Wallenius Wilhelmsen

2018

Annual Report

From sea

To land

Wallenius Wilhelmsen in brief

About us

Wallenius Wilhelmsen is a market leader in RoRo shipping and vehicle logistics, transporting cars, trucks, rolling equipment and breakbulk around the world.

The Wallenius Wilhelmsen group (OEX: WALWIL) has 9500 employees in 29 countries and is headquartered in Oslo, Norway. The group consists of Wallenius Wilhelmsen Ocean, Wallenius Wilhelmsen Solutions, EUKOR and ARC. Total income was USD 4.1 billion for the full year of 2018.

Wallenius Wilhelmsen operates around 130 vessels servicing 15 trade routes to six continents, together with a global inland distribution network, 120 processing centres, and 11 marine terminals. The company has a strong sustainability focus and is an industry leader in developing innovative solutions to reduce its operational impacts.

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

By the numbers

Defining logistics for a world in motion

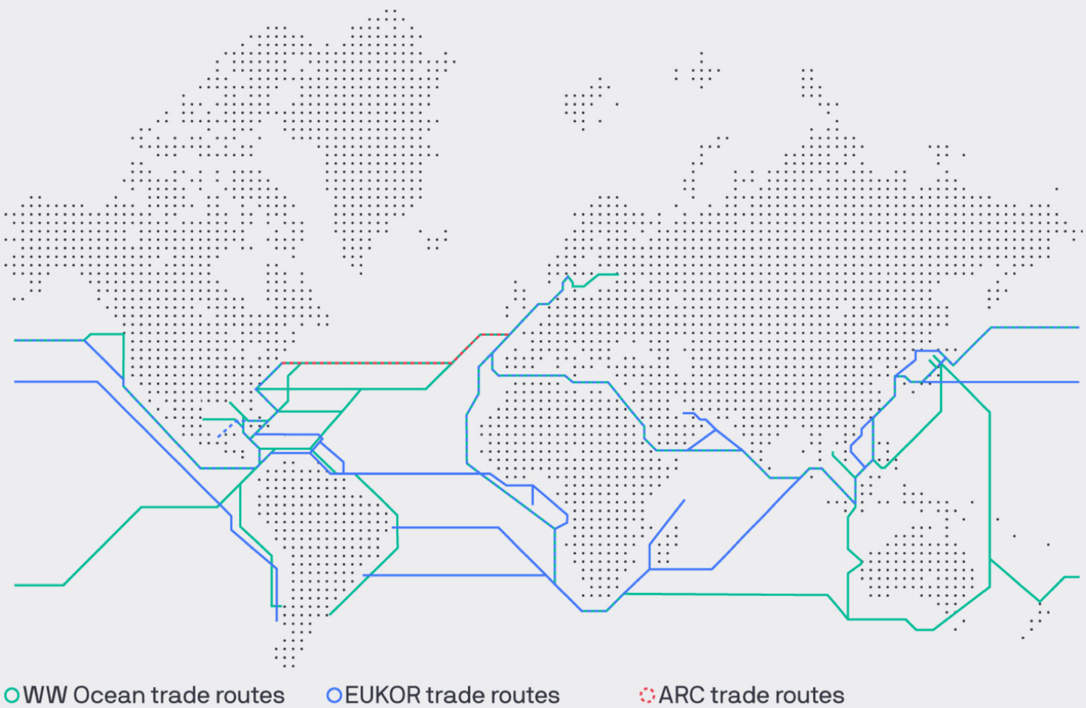
Ocean transportation | Terminals | Processing centres | Inland distribution

