Market development and outlook

The global demand for deep-sea transportation was weak in 2019, with a modest decline for automotive exports and a decline in the global high and heavy equipment markets towards the end of the year.

Auto market

Global auto sales declined by 4.5% in 2019 and totalled 89.5 million units. The US economy continued to develop positively, and auto sales for the US market persisted at a high level with 17.3 million units sold. Sales in Western Europe were affected by different EU regulation milestones and diesel woes but still ended up 0.8% compared to 2018. China recorded a significant decline, down 8.3% driven largely by reduced consumer confidence due to trade tensions and new emission regulations. Auto sales in Brazil continued to rebound in 2019, while Russian sales experienced a slight decline.

Global deep-sea auto exports were down about 1.6% from 2018 to 2019. Auto exports from Europe declined 7.2%, driven by production shifts. North American exports declined 1.9% in line with global Light Vehicle (LV) sales. Japanese exports declined 0.9% from 2018, while Korean vehicle exports continued its negative trend, down 1.3% from 2018, mainly driven by reduced volumes to the Middle East and South Asia. Chinese exports continued to increase, although from a low level due to higher volumes to the Middle East and South Asia.

According to the forecast from IHS Markit, the light vehicle sales outlook for 2020 is forecasted to decline of about 0.7% compared to 2019. US sales are predicted to continue to soften, but to remain historically high in absolute terms. Western Europe is expected to experience a modest sales decline, while Russia and Brazil are likely to extend the positive momentum into 2020. The base case scenario remains that deep-sea volumes will see a moderate growth as volumes out of Europe are expected to rebound as global demand for German premium cars continues. Exports from Japan and Korea are expected to see smaller declines. The light vehicle outlook for deep-sea carried volume for 2020 is flat to slightly positive as we expect to see continued uncertainty due to trade tensions, governmental environmental regulations and geopolitical tensions.

High and heavy market

The global market for large agricultural, construction and mining equipment declined in 2019, following two straight years of strong growth, as trade wars and global economic uncertainty negatively impacted demand for new equipment. Global export volumes dropped 2% y-o-y as growth weakened and remained in negative territory during the second half of the year.

Exports of global construction equipment decreased by 4% y-o-y, led by North America and Asia, which fell 17% and 4%, respectively, and combined accounted for the vast majority of reduced global export volumes. The decline was partly offset by slight growth in European exports. The global contraction is expected to continue in 2020, as continued construction dealer destocking and macro headwinds is projected to reduce OEM revenue in the period, and result in negative overall sales growth for major OEMs. Despite declining sales estimates, global demand of construction equipment is still considered to remain close to historically high levels following record-setting sales volumes in 2018.

Global deliveries of mining machinery declined 18% in 2019 after two subsequent years of growth. North America was the only region that experienced growth as both Asia and Europe declined considerably, 30% and 22% y-o-y, respectively. Mining equipment deliveries to Australia, the second biggest single market, grew y-o-y in every single quarter in 2019 and was up 19% on the year. The Australian expansion is manifested through the NA-OC trade that recorded 35% growth y-o-y during the same period. While the overall global decline appears to mark the end of the growth period that began in mid-2016, it is unclear whether this represents the beginning of a market contraction or simply a pause in a longer-running growth cycle. An analysis of the current global operating mining truck fleet could appear to support the latter view, as there is a growing number of units that are reaching theoretical replacement age. While aftermarket sales have remained strong throughout 2019, several of the mining equipment OEMs have cited global economic conditions and disciplined capex spend among miners as the main reasons why customers are postponing investment decisions. Analysts expect global mining machinery sales to decelerate in 2020 with major OEMs projected to see overall sales decline in the mid-to-high single-digit range.

Despite concerns related to trade, commodity prices and adverse weather conditions that have weighed heavily on farmer sentiment, global trade of agriculture equipment experienced slight growth in 2019 as growth was unsynchronized across key regions.. US large tractor sales recorded 4% growth y-o-y in 2019, despite very challenging conditions for farmers that led to a considerable growth in farm bankruptcies across several US regions compared to the previous year. In the biggest European markets, tractor registrations have remained steady or strengthened. The French market grew 25% in 2019, while UK and German tractor registrations experienced slight growth during the year. However, both UK and Germany reported the highest above-average stocks of new and used machines in the European market, which is expected to negatively impact sales in the first half of 2020. Conversely, the large tractor market in Australia has had a tough year in 2019, declining 8% y-o-y, as drought in the Eastern States entered its second year. Australian expectations for 2020 remain somewhat pessimistic, and well down from the recent peak years. Brazilian tractor sales also struggled in 2019 and fell 19%. The Brazilian contraction has been largely attributed to a lack of subsidized credit for farmers. Analysts expect global farm machinery sales of major OEMs to decline modestly in 2020 before rebounding the following year.

Covid-19 pandemic

The Covid-19 pandemic is disrupting supply chains and production patterns and will likely also affect demand for vehicles and rolling equipment. The pandemic continues to progress and evolve, and at this juncture it is very hard to predict the full extent and duration of the resulting impact on the economy. The market outlook summarized above hence does not take into account the potential full impact of the evolving COVID-19 pandemic.

Global fleet

The global vehicle carrier fleet totalled 710 vessels (with more than 1 000 CEU capacity) with carrying capacity of 3.95 million CEUs at the end of 2019. In 2019, five newbuildings were delivered and 15 vessels were recycled. During 2019 there were five new orders, all vessels below 4 000 CEU. This resulted in an order book that counted only 14 vessels at year-end, equivalent to about 3% of the active fleet. Most of the order book is scheduled for delivery in 2020 and the remainder from 2021 to 2022.

Risk and risk management

Wallenius Wilhelmsen is exposed to a variety of risks through its worldwide ocean and landbased operations and a global organisation, including financial risk, market and commercial risk, operational risk, environmental and safety risk and regulatory risk. A deliberate strategy and effective procedures for risk management and mitigation are required to keep our employees safe and our business in operation, and will, over time, impact profitability in a positive way. Wallenius Wilhelmsen has established a group-wide enterprise risk management model and maps all main risks regularly. Every quarter, management presents a detailed risk assessment including mitigating actions, covering all business units and functional areas, to the Board of Directors.

Governing bodies, management and employees must be aware of the current environment in which they operate and be responsible for implementing measures to mitigate risks, acting upon unusual observations, threats or incidents, and proactively trying to reduce potential negative consequences. Risk evaluation is integrated in all business operations, both at group and business unit level. Wallenius Wilhelmsen has internal controls, systems and processes for handling financial, market and commercial, operational and regulatory risks.

Financial risks

The main financial risk exposures for Wallenius Wilhelmsen are interest rate risks, currency risks, and fuel oil price development.

Wallenius Wilhelmsen has a policy to hedge between 30-70% of the net interest rate exposure, predominantly through interest rate swaps and fixed rate loans. The hedge ratio is currently about 60%.

US Dollar is the dominant currency for both revenues and costs across the group and also the group's functional currency. Most of the currency exposure arises on the cost side in the ocean operating companies where KRW, JPY, SEK, CNY and NOK are most important currencies. As a main principle, Wallenius Wilhelmsen does not use financial instruments to hedge currency risk in the operating entities but assesses the merits of doing so in periods when the US Dollar is deemed historically strong compared to other currencies.

Fuel oil price risk is primarily managed through the inclusion of bunker adjustment factors (BAF) in customer contracts. Since BAFs are typically calculated based on the average price over a historical period, and then fixed during an application period, a lag effect exists, which means that the group is exposed to price changes in the short term.

The shift to very low sulphur fuel oil (VLSFO) represents a risk for Wallenius Wilhelmsen as both the supply and price of VLSFO could be subject to significant fluctuations in a transition period going into 2020. To mitigate the risk, the group has locked in the forward spread between heavy fuel oil (HFO) 3.5%, and marine gas oil (MGO) for about one third of the bunker volumes in the period November 2019 to April 2020, and a smaller share (about 10%) of expected bunker volumes in the period from May to July 2020.

For a detailed assessment of financial risk, see 'note 22 – Financial risk'

Market and commercial risk

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

Trade tensions and other geopolitical tensions that may lead to heightened barriers to trade can represent a risk for Wallenius Wilhelmsen. Furthermore, events such as spread of illnesses or other events that cause a threat to the health and well-being of our employees, customers and wider communities may cause disruptions to operations, supply chains or customer demand. Any short-term direct effect of reduction in volumes due to any of the above is not expected to be critical, as the group can implement measures to adjust capacity and reduce costs temporarily. On the other hand, indirect effects in case of slower global economic growth, combined with reduced deep-sea volumes across all cargo segments would not only directly impact the results, but could also lead to continued and increased overcapacity, and create further pressure on rates.

The geographical pattern of the production of automotive and high and heavy equipment is changing continuously. 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 factor of the fleet. A shift in customers' market positions can represent both opportunities and risks for Wallenius Wilhelmsen's operating entities. However, the group's broad global coverage and client exposure contribute to reduce this risk element.

Operational risk

The main operational risks for Wallenius Wilhelmsen include tonnage imbalance, trade imbalance, vessel incidents, and adverse weather conditions.

Wallenius Wilhelmsen 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 scale down capacity to meet changes in demand cost-efficiently. Wallenius Wilhelmsen proactively handles trade imbalances through vessel swaps and space charter arrangements for excess volumes with other operators.

Through the increased digitalisation of the operations of Wallenius Wilhelmsen, the company will also become more vulnerable to cyber risks. The group could become a target of cyber-attacks designed to explore lack of people's security awareness, penetrate the security of its network or internal systems, misappropriate proprietary information, commit financial fraud and/or cause interruptions to its operations. Wallenius Wilhelmsen is currently investing in a transformation of its digital platforms to allow for a more digital workforce as well as taking the needed steps to reduce exposure to cyber security risks. Partnerships with leading industry players in the digital and security space is allowing Wallenius Wilhelmsen to take advantage of the protection tools and mechanisms available. Wallenius Wilhelmsen has also implemented information campaigns and awareness programs in order to mitigate risk of security breaches related to phishing and impostering.

Environmental and safety risk

Wallenius Wilhelmsen is, by the nature of its activities, exposed to environmental and safety risks arising from both its ocean and landbased operations. These risks are mitigated through management systems on all vessels and facilities. The management systems include a sharp focus on training, routines and measures designed to ensure continuous compliance with environmental and safety regulation. Environmental and safety risks associated with equipment failure or human error are minimised through frequent emergency response drills. Also, the group has implemented programmes with KPI follow-up that seek to identify and prevent potential environmental and safety risks. Wallenius Wilhelmsen is in the process of assessing the financial impacts of climate-related risks and opportunities in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Physical risks due to harsher weather are considered manageable; regulatory and market risks will likely have the greatest impact on the company's future business operations.

Changes in regulation concerning emission of Green House Gases (GHG) is one such risk factor for Wallenius Wilhelmsen. In April 2018, the International Maritime Organization (IMO), the shipping industry's global regulator, agreed ambitious GHG reduction targets for 2030 and 2050. The regulations are expected to take shape over the coming few years and will impact the shipping industry. Wallenius Wilhelmsen seeks to contribute to progressive yet pragmatic outcomes through active engagement in the regulatory process and will work to deliver sustainable solutions to meet the targets.

For further information, please refer to the sustainability section of the Directors' Report, and the section on "Navigating towards zero emissions" in particular.

Covid-19 pandemic

The Covid-19 pandemic is affecting demand for vehicles and equipment, disrupting supply chains and production patterns and is likely to affect Wallenius Wilhelmsen's operations. The company is taking a precautionary approach to safeguard the health and safety of employees, crew, business partners and members of the public, whilst striving to avoid adverse operational impact.

The pandemic continues to progress and evolve, and at this juncture it is challenging to predict the full extent and duration of resulting operational and economic impact on the company. The development of the pandemic and the mitigating actions implemented create uncertainty as to demand for our customers' products as well as their ability to operate, putting pressure on volumes. In the same way, mitigating actions restricting freedom of movement can disturb our ability to operate efficiently. The impact of COVID-19 on the company's business in 2020 is at this stage very hard to predict, and Wallenius Wilhelmsen will continue to monitor developments closely and respond accordingly.

Regulatory risk / anti-trust investigation

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

Dividend for 2019

Wallenius Wilhelmsen ASA's objective is to provide shareholders with a competitive return over time through both an increase in share value and dividend payments. The Dividend policy states:

Wallenius Wilhelmsen 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.

Given the unpredictable situation for the global economy as the impact of COVID-19 continue to evolve, the Wallenius Wilhelmsen Board of Directors has decided to withdraw their proposed dividend for 2019. In connection with the publication of fourth quarter and annual results on 22 February this year, the board proposed an ordinary dividend of 7 cents per share to the Annual General Meeting in April 2020. The board also proposed that the Annual General Meeting give the board authority to approve a second dividend payment of up to USD 7 cents per share for a period limited in time up to the annual general meeting in 2021, but no longer than to 30 June 2021. The board has now decided to withdraw this proposal, which in total would have been equivalent to about USD 60 million.

The board is granted an authorisation, on behalf of the company, to acquire up to 10% of the company's own issued shares. The authorisation is valid until the AGM in 2020, but no longer than to 30 June 2020.

Allocation of net profit

The board's proposal for allocating the net profit for 2019 is as follows:

USD	
Net profit	102 million
To other equity	102 million
Total allocation	102 million

Events after the balance sheet date

The COVID-19 pandemic is affecting demand for vehicles and equipment, disrupting supply chains and production patterns and is likely to affect the group's operations. The group is taking a precautionary approach to safeguard the health and safety of employees, crew, business partners and members of the public, whilst striving to avoid adverse operational impact. The pandemic continues to progress and evolve, and at this juncture it is challenging to predict the full extent and duration of resulting operational and economic impact on the group. The development of the pandemic and the mitigating actions implemented create uncertainty as to demand for our customers' products as well as their ability to operate, putting pressure on volumes. In the same way, mitigating actions restricting freedom of movement can disturb our ability to operate efficiently. The impact of COVID-19 on the group's business in 2020 is at this stage very hard to predict, and Wallenius Wilhelmsen will continue to monitor developments closely and respond accordingly. The group has estimated a 20% reduction in ocean volumes for first quarter 2020 compared to first quarter 2019. The company expects an impact into second quarter, but the extent will depend on the rate of recovery in Asia, the spread of the coronavirus, the corresponding reaction of global markets and the impact on vehicle sales.

Based on the expected volume drop there is an overcapacity in the group's fleet of 10-15 vessels net of already planned redelivery of charter vessels. To take out capacity and reduce operational costs, the group is considering recycling of up to four vessels, all 24 years or older. The early recycling is expected to lead to a potential impairment of up to USD 40 million. In addition, preparations are being made to initially place up to 10 vessels in cold lay-up. The estimated cost saving for a vessel in cold lay-up is USD 3-4,000 per day depending on length of lay-up. Of the 11 vessels that have been chartered in which are available for redelivery at the start of the year, four have been redelivered and another three will be redelivered before end of June. One vessel has been extended and the remaining three are under consideration.

In line with automaker plant closures, the group is suspending operations at several landbased processing centres, starting temporary layoffs for about 2,500 production workers in the USA and Mexico. At the publication of these financial statements it is difficult to estimate the financial impact on first and second quarter result for the landbased segment as it depends on how long the closure of the automaker plants will last and if other automakers also decides temporary closures.

In addition, the COVID-19 breakout is an indicator of impairment for assets such as goodwill, other intangible assets, vessels and right of use assets. The value in use impairment assessment for these types of assets may be impacted by the COVID-19 breakout in connection with reporting of interim financial information for the first quarter 2020 and onwards.

Per end of 2019, the group had a solid liquidity situation, with cash and cash equivalents of USD 398 million and around USD 377 million in undrawn credit facilities, which makes the group well prepared to handle a downturn. The only covenant on group level, related to the group's bond debt, is limitation on the ability to pledge assets. All financing at the level of the different business units have covenants measured on the level of the business unit. The bank and lease financing of vessels have financial covenant clauses relating to one or several of the following minimum liquidity, current assets/current liabilities, loan to value clauses, and in some cases fixed charge/interest coverage. The financing for the landbased segment has covenants related to net interest-bearing debt/EBITDA, equity ratio and minimum liquidity. We do not see any risk of covenant breach in the first quarter as a consequence of the COVID-19 pandemic. As the impact on our customers' production, as well as market demand for their products, evolves week by week, we will continue to monitor the situation closely.

On 30 March 2020, it was announced that Torbjørn Wist will join the group as Chief Financial Officer starting 1 October. Mr. Wist is a Norwegian national who today is CFO at the Scandinavian airline SAS.

Prospects

The board maintains a balanced view on the prospects for Wallenius Wilhelmsen. However, uncertainty remains on the volume outlook in light of weaker sales for both auto and high and heavy, combined with the rapidly evolving and uncertain effects of the COVID-19 pandemic. Rates remain at a low level, and there is still strong competition for tendered volumes. The gradual improvement in tonnage balance is expected to continue, but with more uncertain volume outlook any rate improvements may take longer to materialise.

Wallenius Wilhelmsen has a solid operational platform, an efficient cost base, solid balance sheet and cash position, and is well prepared to handle a challenging market. Furthermore, continuous focus on efficiency in operations and the flexibility to adjust the fleet will continue to support profitability going forward.

Board of Directors' report — Sustainability reporting

Our strategic approach to sustainability

Wallenius Wilhelmsen is a company of 9 400 people, managing 126 vessels servicing 15 trade routes. We also operate 71 processing centres and 11 marine terminals. Our purpose is sustainable logistics for a world in motion — imagining new, more efficient solutions for the changing world of mobility and transport on land and sea.

As a leading company in a global industry, we are committed to taking purposeful action to promote environmental stewardship, social responsibility and responsible business conduct. We see sustainability as both the most responsible and profitable way to conduct our business. At Wallenius Wilhelmsen, sustainability is more than an important management tool, it is a fundamental driver for our business development and growth.

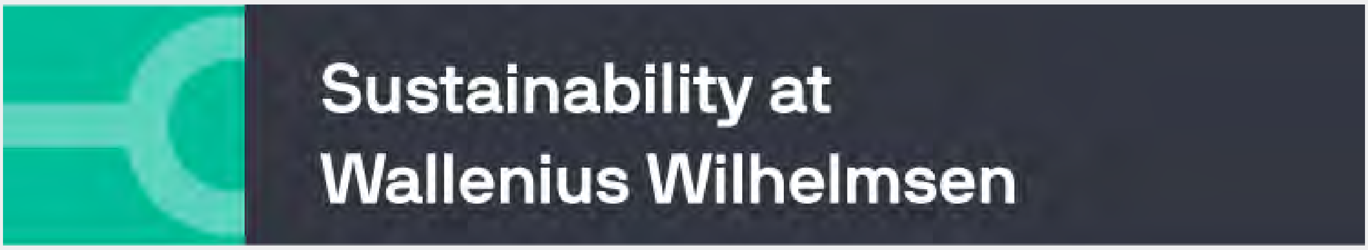
In taking this approach, we go beyond complying with relevant environmental, social and business ethics regulations. We aim to stay a step ahead of emerging requirements, keeping us ahead of future risks while creating long-term value for our employees, customers, investors and our entire value chain.

The six principles of our Lean:Green sustainability strategy guide how we bring our sustainability vision to life: By striving for what is both economic and sustainable, we will produce the best long-term results for people, profits and the planet.

- 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 and advocate for environmentally sound global outcomes
- Invest in and support Lean:Green technologies, seek partners to find sustainable solutions
- Embrace transparency; be visible and be credible
- Harness sustainability track record and competence to create commercial value

Our governance and management approach

Our Board of Directors has reviewed and approved our Lean:Green sustainability strategy, and annually approves our ESG targets. The Top Executive Team (TET) and the Board of Directors receive monthly and quarterly environmental, social and corporate governance (ESG) performance results, and our annual sustainability performance is integrated into our Annual Report and signed off by our Board of Directors.



Our ESG management approach is integrated and holistic, while maintaining clear lines of responsibility. Sustainability encompasses five corporate functions (see image above). The Vice President of Sustainability is responsible for driving the company's strategic approach to sustainability and reports monthly to members of the TET.

Our reporting approach

We report on 42 Key Performance Indicators (KPIs) which are organised into four priorities, Valuing Diversity & Wellbeing, Being a Trusted Business Partner, Protecting Life Below Sea, and Navigating Towards Zero Emissions, providing strategic direction for all sustainability topics that are material to our company and our value chain. These four priorities also provide the structure for the ESG data included in this report, prepared and disclosed in accordance with the Global Reporting Initiative (GRI) Standards: Core option.

Transparency in our sustainability efforts and performance is essential for cultivating good relationships with our stakeholders and meeting their evolving expectations. To ensure the appropriate focus and relevance of our sustainability work, we conducted a materiality assessment in December 2017 to identify and prioritise the topics and data presented in this report.

During this phase we identified and assessed relevant environmental, social and governance related impacts along the company's value chain. The different sustainability topics were ranked in terms of importance to both Wallenius Wilhelmsen group and our stakeholders, to determine their overall materiality.

Topics that are deemed material (of high importance to both Wallenius Wilhelmsen and its stakeholders) are disclosed in this sustainability report and regularly reviewed by top management.

To promote our vision of transparency, accountability and reporting, Wallenius Wilhelmsen joined the Standards Advisory Group at the Sustainability Accounting Standards Board (SASB) in 2019, and we actively participate in BSR's Clean Cargo initiative and Drive Sustainability, a customer-driven sustainability reporting initiative.

Unless otherwise noted, the scope of this report includes vessels, ocean services and landbased services owned or controlled by the Wallenius Wilhelmsen group, which includes Wallenius Wilhelmsen Ocean, Wallenius Wilhelmsen Solutions, EUKOR and American Roll-on Roll-off Carrier (ARC). Outside the scope of the report are the operations of Keen Transport Inc., a recent acquisition. Wallenius Wilhelmsen's Sustainability Management System and Way of Working dashboard are to be implemented throughout Keen's operations in 2020.

Results of Materiality Assessment

Supporting the UN Sustainable Development Goals

Our sustainability work also contributes to the UN Sustainable Development Goals (SDGs), 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 Wallenius Wilhelmsen we are committed to doing our part. This report identifies the six UN SDGs aligned with our sustainability strategy and focus areas.

Priority 1: Valuing our people's wellbeing and diversity

Ensuring health, safety, human rights, individual development and wellbeing.

A globally successful company requires diversity: to succeed, we need people with many different talents who can collaborate across cultures, developing new skills and knowledge along the way. That's why we prioritise our people's health and safety, support their development, and celebrate our diversity. Our focus on inclusion, a vital part of our diversity strategy, helps ensure and strengthen a safe, inclusive and diverse organizational culture.

Wallenius Wilhelmsen has 9 400 employees across the world and we pride ourselves on providing a safe and fulfilling work environment. We also have a responsibility to the men and women working for our suppliers to provide a safe working environment and ensure that there are no violations of human rights in the supply chain.

The crew of Wallenius Wilhelmsen's owned vessels are employed by external ship management companies, and our Marine Operations Team is responsible for ensuring these management companies comply with our policies, including working conditions and quality. Wallenius Wilhelmsen Solutions employs both direct employees and outsourced labour for landbased activities and operations.

We see safety as a key element of our success as an employer and a supplier, and therefore the ultimate responsibility for safety rests with the CEO. Safety at sea is the direct responsibility of the Marine Operations Management Team, while site managers for WW Solutions are responsible for safety and wellbeing.

To foster an environment where people can thrive and succeed, we measure, manage and report on our performance in six material areas: Diversity, Safe operations, Safety on sea and land, Human and labour rights in ship recycling, Training and development, and Working conditions and welfare.

Review of progress in 2019

In late 2019, a Diversity & Inclusion initiative was launched to gather data and perspectives from the organization. With this input, in 2020 the project will define challenges and opportunities for diversity and inclusion; identify objectives and KPI's; and define focus areas and action plans. Gender, absenteeism and occupational disease were also implemented into the company's reporting for safety incidents.

While ocean crew retention slightly dipped, crew satisfaction scores modestly improved in 2019. A common template for crew satisfaction surveys for ship managers was developed and is now in use.

To further extend our commitment to human rights in our supply chain, we have published details on our website of how company-owned vessels have been recycled since 2000.

As part of a company-wide implementation of a new Sustainability Management System in 2020, management will be reviewing all prioritised material topics; setting and validating current KPIs, informed by science-based targets as relevant; reviewing progress against current goals and setting new goals and targets for the short and long term.

Relevant governance policies and documents

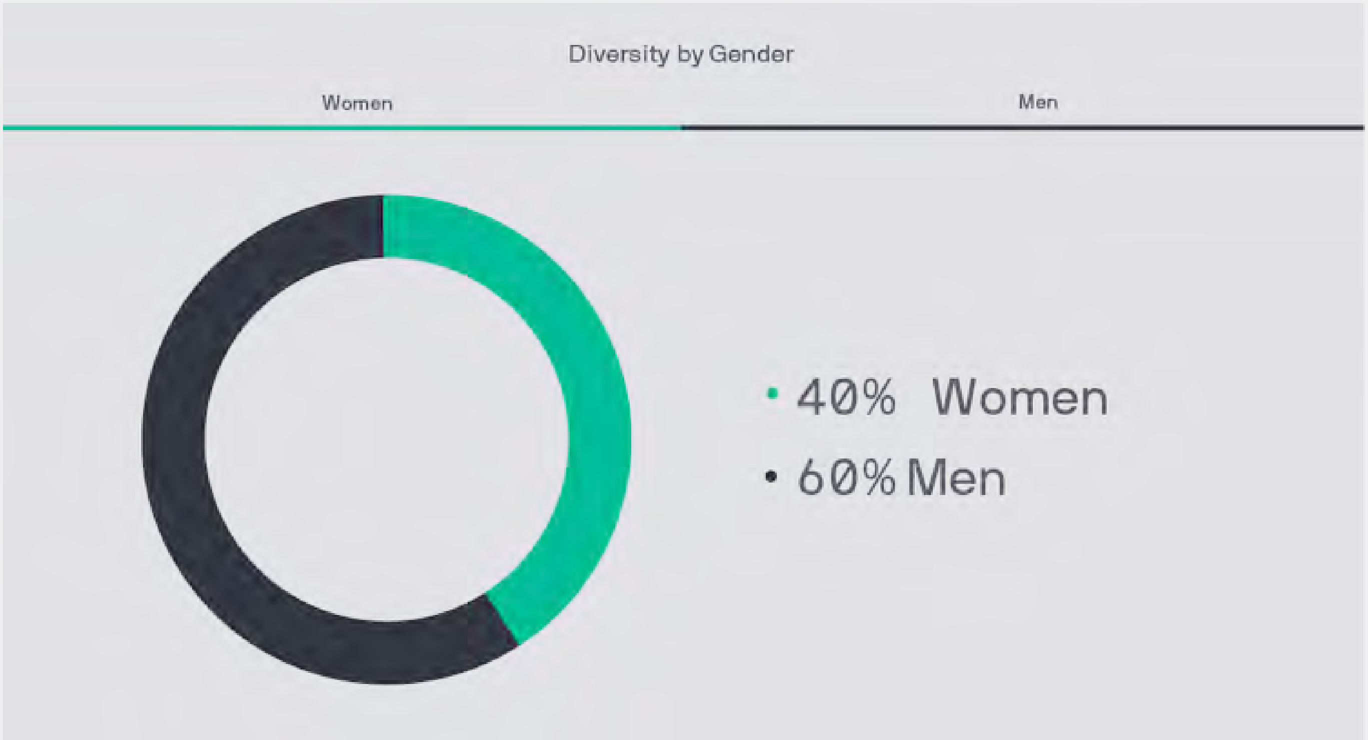
Wallenius Wilhelmsen Ocean Employees Handbook, Wallenius Wilhelmsen Solutions Employee Handbook, Wallenius Wilhelmsen Code of Conduct, Safety Policy, Environmental Policy, and Responsible Vessel Recycling Policy.

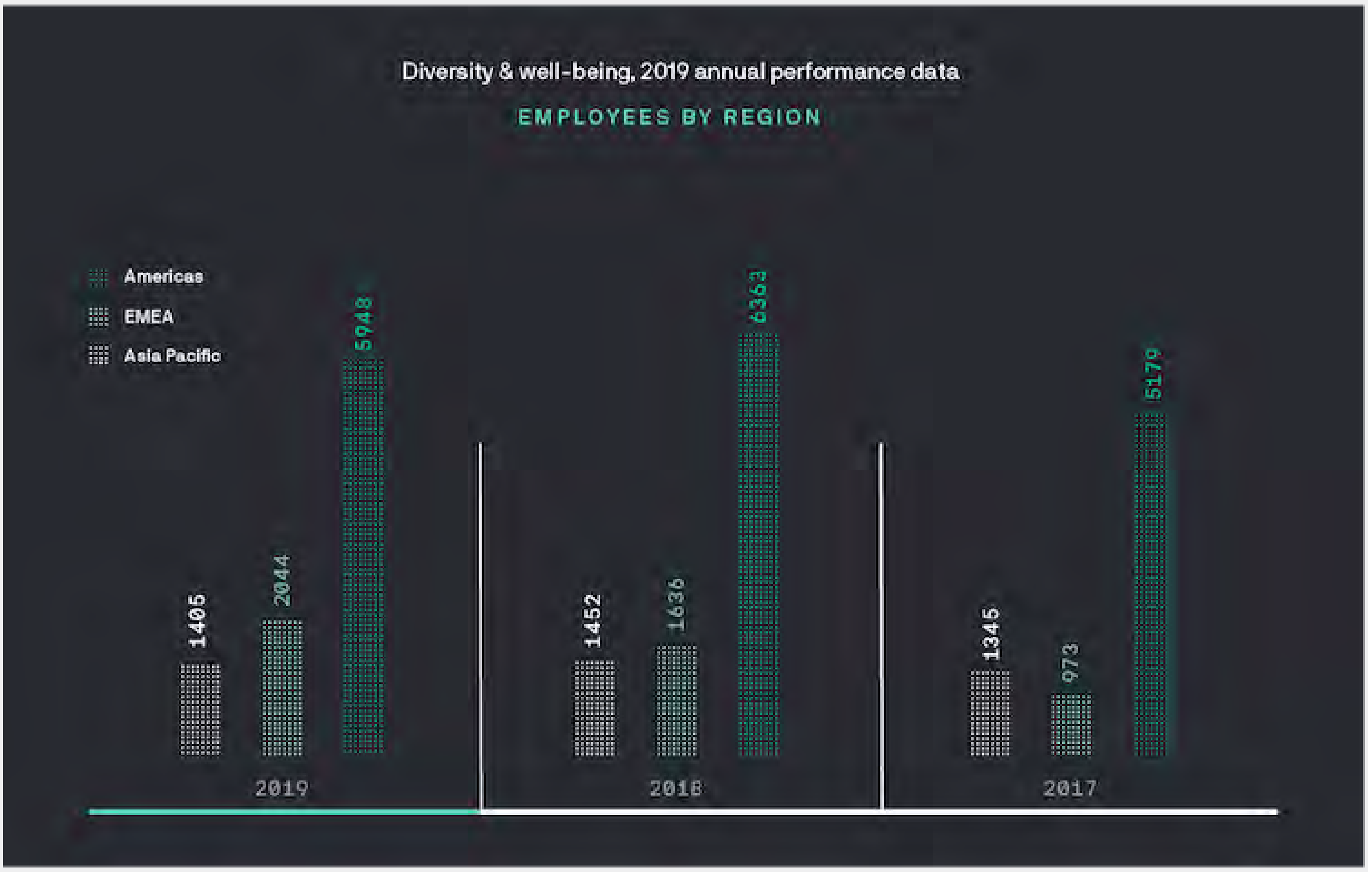
2019 Annual Performance

KPI Description	Unit of Measurement	2019 Data
Gender balance, office workers	Ratio, Male: Female workers	60:40
Lost Time Incident Frequency, ocean services	Number of lost workday incidents per 1,000,000 hours worked	0.728
Lost Time Incident Frequency, landbased services	Number of lost workday incidents per 1,000,000 hours worked	15.79
Fatalities	Number of work-related incidents resulting in death	1
Office workers workers invited to take a Performance Dialogue	Percent	100%
Annual retention rate of ocean crew	Percent	95.30%
Ocean Crew Satisfaction Survey	Numeric score (1-5)	4.5
Absenteeism, land-based services (days away due to illness per hours worked)	Percent	2.58%

Highlights

Lost Time Incident Frequency for ocean services improved in 2019, beating our target of 1.0 for the second consecutive year.




Diversity & well-being, 2019 annual performance data
EMPLOYEES BY REGION
Americas
EMEA
Asia Pacific
1405
2044
5948
2019
1452
1636
6363
2018
1345
973
5179
2017

Priority 2: Being your trusted business partner

Being a trusted business partner is about delivering great results efficiently while conducting business in the right way. Responsible business conduct is the foundation of Wallenius Wilhelmsen's operations and activities. Our ability to deliver as agreed is key to creating value and running a sustainable business. Wallenius Wilhelmsen 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 suppliers and outlines the top management's commitment to and expectations of sustainable, compliant and responsible business conduct.

As a corporate citizen operating around the globe, we are committed to be a responsible taxpayer and to ensuring compliance with national and local requirements. Corporate tax affairs are the global responsibility of the CFO.

Quality and safe stewardship of cargo and equipment is essential for our success, and we have a zero-tolerance policy for security infractions and theft from any facility within our network. The President of Wallenius Wilhelmsen Solutions has overall responsibility for quality and security at landbased facilities. The Marine Operations Management Team is responsible for quality and security of the company's owned fleet. All company-owned or controlled vessels must follow the Wallenius Wilhelmsen Ship Security Policy, and all ship managers are required to be ISO 14001 certified.

To cultivate and maintain trust in our people and our services, we measure, manage and report on our performance in 10 areas: Compliance, Quality of service, ESG customer management, Tax practices, Security at land-based facilities, Security of vessels, ESG supplier management, Privacy and data security, Green innovation, and Biosecurity.

Review of progress in 2019

Significant progress was made in 2019 developing a bespoke Sustainability Management System to manage the company's environmental, social and governance performance, which will be ISO 140001 certified. The system has already been implemented into the company's Way of Working framework for landbased activities, and company-wide implementation will be complete in early 2020.

The company's ESG Supplier approach was enhanced with a mandatory Responsible Vessel Recycling Policy and by supporting the work of the Ship Recycling Transparency Initiative. In 2020, the company will assess the need for a more robust approach for managing and monitoring supply chain partners.

As part of the company's One Operation digital transformation, 17 vessels have been connected with data streaming capabilities. The complete streaming system and platform is still being developed. A target of 55 vessels from our owned fleet will be connected by July 2020. Vessel data liberation will significantly enhance fleet optimisation decisions and enable our continued transformation towards a data-driven organisation. Landbased operations continued to digitise processes, and security incidents were added to the global KPI register, replacing a manual process with a digital registration solution.

As part of a company-wide implementation of a new Sustainability Management System in 2020, management will be reviewing all prioritised material topics; setting and validating current KPIs, informed by science-based targets as relevant; reviewing progress against current goals and setting new goals and targets for the short and long term.

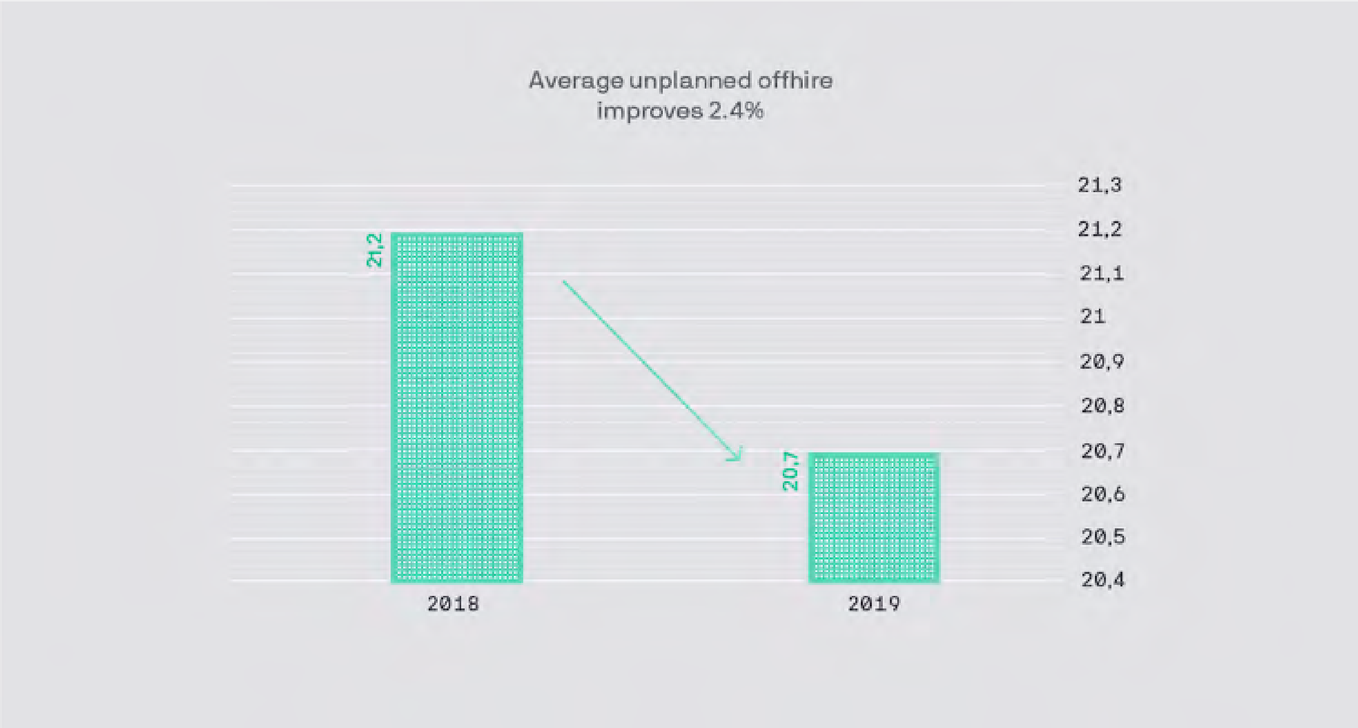
Relevant governance policies and documents

Wallenius Wilhelmsen Ocean Employees Handbook, Wallenius Wilhelmsen Solutions Employee Handbook, Wallenius Wilhelmsen Code of Conduct, Safety Policy, Responsible Vessel Recycling Policy.

2019 Annual Performance Data

KPI Description	Unit of Measurement	2019 Data
Average unplanned off-hire across the entire owned fleet	Hours	20.70
Number of significant spills (> 20 litres), ocean services	Number of incidents	1
Cases in which group companies were found in breach of international sanction laws and regulations	Number of incidents	0
Tax incentives or special tax agreements with authorities	Number of agreements	1
Incidents of theft, landbased services	Number of incidents	1
Security breaches onboard company owned vessels	Number of incidents	3
Substantiated breaches of privacy and data security	Number of incidents	4
Orcelle Award finalists	Number of people	12

Highlights



Preventative maintenance enabled us to beat our 2019 target of 24.

Priority 3: Protecting life below water

The ocean is one of the planet's most sustaining resources, one we've been sharing for more than 150 years. To us, protecting life below water means maintaining the ocean's biodiversity and safeguarding the ocean's ecosystems. Since our operations can impact both, we are vigilant in our compliance efforts while embracing innovation to find new solutions that decrease our impacts on life below water.

We have a holistic approach to our impacts, taking responsibility for the full lifecycle of our vessels, from design to recycling. Wallenius Wilhelmsen owned vessels are recycled according to our Responsible Vessel Recycling Policy, and we disclose metrics on vessels recycled in our Annual Report, on our website and also at www.SRTI.org.

The Marine Operations Team has the overall responsibility for ensuring the environmental emergency preparedness of our fleet, in close collaboration with the fleet's various ship management companies who are responsible for response readiness of their respectively managed vessels.

To manage our environmental impacts and continuously improve our environmental performance, we measure, manage and report on our performance in six material areas: Environmental emergency preparedness on land and sea, Environmental issues in ship recycling, Ballast water, Hull fouling, Bio-security and Ship-generated waste.

Review of progress in 2019

During 2019 a new supplier initiative to reduce the amount of packaging waste left onboard ocean vessels was implemented, dramatically reducing total waste from vessels by approximately 20%, due largely to better trash-handling routines and equipment.

WW Ocean had one environmental breach during the year: the M/V Tamesis had an oil spill while at anchor in Lvhuashan Southern Anchorage (China), resulting from a broken hose that formed part of the hydraulic system for the stern ramp, spilling about 100 litres to the sea. The vessel response system worked properly, and a clean-up was successfully completed.

A group Biosecurity Management Plan for the whole fleet was completed 2019, and a review of the plan will be conducted in 2020 based on effectiveness and geographical developments. In 2020, biosecurity KPIs and goals will be set.

All the company-owned fleet was enrolled in Hull Biofouling Management programmes during the year. More efficient hull cleaning has contributed to lower fuel oil consumption; since hull fouling increases the drag on a ship, biofouling management is an important part of improving energy efficiency and reducing emissions from our ships.

Thirteen vessels were fitted with Ballast Water Treatment Systems (BWTS) in 2019, meaning 15% of the company-owned fleet now has BWTS installed and the remainder of the fleet complies with requirements through ballast water exchange.

The company did not recycle any vessels in 2019, as no company-owned vessels were retired.

As part of a company-wide implementation of a new Sustainability Management System in 2020, management will be reviewing all prioritised material topics; setting and validating current KPIs, informed by science-based targets as relevant; reviewing progress against current goals and setting new goals and targets for the short and long term.

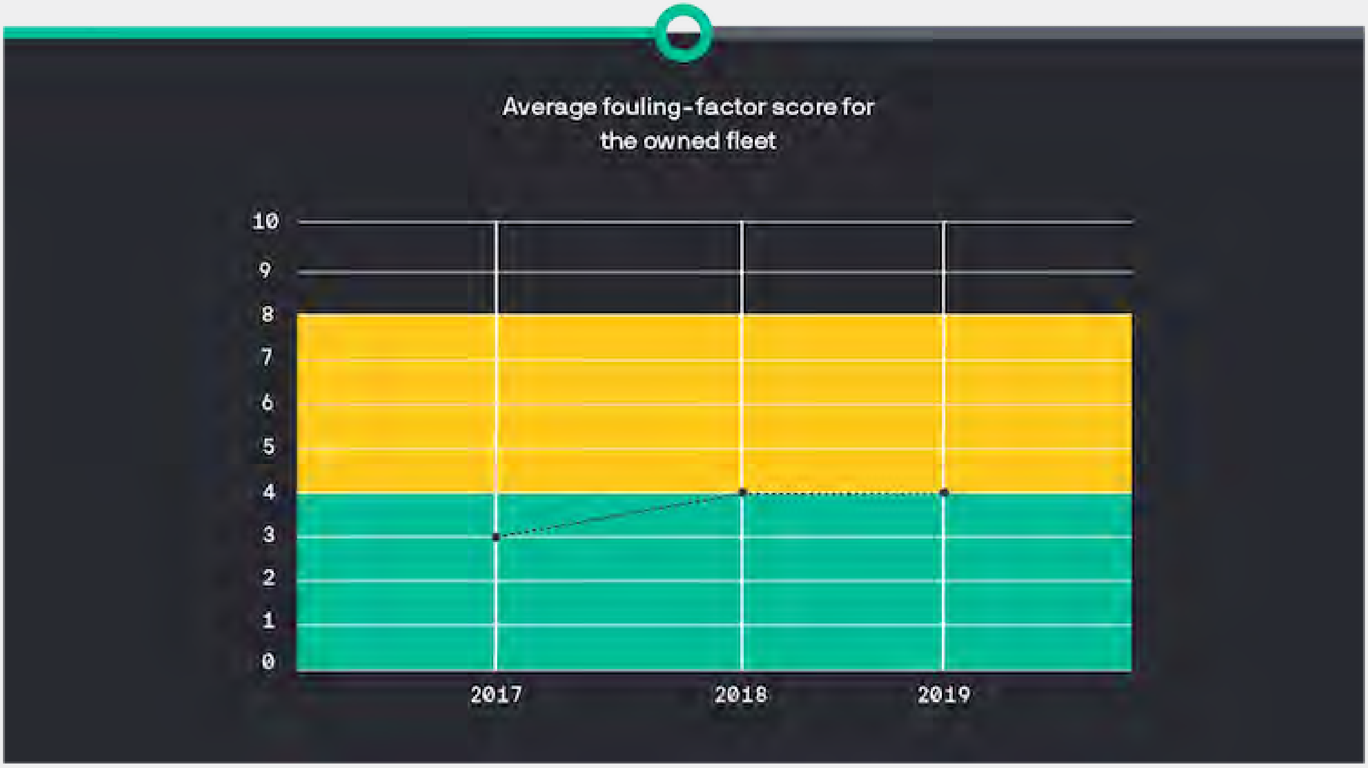
Governance policies and documents

Biofouling Management Policy, Ballast Water Management Policy, Vessel Recycling Policy.

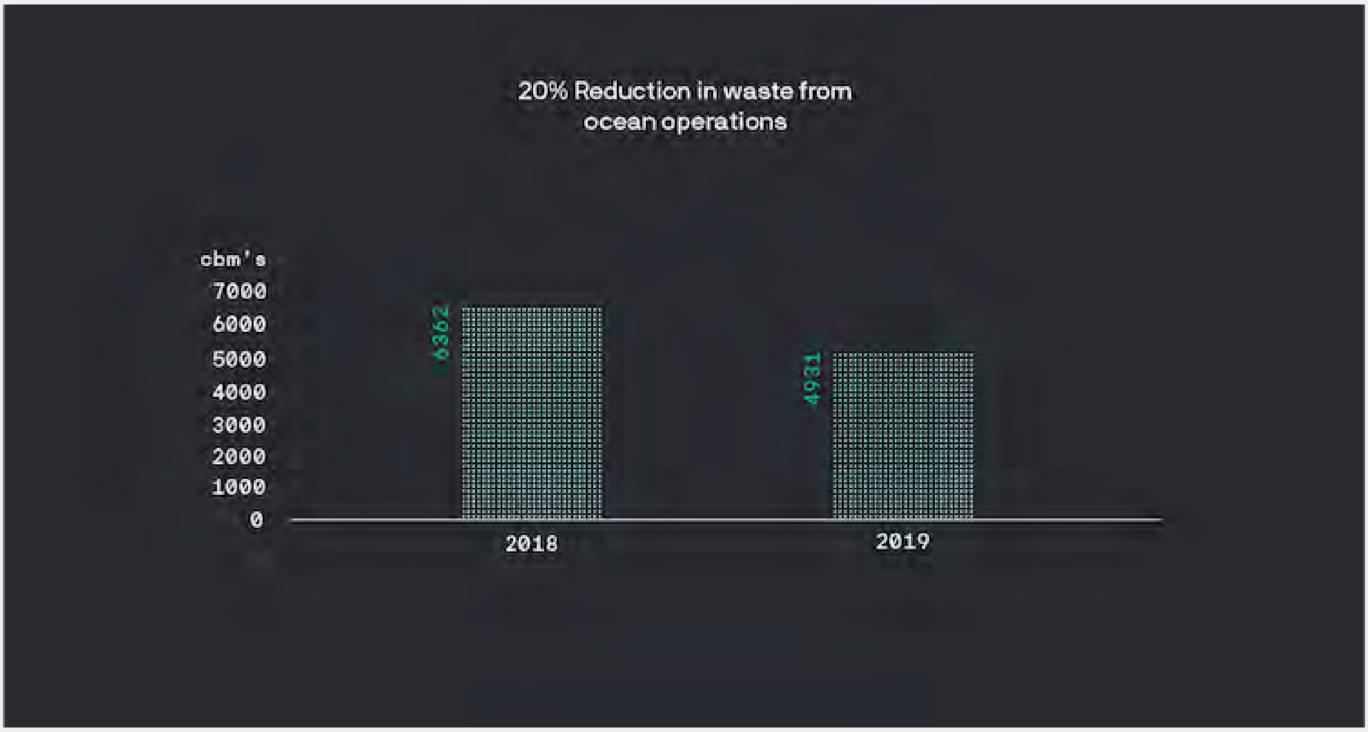
2019 Annual Performance Data

KPI description	Unit of Measurement	2019 Data
Non-compliant environmental emergencies, ocean fleet	Number of incidents	1
Non-compliant environmental breaches (release, spill or discharge) reported to authorities, landbased activities	Number of incidents	1
Number of company-owned vessels recycled	Number of vessels	0
Ballast water systems installed on company-owned vessels	Number of installations	13
Owned fleet enrolled in hull fouling management programmes	Percent enrolled	100%
Average fouling-factor score for ocean fleet	Score, 1–10	3
Cargo-related biosecurity incidents	Number of incidents	Several
Total trash sent to shore reception facilities from owned fleet	Cubic metres	4,931.10
Average amount of landed garbage per vessel	Cubic metres	64.80
Food waste discharged to sea	Cubic metres	388.30
Average amount of food waste discharged to sea, per vessel	Cubic metres	5.10
Water consumption, landbased services	Litres	53,817,587
Waste sent to landfills, generated from landbased services	Tonnes	5,843

Highlights



Vessels in the fleet are scored 1 (good) to 10, considering the type, amount, and coverage of hull fouling. A higher score translates into higher environmental risks and financial costs.



In 2019 we focused on reducing the amount of packaging waste left onboard our vessels, reducing total waste from vessels by approximately 20%.

Priority 4: Navigating towards zero emissions

The world is quickly moving towards a healthier, emissions free future – a challenge we embrace as an opportunity. As the operator of a fleet of approximately 126 RoRo vessels, and terminals and processing centres around the world, Wallenius Wilhelmsen is deeply committed to decarbonising our operations and future-proofing our business. Transforming logistics into a zero emission, carbon-free industry is the challenge of a generation, but it is also our opportunity to redefine sustainable logistics. The company's Lean:Green strategy and our Sustainability Policy guide our efforts and progress towards zero emissions.

Wallenius Wilhelmsen is in the process of assessing the financial impacts of climate-related risks and opportunities in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Physical risks due to harsher weather are considered manageable; regulatory and market risks will likely have the greatest impact on the company's future business operations. The potential costs of reducing Green House Gas (GHG) emissions to meet International Maritime Organization (IMO) reduction targets, combined with the European Union's (EU) increased focus on shipping as reflected in the European Green Deal, pose complex compliance and financial risks for a global player like Wallenius Wilhelmsen. Changes in consumer preferences due to increased climate awareness may bring about new modes of production and logistics that will impact both our land-based activities and our fleet.

In line with the increasing demand for climate-related action and reporting, Wallenius Wilhelmsen is taking a systematic approach to identifying climate-related risk and opportunities, assessing the potential financial implications, and integrating climate considerations into overarching strategic plans. Prioritised actions for 2020 are to stress-test and refine our strategy to better position the company's products and services for a low-carbon economy.

To improve our emissions footprint and help us navigate our fleet and operations towards zero emissions, we measure, manage and report on our performance in four material areas: GHG emissions from ships, Non-GHG air emissions from ships, GHG emissions in land-based operations, and Non-GHG emissions in land-based operations.

Review of progress in 2019

In 2019 we prepared our fleet, our customers, and our organisation for an important milestone in our zero-emission journey: compliance with "IMO 2020", the IMO's new global sulphur fuel cap designed to dramatically reduce SOx emissions and pollution, effective 1 January 2020. Read details on our rigorous preparation for the new rules. Consistent with our Lean:Green strategy, Wallenius Wilhelmsen founded the Trident Alliance, an industry coalition that actively engaged officialdom throughout the year on effective and transparent enforcement of the new regulations.

This year, Wallenius Wilhelmsen also made strides in carbon emissions performance. The relative CO_2 emissions from the WW Ocean fleet in 2019 was 33 g/tkm, meeting the target we set for an 8% reduction relative to 2017. Total CO_2 from all ocean operations dropped to 4,640,979 tonnes, a reduction of 547,000 tonnes or nearly 11% from the prior year. Reductions in total fuel consumption and emissions were mainly driven by less activity compared with 2018, and improvements in vessel efficiency and performance, including an improved hull fouling programme.

Landbased CO_2 emissions (from fuels consumed) increased slightly, as a result of 10 more land-based facilities reporting and 5% more hours worked in 2019. Existing fuel and power reporting tools were enhanced and now provide emissions KPIs for land-based activities. All fuel and electricity consumption are now reported, converted to CO_2 and displayed in the company's reporting dashboard.

The company joined the Getting to Zero Coalition, an alliance to bring commercially viable, zero-emissions deep sea vessels into the global fleet as early as 2030. We also started ongoing collaborations with Wallenius Marine to develop and operate the first wind-powered deep sea RoRo vessel by 2022, and with Maersk, Copenhagen University and major shippers including BMW Group, to form the LEO Coalition to develop and test Lignin Ethanol Oil for shipping.

As part of a company-wide implementation of a new Sustainability Management System in 2020, management will be reviewing all prioritised material topics; setting and validating current KPIs, informed by science-based targets as relevant; reviewing progress against current goals and setting new goals and targets for the short and long term.

Relevant governance policies and documents

Environmental Policy, Lean:Green Strategy.

2019 annual performance data

KPI Description	Unit of Measurement	2019 Data
Relative CO_2e emissions from ocean services	Grams per ton kilometre	33.00
Total CO_2e emissions from ocean services	Tonnes	4,640,979
Average sulphur content of fuel	Percent	2.05%
Total SOx emissions of fleet under group control	Tonnes	60,989
Relative NOx emissions from owned fleet (as an average of International Air Pollution Prevention certification values)	Grams per kilowatt hours	13.64
Total electrical consumption, landbased services	megawatt hours	16,095
Total CO_2e from electrical consumption, landbased services	Tonnes	6,611
Total CO_2e from liquid and gaseous fuels, landbased services	Tonnes	8,005

Highlights

In 2019 we reduced CO_2e emissions from the Ocean fleet by nearly 11%.