130
vessels

4.5
million
units transported

1200
sailings

8700
port calls



Ocean transportation | Terminals | Processing centres | Inland distribution

11
terminals

5.3
million
units handled

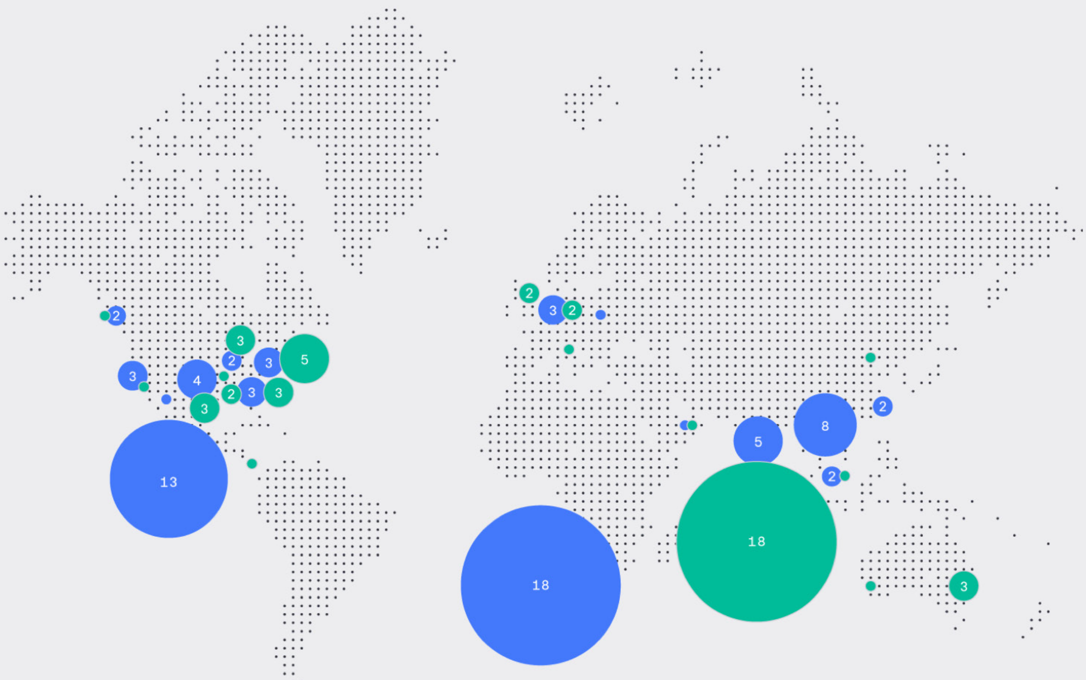
Ocean transportation | Terminals | Processing centres | Inland distribution

71
vehicle
processing centres

7.4
million
vehicles processed

50
equipment
processing centres

160,000
machines processed



Vehicle Processing Centres   Equipment Processing Centres

Ocean transportation | Terminals | Processing centres | Inland distribution

11
inland distribution networks

225,000
units moved

We offer full life-cycle logistics services for vehicles, from the factory to the end of life

9500
full time employees

29
countries

Gender distribution

Office workers | Board members

- 42% Women
- 58% Men

Gender distribution

Office workers | Board members

- 40% Women
- 60% Men

Key figures

Key figures consolidated accounts

USD million unless otherwise stated	2018	2017
Income statement		
Total income	4,065	3,027
Operating profit before depreciation, amortisation and impairment (EBITDA)	601	573
Operating profit (EBIT)	244	301
Profit before tax	78	148
Profit for the period	58	146
Balance sheet		
Non-current assets	6,204	6,376
Current assets	1,210	1,487
Total assets	7,414	7,863
Equity – parent	2,647	2,622
Equity – NCI	228	228
Interest-bearing debt	3,584	3,764

USD million unless otherwise stated	2018	2017
Key financial figures		
Net cash flow provided by operating activities	261	462
Liquid funds at 31 Dec	484	796
Current ratio [1]	1.1	1.0
Equity ratio [2]	39%	36%
Yield		
Return on equity	2.0%	5.1%
Key figures per share		
Basic and diluted earnings per share	0.12	0.37
EBITDA per share	1.42	1.54
Average number of shares outstanding (thousand)	423,105	423,105
NOK		
Market price at year end	29.70	59.25
Market price high	65.00	59.25
Market price low	27.90	35.90
Dividend per share	0.06	0.00