2018

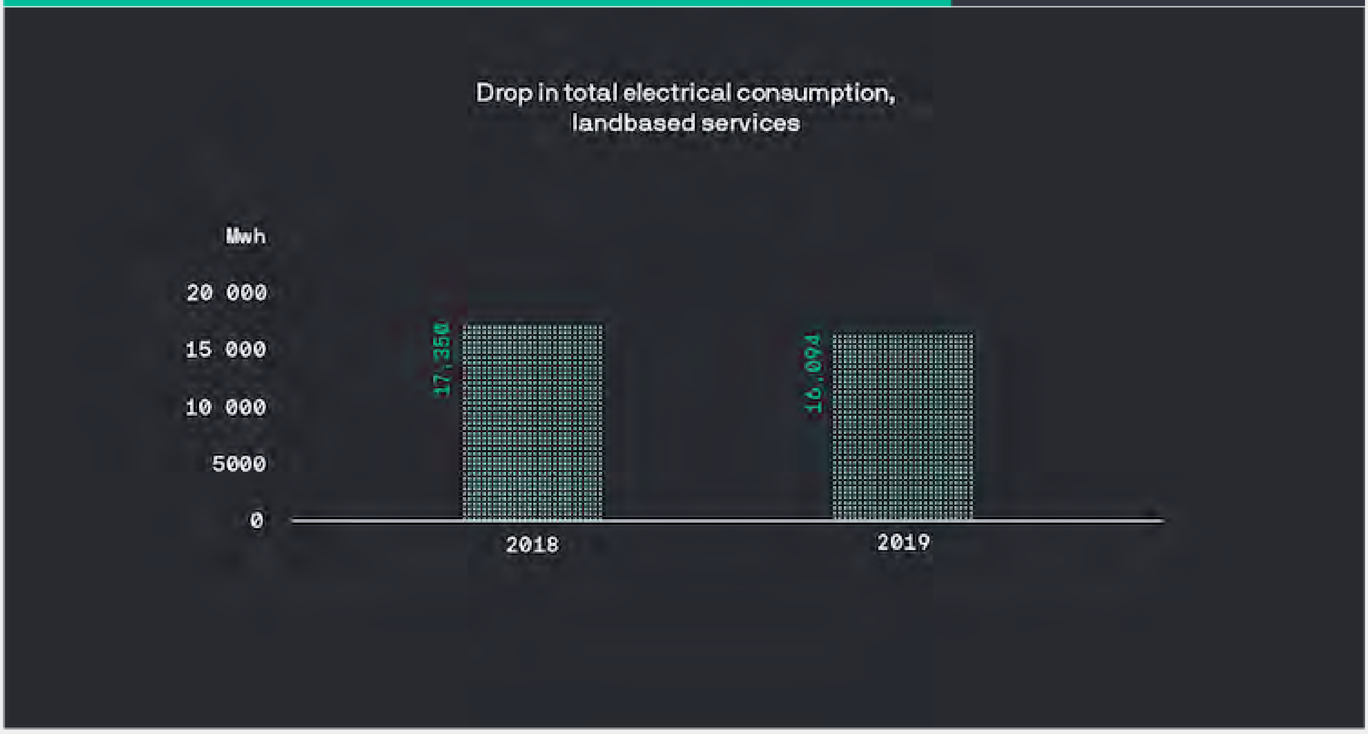
5,188,534

tonnes of CO_2e

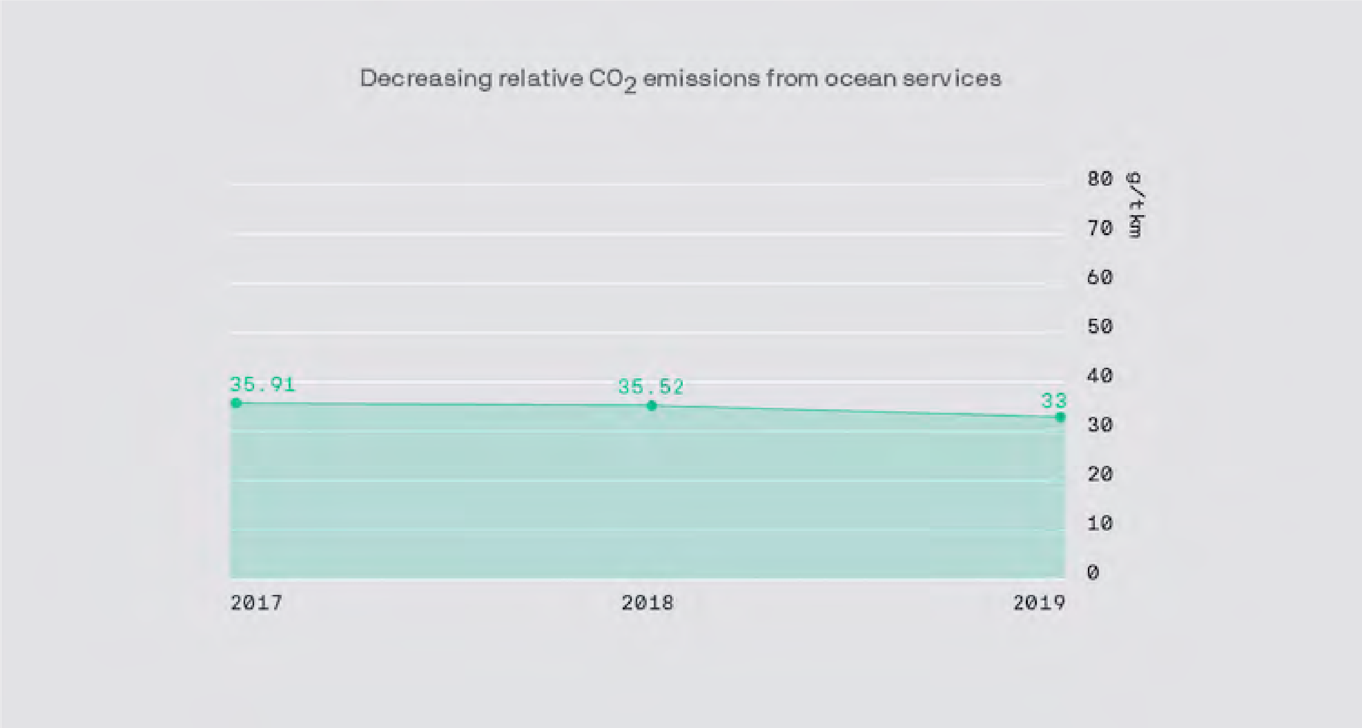
2019

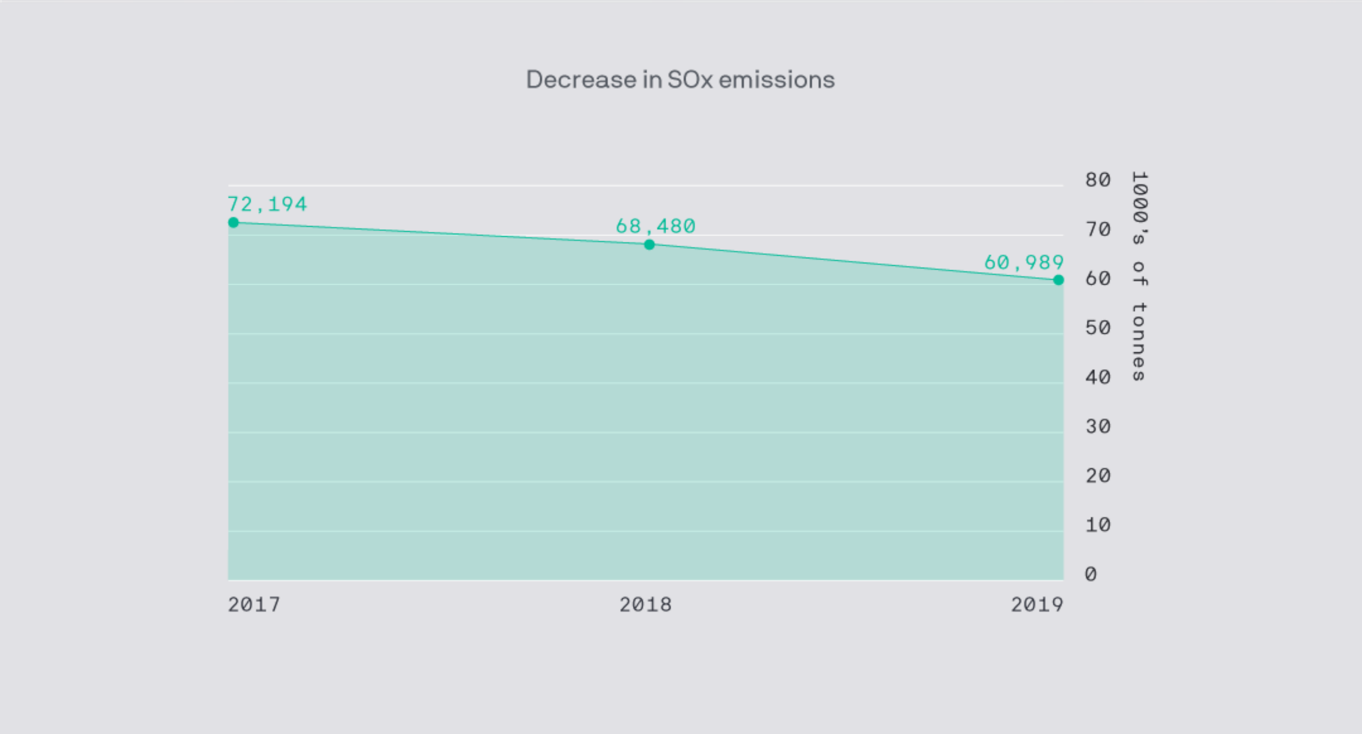
4,640,979

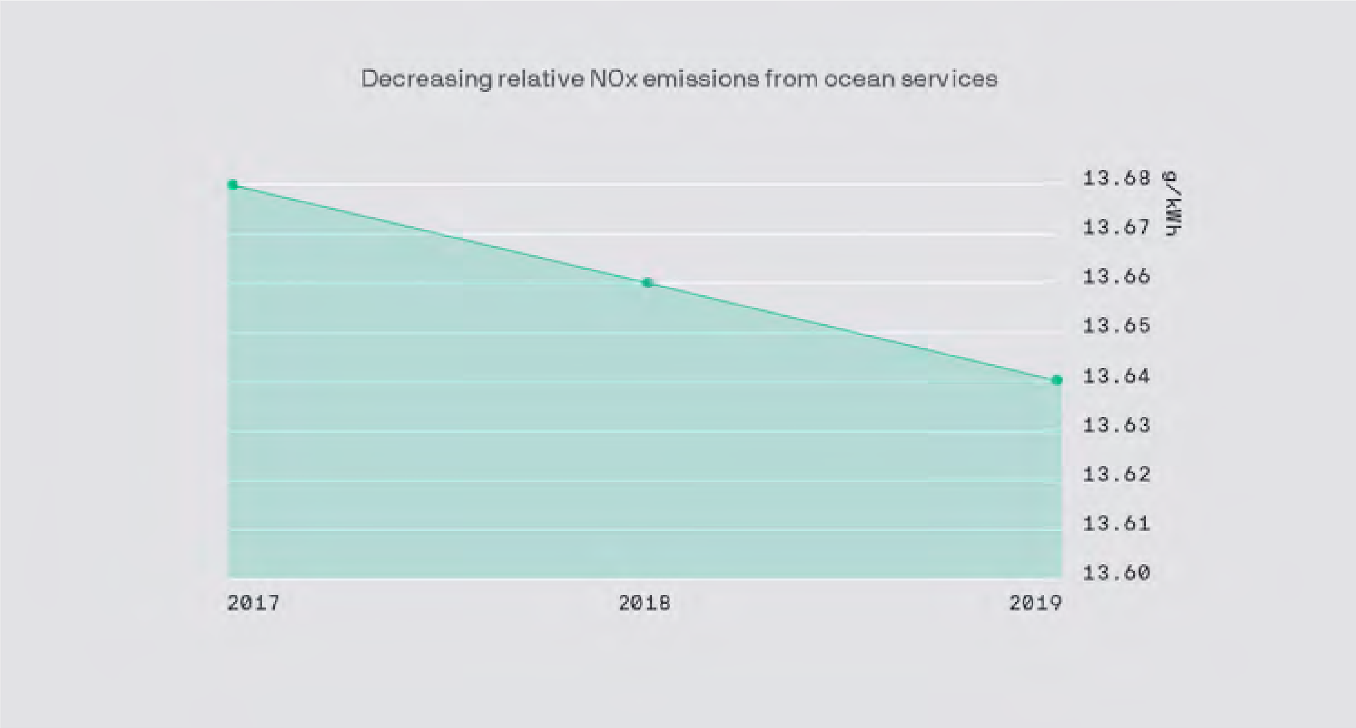
tonnes of CO_2e



3-Year Emission Trends






Decreasing relative NOx emissions from ocean services
13.68
13.67
13.66
13.65
13.64
13.63
13.62
13.61
13.60
g/kWh
2017
2018
2019

GRI index

Wallenius Wilhelmsen GRI Index - 2019

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	Wallenius Wilhelmsen ASA
102-2	Activities, brands, products, and services	Wallenius Wilhelmsen in brief (p.1)
102-3	Location of headquarters	Strandveien 20, 1366 Lysaker, Norway
102-4	Location of operations	Wallenius Wilhelmsen in brief (p.2-5)
102-5	Ownership and legal form	Wallenius Wilhelmsen in brief (p.10-12) Corporate governance (p.64-87)
102-6	Markets served	Wallenius Wilhelmsen in brief (p.3-5)
102-7	Scale of the organization	Wallenius Wilhelmsen in brief (p.3-7)
102-8	Information on employees and other workers	Sustainability Performance Data, p.61-62
102-9	Supply chain	About us (p. 1-5)
102-10	Significant changes to the organization and its supply chain	Highlights for 2019 (p.19-30)
102-11	Precautionary Principle or approach	Please see Wallenius Wilhelsen's environmental policy where we discuss our approach to tackling environmental challenges and how we take a preacutionary approach
102-12	External initiatives	Clean Cargo initiative, LEO Coalition, Getting to Zero Coalition, Ship Recycling Transparency Initiative, Trident Alliance
102-13	Membership of associations	In addition ot the above: The Ocean Exchange, Norwegian Shipping Association, World Shipping Council, Maritime Anti Corruption Network (MACN), National Association of Waterfront Employers, Norwegian Ship owners Association, Norwegian Sea Law Association, The Association of European Vehicle Logistics (ECG), American Association of Port Authorities, National Freight Transportation Association
Strategy		
102-14	Statement from senior decision-maker	Words from the CEO (p.13-16)
Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	Purpose and strategy (p.17-18)
Governance		
102-18	Governance structure	Wallenius Wilhelmsen in brief (p.10-12) Corporate governance (p.64-87)
Stakeholder engagement		
102-40	List of stakeholder groups	Employees, customers, shareholders, investors & financial community, industry peers, ports and port communities
102-41	Collective bargaining agreements	Pension obligations (p.100) Note 17, Employee retirement plans (p.130-132)
102-42	Identifying and selecting stakeholders	Our Reporting Approach (p. 42-43)

102-43	Approach to stakeholder engagement	We carry out regular stakeholder engagement through multiple means including sector specific initiatives and working groups. In 2019, we engaged with customers on sustainability topics through Clean Cargo (a BSR initiative) and Drive Sustainability, as well as one-on-one engagements with targeted customers on vessel recycling and supply chains. We also engaged several shareholders on climate change and ESG topics. However, no specific stakeholder engagement was carried out in 2019 related to our report preparation process.
102-44	Key topics and concerns raised	No specific new topics or concerns were identified related to the sustainability reporting in 2019.
Reporting practice		
102-45	Entities included in the consolidated financial statements	Wallenius Wilhelmsen in brief (p.10) Corporate governance (p.64-87)
102-46	Defining report content and topic Boundaries	Our Reporting Approach (p. 42-43)
102-47	List of material topics	Diversity, Safe operations, Safety on sea and land, Human and labour rights in ship recycling, Training and development, and Working conditions and welfare. Compliance, Quality of service, ESG customer management, Tax practices, Security at land-based facilities, Security of vessels, ESG supplier management, Privacy and data security, Green innovation, and Biosecurity Environmental emergency preparedness on land and sea, Environmental issues in ship recycling, Ballast water, Hull fouling, Bio-security and Ship-generated waste. GHG emissions from ships, Non-GHG air emissions from ships, GHG emissions in land-based operations, and Non-GHG emissions in land-based operations.
102-48	Restatements of information	2018 tonnes of CO2e for fuel sources from landbased activities is restated to 6,902 tonnes, to account for actual consumption figures received after the 2018 Report was issued.
102-49	Changes in reporting	We have consolidated material topics down to the key 4 themes for text with more focus on data based on investor feedback. KPIs and reporting Scope are unchanged
102-50	Reporting period	01.01.19-31.12.19
102-51	Date of most recent report	Annual Report 2018
102-52	Reporting cycle	Yearly
102-53	Contact point for questions regarding the report	Roger Strevens Roger.Strevens@walleniuswilhelmsen.com
102-54	Claims of reporting in accordance with the GRI Standards	GRI Standards Core
102-55	GRI content index	Wallenius Wilhelmsen GRI Index - 2019

MATERIAL TOPICS

WWL topic / § no.	Description	Source (page number)	Omission	Reason for omission	Explanation for omission
Valuing Diversity & Well-being					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	Valuing Diversity & Well-being (p.45)			
103-2	The management approach and its components	Valuing Diversity & Well-being (p.45)			
103-3	Evaluation of the management approach	Valuing Diversity & Well-being (p.45-46)			
GRI 403 - Occupational health and safety (2016)					
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Valuing Diversity & Well-being (p.46-47)	We do not report lost day rate or a breakdown of injuries etc. by gender & region	Data not available	We will be potentially be updating our sustainability reporitng next year such that we may transition to the new version of this disclosure
GRI 404 - Training and education					
404-3	Percentage of employees receiving regular performance and career development reviews	Valuing Diversity & Well-being (p46)	We do not currently track the % of employees who take a career development review	Data not available	We will assess if it is possible to track employee reviews in 2019.
Wallenius Wilhelmsen own disclosure- Crew satisfaction					
WALWIL-2	Crew retention rate	Wallenius Wilhelmsen Group Sustainability Performance (p.61-62)			
WALWIL-3	Crew satisfaction results	Diversity & Well being (p.45-46)			
Being your trusted business partner					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	Being a trusted business partner (49-50)			
103-2	The management approach and its components	Being a trusted business partner (49-50)			
103-3	Evaluation of the management approach	Being a trusted business partner (49-50)			
GRI 306 - Effluents and waste					
306-3	Significant spills	Being a trusted business partner (p.50)			
Wallenius Wilhelmsen own disclosure- Quality of Service					
WALWIL-4	Unplanned off-hire	Being a trusted business partner (p.50-51)			
GRI 419 - Socioeconomic compliance					
419-1	Non-compliance with laws and regulations in the social and economic area (sanction laws and regulations)	Being a trusted business partner (p.50)			
Wallenius Wilhelmsen own disclosure- Tax transparency					
WALWIL-5	Number of tax incentives or special tax agreements with authorities	Being a trusted business partner (p.50)			
Wallenius Wilhelmsen own disclosure-security on land					
WALWIL-6	Security at landbased facilities (theft of units)	Being a trusted business partner (p.50)			
Wallenius Wilhelmsen own disclosure- security at sea					
WALWIL-7	Number of security breaches on vessels owned by WWL	Being a trusted business partner (p.50)			
Wallenius Wilhelmsen own disclosure- data security					
WALWIL-8	Number of substantiated breaches of privacy and data security	Being a trusted business partner (p.50)			
Wallenius Wilhelmsen own disclosure- green innovation					
WALWIL-9	Number of Orcelle Award finalists	Being a trusted business partner (p.50)			
Protecting life below water					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	Protecting life below water (p.52-54)			

103-2	The management approach and its components	Protecting life below water (p.52-54)			
103-3	Evaluation of the management approach	Protecting life below water (p.52-54)			
GRI 306 - Effluents and waste					
306-2	Waste by type and disposal method	Protecting life below water (p.53)	We do not currently report a breakdown by hazardous versus non-hazardous waste nor waste treatmenet method	Data not available	This is challenging due to the global nature of our operations and variable local waste and recycling practice. We will be reviewing our waste reporting in 2020 and will see if it is possible to report this breakdown in future
306-3	Significant spills	Protecting life below water (p.50)			
Wallenius Wilhelmsen own indicator- ship recycling					
WALWIL-1	Number of ships recycled	Protecting life below water (p.53)			
Wallenius Wilhelmsen own indicator- biosecurity & hull fouling					
WALWIL-10	Number of vessels ballast water systems installed on company owned vessels, new and/or retrofitted	Protecting life below water (p.53)			
WALWIL-11	Number of vessels registered in online hull fouling management platform	Protecting life below water (p.53)			
WALWIL-12	Average hull fouling factor	Protecting life below water (p.53)			
WALWIL-13	Number of biosecurity incidents (BMSB and other invasive species)	Protecting life below water (p.53)			
Wallenius Wilhelmsen own indicator- emergency preparedeness					
	Average number of safety drills per vessel	NA	Figures not currently available	Have not established a system to calculate total Nox emissions	We will calculate this for 2020
GRI 307 - Environmental compliance					
307-1	Non-compliance with environmental laws and regulations	Protecting life below water (p.53)	Currently we do not report total value of fines	Data not available	Currently we do not collect individual data releated to environmnetal fines at a local level. We will explore the feasibility of doing this in 2020.
Wallenius Wilhelmsen own indicator- responsible use of resources					
WALWIL-14	Total amount of garbage landed to shore reception facilities from owned fleet, in cubic metres Average amount of waste per vessel, in cubic metres Food waste discharged to sea, in cubic metres Average amount of food waste discharged to sea, per vessel, in cubic metres	Protecting life below water (p.53)			
WALWIL-16	Waste sent to landfills, generated from land-based services, in tonnes	Protecting life below water (p.53)			
GRI 303 - Water 2016					
303-1	Total volume of water withdrawn by source	Protecting life below water (p.53)			
Navigating towards zero emissions					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	Navigating towards zero emissions (p.55-57)			
103-2	The management approach and its components	Navigating towards zero emissions (p.55-57)			
103-3	Evaluation of the management approach	Navigating towards zero emissions (p.55-57)			
GRI 305 - Emissions					
305-1	Direct (Scope 1) GHG emissions	Navigating towards zero emissions (p.55-60)			
305-2	Energy indirect (Scope 2) GHG emissions	Navigating towards zero emissions (p.57)	We do not report market based emissions. Not all of our offices are currently included in our reporting	Have not established a system to track purchases of renewable electricity and are still developing our land based greenhouse gas reporting following recent aquisitions	In 2020 we will work to establish a system to collect data on renewable electricity purchases and caluclate market based electricity emissions and widen the scope of our reporting to include offices where relevant
305-5	Reduction of GHG emissions	Navigating towards zero emissions (p.58-59)			
305-7	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	Navigating towards zero emissions (p.57)	We do not report total NOx emissions	Have not established a system to calculate total Nox emissions	We will calculate this for 2020

Sustainability Performance Data

KPI & Description	2017	2018	2019
PEOPLE'S WELLBEING and DIVERSITY			
# of employees, by region			
Asia Pacific	1,345	1,452	1,405
EMEA	973	1,636	2,044
America	5,179	6,363	5,948
Total	7,497	9,451	9,397
# production workers by contract type (permanent, temp) by gender			
Regular, permanent, male	n/a	5,285	4,970
Regular, permanent, female	n/a	790	1,330
Regular, total	n/a	6,075	6,300
Contract labour/temp, male	n/a	n/a	525
Contract labour/temp, female	n/a	n/a	140
Contract labour/temp, total	n/a	1,164	665
Total	n/a	7,239	6,965
# of office workers by contract type (perm, temp) by gender			
Regular permanent male	1,169	1,246	1,404
Regular permanent female	846	887	942
Regular permanent total	2,015	2,133	2,346
Contract labour/temp. male	24	36	32
Contract labour/temp, female	34	43	54
Contract labour/temp, total	58	79	86
# of office workers by employment type (FT, PT) by gender			
FT, male	1,191	1,280	1,392
FT, female	858	906	1,008
FT Total	2,049	2,186	2,400
PT, male	2	2	2
PT, female	22	24	30
PT Total	24	26	32
# of employees by employment contract (perm, temp) by region Regular/permanent, APAC	585	1,127	591
Regular/permanent, EMEA	525	1,526	
Regular/permanent, Americas	n/a	4,477	4,365
Contract labour/temp, APAC	34	325	197
Contract labour/temp, EMEA	14	110	0
Contract labour/temp, Americas	0	797	468
Total, APAC	619	1,452	1,405
Total, EMEA	539	1,636	2,044
Total, Americas	n/a	6,363	5,948
Gender balance, office workers, M: F	58:42	58:42	60:40
Lost Time Incident Frequency, ocean services	0.62	0.73	0.73

KPI & Description	2017	2018	2019
Lost Time Incident Frequency, Landbased services	21.7	5.77	15.79
Fatalities related to ocean services	1	1	1
White-collar workers invited to take a Performance Dialogue	n/a	100%	100%
Annual retention rate of ocean crew	98%	98%	95%
Ocean Crew Satisfaction Survey, in %	4.4	4.4	4.5
Absenteeism, Landbased services (days away due to illness per hours worked)	n/a	n/a	0.03
BEING YOUR TRUSTED BUSINESS PARTNER			
Average unplanned off-hire across the entire owned fleet, in hours	16	21.2	20.70
Total number of significant spills from ocean services	1	0	1
# of cases which group companies were found in breach of international sanction laws and regulations	0	0	0
# of tax incentives or special tax agreements with authorities	n/a	0	1
# of incidents of theft, Landbased services	n/a	1	1
# of security breaches on board company owned vessels	5	6	3
# of substantiated breaches of privacy and data security	0	1	4
# of Orcelle Award finalists	5	12	12
PROTECTING LIFE BELOW WATER			
# of non-compliant environmental emergencies, Ocean services	1	0	1
# of non-compliant environmental breeches (release, spill or discharge) reported to authorities, Landbased services	n/a	n/a	1
# of vessels recycled	0	0	0
# of Ballast water systems installed on company-owned vessels	n/a	2	13
% of owned fleet enrolled in hull fouling management programmes	75	100	100
Average fouling-factor score for the owned fleet	4	4	3
# cargo-related biosecurity incidents	n/a	Several	Several
Total amount of garbage landed to shore reception facilities from owned fleet, in cbm's	4,915	6,362	4,931.1
Average amount (of garbage landed to shore reception from owned fleet) per vessel, in cbm's	59.2	76.7	64.8
Food waste discharged to sea, in cbm's	210	440	388.3
Average amount of food waste discharged to sea, per vessel, in cbm's	3.7	5.3	5.1
water consumption from Landbased services, in liters	n/a	n/a	5,3817,587
waste sent to landfills, generated from Landbased services, in tonnes	n/a	n/a	5,843
NAVIGATING TOWARDS ZERO EMISSIONS			
Relative CO^2e emissions from ocean services, g/tkm	35.9	35.52	33.00
Total CO^2e emissions from ocean services, in tonnes	5,171,315	5,188,534	4,640,979
Average sulphur content of fuel, percentage	2.18	2.06	2.06
Total SOx emissions of fleet under group control, in tonnes	72,194	68,480	60,989
Relative NOx emissions from owned fleet (as an average of International Air Pollution Prevention certification values)	13.68	13.66	13.64
Total electrical consumption, Landbased services, in megawatt hours	n/a	17,350.00	16,094.63
Total CO^2e from electric consumption, Landbased services, in tonnes	n/a	n/a	6,611
Total CO^2e from liquid and gaseous fuels, Landbased services, in tonnes	n/a	6,902	8,005

Signatures

Lysaker, 30 March 2020

The Board of Directors of Wallenius Wilhelmsen ASA

Signers:

Name	*Method*	*Date*
Jasienski, Craig	BANKID	2020-03-30 21:20 GMT+2
Kerstin Margareta Alestig Johnson	BANKID	2020-03-30 21:22 GMT+2
Lie, Marianne	BANKID_MOBILE	2020-03-30 21:25 GMT+2
Lars Håkan Larsson	BANKID	2020-03-30 21:29 GMT+2
Wilhelmsen, Thomas	BANKID_MOBILE	2020-03-30 22:33 GMT+2
JONAS KLEBERG	BANKID	2020-03-30 23:37 GMT+2

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Corporate governance

Implementation and reporting on corporate governance

Wallenius Wilhelmsen ASA ('Wallenius Wilhelmsen' or 'the Company') is a public limited company which complies with Norwegian law. Listed on the Oslo Stock Exchange, the Company is subject to Norwegian securities legislation and stock exchange regulations. Wallenius Wilhelmsen was established in April 2017 after 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 17 October 2018 https://nues.no/eierstyring-og-selskapsledelse-engelsk/, 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 website.

Comply or explain principle

The Code covers 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). It also covers areas not addressed by legislation. Built on a 'comply or explain' principle, the Code requires the Company to justify deviations, if any, 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, Wallenius Wilhelmsen issues a report consistent with the requirements of the Global Reporting Initiative (GRI) Standard. The report for 2019 can be found under chapter six in this report. The report describes how Wallenius Wilhelmsen manages its business in relation to environmental, social and governance issues that are important to its performance and activities.

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 correct way, the Company has a set of governing elements, including its values, basic philosophy, leadership expectations, code of conduct, compliance policies and company principles. A corporate social responsibility statement is part of Wallenius Wilhelmsen'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 and e-learning documentation. In 2019, as in 2018, anti-corruption, competition law, data privacy (e.g. General Data Protection Regulation), and fraud and theft received particular attention, with there being continual focus on anti-corruption, competition law and other legal aspects in 2020.

Deviations from the Code: None

The business

Articles of Association

Wallenius Wilhelmsen's business activities and the scope of the board's authority are restricted to the business specified in article three of the Company's Articles of Association which read 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 website.

Strategy

Wallenius Wilhelmsen group's strategy is to create value for its shareholders by further developing its ocean and landbased business. The group will leverage its market positions, global network, and collective competence to continue to grow a sustainable and profitable business.

Our purpose as a company is Sustainable logistics for a world in motion. With vehicle logistics as our core competence area we will drive sustainability in our customers' value chains, expanding our reach to include operations and involvement in the entire value chain through the whole lifecycle and usership of vehicles.

The Board of Directors has defined a set of strategic pathways to support the overarching strategy:

- **Drive operational effectiveness** by applying technology to digitalise and automate our core operations, achieving agility and sustainability in daily business through harnessing data, reinventing processes, and introducing adaptive decision-making and collaborative execution across the group.
- **Expand to full lifecycle** by offering services and products that build on and expand beyond today's activities. Also, by innovating new products and improving customer experiences through the provision of industrialised scaled service offerings throughout the lifecycle and usership of vehicles with focus on the fleet providers and end-users of the future.

- **Digitalise the supply chain** by providing a fully digital, transparent, predictable and dynamic value chain solution, measuring, optimising and making transparent the sustainability impact across the unit lifecycle for OEMs, end-users, service providers and anyone in between.
- **Lead the journey to zero emissions** by prioritising lean:green service offerings, optimising core operations to reduce carbon footprint and increase sustainability for each service line.

Considering the risk profiles that our business is exposed to, the strategy is formulated to capitalise on our current market position, balance our risk profile, and maximise value creation for our shareholders.

The Board of Directors evaluates Wallenius Wilhelmsen's objectives, strategies, and risk profiles at least annually.

Guidelines regarding social responsibility

The Company has a strong focus on social responsibility, which includes our charity activities, as well as keeping a constant focus on developing new technologies and solutions to strengthen our social responsibilities in our value creation. The Company has implemented guidelines for how it integrates corporate social responsibility into its activities. These guidelines are further described in the Company's sustainability report.

Deviations from the Code: None

Equity and dividend

Capital structure

The Wallenius Wilhelmsen group has a sound level of equity tailored to its objectives, strategy, and risk profile. As of 31 December 2019, the total equity amounted to USD 2 921 million, corresponding to 37.5%, down from 38.8% at the end of 2018. Underlying solidity strengthened, as the introduction of IFRS 16 had a negative effect on the equity ratio. The liquidity position is good, with cash and cash equivalents of USD 398 million and USD 377 million in undrawn credit facilities at year end. The group had net interest-bearing debt of USD 3 646 million at the end of 2019. Outstanding bonds were USD 312 million with the remainder consisting of bank loans, export credit facilities and leasing commitments. The group was in compliance with all loan covenants at year-end 2019.

The Board of Directors believes the capital structure of the Wallenius Wilhelmsen group is appropriate to the Company's objectives, strategies, and risk profile.

Dividend policy

The Board of Directors has adopted the following dividend policy:

Wallenius Wilhelmsen ASA's objective is to provide shareholders with a competitive return over time through a combination of rising value for the shares and dividend payments 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 the group's financial standing remains warrantable at all times. Dividends will be declared in USD and paid out semi-annually.

Dividend for the financial year 2018

Ordinary dividend for 2018 of USD 6 cent per share, in total USD 25 million, was paid to the shareholders in May 2019. The Annual General Meeting also gave the board authority to pay a second dividend payment of up to USD 6 cents per share for a period limited in time up to the Annual General Meeting in 2020, but no longer than to 30 June 2020. In November 2019, the board approved an additional dividend of USD 6 cent per share, in total USD 25 million. In total, the dividend for financial year 2018 amounted to USD 51 million.

Dividend for the financial year 2019

Given the unpredictable situation for the global economy as the impact of COVID-19 continue to evolve, the Wallenius Wilhelmsen Board of Directors has decided to withdraw their proposed dividend for 2019. In connection with the publication of fourth quarter and annual results on 22 February this year, the board proposed an ordinary dividend of 7 cents per share to the Annual General Meeting in April 2020. The board also proposed that the Annual General Meeting give the board authority to approve a second dividend payment of up to USD 7 cents per share for a period limited in time up to the annual general meeting in 2021, but no longer than to 30 June 2021. The board has now decided to withdraw this proposal, which in total would have been equivalent to about USD 60 million.

Authorisations to the Board of Directors

At the AGM in 2019, the Board of Directors was granted an authorisation to acquire own shares, with a total nominal value of up to NOK 22 001 456, which equals 10% of the current share capital. The authorisation can only be used in connection with the Company's long-term incentive scheme for the executive management.

The authorisation is valid until the AGM in 2020 but will last no longer than 30 June 2020.

Furthermore, at the AGM in 2019, the Board of Directors was also granted an authorisation to increase the share capital by up to NOK 22 001 456, representing 10% of the issued share capital. The authorisation can be used in connection with acquisitions in return for shares and for general corporate purposes. The authorisation is valid until the AGM in 2020, but no longer than 30 June 2020.

Deviations from the Code: The authorisation to the Board of Directors to increase the share capital covers more than one purpose. The Board of Directors believes this gives it flexibility to increase the share capital by up to 10% for several reasons – either in connection with acquisitions, for general corporate purposes, or a combination of the two, depending on the specific needs of the Company.

Equal treatment of shareholders and transactions with close associates

Shareholders

As of 31 December 2019, the Company had 4 405 shareholders, of which 273 were foreign, and the remaining were Norwegian. This indicates a decrease of 13% in the number of shareholders compared to 31.12.2018. The Norwegian shareholders account for 226 369 017 of the Company's shares, or 54% of the total number of shares.

Pre-emptive rights

The Board of Directors has not made any resolutions to increase the share capital based on the authorisations granted in 2019.

If 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 board intends to publicly disclose the justification in a Stock Exchange announcement to be issued in connection with the increase in share capital.

Transaction in own shares

The Company has not purchased any own shares pursuant to the authorisation granted to the Board of Directors granted in 2019.

Transactions with close associates

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 non-immaterial 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.

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 ‘WALWIL’. There are no restrictions on any party’s ability to own, trade, or vote for shares in the Company.

Deviations from the Code: None

General meeting

The general meeting will normally be held in the middle of the second quarter. The Board of Directors will ensure that as many of the Company's shareholders as possible can participate in the general meeting.

The Board of Directors will further ensure that:

- The resolutions and any supporting documentation are sufficiently detailed, comprehensive and specific, allowing shareholders to understand and form a view on all matters to be considered at the general meeting
- Members of the Board of Directors and the Chair of the nomination committee are present at the general meeting.

Pursuant to the articles of association of the Company, the Chair of the Board will chair the general meeting and the board will accordingly not arrange for an independent chairperson for the general meeting.

Shareholders wishing to attend the general meeting must notify the Company at least two working days before the meeting takes place.

Shareholders who are unable to be present at the general meeting will be given the opportunity to vote by proxy, or through written voting in a period prior to the general meeting. The Company will in this respect provide information on the procedure and prepare a proxy, or written voting form, which will indicate that it is possible to vote on each of the items on the agenda and for candidates that are nominated for election.

Shareholders with known addresses are notified by mail no later than 21 days before the meeting, and all relevant documents are published on Wallenius Wilhelmsen's website no later than 21 days before the meeting. Shareholders may, upon request, receive hard copies of the material. The minutes from the AGM are available on the Company's website immediately after the meeting and may be inspected by shareholders at the Company's office.

Deviations from the Code: The Chair of the Board also acts as chair of the general meeting as the Company has concluded that the Chair of the Board is in the best position to chair the general meeting.

Nomination committee

In accordance with section eight of the Company's articles of association, the general meeting has appointed the Nomination Committee, approved the guidelines for the committee's work, and agreed the remuneration to be paid for participating in the committee.

The Nomination Committee currently consists of Anders Ryssdal (Chair), Carl Erik Steen and Jonas Kleberg.

Jonas Kleberg is a member of the Board of Directors. None of the committee members are executives in the Company.

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 will justify its proposal on each candidate separately. Information for how to propose candidates is available on the Company's website.

In 2019, the Nomination Committee held three meetings.

Deviations from the Code: Jonas Kleberg is a member of the board and offered himself for re-election to the board in 2019 as the other members of the Nomination Committee had identified him as a suitable candidate.

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 Wallenius Wilhelmsen is therefore in deviation from section eight of the Code.

The composition of the Board of Directors adresses the common interests of all shareholders and meets the Company's need for expertise, capacity, and diversity. The Board of Directors is also formed so that it can act independently of any special interests. Two of the directors are women and three of the directors, 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.

Information on the background and experience of the directors is available on the Company's website, which also lists the number of shares in the Company held by each director. Members of the Board of Directors are encouraged to own shares in the Company, although they know not to let this encourage a short-term approach, which is not in the best interests of the Company and its shareholders over the longer term.

All 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 Norwegian companies.

Board member	Elected	Period	Up for election
Håkan Larsson	April 2019	2	2021
Thomas Wilhelmsen	April 2019	2	2021
Jonas Kleberg	April 2019	2	2021
Marianne Lie	April 2019	2	2021
Margareta Alestig	April 2019	2	2021

Deviations from the Code: The board elects its own Chair as stated in the Company’s Articles of Association as the members of the board have in-depth knowledge of the Company’s underlying business and are best placed to nominate their own Chair.

Board responsibility and work

The Board of Directors

The Board of Directors has adopted instructions for the work of the board. This includes rules on the work of the board and its administrative procedures, which determine what matters the board should consider. The board has the ultimate responsibility for the management of the Company and must ensure the business is run in a sustainable and responsible way. The Board of Directors has also adopted instructions for the executive management in order to clarify internal allocation of responsibilities and duties.

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 of Directors has also implemented procedures to ensure that members of the Board of Directors and Executive personnel make the Company aware of any material conflicting interests that they may have regarding items being considered by the Board of Directors. The Board of Directors will also be chaired by some other member of the board if the board is to consider matters of a material character in which the Chair of the Board is, or has been, personally involved.

The board establishes an annual plan for its work and evaluates its performance and expertise annually.

In 2019, the Company arranged nine meetings. In addition, the board regulary visits business-related 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 consist of two members: Marianne Lie (Chair) and Margareta Alestig. The Committee's objective is to act as a preparatory working committee and support the board's supervisory roles with respect to financial reporting and the effectiveness of the Company's internal control and risk management systems. Both members of the Audit Committee are independent of the Company, and at least one member of the Audit Committee is competent in respect of finance and audit.

Remuneration Committee

The Board of Directors has established a remuneration committee consisting of Jonas Kleberg, Thomas Wilhelmsen and Håkan Larsson. The members are independent of the Company's executive personnel. The board sets guidelines for remuneration of the Executive personnel, including long and short-term bonus schemes and pension plans. The Remuneration Committee also proposes the general remuneration principles for other employees in the Company.

Management team

In 2019, the executive management team in Wallenius Wilhelmsen consists of a Chief Executive Officer (CEO) and seven other team members:

- Chief Financial Officer (CFO)
- Chief Transformation Officer (CTRO)
- Chief Executive Officer (CEO) EUKOR Car Carriers
- Chief Operating Officer (COO)
- Chief Human Resources Officer (CHRO)
- Chief Digital Officer (CDO).

The executive management team discusses and coordinates all main business and management issues relevant for the Company. An overview of the background and expertise of the executive management team is available on the Company's website.

CEO

The board's instruction to the CEO includes a statement of duties, responsibilities and delegated authorities. The CEO has 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, and in the best interests of the Company and its shareholders.

The CEO has a particular responsibility to ensure that the board receives accurate, relevant and timely information that allows it to carry out its duties. The Company's operations, financial results, projections, financial status, or other topics specified by the board are 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 team.

CFO

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

Governance in partly owned companies

Wallenius Wilhelmsen holds a controlling ownership interest in EUKOR Car Carriers, Armacup Limited, and Syngin Technologies, LLC. Each entity has its own board responsible for issues related to the specific operating entity.

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

Deviations from the Code: None

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 appropriate given the extent and nature of the Company's activities. The system contributes to control characterised by integrity and ethical attitudes throughout the organisation. It is based on the Company's guidelines for business standards 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
- 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 statements and the Wallenius Wilhelmsen 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.

Wallenius Wilhelmsen's governing documents are in line with the group's 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. These give reasonable assurance as to whether the consolidated financial statements are free from material misstatements, and whether internal control over financial reporting was 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

Wallenius Wilhelmsen 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. The procedures strengthen transparency and ensure the business standards are applied the way they are intended. They 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 AGM 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. The remuneration of the Board of Directors is not linked to the Company's performance and the Company does not grant share options to members of the Board of Directors.

None of the Directors perform other assignments for the Company in addition to their appointment as member of the Board of Directors.

Deviations from the Code: None

Remuneration of executive personnel

Remuneration policy

Wallenius Wilhelmsen's remuneration policy covers all employees and is developed to ensure the Company attracts and retains competent employees. The remuneration principles are communicated to all employees to ensure a common understanding of expectations and rewards, both linked to the Company's strategic ambitions, financial targets, and business standards.

The board determines the group CEO's remuneration and establishes the framework for adjustments for other employees. Salary adjustment for each employee is settled administratively within the limits set. For these purposes, the administration carries out a comparison with salary conditions in other companies and looks to the general level of pay adjustments in the relevant markets.

An overview of employee benefits, including salary and other components of the CEO's, CFO's, and COO's remuneration packages are detailed in note two to Wallenius Wilhelmsen's accounts. The board's statement on remuneration to executive personnel is also a separate appendix to the agenda for the AGM and the AGM shall give an advisory vote regarding the statement of the fixed remuneration and approve the statement of the variable remuneration.

Short-term variable remuneration

As a key component of the total remuneration package, the annual, variable pay scheme emphasises 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).

Long-term variable remuneration

In addition to short-term variable remuneration, a long-term incentive plan for senior and other executives was introduced in 2018 and approved by AGM also in 2019, to promote and reward a long-term strategic perspective, while helping senior and other executives build a meaningful personal share ownership in the Company. The plan, which is a bonus scheme resulting in a monetary amount, will make awards over Wallenius Wilhelmsen ASA's common shares to the equivalent amount. The bonus is assessed over and becomes payable after three years, subject to continued employment and the achievement of financial and strategic long-term performance targets including return on capital, market capitalisation and a discretionary element.

The maximum annual payments can be 50% of base salary for the CEO, 40% of base salary for the remaining senior executives and 30% of base salary for other executives.

Deviations from the Code: None

Information and communication

Communication principles and standards

Transparency, accountability, and timeliness guide the group's communication activities. In its reporting, the Company follows applicable securities and accounting legislation, and the guidelines set out by the Oslo Stock Exchange. Further to this, the Norwegian Investor Relations Association, and its opinion of best practice related to financial reporting and Investor Relations information, is also followed.

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/). 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 website.

Extensive information about the activities of the group is provided on the group's website. A separate section named 'Investors relations' includes relevant information to shareholders, including reports and presentations, financial calendars, share information, contact information, and news and media. The Company has a dedicated investor relations team, and the main point of contact is Astrid Martinsen.

The Company is present on social media but has strict rules on who can use 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 on 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 minimised. This is to reduce the risk of information leaks and ensure the market has access to different information.

Deviations from the Code: Wallenius Wilhelmsen ASA is in deviation of section 13 of the Code, which recommends guidelines covering the Company's contact with its shareholders outside of 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. Wallenius Wilhelmsen ASA’s website is also regularly updated with relevant information.

Takeovers

The board has not established a policy for its response to possible takeover bids. The board and management will seek to treat any takeover bids for the Company's activities or shares in a professional way and in the best interest of the Company's shareholders. If such circumstances arise, the board and the Company's management will seek to treat all shareholders equally, take action to ensure shareholders receive sufficient and timely information to consider the offer and otherwise abide by the principles of the Corporate Governance Code.

Deviations from the Code: No policy developed, but intention described above.

Auditor

The Board of Directors is responsible for ensuring that the board and the Audit Committee is provided with sufficient insight into the work of the auditor. In this regard, the Board of Directors ensures that the auditor submits the main features of the plan for the audit of the Company to the Audit Committee annually.

The Company's auditor – PricewaterhouseCoopers AS (PwC) – attends all Board Audit Committee meetings and is always present when the annual accounts are dealt with. At these meetings, the auditor (i) reports on any material changes in the Company's accounting principles and key aspects of the audit, (ii) comments on any material estimated accounting figures, and (iii) reports all material matters on which there has been disagreement between the auditor and the executive management of the Company. There were no disagreements between management and PwC during 2019. Once a year, the Board of Directors reviews the Company's internal control procedures with the auditor, including weaknesses identified by the auditor and proposals for improvement.

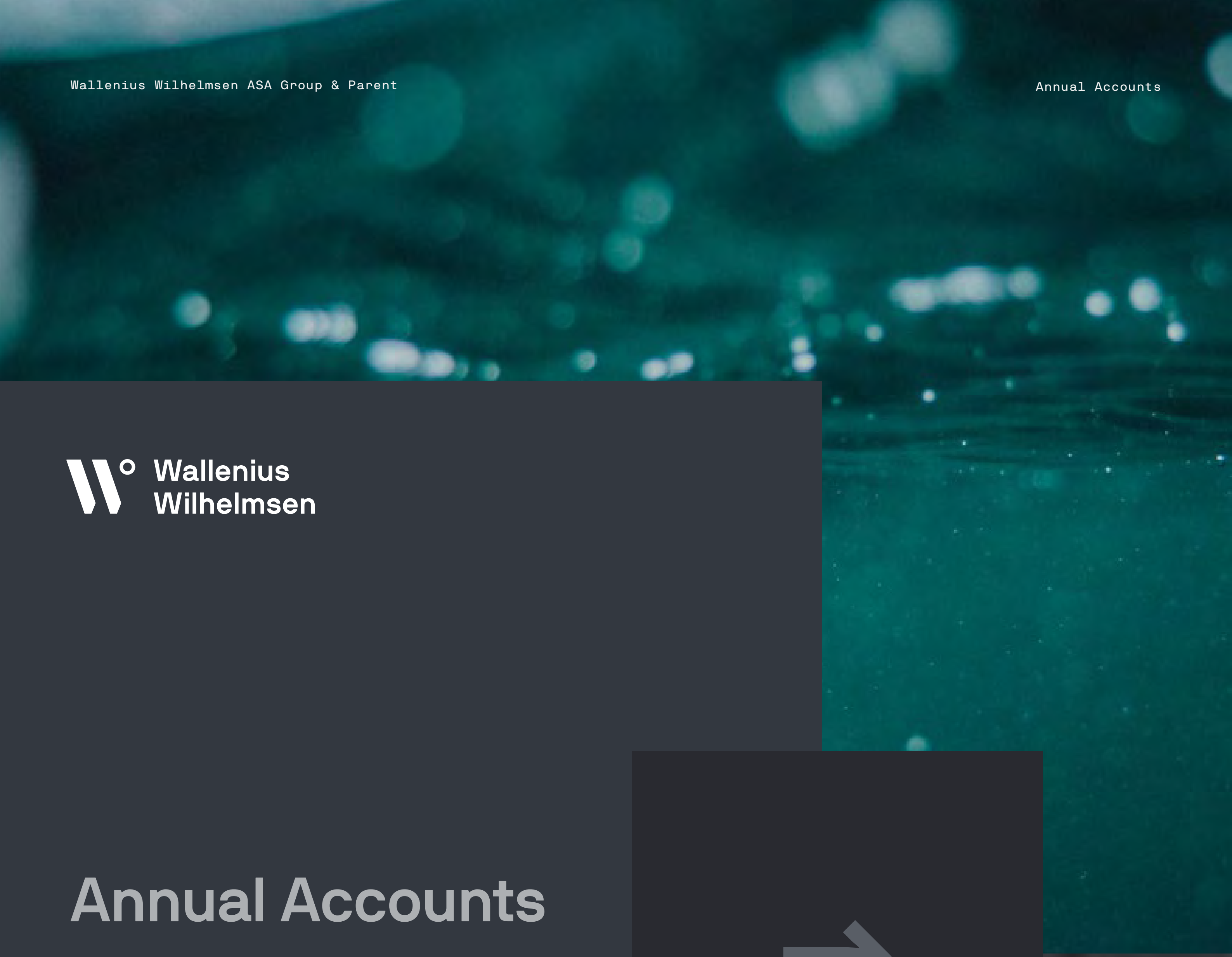
It is important to the board that the auditor is independent of management. The board therefore has at least one meeting with PwC without senior management being present.

To ensure the auditor's independence of the Company's executive management, the Board of Directors has established guidelines regarding the use of the auditor by the management for services other than the audit. The auditor provides the board with confirmation of independence in relation to non-audit services provided.

In 2019, PwC has audited accounts, notes, the Directors' report and read through and commented on the board's report on corporate governance and the Company's sustainability report.

For the financial year 2019, Bjørn Lund was the Company's engagement partner from PwC.

Deviations from the Code: None



Wallenius Wilhelmsen

Annual Accounts & Notes

2019

Index: **Wallenius Wilhelmsen ASA Group**

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Notes:

Income statement

USD million	Notes	2019	2018
Operating revenue	3	3,909	4,063
Gain/(loss) on sale of assets	4	(0)	1
Total income		**3,909**	**4,065**
Operating expenses	3	(3,104)	(3,463)
Operating profit before depreciation, amortisation and impairment (EBITDA)		**805**	**601**
Other gain/(loss)	14	51	(12)
Depreciation and amortisation	8, 9, 10	(498)	(345)
Operating profit (EBIT)		**358**	**244**
Share of profit from joint ventures and associates	7	**1**	**2**
Interest income and other financial items		51	57
Interest expenses and other financial expenses		(297)	(225)
Financial items - net	21	**(247)**	**(169)**
Profit before tax		**112**	**78**
Tax income/(expense)	12	(10)	(20)
Profit for the period		**102**	**58**
Profit for the period attributable to:			
Owners of the parent		93	52
Non-controlling interests	13	10	6
Basic and diluted earnings per share (USD)	15	0.22	0.12

Statement of comprehensive income

USD million	Notes	2019	2018
Profit for the period		102	58
Other comprehensive income:			
Items that may be subsequently reclassified to the income statement			
Changes in fair value of cash flow hedge instruments		2	(4)
Hedging gains reclassified to the income statement related to cash flow hedges		2	-
Currency translation adjustment and recycling of currency translation adjustment related to previous equity investment		(0)	(12)
Items that will not be reclassified to the income statement			
Remeasurement pension liabilities, net of tax	17	(7)	2
Other comprehensive income, net of tax		**(4)**	**(13)**
Total comprehensive income for the period		**99**	**45**
Total comprehensive income attributable to:			
Owners of the parent		87	40
Non-controlling interests		11	5
Total comprehensive income for the period		**99**	**45**

Balance sheet

USD million	Notes	31 Dec 2019	31 Dec 2018
Assets			
Non-current assets			
Deferred tax assets	12	92	105
Goodwill and other intangible assets	8, 11	652	711
Vessels, other tangible and leased assets	9, 10	5,806	5,225
Investments in joint ventures and associates	7	1	2
Other non-current assets	18	196	162
Total non-current assets		**6,747**	**6,204**
Current assets			
Bunkers/luboil		108	107
Trade receivables	19	420	489
Other current assets	18	123	130
Cash and cash equivalents	20	398	484
Total current assets		**1,048**	**1,210**
Total assets		**7,796**	**7,414**
Equity and liabilities			
Equity			
Share capital		28	28
Retained earnings and other reserves		2,650	2,619
Total equity attributable to owners of the parent		**2,678**	**2,647**
Non-controlling interests	13	243	228
Total equity		**2,921**	**2,876**
Non-current liabilities			
Pension liabilities	17	61	65
Deferred tax liabilities	12	96	116
Non-current interest-bearing debt	22, 20	3,549	3,054
Non-current provisions	25	140	133
Other non-current liabilities	18	6	63
Total non-current liabilities		**3,852**	**3,431**
Current liabilities			
Trade payables	19	148	220
Current interest-bearing debt	22, 20	495	530
Current income tax liabilities		14	14
Current provisions	25	54	46
Other current liabilities	18	312	298
Total current liabilities		**1,023**	**1,107**
Total equity and liabilities		**7,796**	**7,414**

Signatures

Lysaker, 30 March 2020

The Board of Directors of Wallenius Wilhelmsen ASA

Signers:

Name	*Method*	*Date*
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Cash flow statement

USD million	Notes	2019	2018
Cash flow from operating activities			
Profit before tax		112	78
Financial (income)/expenses	21	247	169
Share of net income from joint ventures and associates		(1)	(2)
Depreciation and amortisation	8, 9	498	345
(Gain)/loss on sale of tangible assets	4	0	1
Change in net pension assets/liabilities		(10)	(11)
Change in derivative financial asset	14	(52)	12
Other change in working capital		(38)	(292)
Tax paid (company income tax, witholding tax)		(7)	(27)
Net cash flow provided by operating activities [1)]		**749**	**272**
Cash flow from investing activities			
Proceeds from sale of tangible assets		1	10
Investments in vessels, other tangible and intangible assets	8, 9	(145)	(171)
Investments in subsidaries, net of cash aquired	6	-	(22)
Investments in joint ventures	7	-	(1)
Proceeds from sale of financial investments		1	-
Interest received	21	10	9
Net cash flow provided by/(used in) investing activities		**(133)**	**(174)**
Cash flow from financing activities			
Proceeds from issue of debt	22	687	1,269
Repayment of debt	22	(1,102)	(1,455)
Interest paid including interest derivatives		(202)	(177)
Realised other derivatives		(31)	(30)
Dividend to non-controlling interests		(4)	(17)
Dividend to shareholders		(51)	-
Net cash flow used in financing activities		**(701)**	**(410)**
Net increase in cash and cash equivalents		**(86)**	**(312)**
Cash and cash equivalents at beginning of period		484	796
Cash and cash equivalents at end of period [1)]		**398**	**484**

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

Statement of changes in equity

USD million	Share capital	Own shares	Total paid-in capital	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
Balance at 31 December 2018	28	(0)	**28**	2,619	**2,647**	228	**2,876**
Profit for the period	-	-	**-**	93	**93**	10	**102**
Other comprehensive income	-	-	**-**	(5)	**(5)**	2	**(4)**
Total comprehensive income	**-**	**-**	**-**	**87**	**87**	**11**	**99**
Sale of own shares	-	0	**0**	0	**0**	-	**0**
Transactions with non-controlling interests	-	-	**-**	(6)	**(6)**	7	**1**
Dividend to owners of the parent	-	-	**-**	(51)	**(51)**	-	**(51)**
Dividend to non-controlling interests	-	-	**-**	-	**-**	(4)	**(4)**
Balance 31 December 2019	**28**	**(0)**	**28**	**2,650**	**2,678**	**243**	**2,921**
Balance at 31 December 2017	28	-	**28**	2,594	**2,622**	228	**2,850**
Profit for the period	-	-	**-**	52	**52**	6	**58**
Other comprehensive income	-	-		(12)	**(12)**	(1)	**(13)**
Total comprehensive income	**-**	**-**	**-**	**40**	**40**	**5**	**45**
Acquisition of own shares	-	(0)	**(0)**	(3)	**(3)**	-	**(3)**
Put option non-controlling interests on acquisition of subsidiary	-	-	**-**	(12)	**(12)**	-	**(12)**
Transactions with non-controlling interests on acquisition of subsidiary	-	-	**-**	-	**-**	13	**13**
Dividend to non-controlling interests	-	-	**-**	-	**-**	(17)	**(17)**
Balance 31 December 2018	**28**	**(0)**	**28**	**2,619**	**2,647**	**228**	**2,876**

As of 31 December 2019, own shares represented 0.2% of the share capital in nominal value.
As of 31 December 2018, own shares represented 0.2% of the share capital in nominal value.

Withdrawal of proposed dividend

Given the unpredictable situation for the global economy as the impact of COVID-19 continue to evolve, the Wallenius Wilhelmsen Board of Directors has decided to withdraw their proposed dividend for 2019. In connection with the publication of fourth quarter and annual results on 22 February this year, the Board proposed an ordinary dividend of 7 cents per share to the Annual General Meeting in April 2020. The board also proposed that the Annual General Meeting give the Board authority to approve a second dividend payment of up to USD 7 cents per share for a period limited in time up to the annual general meeting in 2021, but no longer than to 30 June 2021. The board has now decided to withdraw this proposal, which in total would have been equivalent to about USD 60 million.

Paid dividend

Ordinary dividend of 6 cent per share, total of USD 25 million, was paid to the shareholders in May 2019. In November 2019, the board approved an additional dividend of 6 cent per share, totalling USD 25 million. In total, the dividend for financial year 2018 was total USD 51 million.

Accounting policies

General information and background

Wallenius Wilhelmsen (the group) consists of Wallenius Wilhelmsen ASA and its subsidiaries.

Wallenius Wilhelmsen ASA is a public limited company incorporated in Norway. The Company's registered office is at Strandveien 20, Lysaker, Norway.

The consolidated financial statements consist of the group and the group's interests in associated companies and jointly controlled entities. The group is mainly made up of ocean and landbased operations. The principal activities of the group are described in note 5 Segment information.

Statement of compliance

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 as stated by § 3-9 of the Accounting Act and the Regulations on the Simplified Application of International Accounting Standards established by the Norwegian Ministry of Finance on 10 December 2019. 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.

Wallenius Wilhelmsen also provides additional disclosures in accordance with requirements in the Norwegian Accounting Act related to remuneration to the board and the management.

The annual accounts for the group and the parent company were issued by the board of directors on 31 March 2020.

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of Wallenius Wilhelmsen ASA and its subsidiaries as at 31 December 2019. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the group gains control until the date the group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

Basis of preparation

The group accounts are presented in US dollars (USD), rounded off to the nearest whole million. Most entities in the 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 in note 1.

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

New and revised standards – adopted

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

IFRS 16 LEASES

The group has adopted IFRS 16 Leases from 1 January 2019 which resulted in material changes to the group's financial statement.

Under the new standard, a lessee is required to recognise 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.

Accounting policies. Continued

The right-of-use assets are depreciated in accordance with IAS 16 "Property, Plant and Equipment" over the shorter of each contract's term and the assets useful life.

As a lessor, the group is involved in time charter agreements with lease term shorter than 12 months. The adoption of the new standard has not affected the recognition of these agreements.

The group implemented IFRS 16 retrospectively with recognition of the cumulative implementation effect recognised at the date of initial application 1 January 2019. By doing this, comparative financial information has not been restated, but the cumulative effect of initially applying this standard has been reflected as an adjustment to the opening balance. At the time of transition, leases entered under IAS 17 was not reassessed. The opening balance related to the transition and grouping of leased assets can be found in note 10.

Other amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New and revised standards – not yet effective

There are no 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.

Consolidation policies

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.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has. 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.

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 a finance income. 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 the fair value of any retained investment and proceeds from disposing of the part interest in the associate and 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 combinations

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 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.

Accounting policies. Continued

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 which is the group's Chief Executive Officer (CEO). Financial and operational information are prepared for each segment, and the information disclosed is basically the same as used by the CEO to assess performance and allocate resources.

The chief operating decision-maker 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.

Related party transactions

See note 24 to the group accounts for related party transactions.

See note 16 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 subsequently translated into the respective functional currency by using 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.
For qualified cash flow hedging derivatives and, qualifying net investment hedges, gains and losses are recognised in other comprehensive income, and reclassified when the hedged object affects profit or loss.

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

The group recognises revenue from the following major sources:
- Time charter revenue
- Voyage charter revenue
- Landbased service revenue

Revenue is measured based on the consideration to which the group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it transfers control of a product or service to a customer.

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

Revenues from time charters are accounted for in accordance with lessor accounting in IFRS 16. Time charter agreements are recognised in the balance sheet, with the exception of lease agreements with lessor lease term of less than 70% of either economic life of the asset (owned) or initial lease-in lease term. When time charters are accounted for in the balance sheet with a lease receivable, the group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the group's net investment in the lease. The service component implicit in the agreement is recognised separately as operating revenue. When the time charter is recognised as an exemption due to less than 70% lessor lease term, the revenue is recognised on straight-line basis over the lease term as the service is performed. Agreements with duration of less than 12 months are recognised applying the exemption in IFRS 16.5a. When applying the exemption, the revenue is recognised on straight-line basis over the lease term as the service is performed. Revenues are adjusted for off-hire days as applicable.

Voyage charter revenue

Voyage charter revenue are recognised by estimating the total income for a vessel on a round trip. The voyage charter revenues are recognised on the basis of progress on fulfilment of performance obligation related to round-trip voyage. The basis for measuring of progress on fulfilment of performance obligation for round-trip voyage is number of days incurred compared to estimated total days for applicable voyage. When recognising revenue from voyage charters the group applies the practical expedient defined by the standard enabling the group to account for several performance obligations with similar characteristics as a portfolio.

Accounting policies. Continued

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

Employee 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.

Share-based compensation
The group has a long-term incentive plan which is a bonus scheme resulting in a monetary amount, will make awards over Wallenius Wilhelmsen ASA's common shares to the equivalent amount. The bonus is assessed over and become payable after three years, subject to continued employment and the achievement of financial and strategic long-term performance targets including, return on capital, market capitalisation and a discretionary element.

The group may also offer employees an opportunity to purchase shares in Wallenius Wilhelmsen ASA at a reduced price. The related cost is recognised when the employee exercises this option.

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 price for general cargo vessels. In addition, a charge for environmentally 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	27-30 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.

Goodwill is allocated to relevant cash-generating units ("CGU"). The allocation is made to those CGUs or groups of CGUs 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 recognised as an intangible asset. The amount recognised is estimated based on the discounted value of differential cash flow for the future port right period.

Accounting policies. Continued

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.

Leases

The group's leased assets primarily consist of vessels and land. In addition, the group leases office space and various equipment.

Identifying a lease

At the inception of a contract, the group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To determine whether a contract conveys the right to control the use of an identified asset, the group assesses whether:
- The agreement creates enforceable rights of payment and obligations
- The identified asset is physically distinct
- It has the right to obtain substantially all of the economic benefits from use of the asset
- It has the right to direct he use of the asset
- The supplier does not have a substantive right to substitute the asset throughout the period of use

Lessee

SEPARATING COMPONENTS IN THE LEASE CONTRACT

For contracts that constitutes, or contains a lease, the group separates lease components if it benefits from the use of each underlying asset either on its own or together with other resources that are readily available, and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract. The group then accounts for each lease component within the contract as a lease separately from non-lease components of the contract. The group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. If an observable stand-alone price is not readily available, the group estimates this price by maximising the use of observable information.

Recognition of leases and exemptions

At the lease commencement date, the group recognizes a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee. The standard has provided options on scope and exemptions, the following policy choices have been applied by the group:
- The standard will not be applied to leases of intangible assets and these will continue to be recognised in accordance with IAS 38 Intangible assets.