1) Current assets divided by liabilities

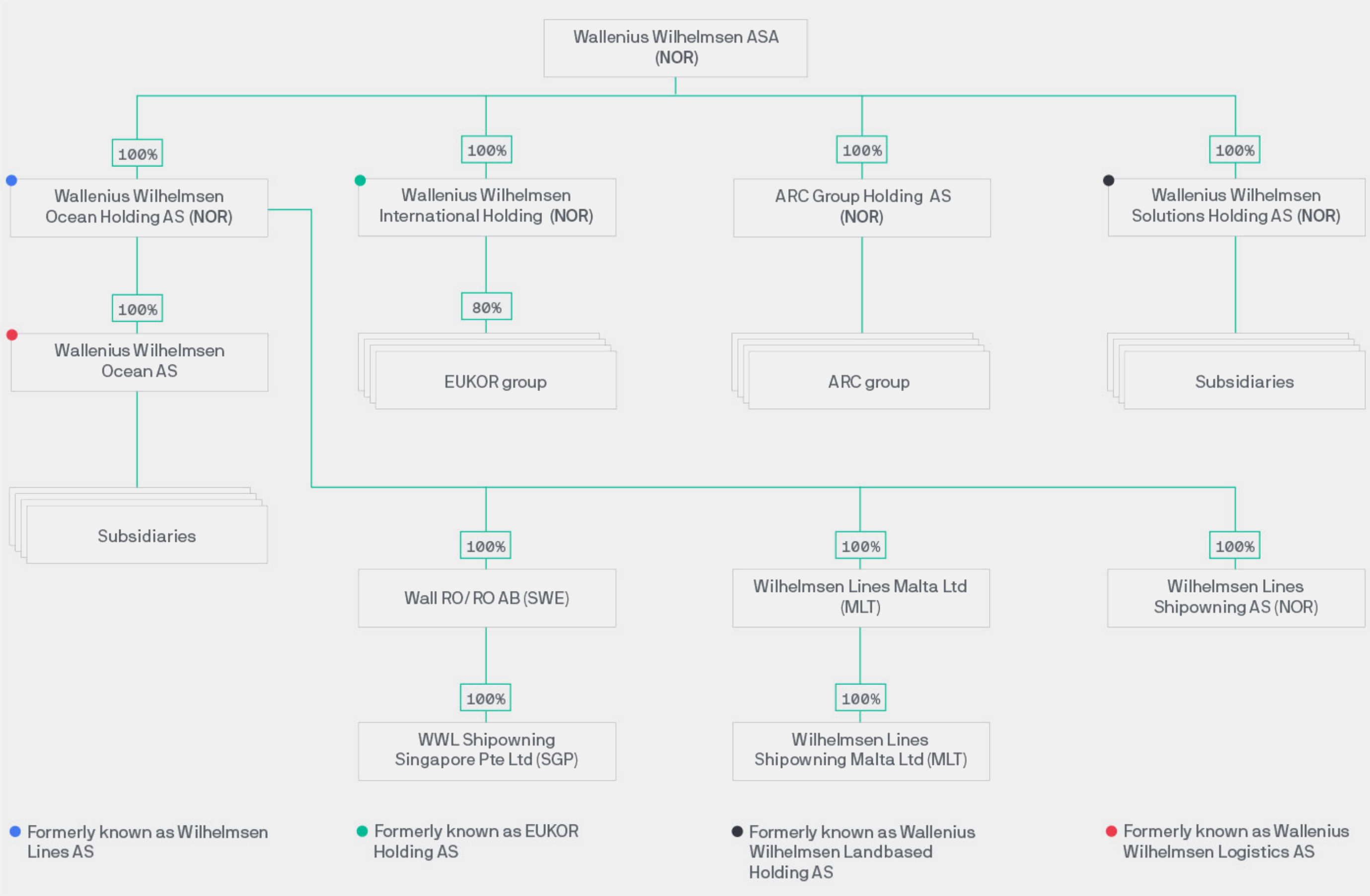
2) Equity in percent of total assets

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

See page 179 in the annual report PDF for presentations of alternative performance measures.