Accounting policies. Continued

- All leases deemed short-term (<12 months) by the standard are exempt from reporting.
- All leases deemed to be of low value by the standard are exempt from reporting, which are mainly office equipment and company cars.
- Non-lease components shall be separated from the lease component in all vessel leases. For other lease agreements, the group will apply a materiality threshold when evaluating separation.

MEASURING THE LEASE LIABILITY

The lease liability is initially measured at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The lease term represents the non-cancellable period of the lease, together with periods covered by an option to extend the lease when the group is reasonably certain to exercise this option, and period's covered by an option to terminate the lease if the group is reasonably certain not to exercise that option.

The lease payments included in the measurement comprise of:

- Fixed lease payments less any lease incentives receivable
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amount expected to be payable by the group under residual value guarantees
- The exercise price of a purchase option, if the group is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the group exercising an option to terminate the lease.

The group does not include variable lease payments in the lease liability arising from contracted index regulations subject to future events, such as inflation. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate. The group presents its lease liabilities as separate line items in the statement of financial position.

MEASURING THE RIGHT-OF-USE ASSET

The right-of-use asset is initially measured at cost. The cost of the right-of-use asset comprise:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs incurred by the group
- An estimate of costs to be incurred by the group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses. The group applies the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset, except that the right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset. The group has not applied the revaluation model for its right of use asset for leased buildings.

The group applies IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Financial assets

The group classifies financial assets based on the business model in which they are managed and their contractual cash flows. The principal categories of financial assets are amortized cost and fair value through either profit or loss (FVPL) or other comprehensive income (FVOCI).

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

Financial assets carried at fair value through profit or loss are initially recognised at fair value, transaction costs are expensed in income statement.

Loans and receivables

Loans and receivables (except trade receivables) are non-derivative financial assets with fixed or determinable payments. 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.

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.

Accounting policies. Continued

Derivatives which do not qualify for hedge accounting
Derivative instruments are entered into for hedging purposes, but the company has selected not to document the hedge relationship and can therefore not apply hedge accounting. Changes in the fair value of any derivative instruments which do not qualify for hedge accounting are recognised in the income statement under financial income/expense.

Derivatives which do qualify for hedge accounting
Changes in the fair value of cash flow hedges and hedges of net investment in a foreign operation which do qualify for hedge accounting are recognised in other comprehensive income.

PUT AND CALL OPTIONS FOR NON-CONTROLLING SHAREHOLDER INTEREST
Non-controlling interests containing a symmetrical put and call option held by the non-controlling interest shareholder and the group, respectively, is recognised as one integrated derivative financial instrument. The derivative financial instrument is recognised as a non-current asset when the options are exercisable, and the fair value of the non-controlling interest exceed the value of the exercise price for symmetrical put and call option. Changes in fair value of the derivative financial instrument is recognised as other gain/(loss) in the income statement.

Put options held by non-controlling interest shareholder is recognised as a financial liability reflecting the present value of the redemption amount as other non-current (interest-bearing) debt with a corresponding entry reducing equity through retained earnings and other reserve. All subsequent changes to the liability are recognised in profit and loss. In the event that the option expires unexercised, the liability will be derecognised with a corresponding adjustment to equity.

Deferred tax assets and liabilities
Deferred tax is calculated using the liability method on all temporary differences arising between the 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.

The group has a contribution plan for all Norwegian employees with salaries exceeding 12 times the Norwegian National Insurance base amount (G). This plan was closed for new members in 2018. 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.

Remeasurements of the pension liability arising from experience adjustments and changes in the actuarial assumptions are recognised in other comprehensive income. Past service costs are recognised immediately in the statement of income.

Receivables
Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows

Accounting policies. Continued

and therefore measures them subsequently at amortised cost using the effective interest method. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

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. Bank overdrafts are only included in cash and cash equivalents when it is payable on demand.

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.

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.

Interest-bearing debt

Interest-bearing debt 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.

Interest-bearing debt 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.

Note 1. Significant accounting judgements, estimates and assumptions

The preparation of the group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. 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. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Key sources of estimation uncertainty and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

In addition to the reasons described below, the value in use of certain assets may be impacted by the Covid-19 breakout, which is impacting finished vehicle supply chains, adding to already expected volume reductions. Based on these developments, the group estimates a 20% reduction in ocean volumes for first quarter 2020 compared to first quarter 2019. The group also expects further impact into second quarter, but the extent will depend on the rate of recovery in Asia, the spread of the corona virus, the corresponding reaction of global markets and the impact on vehicle sales.

Vessels and other tangible assets

The group has significant carrying amounts related to vessels and other tangible assets recognised in the consolidated balance sheet. The value in use of some of these assets could be influenced by changes in market conditions. Vessels are the main asset group in the balance sheet and any changes to the value in use of these vessels may give significant impairment losses that are recognised in the income statement. A reduction to the expected useful life of the assets can also lead to periods with higher depreciation expense going forward. The group has carried out impairment tests for the vessels as of December 2019, mainly due to continued oversupply and depressed rates in the market. No impairment has been recognised on vessels and other tangible assets in 2019. The carrying amount on vessels, other tangible assets and leased assets at 31 December 2019 is USD 5,806 million. See notes 9 and 10 for further details.

Goodwill and other intangible assets

Determining whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and other intangible assets have been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying value of goodwill, customer relations/contracts and other intangible assets at 31 December 2019 is USD 346 million, USD 273 million, and USD 33 million, respectively. No impairment has been recognised in 2019. Further information on recognised goodwill and intangible assets are provided in note 8. The impairment information and sensitivities are provided in note 11.

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. USD 194 million is the remaining provision as of 31 December 2019. Further details on the anti-trust provision is provided in note 25.

Fair value measurement of financial instruments

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor. See note 6 for more information.

Tax assets

The group recognises deferred tax assets if it is probable that taxable income will be available in the future against which the unused tax losses can be utilised. At 31 December 2019, the group has estimated that sufficient future taxable income in the Norwegian entities would not be generated to recognise deferred tax asset related to tax loss carry forward. As a result of this estimate, the group has conducted a valuation allowance of USD 37 million related to the deferred tax asset arising from tax loss carry forward in the Norwegian entities. The estimate of future taxable income is based on significant judgement related to future development in taxable income for Norwegian entities. The carrying amount of deferred tax assets at 31 December 2019 is USD 92 million of which only USD 3 million relates to tax losses carried forward. See note 12 for more information.

Critical judgments in applying accounting policies

Financial instruments

A non-controlling shareholder holds a put option for their 20% shareholding in EUKOR through a shareholder agreement entered into in 2002. The shareholder agreement also contains a symmetrical call option held by the group. The management has evaluated this to be a symmetrical put and call option held by the non-controlling interest shareholder and the group, respectively, and is recognised as one integrated derivative financial instrument. The derivative financial instrument is recognised as a non-current asset when the options are exercisable, and the fair value of the non-controlling interest exceed the value of the exercise price for symmetrical put and call option. Changes in fair value of the derivative financial instrument is recognised as Other gain/(loss) in the income statement. In 2019 a gain of USD 52 million was recognized related to this derivative. As of

Note 1. Significant accounting judgements, estimates and assumptions. Continued

31 December 2019, the estimated fair value of the derivative financial instrument is USD 146 million. See note 14 for more information.

Leases

The group cannot always determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate reflects what the group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when the rates need to be adjusted to reflect the term and currency of the lease.

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

The carrying amount of leased assets at 31 December 2019 is USD 2,757 million. See note 10 for more information.

Note 2. Principal subsidiaries

Company	Business office, country	Nature of business	Ownership interest held by the group 2019	2018
Wallenius Wilhelmsen Ocean Holding AS	Lysaker, Norway	Intermediate holding company	100%	100%
Wall RO/RO AB	Stockholm, Sweden	Shipowner	100%	100%
WWL Shipowning Singapore Pte Ltd	Singapore	Shipowner	100%	100%
Wilhelmsen Lines Shipowning Malta Ltd	Floriana, Malta	Shipowner	100%	100%
Wallenius Wilhelmsen Ocean AS	Lysaker, Norway	Vessel operator	100%	100%
Armacup Maritime Services Ltd	Auckland New Zealand	Vessel operator	65%	65%
Wallenius Wilhelmsen International Holding AS	Lysaker, Norway	Intermediate holding company	100%	100%
EUKOR Car Carriers Inc	Seoul, Republic of Korea	Shipowner and operator	80%	80%
ARC Group Holding AS	Lysaker, Norway	Intermediate holding company	100%	100%
American Roll-On Roll-Off Carrier Holdings LLC	New Jersey, USA	Vessel operator	100%	100%
Fidelio Limited Partnership	New Jersey, USA	Shipowner	100%	100%
Wallenius Wilhelmsen Solutions Holding AS	Lysaker, Norway	Intermediate holding company	100%	100%
Wallenius Wilhelmsen Terminals Holding AS	Lysaker, Norway	Intermediate holding company	100%	100%
Melbourne International RoRo and Auto Terminal Pty Ltd	Melbourne, Australia	Terminal operations	100%	100%
Mid-Atlantic Terminal LLC	New Jersey, USA	Terminal operations	100%	100%
Pacific Ro-Ro Stevedoring LLC	San Pedro, California, US	Terminal operations	100%	100%
Wallenius Wilhelmsen Terminals UK Branch	Southampton, United Kingdom	Terminal operations	100%	100%
Pyeongtaek International Ro-Ro Terminal	Pyeongtaek, Republic of Korea	Terminal operations	100%	100%
Wallenius Wilhelmsen Logistics Zeebrügge NV	Zeebrügge, Belgium	Terminal operations	100%	100%
Wallenius Wilhelmsen Inland Services Holding AS	Lysaker, Norway	Intermediate holding company	100%	100%
2W Americas Holdings, LLC	New Jersey, USA	Intermediate holding company	100%	100%
WWL Vehicle Service Americas	New Jersey, USA	Landbased Solutions	100%	100%
Keen Transport Inc Holding	New Jersey, USA	Landbased Solutions	100%	100%
Syngin Technologies LLC	New Jersey, USA	Landbased Solutions	70%	70%

In April 2018, Wallenius Wilhelmsen finalised the project to establish a legal and funding structure consistent with the business structure. The four holding companies and their principal subsidiaries at 31 December 2019 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.

Note 3. Combined items income statement

USD million	Notes	2019	2018
Operating revenue			
Freight revenue		2,998	3,049
Landbased (external)		769	842
Other revenue (external) [1]		142	172
Total operating revenue	5	**3,909**	**4,063**

[1] See note 10 for information regarding other revenue recognised in accordance with IFRS 16.

USD million	Notes	2019	2018
Voyage expenses			
Stevedoring - loading/discharging		(333)	(417)
Other cargo expenses		(239)	(218)
Total cargo expenses		(572)	(635)
Port & canal expenses		(411)	(442)
Additional voyage expenses		(17)	(36)
Total other voyage expenses		(429)	(478)
Bunker		(675)	(740)
Total voyage expenses		**(1,676)**	**(1,853)**
Charter expenses		**(198)**	**(362)**
Ship operating expenses			
Crew expenses [2]		(111)	(113)
Maintenance of vessels		(27)	(30)
Ship management fee		(13)	(13)
Other ocean expenses		(76)	(70)
Total ship operating expenses		**(228)**	**(226)**

[2] Crew/ seagoing personnel are hired and not employed by the group.

USD million	Notes	2019	2018
Manufacturing cost		**(220)**	**(266)**
Other operating expenses and SG&A			
Employee benefits	16	(465)	(465)
Hired personnel		(50)	(46)
Rent (office/buildings/terminals/land etc)		(3)	(64)
External services		(28)	(20)
Other administration expenses		(236)	(162)
Total operating expenses and SG&A		**(782)**	**(758)**
Total operating expenses		**(3,104)**	**(3,463)**

The implementation of IFRS 16 has reduced the expenses mainly related to charter hire and rent (office/buildings/terminals/land etc.) as the cost is now recognised as depreciation and interest expense. See note 10 for more information on implementation of IFRS 16.

Note 4. Gain/(loss) from disposal of assets

USD million	Notes	2019	2018
Deferred consideration Syngin Technology LLC (Landbased)	6	-	2
Other		(0)	(1)
Net gain/(loss) on sale of assets		**(0)**	**1**

Note 5. Segment reporting

The chief operating decision-maker monitors the business by combining operations with similar operational characteristics such as product services, market and underlying asset base, into operating segments. For management purposes, the group is organised into business units based on the type of activities and has two reportable operating segments as follows:

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 revenue is generated from transporting these products and varies with voyage routes. The tonnage is balanced by time charter, both in and out. The ocean segment's margin is highly influenced by bunker prices. BAF (bunker adjustment factor) is a main mechanism to manage bunker oil price risk in the segment and the main contributor to surcharges revenue. However, the segment has a short-term exposure to the bunker prices since BAF is calculated based on the average price over a historical period and then fixed during an application period, creating a lag effect. In the Ocean segment, contract duration is usually within one to five years with annual renewal of approximately 20-30%. Fixed prices are usually applied, with review for CPI development or other applicable index for contracts exceeding three years. BAF adjustments are reflected in most contracts and represent a variable pricing element. In some contracts, the group is guaranteed a fixed percentage of a customer's volume, but mostly there is not a defined minimum volume.

The landbased segment has mainly the same customer groups as ocean. Customers operating globally are offered sophisticated landbased services, such as vehicle processing centres, equipment processing centres, inland distribution networks and terminals. The segment's primary assets are human capital (expertise and systems) and customer contacts reflected in long-term relationship. In the landbased segment, contract duration is usually within one to five years, with annual renewal of approximately 20-30%. Pricing is usually fixed, and volumes may vary depending on customer output.

The remaining of the group's activities is shown in the "holding/eliminations" column. 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.

Note 5. Segment reporting. Continued

	Ocean		Landbased		Holding/Eliminations		Total	
USD million	2019	2018	2019	2018	2019	2018	2019	2018
Net freight revenue	2,754	2,815	-	-	-	-	**2,754**	**2,815**
Surcharges	244	234	-	-	-	-	**244**	**234**
Operating revenue	142	172	769	842	-	-	**911**	**1,014**
Internal operating revenue	1	-	131	69	(133)	(69)	**-**	**-**
Gain/(loss) on sale of assets	(1)	(1)	0	2	(0)	(0)	**(0)**	**1**
Total income	**3,141**	**3,220**	**900**	**914**	**(133)**	**(69)**	**3,909**	**4,065**
Cargo expenses	(675)	(697)	-	-	103	62	**(572)**	**(635)**
Bunker	(675)	(740)	-	-	-	-	**(675)**	**(740)**
Other voyage expenses	(456)	(483)	-	-	27	6	**(429)**	**(478)**
Ship operating expenses	(228)	(226)	-	-	-	-	**(228)**	**(226)**
Charter expenses	(198)	(362)	-	-	-	-	**(198)**	**(362)**
Manufacturing cost	-	-	(220)	(266)	-	-	**(220)**	**(266)**
Other operating expenses	(48)	(25)	(425)	(433)	3	1	**(469)**	**(456)**
Selling, general and administrative expenses	(160)	(160)	(133)	(125)	(21)	(15)	**(313)**	**(301)**
Total operating expenses	**(2,439)**	**(2,692)**	**(777)**	**(824)**	**112**	**53**	**(3,104)**	**(3,463)**
Operating profit before depreciation, amortisation and impairment (EBITDA)	**702**	**528**	**123**	**90**	**(21)**	**(17)**	**805**	**601**
Other gain/(loss)	52	(12)	(1)	-	-	-	**51**	**(12)**
Depreciation	(383)	(262)	(54)	(17)	-	-	**(436)**	**(279)**
Amortisation	(24)	(32)	(38)	(34)	(0)	-	**(62)**	**(67)**
Operating profit (EBIT)[1]	**348**	**222**	**30**	**39**	**(21)**	**(17)**	**358**	**244**
Share of profits from joint ventures and associates	1	2	0	0	0	(0)	**1**	**2**
Financial income/(expense)	(233)	(164)	(49)	(14)	36	9	**(247)**	**(169)**
Profit before tax	**116**	**60**	**(19)**	**25**	**15**	**(7)**	**112**	**78**
Tax income/(expense)	29	(20)	(11)	(3)	(28)	4	**(10)**	**(20)**
Profit for the period	**145**	**40**	**(29)**	**22**	**(13)**	**(4)**	**102**	**58**
Profit for the period attributable to:								
Owners of the parent	136	35	(30)	20	(13)	(4)	**93**	**52**
Non-controlling interests	9	5	1	1	-	(0)	**10**	**6**

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

In 2019, income of approximately USD 233 million and USD 195 million are from two external customers belonging to the group's ocean segment.

In 2019, income of approximately USD 147 million is from one external customers belonging to the group's landbased segment.

Note 5. 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.

	Ocean		Landbased		Holding/Eliminations		Total	
USD million	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Deferred tax asset	53	26	24	14	15	65	**92**	**105**
Goodwill and other intangible assets	187	207	464	504	-	-	**652**	**711**
Vessels and other tangible assets	5,286	5,088	521	136	-	-	**5,806**	**5,225**
Investment in joint ventures and associates	-	-	1	1	-	0	**1**	**2**
Other non-current assets	202	145	112	65	(118)	(48)	**196**	**162**
Other current assets	516	1,220	219	212	(85)	(705)	**650**	**726**
Cash and cash equivalents	267	298	117	124	14	62	**398**	**484**
Total assets	**6,511**	**6,984**	**1,458**	**1,056**	**(173)**	**(626)**	**7,796**	**7,414**
Equity controlling interests	2,379	3,176	496	455	(197)	(983)	**2,678**	**2,647**
Equity non-controlling interests	218	204	24	24	-	-	**243**	**228**
Deferred tax	36	48	60	66	-	-	**96**	**116**
Interest-bearing debt	3,031	2,906	700	302	312	376	**4,044**	**3,584**
Other non-current liabilities	377	241	10	12	(179)	8	**207**	**261**
Other current liabilities	470	409	168	196	(110)	(27)	**528**	**577**
Total equity and liabilities	**6,511**	**6,984**	**1,458**	**1,056**	**(173)**	**(626)**	**7,796**	**7,414**
Investments in tangible assets	142	123	23	33	-	-	**165**	**155**

Investments related to business combination see note 6.

Geographical segments

	Europe [1]		Americas		Asia & Africa		Elimination		Total landbased & holding		Ocean		Elimination		Total	
USD million	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Total income	196	177	584	596	127	142	(8)	(2)	**900**	**914**	3,141	3,220	(133)	(69)	**3,909**	**4,065**
Total assets	720	590	784	347	302	127	-	-	**1,806**	**1,064**	6,381	7,122	(391)	(772)	**7,796**	**7,414**
Investment in tangible assets	5	7	18	22	1	4	-	-	**23**	**33**	142	123	-	-	**165**	**155**

[1] Europe includes Russia and the holding segment.

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.

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 6. Business combinations

Business combinations 2019

Syngin Technology LLC -Deferred consideration

During the year the group conducted an update to the purchase price of Syngin Technology LLC ("Syngin") acquired in July 2018. The update related to a tax payment saving that will be paid to the seller. The benefit is estimated to USD 4.7 million (nominal value USD 7.2 million). Of this, 50% shall be paid to the sellers according to the share purchase agreement. A deferred tax asset of USD 7.2 million has been recognised with corresponding reduction in goodwill of USD 4.2 million, increase in deferred consideration of USD 2.3 million and an increase of USD 0.7 million related to the non-controlling interest. Further, the group recognised a loss of USD 1.1 million related to the deferred consideration arising on the Syngin acquisition. The deferred consideration was related to achieved results for 2018 and ended at USD 7.2 million.

Business combinations 2018

Acquisition of Syngin Technology LLC

On July 4 2018, the group signed an agreement to acquire 70% of the share interest in Syngin Technology LLC ("Syngin") for a consideration of USD 30 million on a cash and debt free basis. Syngin is a leading provider of automated logistics solutions for disposition of used vehicles through an electronic marketplace currently operating in the US and Canadian market. Syngin streamlines the movement of vehicles handled by fleet leasing companies and remarketers to auction houses through a virtual marketplace that matches these stakeholders with transportation providers and repair centres.

The consideration included a deferred consideration initially calculated to USD 8 million. The deferred contingent consideration was reduced to USD 6.1 million during 2018 due to updated estimates on the threshold targets. A gain of USD 1.9 million was recognised in the income statement. Current owners will maintain an ownership stake of 30% and stay involved in the business for the foreseeable future.

Acquisition related costs of USD 0.5 million were excluded from the consideration and were recognised as an operating expense in the consolidated statement of income.

The primary driving force for the acquisition of Syngin was the entry into the Full Life Cycle Logistics space for the group and a foundation for growth in this segment. The combined strength of the landbased segment and Syngin represents an opportunity.

The transaction is financed through existing credit facilities and available cash.

The non-controlling interest is provided with a put option as part of the transaction for their remaining 30% shareholding. The price is based on certain performance related measures and can be exercised five years after the transaction date. A financial liability of USD 12.4 million was recognised reflecting the present value of the redemption amount as a other non-current interest-bearing debt with a corresponding entry reducing equity through retained earnings and other reserve. All subsequent changes to the liability are recognised in profit and loss. In the event that the option expires unexercised, the liability will be derecognised with a corresponding adjustment to equity.

Note 6. Business combinations. Continued

DETAILS OF NET ASSETS ACQUIRED AND GOODWILL ARE AS FOLLOWS:

USD million	
Consideration	22
Earn out	8
Consideration transferred	**30**
Non-controlling interests	13
Fair value of net identifiable assets acquired (see below)	(27)
Goodwill arising from aquisition	**16**

The fair value of net identifiable assets is primarily attributable to Syngins software technology and customer relationships.

Other current assets primarily comprise accounts receivables. The gross contractual amounts of the receivables reflected in the balance sheet is considered to best reflect the fair value of the receivables at the time of the acquisition.

IDENTIFIABLE ASSETS AQUIRED AND LIABILITIES RECOGNISED AT THE DATE OF AQUISITION:

USD million	Fair value
Assets	
Intangible assets - software	8
Intangible assets - customer relations	17
Other current assets	2
Cash and cash equivalents	0
Liabilitites	
Other current liabilities	0
Net identifiable assets acquired	**27**

Had Syngin been acquired on 1 January 2018, the group's EBITDA and profit for the period would have been affected positively with USD 3.3 million and USD 0.2 million respectively.

Note 7. Investments in joint ventures and associate

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

Company	Business office, country	Voting share/ ownership		Nature of relationship	Carring amount	
USD million		2019	2018		2019	2018
Ocean						
Port Newark Auto Terminal	New Jersey, USA	50%	50%	Joint venture	0	1
Tianjin Port WW Vehicle Log CO Ltd	Tianjin, China	30%	30%	Associate	0	0
Landbased						
North America Terminal & Stevedoring Services LLC	Wilmington, USA	50%/51%	50%/51%	Joint venture	1	1
Mediterranean Hub Monfalcone S.r.l.	Monfalcone , Italy	50%	-	Joint venture	0	-
VCM, s.r.o	Bratislava, Slovak Republic	50%	-	Joint venture	0	-
Holding						
Raa Labs AS	Lysaker, Norway	-	50%	Joint venture	-	0

Raa Labs AS was sold to Wilh. Wilhelmsen Holding ASA in 2019.

As all companies are private companies, there are no quoted market price for the shares.

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

Note 8. Goodwill, customer relations/contracts and other intangible assets

USD million	Notes	Goodwill	Customer relations/ contracts	Other intangible assets	Total goodwill and other intangible assets
Cost at 1 January 2019		350	421	49	**819**
Adjustment of purchase price allocation	6	(3)	-	-	**(3)**
Additions		-	-	7	**7**
Disposal		-	-	(5)	**(5)**
Currency translation adjustment		-	-	(1)	**(1)**
Cost at 31 December 2019		**346**	**421**	**50**	**817**
Accumulated amortisation and impairment losses at 1 January 2019		-	(91)	(16)	**(107)**
Amortisation		-	(57)	(5)	**(62)**
Disposal		-	-	4	**4**
Accumulated amortisation and impairment losses at 31 December 2019		**-**	**(148)**	**(17)**	**(165)**
Carrying amounts at 31 December 2019		**346**	**273**	**33**	**652**
Cost at 1 January 2018		332	398	33	**763**
Additions		2	5	7	**14**
Acquisitions through business combination		16	17	8	**42**
Currency translation adjustment		-	-	-	**(1)**
Cost at 31 December 2018		**350**	**421**	**49**	**819**
Accumulated amortisation and impairment losses at 1 January 2018		-	(37)	(4)	**(41)**
Amortisation		-	(54)	(12)	**(67)**
Accumulated amortisation and impairment losses at 31 December 2018		**-**	**(91)**	**(16)**	**(107)**
Carrying amounts at 31 December 2018		**350**	**329**	**32**	**711**

“Other” includes port use right and software. The useful life of software is 3 to 7 years.

USD million	2019	2018
Segment-level summary of the goodwill allocation		
Ocean	130	130
Landbased	216	219
Total goodwill allocation	**346**	**350**

Note 9. Vessels, other tangible and leased assets

USD million	Property & land	Other tangible assets	Vessels & docking	Newbuilding contracts	Leased assets	Total tangible assets
Cost at 1 January 2019	114	67	5,953	95	-	**6,230**
Additions	11	17	37	43	47	**155**
Implementation IFRS 16	-	-	-	-	861	**861**
Reclassification	1	(2)	(2,199)	(72)	2,272	**(0)**
Disposal	(8)	(7)	(6)	-	(2)	**(22)**
Currency translation adjustment	(0)	1	-	-	4	**4**
Cost at 31 December 2019	**118**	**76**	**3,786**	**66**	**3,181**	**7,227**
Accumulated depreciation and impairment losses at 1 January 2019	(2)	(15)	(988)	-	-	**(1,005)**
Depreciation	(10)	(12)	(177)	-	(236)	**(436)**
Disposal	8	6	6	-	1	**21**
Reclassification	(1)	1	189	-	(189)	**(0)**
Currency translation adjustment	0	(1)	-	-	0	**0**
Accumulated depreciation and impairment losses at 31 December 2019	**(5)**	**(21)**	**(971)**	**-**	**(424)**	**(1,421)**
Carrying amounts at 31 December 2019	**114**	**55**	**2,815**	**66**	**2,757**	**5,806**
Cost at 1 January 2018	135	37	5,840	120	-	**6,132**
Additions	-	44	63	50	-	**157**
Reclassification	-	-	75	(75)	-	**-**
Disposal	(13)	(11)	(24)	-	-	**(49)**
Currency translation adjustment	(7)	(2)	-	-	-	**(9)**
Cost at 31 December 2018	**114**	**67**	**5,953**	**95**	**-**	**6,230**
Accumulated depreciation and impairment losses at 1 January 2018	(6)	(8)	(757)	-	-	**(770)**
Depreciation	(4)	(18)	(256)	-	-	**(278)**
Disposal	6	10	24	-	-	**40**
Currency translation adjustment	2	1	-	-	-	**3**
Accumulated depreciation and impairment losses at 31 December 2018	**(2)**	**(15)**	**(988)**	**-**		**(1,005)**
Carrying amounts at 31 December 2018	**113**	**52**	**4,965**	**95**	**-**	**5,225**
Economic lifetime	30-50 years	3-10 years	27-30 years			
Depreciation schedule	Straight-line	Straight-line	Straight-line			

Vessels include dry-docking, of which carrying amounts at year end was USD 60 million (2018: USD 56 million).

Commitments related to the newbuilding program
During 2019, one new vessel was delivered (2018: two new deliveries). The group has two new vessels due for delivery in 2020. The vessels have been financed through regular bank facilities.

The commitments related to the newbuilding program are set out below:

USD million	2019	2018
Due in year 1	78	78
Due in year 2	-	42
Nominal amount of newbuilding commitments	**78**	**120**

Note 10. Leasing

Implementation of IFRS 16
On 1 January 2019, the group implemented IFRS 16 which significantly changed how the group accounted for leases. Under IAS 17, the group primarily had recognised financial leases related to vessels. Under IFRS 16, the group has recognised additional vessel leases, in addition to land and office leases and various equipment leases, which previously were reported as operating leases.

Recognition and measurement approach on transition
Wallenius Wilhelmsen applied IFRS 16 retrospectively with recognition of the cumulative implementation effect recognised at the date of initial application 1 January 2019. By doing this, comparative financial information was not restated, but the cumulative effect of initially applying this standard was reflected as an adjustment to the opening balance. At the time of transition, leases entered under IAS 17 was not reassessed. According to the group's existing loan agreements, the implementation of IFRS 16 will not impact the covenant requirements.

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

THE EFFECT OF IMPLEMENTING IFRS 16 ON THE BALANCE SHEET AS AT 1 JANUARY 2019 IS PRESENTED BELOW.

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

RECONCILIATION OF LEASE COMMITMENT AND LEASE LIABILITY

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

Note 10. Leasing. Continued

Specification of leased assets

USD million	Property & land	Vessels	Other assets	Total leased assets
IFRS 16 implementation at 1 January 2019	419	440	1	**861**
Existing financial leases under IAS 17	-	2,302	2	**2,304**
Total leases assets at 1 January 2019	**419**	**2,742**	**4**	**3,165**
Additions	7	-	0	**8**
Change in lease payments	10	30	-	**40**
Disposal	(2)	-	(0)	**(2)**
Reclassification to tangible assets		(32)	-	**(32)**
Currency translation adjustment	5		(1)	**3**
Cost at 31 December 2019	**439**	**2,739**	**3**	**3,181**
Accumulated depreciation and impairment losses at 1 January 2019	-	-	-	**-**
Existing financial leases under IAS 17	-	(190)	(1)	**(191)**
Depreciation	(43)	(193)	(1)	**(236)**
Disposal	1	-	0	**1**
Reclassification to tangible assets	-	2	-	**2**
Currency translation adjustment	(0)	-	1	**0**
Accumulated depreciation and impairment losses at 31 December 2019	**(42)**	**(381)**	**(1)**	**(424)**
Carrying amounts at 31 December 2019	**397**	**2,359**	**1**	**2,757**

Leased vessels
The group recognised 26 leased vessels as part of the implementation of IFRS 16. Of the 26 vessels, three have the option to extend and one agreement included a put option which was exercised during the year, increasing the lease commitments with USD 15 million. At the time the ownership became effective, the vessel was reclassified from leased assets to tangible assets, resulting in a net decrease of USD 30 million in leased assets. Per year-end 2018, the group had 39 vessels on financial lease in accordance with IAS 17, of which 38 have purchase options and one agreement has the option to extend. Per year-end 2019, the group has a total of 64 vessels recognised as leased assets with remaining lease terms from 0.5 to 27 years.

Leased property and land
In addition to vessels, the group's leased assets primarily consists of land and property arising from lease of land related to different terminal sites around the globe, in addition to office space at various locations. Per year-end 2019, the recognised land and property leases have remaining lease terms from one to 23 years.

Other leased assets
The group also has minor agreements related to vehicles and other equipment applied in the groups day-to-day operations.

Note 10. Leasing. Continued

USD million	31 Dec 2019	31 Dec 2019
Specification of lease liabilities		
Current lease liabilities	320	254
Non-current lease liabiltiies	1,819	1,274
Total leased liabilities	**2,140**	**1,528**
Interest expense on lease liability booked in the income statement	107	70

USD million	31 Dec 2019
Repayment schedule lease liabilities	
Due in year 2020	320
Due in year 2021	261
Due in year 2022	250
Due in year 2023	225
Due in year 2024 and later	1,083
Total leases liability	**2,140**

USD million	31 Dec 2018
Due in year 2019	254
Due in year 2020	174
Due in year 2021	181
Due in year 2022	192
Due in year 2023 and later	727
Total leases liability	**1,528**

USD million	31 Dec 2019
Reconciliation of lease commitments and lease liabilities	
Due in year 2020	425
Due in year 2021	339
Due in year 2022	307
Due in year 2023	291
Due in year 2024 and later	1,324
Total lease commitments [1)]	**2,686**
Relief option for short-term leases (due in 2020)	(11)
Total undiscounted lease liabilities	**2,675**
Effect of discounting lease commitment to net present value	(535)
Total lease liability	**2,140**

[1)] Includes option periods representing commitments of USD 197 million primarily related to leases of vessels and land.

Note 10. Leasing. Continued

USD million	31 Dec 2019
Lease expenses related to lease agreements not recognised in the balance sheet	
Short term lease expenses (<12 months)	267
Low value leases expenses	2
Variable lease expenses	11
Total lease expenses	**280**

Short term lease expenses

Short term lease expenses primarily comprise lease expenses related to lease of vessels. Short term lease of vessels enhances the group's tonnage flexibility and the lease terms are primarily up to three months. In addition to lease of vessels on short term basis, the group occasionally enter short term lease of land area when site operations require additional area for shorter periods of time.

Low value lease expenses

Low value lease expenses comprise the lease expenses related to lease agreements deemed out of group scope due to evaluation of materiality at the implementation of IFRS 16. The assets are company cars, office- and IT-equipment.

Variable lease expenses

Variable lease expenses comprise expenses related to lease agreements were the payment will fluctuate during the lease term. The fluctuations are primarily due to the use of assets being variable with the invoiced amount reflecting the actual usage, instead of a pre-defined contractual amount. derived from a fixed number of assets leased.

Operating lease revenue

Wallenius Wilhelmsen's operating lease revenue is generated through short-term fixed time charter agreements. The agreements are entered based on the group's tonnage surplus at any given time and enables flexibility in tonnage planning for the operations.

Fixed time charter revenue is accounted for as other operating revenue in the ocean segment.

USD million	2019	2018
Fixed Time Charter	64	87
Total operating revenue from fixed time charter	**64**	**87**

Note 11. Impairment on non-current assets

USD million	Ocean	Landbased	2019 Group	Ocean	Landbased	2018 Group
Goodwill	130	216	**346**	130	219	**350**
Intangible assets	57	248	**306**	77	285	**361**

Impairment – Goodwill

The group is reviewing goodwill for impairment on a yearly basis, or more frequently, if circumstances indicate an impairment. The mandatory impairment testing of cash generating units (CGUs) with allocated goodwill are carried out during fourth quarter. 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. The recoverable amounts for units with allocated goodwill have been determined based on value in use (ViU). ViU is the net present value of future cash flows arising from the CGU.

Main assumptions

DISCOUNT RATE

Discount rates used in the calculation of ViU reflect the current market assessment of the risks specific to each cash generating unit. The discount rates were estimated based on the weighted average cost of capital for the industry.

FUTURE CASH FLOW

Future cash flow is based on an assessment of what is the CGU's expected earnings indefinitely which is best represented by group management's latest long-term forecast reflecting both experience as well as external sources of information concerning expected future market development. Current estimated cash flows include expected positive impact from committed and announced improvement initiatives, with moderate growth assumptions for the remaining useful life (terminal value).

The valuation of Wallenius Wilhelmsen's operations are based on the long-term profitability of its business activities. The supply and demand market balance is closely correlated to ocean segment profitability. The long-term forecasts reflect the assessment of the supply/demand balance (volume, tonnage supply and utilisation) in the short to medium term.

Cash generating units with goodwill

Goodwill acquired through business combinations have been allocated to these CGUs, presented together with applicable discount rates used for impairment testing:

Company	Goodwill		Discount rate post tax		Growth rate terminal value	
USD million	2019	2018	2019	2018	2019	2018
Wallenius Wilhelmsen Ocean	119	119	7.0%	8.0%	0.0%	0.0%
ARC	11	11	7.0%	8.0%	0.0%	0.0%
Total Ocean	**130**	**130**				
Wallenius Wilhelmsen Solutions	216	219	7.5%	8.5%	2.0%	2.0%
Total	**346**	**350**				

Sensitivities for main CGUs with allocated goodwill

Wallenius Wilhelmsen Ocean

This CGU owns or charters (long term time-charter or bare-boat in) a fleet of 50 vessels mainly through its shipowning subsidiaries, WWL Shipowning Singapore Pte Ltd, Wall RO/RO AB and Wilhelmsen Lines Shipowning Malta Ltd, which are used in its global ocean operations for transportation of autos, high and heavy or break-bulk cargo for OEMs or other customers or chartered (T/C out) to other carriers with variable durations. In addition, two vessels are under construction and expected to commence service in 2020. The key assumptions for the testing are the expected average earnings per day (T/C less vessel running costs and selling, general & administration expenses per day) for the fleet operated by Wallenius Wilhelmsen Ocean. A reduction in average earnings per day of USD 2,600 would reduce the headroom to nil.

ARC

ARC owns 11 US flagged vessels, of which nine vessels are operated by ARC while two are operated by Wallenius Wilhelmsen Ocean. The market value of the vessels and other net assets (cash & net receivables) is sufficient to support the limited goodwill allocated to this CGU.

Wallenius Wilhelmsen Solutions

This CGU contains a variety of different landbased operations, a global landbased services network, within the full life cycle vehicle logistics (plant and port based technical services, marine terminal services and inland distribution service). The key assumptions for the testing are the throughput and average margins obtained in the network operated by Wallenius Wilhelmsen Solutions. A reduction in average EBITDA margin of 2% or a 10% reduction in throughput, assuming stable margins, would reduce the headroom to nil.

Note 11. Impairment on non-current assets. Continued

Impairment assessment – 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.

Factors that indicate impairment of intangible assets (specifically customer relations or contracts) which trigger impairment testing may be significant decline in volumes and or prices, significant deterioration of a customer relationship, significant underperformance compared to projected operating results, significant negative industry or global economic trends, significant unfavourable regulatory decisions. In addition, market capitalisation below the book value of equity and increased interest rates would be indicators of impairment. Although the market capitalisation of the company as per December 31 2019 is lower than the book value of equity as per 31 December 2019, which could be an indication of impairment, the customer relations have not deteriorated for any of the customers in which the group has capitalised intangible assets other than goodwill in form of customer relations or contracts. And as goodwill has been tested for impairment with sufficient headroom it has been concluded that as per 31 December 2019 (analogous for 2018) there are no indications of impairment of the group's intangible assets with a definite useful life.

Impairment assessment – 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.

Factors that indicate impairment of the vessels which trigger impairment testing may be significant decline in freight rates, significant decline in market value of vessels, significant underperformance compared to projected operating results, significant negative industry or global economic trends, significant loss of market share, significant unfavourable regulatory decisions. In addition, market capitalization below the book value of equity and increased interest rates would be indicators of impairment. As per December 2019 there are indications that might imply impairment for the group's vessels. Vessels have therefore been tested for impairment at year-end.

The market capitalisation of the company is lower than the book value of equity as per 31 December 2019. There are two main factors that can explain why the Value in Use (ViU) is higher than the market capitalisation. Firstly, the liquidity in the Wallenius Wilhelmsen ASA share is relatively low. A limited portion of the shares is freely traded since 37.8% is owned by Walleniusrederierna AB and 37.8% is owned by Wilh. Wilhelmsen Holding ASA. Secondly, the current pricing of the share emphasises on the current earnings and market sentiment, compared to the long-term expectations used in ViU calculations.

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.

Main assumptions vessels

DISCOUNT RATE

Discount rates used in the calculation of ViU reflect the current market assessment of the risks specific to each cash generating unit. The discount rates were estimated based on the weighted average cost of capital for the industry.

FUTURE CASH FLOW

Future cash flow is based on an assessment of what is the group's expected time charter earnings and estimated level of operating expenses, as well as capitalised maintenance costs and other required investments for each type of vessels over the remaining useful life of the vessel. The vessels are organised and operated as a fleet within each business operation, but also to some extent across business operations, and evaluated for impairment on the basis that the fleet of each business operations the lowest CGU. The vessels are trading in a 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 earning's due to actual deployment of the vessel. Further the groups vessels are interchangeable among the operating companies which are seen through the ongoing co-operation (long-term chartering activities, vessel swaps, space chartering, combined schedules etc.).

Current estimated cash flows include expected positive impact from committed and announced improvement initiatives, with moderate growth assumptions for the remaining useful life (terminal value).

The valuation of Wallenius Wilhelmsen's operations are based on the long-term profitability of its business activities. The supply and demand market balance closely correlated to ocean segment profitability. The long-term forecasts reflect the assessment of the supply/demand balance (volume, tonnage supply and utilization) in the short to medium term.

Note 11. Impairment on non-current assets. Continued

Sensitivities for main CGUs with vessels

Wallenius Wilhelmsen Ocean

This CGU owns or charters (long term time-charter or bare-boat in) a fleet of 50 vessels mainly through its shipowning subsidiaries, WWL Shipowning Singapore Pte Ltd, Wall RO/RO AB and Wilhelmsen Lines Shipowning Malta Ltd, which are used in its global ocean operations, transportation of autos, high and heavy or break-bulk cargo for OEMs or other customers or chartered (T/C out) to other carriers on variable durations. In addition, two vessels are under construction and expected to commence service in 2020.

The key assumptions for the testing are the expected average earnings per day (T/C less vessel running costs and selling, general & administration expenses per day) for the fleet operated by Wallenius Wilhelmsen Ocean. A reduction in average earnings per day of USD 1,000 would reduce the headroom by USD 169 million.

EUKOR

This CGU owns or charters (long term time-charter or bare-boat in) a fleet of 44 vessels which is used in its global ocean operations, transportation of autos, high and heavy or break-bulk cargo for OEMs or other customers or chartered (T/C out) to other carriers on variable durations.

The key assumptions for the testing are the expected average earnings per day (T/C less vessel running costs and selling, general & administration expenses per day) for the fleet operated by EUKOR.
A reduction in average earnings per day of USD 1,000 would reduce the headroom by USD 143 million.

ARC

ARC owns 11 and operates a fleet of nine US flagged vessels. The market value of the vessels and other net assets (cash & net receivables) is sufficient to support the assets in this CGU.

Based on the value in use estimates, management has concluded that no impairment exits as per 31 December 2019.

Note 12. 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 to the ordinary taxation rules applicable in the resident country of each respective company. The group had three wholly owned companies resident in Malta, Singapore and Sweden which were taxed under a tonnage tax regime in 2019. Further, the group have an ownership of 80% in EUKOR which is a tonnage taxed company resident in the Republic of Korea. The tonnage tax is considered as an operating expense in the accounts.

Ordinary taxation

The ordinary rate of corporation tax in Norway is 22% for 2019. 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 22%.

The group's landbased entities are ordinary taxed in the country of operation. Exceptions are some US Limited Liability Corporations (LLC's) which are disregarded for US tax purpose. These LLC's are taxed on owner level.

Deferred tax

The group's deferred tax asset/liability is calculated based on the relevant tax rate in each country. The group has recognised a valuation allowance related to the Norwegian entities tax loss carry forwards. Consequently, deferred tax asset has been reduced with USD 37 million. Per year-end 2019, deferred tax assets related to tax loss carried forward, not recognised in the balance sheet, amounts to USD 37 million.

Foreign taxes

The group has recognised a withholding tax refund of USD 19 million related to dividends from EUKOR. The Supreme Court in Korea rejected the 2010 withholding tax on dividends from EUKOR to Wilhelmsen Ships Holding Malta Ltd, which meant that the positive verdict in Seoul High Court was final. Based on the court decision, the group got a refund also for the similar case for the period 2011-2015. The financial impact of the entire 2010-2015 withholding tax case is a tax payable income of USD 12.4 million. In addition, a reversal of USD 6.7 million in accrued withholding tax on dividends from EUKOR to Wilhelmsen Ships Holding Malta Ltd for the years 2016-2018 was conducted. Total effect of this case is a tax income of USD 19 million.

USD million	2019	2018
Specification of tax expense for the year		
Current income tax (including withholding tax)	7	28
Change in deferred tax	2	(8)
Total tax expense	**10**	**20**

Reconciliation of actual tax expense against expected tax expense in accordance with the income tax rate of 22%

USD million	2019	2018
Profit before tax	112	78
22% tax	25	18
Tax effect from		
Non-taxable income	(47)	(25)
Share of profits from joint ventures and associates	(0)	(0)
Other permanent differences	14	2
Withholding tax refund Korea	(19)	-
Corporate income tax different tax rate than 22%	(2)	(3)
Currency transition from USD to local currency for tax purpose	3	20
Valuation allowance deferred tax assets in Norway	37	-
Withholding tax	1	9
Calculated tax expense for the group	**10**	**20**
Effective tax rate for the group	9%	25%

Note 12. Tax. Continued

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.

USD million	2019	2018
Net deferred tax liabilities at 1 January	(10)	(7)
Currency translation differences	3	(3)
Acquisition[1]	7	(6)
Tax charged to equity	(2)	(1)
Income statement charge	(2)	8
Net deferred tax assets/(liabilities) at 31 December	**(4)**	**(10)**
Deferred tax assets in balance sheet	92	105
Deferred tax liabilities in balance sheet	(96)	(116)
Net deferred tax assets/(liabilities) at 31 December	**(4)**	**(10)**

[1] See note 6 for information regarding business combinations.

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 million	Tangible/ intangible assets	Deferred capital gains	Other	Total
Deferred tax liabilities				
At 31 December 2018	(89)	(31)	(20)	**(142)**
Through income statement	19	31	(7)	**43**
Deferred tax liabilities at 31 December 2019	**(70)**	**0**	**(27)**	**(99)**
Reclassification of deferred tax items				**3**
Net deferred tax liability at 31 December 2019				**(96)**
At 31 December 2017	(96)	(10)	(18)	**(126)**
Through income statement	20	(21)	(3)	**(4)**
Acquisition	(6)	-	-	**(6)**
Currency translations	(6)	1	-	**(6)**
Deferred tax liabilities at 31 December 2018	**(89)**	**(31)**	**(20)**	**(142)**
Netting of deferred tax Norwegian entities				**25**
Net deferred tax liability at 31 December 2018				**(116)**

Note 12. Tax. Continued

USD million	Non-current assets and liabilities	Current assets and liabilities	Tax losses carried forward	Total
Deferred tax assets				
At 31 December 2018	40	5	85	**131**
Through income statement	35	2	(82)	**(45)**
Charged directly to equity	(2)	-	-	**(2)**
Acquisition	7	-	-	**7**
Currency translations	3	-	-	**3**
Deferred tax assets at 31 December 2019	**84**	**7**	**3**	**95**
Reclassifiaction of deferred tax items				**(3)**
Net deferred tax asset at 31 December 2019				**92**
At 31 December 2017	51	0	67	**119**
Through income statement	(9)	5	16	**12**
Charged directly to equity	(1)	-	-	**(1)**
Currency translations	-	-	2	**2**
Deferred tax assets at 31 December 2018	**40**	**5**	**85**	**131**
Netting of deferred tax Norwegian entities				**(25)**
Net deferred tax asset at 31 December 2018				**105**

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

Note 13. Subsidiaries with material non-controlling interest

Company	Business office/country	Voting/control share		Non-controlling interest	
Ocean		2019	2018	2019	2018
EUKOR Car Carriers Inc	Seoul, Republic of Korea	80%	80%	20%	20%

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%.

USD million	2019	2018
Summarised balance sheet		
Non-current assets	2,442	2,121
Current assets	291	314
Total assets	**2,733**	**2,435**
Non-current liabilities	1,233	1,036
Current liabilities	439	378
Total liabilities	**1,672**	**1,415**
Net assets	**1,060**	**1,020**
Accumulated non-controlling interests (NCI)	212	204

Summarised income statement/OCI

USD million	2019	2018
Total income	1,484	1,567
Profit for the year	37	18
Other comprehensive income	3	(4)
Total comprehensive income	**40**	**14**
Profit allocated to material NCI	7	4
Dividends paid to material NCI	-	(14)

USD million	2019	2018
Summarised cash flows		
Net cash flow provided by/(used in) operating activities	279	41
Net cash flow provided by/(used in) investing activities	(26)	39
Net cash flow provided by/(used in) financing activities	(227)	(183)
Net increase/(decrease) in cash and cash equivalents	**26**	**(103)**
Accumulated NCI - EUKOR Car Carrieres Inc	212	204
Accumulated NCI - immaterial subsidiaries	31	24
Accumulated non-controlling interests (NCI)	**243**	**228**
Profit for the period attributable to NCIs - EUKOR Car Carriers Inc	7	4
Profit for the period attributable to NCIs - immaterial subsidiaries	2	3
Profit for the period to NCIs	**10**	**6**

Note 14. Other gain/loss

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

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

In 2019, the change in the value of the derivative was USD 52 million recognised as a positive effect under Other gain/(loss) in the income statement. One of the most important element to calculate this gain is the estimated value of the 20% non-controlling interest related to EUKOR. The gain is mainly explained by an increase in the estimated value of the EUKOR shares driven by a decrease in the WACC because both the short and long-term USD interest rates have decreased significantly.

In 2018, the effect was a loss of USD 12 million mainly related to a change in the fair value of the non-controlling interest reflected in the net financial derivative value.

The financial derivative is recognised as other non-current asset and has a carrying value of USD 146 million at 31 December 2019.

Note 15. Share information and earnings per share

Basic earnings per share is calculated by dividing profit for the period after non-controlling interests, by average number of total outstanding shares.

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

The company’s number of shares is as follows:	2019	2018
Total number of shares 31 December	423,104,938	423,104,938
Own shares 31 December	764,009	785,864

Earnings per share	31 Dec 2019	31 Dec 2018
Number of shares	423,104,938	423,104,938
Profit for the period attributable to owners of the parent (USD million)	93	52
Basic and diluted earnings per share (USD) [1]	0.22	0.12

[1] For the share based compensation program there is no dilutive effect for the periods presented.

Note 16. Employee benefits

USD million	Notes	2019	2018
Salary		403	406
Payroll tax		29	30
Pension cost	17	22	18
Other remuneration		10	11
Total employee benefits		**465**	**465**

Number of employees	2019	2018
Group companies in Norway	83	76
Group companies abroad	9,314	9,375
Total employees	**9,397**	**9,451**
Average number of employees	9,424	8,476

Remuneration of senior executives

USD thousand	Salary	Bonus	Pension premium	Other remuneration	Total
2019					
President and CEO - Craig Jasienski [1]	711	-	454	418	1,583
Chief Financial Officer - Rebekka Glasser Herlofsen [2]	417	151	35	52	656
Executive Vice President (EVP) and Chief Operating Officer (COO) WW Ocean & Solutions - Michael Hynekamp [3]	571	137	17	561	1,286
Chief Operating Officer (COO) WW Solutions - Raymond Fitzgerald (until end of May)	335	526	352	21	1,233
Chief Executive Officer (CEO) EUKOR - Erik Nøklebye [4]	418	152	69	231	870

[1] Including gross up of pension expense USD 395 thousand.
[2] Including gross up of pension expense USD 31 thousand.
[3] Including expat expenses, home, education and travel expenses USD 84 thousand.
[4] Including expat expenses, home, education and travel expenses USD 213 thousand.

USD thousand	Salary	Bonus	Pension premium	Other remuneration	Total
2018					
President and CEO - Craig Jasienski [5]	570	504	159	188	1,420
Chief Financial Officer - Rebekka Glasser Herlofsen [6]	406	248	37	56	747
Chief Operating Officer (COO) WW Ocean - Michael Hynekamp [7]	518	149	20	681	1,369
Chief Operating Officer (COO) WW Solutions - Raymond Fitzgerald	743	226	128	81	1,179
Chief Executive Officer (CEO) EUKOR - Erik Nøklebye [8]	439	75	110	257	881

[5] Including gross up of pension expense USD 139 thousand.
[6] Including gross up of pension expense USD 32 thousand.
[7] Including expat expenses, home, education and travel expenses USD 281 thousand.
[8] Including expat expenses, home, education and travel expenses USD 238 thousand.

Remuneration paid in other currencies than USD will not be comparable year to year due to changes in exchange rates.

Note 16. Employee benefits. Continued

Remuneration of the board of directors and nomination committee

USD thousand	2019	2018
Board of directors		
Håkan Larsson (chair)	172	184
Thomas Wilhelmsen	57	61
Marianne Lie	63	68
Jonas Kleberg	57	61
Margareta Alestig	61	66
Nomination committee		
Anders Ryssdal	9	6
Jonas Kleberg	5	4
Thomas Wilhelmsen	5	4

At the AGM in 2019, Thomas Wilhelmsen resigned from the nomination committee with Carl Erik Steen taking his place. Carl Erik Steen did not receive any remuneration in 2019.

The board's remuneration for the fiscal year 2019 will be approved by the general meeting 28 April 2020 and paid/expensed in 2020. See also note 24 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, a long-term incentive plan for senior and other executives was introduced in 2018 to promote and reward a long-term strategic perspective whilst helping senior and other executives build a meaningful personal share ownership in the company. The plan, which is a bonus scheme resulting in a monetary amount, will make awards over Wallenius Wilhelmsen ASA's common shares to the equivalent amount. The bonus, is assessed over and become payable after three years, subject to continued employment and the achievement of financial and strategic long-term performance targets including, return on capital, market capitalisation and a discretionary element.

The maximum annual payments can be 50% of base salary for the CEO, 40% of base salary for the remaining senior executives and 30% of base salary for other executives.

Note 17. Employee retirement plans

The group companies provide various retirement plans in accordance with local regulations and practices in the countries in which they operate.

The pension plans are for the material part defined contribution plans in which the companies are required to make agreed contributions to a separate fund when employees have rendered services entitling them to the contributions. For the defined contribution plans the companies legal or constructive obligations are limited to the amount that they have agreed to contribute to the fund.

The defined benefit plans for the group are based on years of service and salary levels and normally gurantees a specified return or agreed benefit. For these plans the group has investment and actuarial risks. If the actuarial or investment experience are worse than expected, the group's obligation may be increased. 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. The defined benefit plans are for the main part related to subsidiaries in Norway, US and Korea and are closed plans or only applicable for senior executives.

Defined benefit plans 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.

Defined benefit plans in Norway
1 January 2015, the group changed from a defined benefit plan to a defined contribution plan in Norway. The defined benefit obligation recognized is related to employees that were retired prior to the change as all active employees were transferred to the new defined contribution plan. The liabilty in Norway also includes historical obligations for some employees' related to salaries exceeding 12 times the Norwegian National Insurance base amount (G) mainly financed from operations. The obligation in Norway also includes certain early retirement obligations for employees that have left the company.

Defined contribution plan for salaries exceeding 12G in Norway
The group has "Ekstrapensjon", a contribution plan for all Norwegian employees with salaries exceeding 12G. The plan was closed for new members in 2018. The new contribution plan replaced the group obligations mainly financed from operation.

Defined benefit plan in the US
In the US the liability is mainly related to a supplemental executive retirement plan (SERP). The SERP is a promise to pay assuming certain criteria is met. The plan is for a few selective individuals. In the US there is also a retiree medical plan for 16 employees in Vehicle Services Americas Inc. The plan is closed for new members since 2014.

The group also 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 include 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 17. Employee retirement plans. Continued

Number of people covered by pension schemes at 31 December	2019	2018
In employment	2,447	1,038
In retirement (inclusive disability pensions)	753	778
Total number of people covered by pension schemes	**3,200**	**1,816**

Financial assumptions applied for the valuation of liabilities (weighted average)	2019	2018
Discount rate	2.40%	3.00%
Anticipated pay regulation	2.60%	2.75%
Anticipated increase in National Insurance base amount (G)	2.00%	2.50%
Anticipated regulation of pensions	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 million	Notes	2019	2018
Expenses for employee retirement plans recognised in the statement of income			
Current service cost		3	2
Contribution by employees		(0)	(1)
Interest costs from defined benefit obligation		3	2
Interest income from plan assets		(1)	(0)
Defined contribution plans		14	16
Plan amendments		2	-
Social security costs pensions		-	(0)
Net pension expenses	16	**22**	**18**
Remeasurements - Other comprehensive income			
Effect of changes in demographic and financial assumptions		(9)	4
Effect of experience adjustments		(1)	0
Return on plan assets (excluding interest income)		1	0
Total remeasurements included in OCI		**(9)**	**4**
Tax effect of pension OCI		2	(1)
Net remeasurements in OCI		**(7)**	**2**

Note 17. Employee retirement plans. Continued

USD million	Notes	2019	2018
Pension obligations			
Defined benefit obligation at end of prior year		92	103
Current service cost		3	2
Interest expense		3	2
Past service cost		2	0
Benefit payments from employer		(10)	(6)
Experience adjustments		1	0
Effects of changes in financial assumptions		7	(4)
Effects of changes in demographic assumptions		2	0
Effect of changes in foreign exchange rates		(1)	(4)
Defined benefit obligations at 31 December		**100**	**92**
Gross pension assets			
Fair value of plan assets at end of prior year		31	32
Interest income		1	1
Employer contributions		4	2
Benefit payments from plan assets		(4)	(2)
Return on plan assets (excluding interest income)		1	0
Reclassifications from other non-current assets		5	-
Effect of changes in foreign exchange rates		(0)	(2)
Gross pension assets at 31 December		**38**	**31**
Total pension obligations			
Defined benefit obligations		100	92
Fair value of plan assets		38	31
Net pension liabilities		**61**	**61**
Balance sheet items			
Pension liabilities		61	65
Other non-current assets [1]	18	0	3
Net pension liabilities		**61**	**62**

[1] Pension assets included here.

USD million	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015
Historical developments					
Defined benefit obligations	(100)	(92)	(103)	(44)	(45)
Plan assets	38	31	32	3	2
Surplus/(deficit)	**(61)**	**(62)**	**(71)**	**(40)**	**(42)**

Note 18. Combined items balance sheet

USD million	Notes	2019	2018
Other non-current assets			
Long-term investments		17	18
Financial derivatives		-	11
Pension assets	17	0	3
Derivative financial asset	14	146	94
Other non-current assets		33	36
Total other non-current assets		**196**	**162**
Other current assets			
Financial derivatives		3	-
Payroll tax withholding account	20	1	1
Prepaid expenses		118	129
Total other current assets		**123**	**130**
Other non-current liabilities			
Financial derivatives		4	43
Other non-current liabilities		2	21
Total other non-current liabilities		**6**	**63**
Other current liabilities			
Financial derivatives		78	34
Accrued operating expenses		208	251
Other current liabilities		26	13
Total other current liabilities		**312**	**298**

Note 19. Aging trade receivables and payables

Trade receivables

At 31 December 2019, USD 127 million (2018: USD 85 million) in trade receivables had fallen due, but not been subject to impairment. These receivables are related to a number of customers. Historically, the percentage of impairment loss on trade receivables has been low and the group expects the customers to settle outstanding receivables.

At 31 December 2019, the group's impairment on receivables amounted to approximately USD 3 million (2018: USD 2 million). Receivables fallen due but not subject to impairment have the following age composition:

USD million	2019	2018
Aging of trade receivables fallen due		
Up to 90 days	87	53
90-180 days	34	12
Over 180 days	6	20
Trade receivables per segment		
Ocean	275	325
Landbased	146	164
Total trade receivables	**420**	**489**

Trade payables

At 31 December 2019, USD 10 million in trade payables had fallen due (2018: USD 11 million). These payables refer to a number of separate suppliers and are related to general business. The group expects to settle outstanding payables.

USD million	2019	2018
Trade payables per segment		
Ocean	97	162
Landbased	51	57
Holding	0	2
Total trade payables	**148**	**220**

See note 23 on credit risk.