Corporate structure

(Click image to zoom)



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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 Noeklebye

Chief Executive Officer EUKOR

Raymond Fitzgerald

Chief Operating Officer WW Solutions
& Chairman of ARC

Michael Hynekamp

Chief Operating Officer WW Ocean

Jan Dahm-Simonsen

Chief Human Resources Officer

Malfrid Lundell

Chief Transformation Officer

Simon White

Chief Information Officer & SVP Commercial WW Ocean

Words from the CEO

"Despite the tough market, we remain strong and have weathered the storm well."

Strategy into action

2018 was our year to consolidate capabilities from the strong platform we created through the merger in 2017, and that we did. The merger synergy target was lifted by 20% to USD 120 million for the full year and we achieved that within the third quarter. We then established a USD 100 million performance improvement programme to maintain momentum in countering the challenging market forces. Equally importantly, we took decisive steps towards our strategy of full lifecycle logistics through the acquisition of Syngin, stimulating new thinking and digital capability in our group. Continuing our drive to increase our digital capability and speed, we established Raa Labs – the digital accelerator for the maritime industry – as a 50% equity partner.

On sustainability, we took a stand as one of the founding partners of the Ship Recycling Transparency Initiative (SRTI), exemplifying our decades long practice of green and responsible vessel recycling. With the 0.5% sulphur cap coming into force from 2020 and the resulting uncertainty around quality, quantity and price of new fuel, we opted to install scrubbers on a further 20 vessels in our fleet to mitigate some of the risk. Contractual clauses were reviewed and adjusted with clients where needed, ensuring we achieve natural hedges through fuel cost increase recovery over time. Lastly, we established our new corporate visual identity, launched new values across the group and initiated two major IT operating system change projects. These steps, and many more, are proof of how we are smarter and stronger together and are continuing to deliver on our strategy and build value for investors.

Our market remains tough

At a macro level, general market sentiment regarding the global economy, slowdown in China, trade wars and Brexit uncertainty created a volatile environment in the vehicle segments we serve throughout the year. While trade wars brought limited real volume effect, the negative sentiment left investors with concerns over the robustness of forward volumes, which naturally had an effect on our share price. Global light vehicle sales saw a 4.6% decline year-on-year, however exports saw 2.5% year-on-year growth. Overall export growth was still not enough to absorb excess shipping capacity in the market, resulting in continued rate pressure in all ocean corridors and a relentless margin squeeze. Full year volumes for our ocean business remained flat compared to 2017, although cargo mix improved. These factors also impacted our share price as investors were not seeing the growth in volumes and earnings expected. Landbased earnings developed well, particularly through the acquisition of Keen Transport in the US and the expansion of the MIRRAT terminal in Australia.

Despite the tough market, we remain strong and have weathered the storm well. Our single fleet approach has enabled us to adjust and redeploy capacity rapidly across our broad network. We have secured a very high degree of all the contract business sought on land and sea, with re-affirmed confidence from our client base. We’ve been able to renegotiate contractual terms for better operational efficiency and through that have been able to drive real bottom line improvements. Internal consolidation and efficiency of all our business units remained a strong focus and thanks to the incredible work of our employees we can comfortably state that our results were USD 120 million better than they would have otherwise been.

Our people

It has been said that jobs of the past were about muscle, jobs of today are about brains and in the future, they will be about hearts. Throughout, it's about people and – as we move through Industry 4.0 – even more so. Technology has changed tasks in our group since the first industrial revolution, given our long and proud heritage, and will continue to do so. Without our people we cannot apply technology, serve our customers or deliver returns to our shareholders. Safety is paramount to us as a global enterprise with scores of land-based operating sites and hundreds of vessels in our control. In addition to our strong focus on lost time incidents, in 2018 we placed deeper emphasis on reporting near-misses to boost learning, and continued to develop preventative measures across all our sites.