Note 20. Restricted bank deposits and undrawn committed drawing rights

USD million	2019	2018
Payroll tax withholding account	1	1

USD million	2019	2018
Undrawn committed drawing rights	377	335
– Of which backstop for outstanding certificates and bonds with a remaining term of less than 12 months to maturity	9	-
Undrawn committed loans	100	150

Note 21. Combined financial items

USD million	Notes	2019	2018
Financial income			
Interest income		10	9
Other financial items		5	-
Net financial income		**15**	**9**
Financial expenses			
Interest expenses		(194)	(161)
Interest rate derivatives - realised		(8)	(17)
Interest rate derivatives - unrealised		(53)	32
Other financial items		(6)	(3)
Net financial expenses		**(261)**	**(150)**
Currency			
Net currency gain/(loss)		(5)	(8)
Derivatives for hedging of foreign currency risk - realised		(31)	(30)
Derivatives for hedging of foreign currency risk - unrealised		25	16
Net currency		**(11)**	**(21)**
Financial derivatives bunker			
Unrealised bunker derivatives		10	(7)
Realised bunker derivatives		1	-
Net bunker derivatives		**11**	**(7)**
Financial income/(expenses)		**(247)**	**(169)**

See note 23 on financial risk and the section of the accounting policies concerning financial instruments.

Note 22. Interest-bearing debt

Reconciliation of liabilities arising from financing activities

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

[1] Mainly effects from implementation of IFRS 16 Leases. See note 10 for more information.

USD million	31 Dec 2017	Cash flows	Non-cash changes: Debt assumed as part of acquisition	Non-cash changes: Foreign exchange movement	Non-cash changes: Amortisation	Non-cash changes: Other [2]	Non-cash changes: Re-classification	31 Dec 2018
Bank loans	1,344	25	-	-	6	-	34	**1,409**
Leasing liabilities	1,435	171	-	-	-	-	(333)	**1,274**
Bonds	324	89	-	(12)	-	5	(98)	**309**
Bank overdraft and other interest-bearing debt	-	51	12	-	-	-	-	**63**
Total non-current interest-bearing liabilities	**3,103**	**336**	**12**	**(12)**	**6**	**5**	**(396)**	**3,055**
Current portion of interest-bearing liabilities	661	(522)	-	(5)	-	-	396	**530**
Total liabilities from financing activities	**3,764**	**(186)**	**12**	**(17)**	**6**	**5**	**-**	**3,584**

[2] Interest on corporate bond with maturity in 2022. See note 23.

Note 22. Interest-bearing debt. Continued

Repayment schedule for interest-bearing debt

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

USD million	Bank loans	Leasing liabilities	Bonds	Other	31 Dec 2018
Due in year 2019	186	254	68	23	**530**
Due in year 2020	443	174	9	-	**626**
Due in year 2021	170	181	86	-	**438**
Due in year 2022	173	192	213	-	**579**
Due in year 2023 and later	623	727	-	63	**1,413**
Total interest-bearing debt	**1,595**	**1,528**	**376**	**86**	**3,584**

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 million	2019	2018
Gross debt – fixed interest rates	1,653	928
Gross debt – variable interest rates	2,390	2,657
Less Cash and liquid investments	398	485
Net debt	**3,646**	**3,100**

A key part of the liquidity reserve takes the form of undrawn committed drawing rights, which amounted to USD 377 million at 31 December 2019 (2018: USD 335 million). See note 20.

Most financing is subject to certain financial and non-financial covenants or restrictions. The main covenant on group level, related to the group's bond debt, is limitation on the ability to pledge assets. All financing at the level of the different business units have covenants measured on the level of the business unit. The bank and lease financing of vessels have financial covenant clauses relating to one or several of the following: minimum liquidity, current assets/current liabilities, loan to value clauses, and in some cases fixed charge/interest coverage. The financing for the landbased segment has covenants related to net interest-bearing debt/EBITDA, equity ratio and minimum liquidity.

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 31 December 2019 (analogous for 2018), 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.

Note 22. Interest-bearing debt. Continued

Book value of mortgaged and leased assets

USD million	2019	2018
Vessels	4,992	4,803
Property & land	397	81
Total book value of mortgaged and leased assets	**5,389**	**4,884**

The carrying amounts of the group's borrowings are denominated in the following currencies

USD million	2019	2018
USD	3,824	3,209
NOK	220	376
Total	**4,044**	**3,584**

See otherwise note 23 for information on financial derivatives (interest rate and currency hedges) relating to interest-bearing debt.

Note 23. 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 for parts of their bunker hedges. Hedge accounting has not been applied for any other economic hedges. For the mentioned economic bunker hedges, the realised profit/loss was taken through income statement and any change in market value of the hedge derivatives was taken through OCI. As at end both 2019 and 2018, both EUKOR and WW Ocean had entered into bunker hedging contracts to reduce the risk in connection with the IMO 2020 regulations. Any change in market value of other economic 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.

ECONOMIC HEDGING OF TRANSACTION RISK

As a main principle, the group does not use financial instruments to economically 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. In order to capitalise on the strong USD, the group has an economic hedging program for CNY, NOK and SEK exposures in place as of both year-ends 2019 and 2018.

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

USD million

Income statement sensitivities of economic hedge program

Change in exchange rate's levels	(20%)	(10%)	0%	10%	20%
Transaction risk					
USD/NOK spot rate	7.02	7.90	8.77	9.65	10.53
Income statement effect (post tax)	**27**	**13**	**0**	**(11)**	**(22)**
USD/SEK spot rate	7.46	8.39	9.32	10.25	11.18
Income statement effect (post tax)	**21**	**10**	**0**	**(10)**	**(21)**
USD/CNY spot rate	5.57	6.27	6.96	7.66	8.36
Income statement effect (post tax)	**40**	**20**	**0**	**(15)**	**(31)**

(Tax rate used is 22% which equals the Norwegian tax rate)

Note 23. Financial risk. Continued

ECONOMIC HEDGING OF TRANSLATION RISK

For balance sheet items denominated in other currencies than USD, the group will in each case consider whether to economic hedge the exposure. The group has outstanding NOK-denominated bonds of about NOK 1.9 billion (USD 220 million). The corresponding amount was NOK 2.5 billion (USD 290 million) for 2018. A large part of this debt (NOK 1.75 billion) has been economically hedged against USD with basis swaps.

FX SENSITIVITIES

On 31 December 2019, material foreign currency balance sheet exposure subject to translation risk was in NOK, AUD, EUR and ZAR. Income statement sensitivities (post tax) for the net exposure booked were as follows:

USD million

Income statement sensitivities of economic hedge program

Change in exchange rate's levels	(20%)	(10%)	0%	10%	20%
Translation risk					
USD/NOK	7.02	7.90	8.77	9.65	10.53
Income statement effect (post tax)	**2**	**1**	**0**	**(1)**	**(1)**
EUR/USD	0.90	1.01	1.12	1.23	1.35
Income statement effect (post tax)	**(1)**	**(1)**	**0**	**1**	**1**
USD/ZAR	11.2	12.6	14.0	15.4	16.8
Income statement effect (post tax)	**0.9**	**0.7**	**0.0**	**(0.6)**	**(0.5)**
AUD/USD	0.56	0.63	0.70	0.77	0.84
Income statement effect (post tax)	**(1)**	**(1)**	**0**	**1**	**1**

(Tax rate used is 22% which equals the Norwegian tax rate)

For the period ending 31 December 2019, the net impact from translation differences had a very limited impact on other comprehensive income (2018: negative USD 12 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 million	Notes	2019	2018
Through income statement			
Financial currency			
Net currency gain/(loss) - operating currency		55	(5)
Net currency gain/(loss) - financial currency		(60)	(2)
Derivatives for economic hedging of cash flow risk - realised		-	0
Derivatives for economic hedging of cash flow risk - unrealised		(1)	8
Derivatives for economic hedging of translation risk - realised		(31)	(30)
Derivatives for economic hedging of translation risk - unrealised		26	9
Net financial currency	**21**	**(11)**	**(21)**
Through other comprehensive income			
Currency translation differences through other comprehensive income		(0)	(12)
Total net currency effect		**(11)**	**(33)**

Interest rate risk

The group seeks to economically 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% (2018: about 45%) of its outstanding long-term interest exposure at 31 December. However, when fixed rate debt is included, the economic hedge ratio is about 65% (2018: about 60%) as at 31 December. Leases are considered fixed rate debt for this calculation.

Note 23. Financial risk. Continued

USD million	2019	2018
Maturity schedule economic interest rate hedges (nominal amounts)		
Due in year 1	431	266
Due in year 2	266	426
Due in year 3	11	301
Due in year 4	11	6
Due in year 5 and later*	1,035	1,061
Total economic interest rate hedges	**1,753**	**2,059**
*of which forward starting	535	880

As of end 2019 the group held forward starting swaps with nominal value of USD 535 million (2018: USD 880 million).

The average remaining term of the existing loan portfolio is about 3.9 years, while the average remaining term of the running interest rate derivatives and fixed interest loans is approximately 3.5 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 summarises the interest rate sensitivity towards the fair value of interest-bearing assets and liabilities:

USD million Change in interest rates' level	(2%)	(1%)	0%	1%	2%
Fair value sensitivities of interest rate risk					
Estimated change in fair value (post tax)	**(31)**	**(16)**	**0**	**16**	**31**

(Tax rate used is 22% which 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 23. Financial risk. Continued

USD million	2019 Assets	2019 Liabilites	2018 Assets	2018 Liabilites
Interest rate derivatives				
Holding segment	-	9	-	5
Ocean segment	-	41	6	14
Landbased segment	-	10	5	-
Total interest rate derivatives	**-**	**60**	**11**	**18**
Derivatives used for economic cash flow hedging				
Holding segment	-	2	-	2
Ocean segment	0	-	0	-
Total currency cash flow derivatives	**0**	**2**	**0**	**2**
Derivatives used for economic translation risk hedging (basis swaps)				
Holding segment	-	20	-	46
Total cross currency derivatives (basis swaps)	**-**	**20**	**-**	**46**
Derivatives used for economic bunker hedging				
Ocean segment	4	-	-	10
Total bunker derivatives	**4**	**-**	**-**	**10**
Other derivatives				
Ocean segment	146	-	94	-
Total other derivatives	**146**	**-**	**94**	**-**
Total market value of derivatives	**150**	**83**	**105**	**76**

Book value equals fair value.

Note 23. Financial risk. Continued

Bunker price risk
The group is exposed to bunker price fluctuations through its operations in Wallenius Wilhelmsen Ocean, American Roll-On Roll-Off Carrier and EUKOR Car Carriers.

As a general principle, bunker adjustment factors (BAF) in customer contracts are the main mechanism to manage bunker price risk in the group. In the short term, the 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.

To mitigate the risk arising from the implementation of the IMO 2020 regulation, the group entered into bunker swaps towards the end of 2018. This risk stems from the lag effect of the BAF mechanism as well as some contracts potentially not having a proper BAF coverage. The trades were conducted in EUKOR and WW Ocean for a combined volume of approximately 25% of the estimated fuel consumption during the transition period end 2019 to first half 2020. During last part of 2019, some of these hedges were closed out. At the end of 2019 the market value of these economic hedges was positive USD 4 million (2018: negative USD 10 million).

Hedge accounting has been applied to some bunker derivatives. Realised profit/loss has been taken through income statement, while any change in market value is taken through other comprehensive income. For bunker derivatives where hedge accounting is not applied, both realised profit/loss and changes in market value is taken through the income statement.

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 economically 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 Wallenius Wilhelmsen Ocean Holding AS. Financial guarantees are provided between the subsidiaries.

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 million	Notes	2019	2018
Exposure to credit risk			
Long-term investments	18	17	18
Financial derivatives - asset	18	-	11
Other non-current assets	18	33	36
Trade receivable	19	420	489
Other current assets	18	123	130
Cash and cash equivalents		398	484
Total exposure to credit risk		**990**	**1,168**

Book value equals market value.

Note 23. 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 398 million (2018: USD 484 million) in liquid assets which can be realised over a three-day period in addition to USD 377 million (2018: USD 335 million) in undrawn capacity under its bank facilities. In addition, USD 100 million is available through banking partners to finance the delivery of the two newbuilding's currently under construction.

Undiscounted cash flows financial liabilities

USD million	Less than 1 year	Year 2	Between 3 and 5 year	Later than 5 years
2019				
Bank loans	220	217	1,183	155
Leasing liabilities	332	306	763	912
Financial derivatives	9	5	23	10
Bonds	18	93	224	-
Total interest-bearing debt	**579**	**621**	**2,193**	**1,076**
Current liabilities (excluding next year's instalment on interest-bearing debt and financial derivatives)	450	-	-	-
Total gross undiscounted cash flows financial liabilities 31 December 2019	**1,029**	**621**	**2,193**	**1,076**
2018				
Bank loans	282	497	760	373
Leasing liabilities	319	265	634	636
Bonds	8	2	(5)	(5)
Financial derivatives	101	18	309	-
Total interest-bearing debt	**709**	**782**	**1,697**	**1,004**
Current liabilities (excluding next year's instalment on interest-bearing debt and financial derivatives)	544	-	-	-
Total gross undiscounted cash flows financial liabilities 31 December 2018	**1,253**	**782**	**1,697**	**1,004**

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

Note 23. Financial risk. Continued

Covenants

Most financing is subject to certain financial and non-financial covenants or restrictions. The main covenant on group level, related to the group's bond debt, is limitation on the ability to pledge assets. All financing at the level of the different business units have covenants measured on the level of the business unit. The bank and lease financing of vessels have financial covenant clauses relating to one or several of the following: minimum liquidity, current assets/current liabilities, loan to value clauses, and in some cases fixed charge/interest coverage. The financing for the landbased segment has covenants related to net interest-bearing debt/EBITDA, equity ratio and minimum liquidity.

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. Wallenius Wilhelmsen 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.

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 2019 the return on capital employed was 5%. See reconciliation of alternative performance measures on page 158 for calculation.

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.

Interest-bearing debt

USD million	Fair value	Book value
2019		
Bank loans	1,565	1,574
Leasing liabilities	2,073	2,140
Bonds	314	312
Bank overdraft	1	1
Other	17	17
Total interest-bearing debt 31 December 2019	**3,970**	**4,044**
2018		
Bank loans	1,595	1,595
Leasing liabilities	1,528	1,528
Bonds	370	376
Bank overdraft	72	72
Other	13	13
Total interest-bearing debt 31 December 2018	**3,578**	**3,584**

Note 23. Financial risk. Continued

Fair value hierarchy

USD million	Notes	Level 1	Level 2	Level 3	Total balance
2019					
Financial assets at fair value through income statement					
- Financial derivatives		-	4	-	**4**
- Non-controlling shareholder net derivative	14	-	-	146	**146**
Total assets 31 December 2019		**-**	**4**	**146**	**150**
Financial liabilities at fair value through income statement					
- Financial derivatives		-	83	-	**83**
Total liabilities 31 December 2019		**-**	**83**	**-**	**83**
2018					
Financial assets at fair value through income statement					
- Financial derivatives		-	8	-	**8**
- Non-controlling shareholder net derivative		-	-	94	**94**
Total assets 31 December 2018		**-**	**8**	**94**	**102**
Financial liabilities at fair value through income statement					
- Financial derivatives		-	76	-	**76**
Total liabilities 31 December 2018		**-**	**76**	**-**	**76**

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 23. Financial risk. Continued

Financial instruments by category

2019

USD million	Asset at amortised cost	Assets at fair value through the income statement	Other	Total
Assets				
Other non-current assets	-	146	50	**196**
Bunkers/ luboil	-	-	108	**108**
Trade receivables	420	-	-	**420**
Other current assets	-	-	123	**123**
Cash and cash equivalent	398	-	-	**398**
Assets at 31 December 2019	**818**	**146**	**280**	**1,245**

USD million	Liabilities at fair value through the income statement	Other financial liabilities at amortised cost	Total
Liabilities			
Non-current interest-bearing debt	-	3,549	**3,549**
Non-current provision	-	140	**140**
Other non-current liabilities	4	2	**6**
Trade payables	-	148	**148**
Current provisions	-	54	**54**
Current interest-bearing debt	-	495	**495**
Other current liabilities	78	234	**312**
Liabilities 31 December 2019	**82**	**4,621**	**4,703**

2018

USD million	Assets at amortised cost	Assets at fair value through the income statement	Other	Total
Assets				
Other non-current assets	-	104	57	**162**
Bunkers/ luboil	-	-	107	**107**
Trade receivables	489	-	-	**489**
Other current assets	-	-	130	**130**
Cash and cash equivalent	484	-	-	**484**
Assets at 31 December 2018	**973**	**104**	**294**	**1,371**

USD million	Liabilities at fair value through the income statement	Other financial liabilities at amortised cost	Total
Liabilities			
Non-current interest-bearing debt	-	3,054	**3,054**
Non-current provision	-	133	**133**
Other non-current liabilities	43	21	**63**
Trade payables	-	220	**220**
Current provisions	-	46	**46**
Current interest-bearing debt	-	530	**530**
Other current liabilities	34	264	**298**
Liabilities 31 December 2018	**76**	**4,268**	**4,344**

Note 24. Related party transactions

Transactions with related parties

The two main shareholders of Wallenius Wilhelmsen ASA are Walleniusrederierna AB and Wilh. Wilhelmsen Holding ASA with 37.8% of the shares each. The Wilhelmsen family controls Wilh Wilhelmsen Holding ASA (WWH group) 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 188 thousand and car allowance of USD 20 thousand. For participation in the board of directors and nomination committee, Thomas Wilhelmsen and Jonas Kleberg were each paid USD 62 thousand.

The group has undertaken several transactions with related parties within Wilh. Wilhelmsen Holding ASA (WWH), Wilservice AS, Wilhelmsen Maritime Services group (WMS group) and Soya 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 Wallenius Wilhelmsen ASA group related to to inter alia human resources ("Shared Services") and in-house services such as canteen, post, switchboard and rent of office facilities 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 group.

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.

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 Wilh. Wilhelmsen ASA 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 is no longer on Walleniusrederierna AB/Soya group's hands.

USD million	2019	2018
Income statment		
Operating revenue from related parties related parties within WWH group	1	0
Operating revenue from related parties related parties within Soya group	1	1
Operating expenses to related parties within WWH group	20	16
Operating expenses to related parties within Soya group	15	6

In addition, Wallenius Marine (part of Soya Group) had the supervision of the two newbuildings. Their fee adds up to approximately USD 2 million and is capitalised with the vessels.

USD million	2019	2018
Balance sheet		
Current receivables from related parties within Soya group	2	1
Current loan/payables to related parties within Soya group	0	-
Interest-bearing debt/bond to related parties within Soya group	-	87
Non-current receivables from related parties within WWH group	0	0
Current receivables from related parties within WWH group	0	-
Current loan/payables to related parties within WWH group	1	0

Note 25. Provisions and contingencies

USD million	2019	2018
Current provisions	54	46
Non-current provisions	140	133
Total provisions presented in the consolidated balance sheet	**194**	**179**

From time to time, the group will be involved in disputes and legal actions.

The operating entities WW Ocean and EUKOR have been part of anti-trust investigations in several jurisdictions since 2012. Wallenius Wilhelmsen expects the proceedings with the outstanding jurisdictions to be largely resolved in the first half of 2020, while the timeline for the resolution of civil claims is more uncertain. As per year end 2019, USD 194 million in provision remains to cover expected pay outs related to jurisdictions with ongoing anti-trust proceedings and potential civil claims. The ongoing investigations of WW Ocean and EUKOR are confidential, and Wallenius Wilhelmsen is therefore not able to provide more detailed comments.

The main change in the provision since 2018 is an addition of USD 30 million related to expected higher legal costs in disputed cases. The amount is recognised as an expense under operating expenses in the income statement. The provision was further reduced with USD 15 million due to commercial settlements in 2019.

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

Note 26. Expensed audit fee

USD million	2019	2018
Statutory audit	2	2
Other assurance services	1	0
Tax and legal advisory services fee	0	0
Total expensed audit fee	**3**	**2**

Note 27. Events after the balance sheet date

Withdrawal of proposed dividend

Given the unpredictable situation for the global economy as the impact of COVID-19 continue to evolve, the Wallenius Wilhelmsen Board of Directors has decided to withdraw their proposed dividend for 2019. In connection with the publication of fourth quarter and annual results on 22 February this year, the Board proposed an ordinary dividend of 7 cents per share to the Annual General Meeting in April 2020. The board also proposed that the Annual General Meeting give the Board authority to approve a second dividend payment of up to USD 7 cents per share for a period limited in time up to the annual general meeting in 2021, but no longer than to 30 June 2021. The board has now decided to withdraw this proposal, which in total would have been equivalent to about USD 60 million.

COVID-19 pandemic

The COVID-19 pandemic is affecting demand for vehicles and equipment, disrupting supply chains and production patterns and is likely to affect the group's operations. The group is taking a precautionary approach to safeguard the health and safety of employees, crew, business partners and members of the public, whilst striving to avoid adverse operational impact. The pandemic continues to progress and evolve, and at this juncture it is challenging to predict the full extent and duration of resulting operational and economic impact on the group. The development of the pandemic and the mitigating actions implemented create uncertainty as to demand for our customers' products as well as their ability to operate, putting pressure on volumes. In the same way, mitigating actions restricting freedom of movement can disturb our ability to operate efficiently. The impact of COVID-19 on the group's business in 2020 is at this stage very hard to predict, and Wallenius Wilhelmsen will continue to monitor developments closely and respond accordingly. The group has estimated a 20% reduction in ocean volumes for first quarter 2020 compared to first quarter 2019. The company expects an impact into second quarter, but the extent will depend on the rate of recovery in Asia, the spread of the coronavirus, the corresponding reaction of global markets and the impact on vehicle sales.

Based on the expected volume drop there is an overcapacity in the group's fleet of 10-15 vessels net of already planned redelivery of charter vessels. To take out capacity and reduce operational costs, the group is considering recycling of up to four vessels, all 24 years or older. The early recycling is expected to lead to a potential impairment of up to USD 40 million. In addition, preparations are being made to initially place up to 10 vessels in cold lay-up. The estimated cost saving for a vessel in cold lay-up is USD 3-4,000 per day depending on length of lay-up. Of the 11 vessels that have been chartered in which are available for redelivery at the start of the year, four have been redelivered and another three will be redelivered before end of June. One vessel has been extended and the remaining three are under consideration.

In line with automaker plant closures, the group is suspending operations at several landbased processing centres, starting temporary layoffs for about 2,500 production workers in the USA and Mexico. At the publication of these financial statements it is difficult to estimate the financial impact on first and second quarter result for the landbased segment as it depends on how long the closure of the automaker plants will last and if other automakers also decides temporary closures.

In addition, the COVID-19 breakout is an indicator of impairment for assets such as goodwill, other intangible assets, vessels and right of use assets. The value in use impairment assessment for these types of assets may be impacted by the COVID-19 breakout in connection with reporting of interim financial information for the first quarter 2020 and onwards.

Per end of 2019, the group had a solid liquidity situation, with cash and cash equivalents of USD 398 million and around USD 377 million in undrawn credit facilities, which makes the group well prepared to handle a downturn. The only covenant on group level, related to the group's bond debt, is limitation on the ability to pledge assets. All financing at the level of the different business units have covenants measured on the level of the business unit. The bank and lease financing of vessels have financial covenant clauses relating to one or several of the following minimum liquidity, current assets/current liabilities, loan to value clauses, and in some cases fixed charge/interest coverage. The financing for the landbased segment has covenants related to net interest-bearing debt/EBITDA, equity ratio and minimum liquidity. We do not see any risk of covenant breach in the first quarter as a consequence of the COVID-19 pandemic. As the impact on our customers production, as well as market demand for their products, evolves week by week, we will continue to monitor the situation closely.

New CFO

On 30 March 2020, it was announced that Torbjørn Wist will join the group as Chief Financial Officer starting 1 October. Mr. Wist is a Norwegian national who today is CFO at the Scandinavian airline SAS.

Reconciliation of alternative performance measures

Definitions of Alternative Performance Measures (APMs)

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

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

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

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

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

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

Capital Employed (CE) is calculated based on yearly average of Total assets, Total liabilities and total interest-bearing debt. CE is measured in order to assess how much capital is needed for the operations/ business to function and evaluate if the capital employed can be utilized more efficiently and/or if operations should be discontinued. Return on Capital Employed (ROCE) is based on yearly EBIT divided by capital employed. ROCE is used to measure the return on the capital employed without taking into consideration the way the operations and assets are financed during the period under review. The group considers this ratio as appropriate to measure the return of the period. Return on equityis based on yearly profit/(loss) after tax divided by yearly average of equity. The group considers this ratio as appropriate to measure the return of the period.

Reconciliation of alternative performance measures. Continued

Reconciliation of Total income to EBITDA and EBITDA adjusted

USD million	2019	2018
Total income	3,909	4,065
Operating expenses excluding other gain/(loss)	(3,104)	(3,463)
EBITDA	**805**	**601**
EBITDA Ocean	702	528
Restructuring costs	-	3
Loss on sale of tangible assets	-	1
Anti-trust expenses	30	-
EBITDA adjusted Ocean	**732**	**532**
EBITDA Landbased	123	90
Pension cost following plan amendment	3	0
Gain on sale of tangible assets	-	(0)
EBITDA adjusted Landbased	**125**	**89**
EBITDA Holding/Eliminations	(21)	(16)
Restructuring costs	-	2
EBITDA adjusted Holding/Eliminations	**(21)**	**(15)**
EBITDA adjusted	**837**	**606**

Reconciliation of Total income to EBIT and EBIT adjusted

USD million	Notes	2019	2018
EBITDA		805	601
Other gain/loss	14	51	(12)
Depreciation and amortisation	8, 9	(498)	(345)
EBIT		**358**	**244**
Restructuring costs		-	5
Pension cost following plan amendment		3	0
Anti-trust expenses		30	0
Gain on sale of other tangible assets		-	0
Change in fair value of derivative financial asset		(52)	12
EBIT adjusted		**338**	**261**

Reconciliation of alternative performance measures. Continued

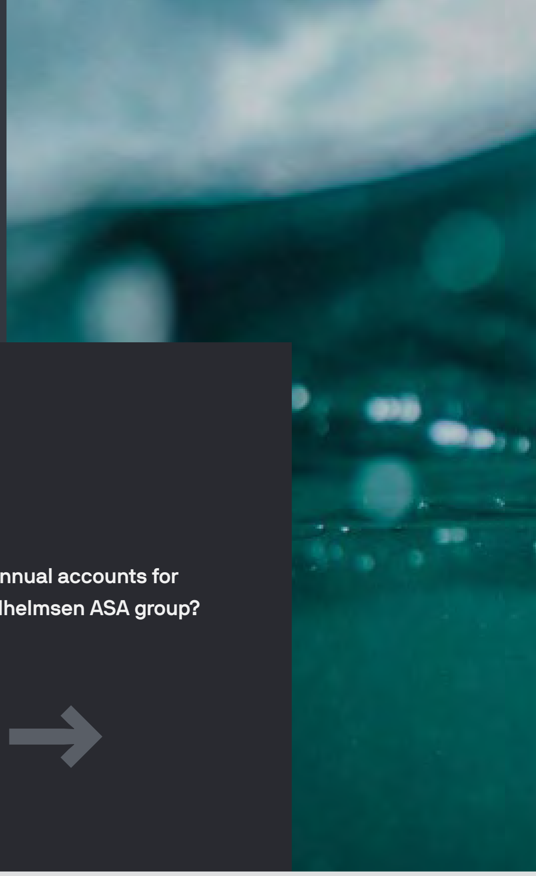
Reconciliation of total assets to capital employed and ROCE calculation and return on equity calculation

	Yearly average	
USD million	31 Dec 2019	31 Dec 2018
Total assets	8,033	7,638
Less Total liabilities	5,139	4,776
Total equity	**2,894**	**2,863**
Total interest-bearing debt	4,271	3,674
Capital employed	**7,165**	**6,537**
EBIT annualised	358	244
ROCE	**5.0%**	**3.7%**
Profit for the period	102	58
Return on equity	**3.5%**	**2.0%**

Net interest-bearing debt

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

Index: **Wallenius Wilhelmsen ASA Parent**



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Notes:

Income statement

USD million	Notes	2019	2018
Operating expenses			
Employee benefits	2, 3	(2)	(2)
Depreciation and amortisation	4	-	-
Impairment of investment in subsidiaries	6	(625)	-
Other operating expenses	1	(19)	(15)
Total operating expenses		**(646)**	**(17)**
Net operating profit/(loss)		**(646)**	**(17)**
Financial income and expenses			
Financial income	1	999	1,431
Financial expenses	1	(25)	(19)
Financial derivatives	1	(11)	(12)
Financial income/(expense)		**962**	**1,401**
Profit before tax		**317**	**1,384**
Tax income/(expense)	5	(48)	2
Profit for the year		**269**	**1,386**
Transfers and allocations			
(To)/from equity		(269)	(1,386)
Total transfers and allocations		**(269)**	**(1,386)**

Statement of comprehensive income

USD million	Notes	2019	2018
Profit for the year		269	1,386
Other comprehensive income:			
Items that will not be reclassified to the income statement			
Remeasurement postemployment benefits, net of tax	3	(1)	2
Other comprehensive income, net of tax		**(1)**	**2**
Total comprehensive income		**268**	**1,388**
Attributable to			
Owners of the parent		268	1,388
Total comprehensive income for the year		**268**	**1,388**

Balance sheet

USD million	Notes	31 Dec 2019	31 Dec 2018
Assets			
Non-current assets			
Deferred tax assets	5	15	63
Investments in subsidiaries	6	3,056	3,681
Other non-current assets from group companies	11	111	-
Total non-current assets		**3,183**	**3,745**
Current assets			
Other current assets	7	118	27
Cash and cash equivalents		14	62
Total current assets		**133**	**89**
Total assets		**3,315**	**3,834**
Equity and liabilities			
Equity			
Share capital	8	28	28
Retained earnings	8	2,872	2,677
Total equity		**2,900**	**2,705**
Non-current liabilities			
Pension liabilities	3	31	32
Non-current interest-bearing debt	9	304	309
Financial derivatives		2	24
Other non-current liabilities to group companies	11	16	-
Total non-current liabilities		**353**	**365**
Current liabilities			
Public duties payable		0	0
Other current liabilities	7	62	763
Total current liabilities		**62**	**764**
Total equity and liabilities		**3,315**	**3,834**

Signatures

Lysaker, 30 March 2020

The Board of Directors of Wallenius Wilhelmsen ASA

Signers:

Name	*Method*	*Date*
Jasienski, Craig	BANKID	2020-03-30 21:20 GMT+2
Kerstin Margareta Alestig Johnson	BANKID	2020-03-30 21:22 GMT+2
Lie, Marianne	BANKID_MOBILE	2020-03-30 21:25 GMT+2
Lars Håkan Larsson	BANKID	2020-03-30 21:29 GMT+2
Wilhelmsen, Thomas	BANKID_MOBILE	2020-03-30 22:33 GMT+2
JONAS KLEBERG	BANKID	2020-03-30 23:37 GMT+2

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Cash flow statement

USD million	Notes	2019	2018
Cash flow from operating activities			
Profit before tax		317	1,384
Financial (income)/expense		(962)	(1,401)
(Gain)/loss from sale of associates and joint ventures		1	-
Impairment of investment in subsidiaries		625	-
Change in net pension assets/liabilities		(2)	(4)
Change in current assets	7	(92)	28
Other change in working capital		225	8
Net cash provided by/(used in) operating activities		**111**	**16**
Cash flow from investing activities			
Investments in subsidiaries, associates and joint ventures		-	(1)
Interest received		15	2
Dividend received		-	50
Net cash flow provided by/(used in) investing activities		**15**	**51**
Cash flow from financing activities			
Proceeds from issuance of debt		-	94
Repayment of debt		(68)	(89)
Purchase of own shares		0	(3)
Dividends paid		(51)	-
Interest paid including interest rate derivatives		(54)	(43)
Net cash flow provided by/(used in) financing activities		**(173)**	**(40)**
Net increase/(decrease) in cash and cash equivalents		**(47)**	**27**
Cash and cash equivalents at 1 January*		62	35
Cash and cash equivalents at 31 December		**14**	**62**

*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.

The company has no restricted bank deposits.

Note 1. Combined items income statement

USD million	Note	2019	2018
Other operating expenses			
Intercompany expenses	11	(14)	(11)
Other administration expenses		(5)	(4)
Total other operating expenses		**(19)**	**(15)**
Financial income/(expenses)			
Financial income			
Dividend from subsidiaries and group contribution	11	938	1,189
Interest income		1	2
Gain on sale of investments		-	194
Net currency gain		46	37
Other financial income		13	10
Total financial income		**999**	**1,431**
Financial expenses			
Interest expenses		(16)	(16)
Net currency loss		(5)	-
Loss on sale of investments		(1)	-
Other financial expenses		(3)	(2)
Total financial expenses		**(25)**	**(19)**
Financial derivatives			
Realised gain/(loss) related to currency derivatives		(31)	(30)
Realised gain/(loss) related to interest rate derivatives		(1)	(2)
Unrealised gain/(loss) related to currency derivatives		26	16
Unrealised gain/(loss) related to interest rate derivatives		(6)	4
Total financial derivatives		**(11)**	**(12)**
Financial income/(expenses)		**962**	**1,401**

Note 2. Employee benefits

USD million	2019	2018
Salary/Remuneration board of directors	1	0
Payroll tax	0	1
Pension cost	1	1
Other remuneration	0	0
Total employee benefits	**2**	**2**

The company has no employees.

Remuneration of senior executives

Both the President and CEO and Chief Financial Officer are employed by group company Wallenius Wilhelmsen Ocean AS.

USD thousand	Salary	Bonus	Pension premium	Other remuneration	Total
2019					
President and CEO - Craig Jasienski	711	-	454	418	1,583
Chief Financial Officer - Rebekka Glasser Herlofsen	417	151	35	52	656
2018					
President and CEO - Craig Jasienski	570	504	159	188	1,420
Chief Financial Officer - Rebekka Glasser Herlofsen	406	248	37	56	747

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 six months plus 18 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 six months' notice period. The CEO has the potential to earn up to 50% of the annual salary as bonus in 2019.

The CEO's retirement age is 65. He follows the company pension policy for salary below 12G (defined contribution plan), and in addition the company has an obligation towards CEO in a defined benefit plan. This obligation is mainly covered via group annuity policies in Storebrand. The CEO is a 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 six 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 six months' notice period. She follows the company pension policy for salary below and above 12G (defined contribution plan). The CFO is a member of the long term incentive scheme from 2018, the maximum annual payment is 40% of base salary. The CFO has resigned and will leave the company during the second quarter of 2020.

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.

Note 2. Employee benefits. Continued

USD thousand	2019	2018
Remuneration of the board of directors		
Håkan Larsson (chair)	172	184
Thomas Wilhelmsen	57	61
Marianne Lie	63	68
Jonas Kleberg	57	61
Margareta Alestig	61	66
Nomination committee		
Anders Ryssdal	9	6
Jonas Kleberg	5	3
Thomas Wilhelmsen	5	3

At the AGM in 2019, Thomas Wilhelmsen resigned from the nomination committee with Carl Erik Steen taking his place. Carl Erik Steen did not receive any remuneration in 2019.

The board's remuneration for board members, for the fiscal year 2018 was received in 2019.

The board's remuneration for the fiscal year 2019 will be approved by the general meeting 28 April 2020 and paid/expensed in 2020.

Loans and guarantee

There were no loans or guarantees to members of the board per 31 December 2019.

Note 2. Employee benefits. Continued

Shares owned or controlled by representatives of the group at 31 December 2019

Name	Number of shares	% of shares
Board of directors		
Håkan Larsson (chair)	35,000	0.01%
Margareta Alestig	-	-
Jonas Kleberg	-	-
Marianne Lie	-	-
Thomas Wilhelmsen	42,000	0.01%
Senior executives		
President and CEO - Craig Jasienski	51,495	0.01%
CFO - Rebekka Herlofsen	31,495	0.01%
Nomination Commitee		
Anders Ryssdal	-	-
Jonas Kleberg	-	-
Carl Erik Steen	-	-

Long-term incentive scheme

Long-term variable remuneration

In addition to short-term variable remuneration, a long-term incentive plan for senior executives was 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 Wallenius Wilhelmsen ASA's 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, for the other senior executives 40% of base salary and for other executives 30% of base salary.

Note 3. Employee retirement obligations

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 remaining pension obligation is related to 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.

	2019	2018
Number of people covered by pension schemes at 31 December		
Previous employees not yet retired	1	1
In retirement (inclusive disability pensions)	584	612
Total number of people covered by pension schemes	**585**	**613**

Financial assumptions applied for the valuation of liabilities	2019	2018
Discount rate	2.3%	2.7%
Anticipated pay regulation	2.0%	2.5%
Anticipated regulation of National Insurance base amount (G)	2.0%	2.5%
Anticipated regulation of pensions	0.1%	0.1%

Anticipated pay regulation is 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 3. Employee retirement obligations. Continued

USD million	2019	2018
Pension expenses		
Current service cost	0	0
Interest expense on defined benefit obligation	1	1
Interest income on plan assets	(0)	(0)
Cost of defined contribution plan	-	(0)
Net pension expenses	**1**	**1**
Remeasurements - Other comprehensive income		
Effect of changes in financial assumptions	(1)	2
Effect of experience adjustments	(0)	0
Return on plan assets (excluding interest income)	0	(0)
Total remeasurements included in OCI	**(1)**	**2**
Tax effect of pension OCI	0	(0)
Net remeasurement in OCI	**(1)**	**2**

Pension obligations	2019	2018
Defined benefit obligations 1 January	36	42
Current service cost	0	0
Settlements	(3)	-
Interest expense	1	1
Benefits paid from plan assets	-	(0)
Benefit payments from employer	(3)	(3)
Remeasurements - change in assumptions	1	(2)
Remeasurements - experience adjustments	0	(0)
Effect of changes in foreign exchange rates	(0)	(2)
Pension obligations 31 December	**33**	**36**
Gross pension assets		
Fair value of plan assets 1 January	4	4
Interest income	0	0
Employer contributions	0	0
Settlements	(3)	-
Benefits payment from plan assets	-	(0)
Return on plan assets (excluding interest income)	0	0
Effect of changes in foreign exchange rates	(0)	(0)
Gross pension assets 31 December	**1**	**4**
Total pension obligations		
Defined benefit obligations	33	36
Fair value of plan assets	1	4
Net pension liabilities	**31**	**32**

Payments from operations are estimated at USD 2.5 million in 2020 (2019: USD 2.8 million).

Note 4. Lease agreement

The company had a lease agreement for the office building, Strandveien 20. The agreement was transferred to Wallenius Wilhelmsen Ocean AS in 2019.

USD million	2019	2018
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	-	2
Total expense related to lease agreement of office building	**-**	**5**

Note 5. Tax

USD million	2019	2018
Distribution of tax (income)/expense for the year		
Change in deferred tax	48	(2)
Total tax (income)/expense	**48**	**(2)**
Basis for tax computation		
Profit before tax	317	1,384
22% tax	70	318
Tax effect from		
Non taxable income	(38)	(316)
Valuation allowance deferred tax assets [1]	30	
Currency transition from USD to local currency for tax purpose	(14)	(4)
Total tax (income)/expense	**48**	**(2)**
Effective tax rate	15.1%	0.1%

Deferred tax assets/(liabilites)

USD million	2019	2018
Tax effect of temporary differences		
Current assets and liabilities	0	12
Non current liabilities and provisions for liabilities	15	7
Tax losses carried forward	-	45
Deferred tax assets/(liabilities) at 31 December	**15**	**63**
Composition of deferred tax and changes in deferred tax		
Deferred tax assets at 1 January	63	66
Charged directly to equity	0	(0)
Change of deferred tax through income statement	(48)	2
Currency translation differences	(1)	(4)
Deferred tax assets/(liabilities) at 31 December	**15**	**63**

[1] USD 30 million in valuation allowace related to deferred tax asset arrising from tax loss carry forward in Norwegian entities, see note 1 to the group accounts for additional information.

Note 6. Investment in subsidiaries

Investments in subsidiaries are recorded at cost. Where a reduction in the value of shares in subsidiaries is considered to be permanent and significant, an impairment to net realisable value is recorded.

Company	Business office	Voting share/ ownership share	Book value	
USD million			2019	2018
Wallenius Wlihelmsen Ocean Holding AS	Lysaker, Norway	100%	1,267	1,267
Wallenius Wilhelmsen International Holding AS	Lysaker, Norway	100%	1,166	1,791
ARC Group Holding AS	Lysaker, Norway	100%	200	200
Wallenius Wilhelmsen Solutions Holding AS	Lysaker, Norway	100%	423	423
Raa labs AS	Lysaker, Norway	0%	-	1
Wallenius Wilhelmsen Invest AS	Lysaker, Norway	100%	0	0
Total investments in subsidiaries			**3,056**	**3,681**

Year end 2019, the company wrote down the investment in Wallenius Wilhelmsen International Holding AS with USD 625 million.

The shares in Raa Labs AS were sold during 2019.

Note 7. Combined items balance sheet

USD million	Notes	2019	2018
Other current assets			
Receivables from group companies	11	118	26
Other current receivables		0	1
Total other current assets		**118**	**27**
Other current liabilities			
Account payables		0	2
Payables to group companies	11	19	662
Next year's instalment on interest-bearing debt	9	9	68
Financial derivatives		30	28
Other current liabilities		5	5
Total other current liabilities		**62**	**763**

The fair value of current receivables and payables is virtually the same as the carried amount, since the effect of discounting is insignificant.

Note 8. Equity

USD million	Share capital	Own shares	Total paid-in capital	Other paid-in capital	Retained earnings	Total
Change in equity						
Equity 31 December 2018	28	(0)	**28**	1,079	1,598	**2,705**
Profit for the year	-	-	-	-	269	**269**
Other comprehensive income for the year	-	-	-	-	(1)	**(1)**
Total comprehensive income	**-**	**-**	**-**	**-**	**268**	**268**
Sale of own shares	-	0	**0**	-	0	**0**
Dividend to owners	-	-	-	-	(51)	**(51)**
Group contribution given	-	-	-	-	(23)	**(23)**
Equity 31 December 2019	**28**	**(0)**	**28**	**1,079**	**1,793**	**2,900**
Equity 31 December 2017	28	-	**28**	1,079	213	**1,320**
Profit for the year	-	-	-	-	1,386	**1,386**
Other comprehensive income for the year	-	-	-	-	2	**2**
Total comprehensive income	**-**	**-**	**-**	**-**	**1,388**	**1,388**
Acquisition of own shares	-	(0)	**(0)**	-	(3)	**(3)**
Equity 31 December 2018	**28**	**(0)**	**28**	**1,079**	**1,598**	**2,705**

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

The company's number of shares

	2019	2018
Total number of shares 31 December	423,104,938	423,104,938
Own shares 31 December	764,009	785,864

Nominal share value of NOK 0.52 each.

Withdrawal of proposed dividend

Given the unpredictable situation for the global economy as the impact of COVID-19 continue to evolve, the Wallenius Wilhelmsen Board of Directors has decided to withdraw their proposed dividend for 2019. In connection with the publication of fourth quarter and annual results on 22 February this year, the Board proposed an ordinary dividend of 7 cents per share to the Annual General Meeting in April 2020. The board also proposed that the Annual General Meeting give the Board authority to approve a second dividend payment of up to USD 7 cents per share for a period limited in time up to the annual general meeting in 2021, but no longer than to 30 June 2021. The board has now decided to withdraw this proposal, which in total would have been equivalent to about USD 60 million.

Note 8. Equity. Continued

The largest shareholders at 31 December 2019

Shareholders	Note	Number of shares	Number of shares
Walleniusrederierna AB	11	160,000,000	37.82%
Wilh. Wilhelmsen Holding ASA	11	160,000,000	37.82%
Folketrygdfondet		9,753,794	2.31%
Verdipapirfondet Dnb Norge		7,067,805	1.67%
Danske Invest Norske Instit. II		6,327,908	1.50%
Hsbc Bank Plc.		6,241,760	1.48%
Verdipapirfondet Nordea Norge Verd		3,142,501	0.74%
Catella Hedgefond		2,967,998	0.70%
Storebrand Norge I Verdipapirfond		2,931,829	0.69%
Danske Invest Norske Aksjer Inst		2,767,909	0.65%
Other		61,903,434	14.63%
Total number of shares		**423,104,938**	**100.00%**

Note 9. Interest-bearing debt

USD million	Note	2019	2018
Interest-bearing debt			
Bonds		312	376
Repayment schedule for interest-bearing debt			
Due in year 1	7	9	68
Due in year 2		85	9
Due in year 3		218	86
Due in year 4		-	213
Total interest-bearing debt		**312**	**376**

As of 31 December 2019, weighted average interest rate on interest-bearing debt is 5.04%

Note 10. 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 economic hedging effect for the parent company. Hedge accounting has not been applied for these economic hedges. Any change in market value of economic 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.

ECONOMIC HEDGING OF TRANSACTION RISK

As a main principle, the group does not use financial instruments to economic 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. In order to capitalise on the strong USD, the group has an economic hedging program for CNY, NOK and SEK exposures in place as of both year-ends 2019 and 2018.

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

USD million

Income statement sensitivities of economic hedge program

Change in exchange rate's levels	(20%)	(10%)	0%	10%	20%
Transaction risk					
USD/NOK spot rate	7.02	7.90	8.77	9.65	10.53
Income statement effect (post tax)	**27**	**13**	**0**	**(11)**	**(22)**
USD/SEK spot rate	7.46	8.39	9.32	10.25	11.18
Income statement effect (post tax)	**21**	**10**	**0**	**(10)**	**(21)**
USD/CNY spot rate	5.57	6.27	6.96	7.66	8.36
Income statement effect (post tax)	**40**	**20**	**0**	**(15)**	**(31)**

(Tax rate used is 22% which equals the Norwegian tax rate)

ECONOMIC HEDGING OF TRANSLATION RISK

The company has outstanding NOK-denominated bonds of about NOK 1.9 billion (USD 220 million). The corresponding amount was NOK 2.5 billion (USD 290 million) for 2018. A large part of this debt (NOK 1.75 billion) has been economically hedged against USD with basis swaps.

FX SENSITIVITIES

On 31 December 2019, 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 million

Income statement sensitivities of economic hedge program

Change in exchange rate's levels	(20%)	(10%)	0%	10%	20%
Translation risk					
USD/NOK	7.02	7.90	8.77	9.65	10.53
Income statement effect (post tax)	**(4)**	**(3)**	**0**	**2**	**2**

(Tax rate used is 22% which equals the Norwegian tax rate)

Note 10. Financial risk. Continued

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 the company is a part, seeks to economically 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 65% (2018: about 50%) of its outstanding long-term interest exposure at 31 December. However, when fixed rate debt is included, the economic hedge ratio is about 75% (2018: about 60%) as at 31 December. It should be noted that the company also takes on economic hedges on behalf of the group.

USD mill	2019	2018
Maturity schedule economic interest rate hedges (nominal amounts)		
Due in year 5 and later	150	150
Total economic interest rate hedges	**150**	**150**

The company has not entered into any forward starting swaps (analogous for 2018).

The average remaining term of the existing loan portfolio is about 2.5 years, while the average remaining term of the running interest rate derivatives and fixed interest loans is approximately 3.75 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 summarises the interest rate sensitivity towards the fair value of assets and liabilities:

USD million Change in interest rates' level	(2%)	(1%)	0%	1%	2%
Fair value sensitivities of interest rate risk					
Estimated change in fair value (post tax)	**(2)**	**(1)**	**0**	**1**	**2**

(Tax rate used is 22% which 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 10. Financial risk. Continued

USD million	Assets 2019	Liabilites 2019	Assets 2018	Liabilites 2018
Interest rate derivatives	-	9	-	5
Derivatives used for economic cash flow hedging	-	2	-	2
Derivatives used for economic translation risk hedging (basis swaps)	-	20	-	46
Total market value of derivatives	**-**	**32**	**-**	**52**

Book value equals fair value.

Credit risk

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

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 the company 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

The company has provided a parent company guarantee towards the banks involved in the financing of Wallenius Wilhelmsen Ocean Holding 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 million	Notes	2019	2018
Exposure to credit risk			
Receivables from group companies	11	118	26
Other current receivables	7	0	1
Cash and cash equivalents		14	62
Total exposure to credit risk		**133**	**89**

Book value equals fair value.

Note 10. 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 14 million (2018: USD 62 million) in liquid assets which can be realised over a three-day period.

Undiscounted cash flows financial liabilities

USD million	Less than 1 year	Year 2	Between 3 and 5 years
2019			
Bonds	18	93	224
Financial derivatives	4	2	4
Total interest-bearing debt	**22**	**95**	**229**
Current liabilities (excluding next year's instalment on interest-bearing debt and financial derivatives)	24	-	-
Total gross undiscounted cash flows financial liabilities 31 December 2019	**46**	**95**	**229**
2018			
Bonds	101	18	309
Total interest-bearing debt	**101**	**18**	**309**
Current liabilities (excluding next year's instalment on interest-bearing debt and financial derivatives)	668	-	-
Total gross undiscounted cash flows financial liabilities 31 December 2018	**769**	**18**	**309**

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.

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 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.

Note 10. Financial risk. Continued

Interest-bearing debt

USD million	Fair value	Book amount
2019		
Bonds	314	312
Total interest-bearing debt 31 December 2019	**314**	**312**
2018		
Bonds	370	376
Total interest-bearing debt 31 December 2018	**370**	**376**

Fair value hierarchy

USD million	Level 2	Total balance
2019		
Financial liabilities at fair value through income statement		
- Financial derivatives	32	**32**
Total liabilities 31 December 2019	**32**	**32**
2018		
Financial liabilities at fair value through income statement		
- Financial derivatives	52	**52**
Total liabilities 31 December 2018	**52**	**52**

There were no level 1 nor 3 instruments in 2019 and 2018.

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 23 to the group accounts for further information on financial risk and fair value of interest-bearing debt.

Note 10. Financial risk. Continued

Financial instruments by category

2019

USD million	Assets at amortised cost	Assets at fair value through the income statement	Total
Assets			
Other non-current assets	111	-	**111**
Other current assets	118	-	**118**
Cash and cash equivalents	14	-	**14**
Assets at 31 December 2019	**244**	**0**	**244**

USD million	Liabilites at fair value through the income statement	Other financial liabilites at amortised cost	Total
Liabilities			
Non-current interest-bearing debt	-	304	**304**
Financial derivatives	2	-	**2**
Other non-current liabilities	-	16	**16**
Current interest-bearing debt	-	9	**9**
Other current liabilities	30	24	**53**
Liabilities at 31 December 2019	**32**	**352**	**384**

2018

USD million	Assets at amortised cost	Assets at fair value through the income statement	Total
Assets			
Other non-current assets	-	-	**0**
Current financial investments	-	0	**0**
Other current assets	27	-	**27**
Cash and cash equivalents	62	-	**62**
Assets at 31 December 2018	**89**	**0**	**89**

USD million	Liabilites at fair value through the income statement	Other financial liabilites at amortised cost	Total
Liabilities			
Non-current interest-bearing debt	-	309	**309**
Current interest-bearing debt	-	68	**68**
Other current liabilities	52	668	**720**
Liabilities at 31 December 2018	**52**	**1,044**	**1,097**

Note 11. Transactions with related party

The two main shareholders of Wallenius Wilhelmsen ASA are Walleniusrederierna AB and Wilh. Wilhelmsen Holding ASA with 37.8% of the shares each. The 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 188 thousand and car allowance of USD 20 thousand. For participation in the board of directors and nomination committee, Thomas Wilhelmsen and Jonas Kleberg were each paid USD 62 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 company related to inter alia human resources (“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.

Income statment

USD million	Note	2019	2018
Operating expenses to group companies			
Wallenius Wilhelmsen group subsidiaries		(14)	(11)
Operating expenses to group companies	**1**	**(14)**	**(11)**
Dividend from subsidiaries and group contribution			
Wallenius Wilhelmsen group subsidiaries		938	1,189
Total dividend from subsidiaries and group contribution	1	**938**	**1,189**
Other financial income from group companies			
Wallenius Wilhelmsen group subsidiaries		13	10
Other financial income from group companies		**13**	**10**
Financial expenses to group companies			
Wallenius Wilhelmsen group subsidiaries		(3)	(1)
Financial expenses to group companies		**(3)**	**(1)**

Balance sheet

USD million	Note	2019	2018
Non-current assets to group companies			
Wallenius Wilhelmsen group subsidiaries		111	-
Non-current assets to group companies		**111**	**-**
Account receivables from group companies			
Wallenius Wilhelmsen group subsidiaries		118	26
Account receivables from group companies	**7**	**118**	**26**
Non-current liabilities to group companies			
Wallenius Wilhelmsen group subsidiaries		16	-
Non-current liabilities to group companies		**16**	**-**
Account payables to group companies			
Wallenius Wilhelmsen group subsidiaries		19	662
Account payables to group companies	**7**	**19**	**662**

Note 12. Audit fee

USD thousand	2019	2018
Statutory audit	176	268
Other assurance services	449	40
Total expensed audit fee	**625**	**308**

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Note 13. Events after the balance sheet date

Withdrawal of proposed dividend

Given the unpredictable situation for the global economy as the impact of COVID-19 continue to evolve, the Wallenius Wilhelmsen Board of Directors has decided to withdraw their proposed dividend for 2019. In connection with the publication of fourth quarter and annual results on 22 February this year, the Board proposed an ordinary dividend of 7 cents per share to the Annual General Meeting in April 2020. The board also proposed that the Annual General Meeting give the Board authority to approve a second dividend payment of up to USD 7 cents per share for a period limited in time up to the annual general meeting in 2021, but no longer than to 30 June 2021. The board has now decided to withdraw this proposal, which in total would have been equivalent to about USD 60 million.

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 (EVP and COO WW Ocean & Solutions), and Mr Erik Noeklebye (President and CEO EUKOR Car Carriers). Mr Ray Fitzgerald retired from the Company as of 31 December 2019.

The following guidelines are applied for 2020.

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, the Annual General Meeting (AGM) in 2018 endorsed the introduction of a long-term incentive plan for senior executives, effective as of 1 January 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 from the company's 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, for the other senior executives 40% of base salary and for other executives 30% 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.

Our executives outside Norway are covered by local arrangements, in line with local legislation and our company agreements.

In the US, Mr Hynekamp is included in a 401K retirement savings plan.

Mr Fitzgerald has a supplemental executive retirement plan (SERP) The SERP is a promise of payment, assuming certain criteria are met.

Mr Noeklebye has a defined contribution retirement savings plan managed by Zurich International Life Limited, and also includes risk benefits which are provided by Nordben Life and Pension Insurance Co. Limited part of the Storebrand Group.

Note 14. Statement on the remuneration for senior executives. Continued

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 24 months (notice period of 6 month plus 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 16 of the group accounts concerning senior executives of the group.

To the General Meeting of Wallenius Wilhelmsen ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Wallenius Wilhelmsen ASA, which comprise:

- The financial statements of the parent company Wallenius Wilhelmsen ASA (the Company), which comprise the balance sheet as at 31 December 2019, the income statement, statement of comprehensive income, and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Wallenius Wilhelmsen ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement 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 give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, 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.

Similar to the 2018 audit, we focused on the impairment assessments of goodwill and vessels as well as the provision related to anti-trust investigations as these risks remain relevant.

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Auditors Report - Wallenius Wilhelmsen ASA

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment Assessment for Goodwill	
We refer to note 1 (Significant accounting judgements, estimates and assumptions) and note 8 (Goodwill, customer relations/contracts and other intangible assets). The net book value of goodwill as of 31 December 2019 is USD 346 million. In line with IFRS requirements, an impairment test for goodwill was performed at 31 December 2019. No impairment was recognized in the financial statements for 2019. The goodwill impairment assessment involved significant management judgement in preparing cash flow forecasts for the applicable reporting segments and in assessing the discount rate. We focused on goodwill due to the significance of the amount in the balance sheet and the significant judgment applied by management in assessing the potential need for impairment.	We evaluated and challenged managements' impairment assessment and the process by which this was performed. We assessed managements' accounting policy against relevant 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. As evidence of reliability of Groups' forecasting process, we challenged managements' forecasting accuracy by comparing budgeted profit against actuals for 2018 and 2019 and assessed the explanations for deviations. Through our testing and discussions we were able to conclude that managements' budgeting process was reasonable. In order to challenge each of the assumptions in the forecast, we held discussions with management to corroborate our testing. We reviewed managements' authorized budgets and forecasting. Where possible, we compared these to current and historical market data to corroborate the reasonableness of cash flows used by management. Our procedures also included sensitivity analysis to key assumptions applied. These indicated some headroom for all key assumptions. We also verified the mathematical accuracy of the model. We found that the model was calculating net present values as intended. We used our internal valuation specialists and external market data to discuss the assumptions management had used to build the discount rate. We concluded that the discount rate used by management was within a reasonable range. We considered the appropriateness of the related disclosures in note 1 and 8 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 vessels	
We refer to note 1 (Significant accounting judgements, estimates and assumptions) and note 9 (Vessels, other tangible and	We obtained managements' valuation model and evaluated whether the model contained the elements

(2)

pwc

Auditors Report - Wallenius Wilhelmsen ASA

leased assets).

The group has a large number of vessels with a combined carrying amount USD 2,815 million as at 31 December 2019. Impairment indicators were considered present for the fleet for the cash generating units (CGUs) Ocean and EUKOR at 31 December 2019. As a result, an impairment test was performed by management.

Management estimated the recoverable amount through a value in use calculation based on estimated future cash flows. Management concluded that the recoverable amount exceeded the carrying amount of the vessels. As such no impairment charge was recognized in 2019.

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 should be recognized.

required by accounting regulation.

Managements' identification of Cash Generating Units CGUs was reviewed. Procedures to challenge management's assumptions included tracing of input data to budgets approved by the board of directors and considering whether rates and utilization are consistent with our knowledge of the industry. To consider the reliability of estimated operating expense, we compared the estimates to historical performance, and considered whether deviations from the budget had a reasonable explanation. Available evidence supported that managements' assumptions were reasonable.

Our procedures included applying sensitivities to the assumptions applied. This analysis showed that although different assumptions could have been made, those chosen by management were within an acceptable range.

We used our internal specialists to discuss the appropriateness of the discount rate used. We considered that the discount rate used was within an appropriate range.

We assessed the appropriateness of the related disclosures in note 1 and 9 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 note 1 (Significant accounting judgements, estimates and assumptions) and note 25 (Provisions and contingencies).

The provision for anti-trust investigations and civil claims amounts to USD 194 million as of 31 December 2019 and is both material and involves significant judgement by management.

We focused on this area due to the relative size of the amounts and the significant judgement used in arriving at their best estimate for anti-trust provision.

We obtained a breakdown of the provision. 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 anti-trust investigations 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 2017 and 2018 and the rulings and settlements during the three years to 31 December 2019.

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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 information in the annual report, except 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 Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the 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 consolidated 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:

Auditors Report - Wallenius Wilhelmsen ASA

- 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's or 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 and 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 and 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 statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going

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concern assumption and the proposed allocation of the result 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's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 30 March 2020
PricewaterhouseCoopers AS

Bjørn Lund
State Authorised Public Accountant

Responsibility statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2019 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, 30 March 2020

The Board of Directors of Wallenius Wilhelmsen ASA

Signers:

Name	*Method*	*Date*
Jasienski, Craig	BANKID	2020-03-30 21:20 GMT+2
Kerstin Margareta Alestig Johnson	BANKID	2020-03-30 21:22 GMT+2
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