A safe working environment goes beyond physical safety; it's also about emotional safety and embracing diversity. We introduced new values to the organisation early in the year: Imagination, Courage, Candour, Speed and Trust. With these, we want to continue building a working environment where we can speak up, dare to generate ideas, be willing to move quickly and trust each other. These values and the leadership training we run are core to our ability to attract and retain the talent we need. We were very proud to have been listed on the She Index as one of the leading companies in Norway in gender equality. As a global organisation, inclusion in all forms is a key focus area that we will continue to emphasise and work with over the coming years. Our people have done amazing things during 2018 and will continue to do so as we move into our next phase as a company.

Defining logistics for a world in motion

Looking to 2019 and beyond, using our stronger and smarter strategy platform created since the merger, we can lean in to Industry 4.0 and move towards our purpose. We firmly believe new opportunities lie in the vehicle supply chains of the future. Disruption continues around us and will certainly have an impact on our industry and the value chains in which we serve and operate. Our focus is on transforming ourselves and seeking the opportunities that technology offers, as we've done successfully for more than one and a half centuries. The availability, accessibility and now relatively low cost of digital technology is unprecedented. Embracing the possibilities that exist will bring us improvements in three key areas: it will drive further efficiency in our operations, generate new revenue pools, and reduce the environmental impact of vehicle supply chains by removing inefficiencies and taking out waste. We will continue to invest in technology and human resources to boost our digital capabilities and drive improved financial performance.

Our Lean:Green strategy demonstrates our commitment to social and environmental progress in our areas of influence – within vehicle value chains. Sustainable business practices go hand in hand with financial performance of the company – these are not ‘either or’ matters for us – it’s ‘both and’. As we lean in and exploit the opportunities Industry 4.0 offers us, we will be able to bring value to all stakeholder groups that are engaged with our company and perform above our peers. Our shareholders are an important part of our journey to create the platform needed to achieve our ambitions, and we thank them for their support.

Craig Jasienski
President and CEO

Purpose and strategy

Wallenius Wilhelmsen ASA (‘WALWIL’ or ‘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 *‘Defining logistics for a world in motion’*. The world is changing at a rapid pace and with this change comes a greater need for seamless transport and logistics solutions. Trends in the wider auto industry, such as car-sharing, autonomous vehicles and electrification will bring both challenges and opportunities for logistics providers. Wallenius Wilhelmsen will capitalise on the opportunities linked to a changing market and take an active role in defining the next generation of logistics for this world in motion.

Wallenius Wilhelmsen aims to strengthen its position as the RoRo market leader, growing with its customers, and maintaining its unrivalled high & heavy and breakbulk capabilities. For landbased solutions, Wallenius Wilhelmsen will be targeting substantial growth and continue to extend the scope of services beyond the factory-to-dealer supply chain, to full lifecycle logistics providing services also beyond the point of sales.

Furthermore, Wallenius Wilhelmsen will aim to leverage digitalisation opportunities and introduce new technologies and ways of working to reduce cost, increase operational efficiency, improve the customer experience and drive business development and growth. As the company strives to become an industry cost leader, the focus on operating sustainably, ethically and safely remains at the heart of the business. Wallenius Wilhelmsen has adopted a ‘Lean:Green’ sustainability strategy which is built around the core belief that there should be 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.

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

Highlights for 2018

2018 was a challenging year for Wallenius Wilhelmsen. The financial results weakened compared to 2017 and the share price dropped with about 50% due to weaker results and the more uncertain outlook. The market environment remained challenging with pressure on rates and the volume outlook becoming more uncertain towards the end of the year. However, on a positive note, Wallenius Wilhelmsen delivered on the revised USD 120 million synergy programme and initiated a new two-year USD 100 million performance improvement programme in 2018.

In 2018, financial results were weak compared to the relatively strong performance of 2017. The performance shortfall was largely driven by the ocean segment, which was negatively impacted by higher and rising bunker prices, a reduction in contracted Hyundai Motor Group ('HMG') volumes, lower rates, and unfavourable currency movements. The negative development was partly countered by underlying positive volume development, especially for high & heavy, and increased realisation of synergies. For the landbased segment, the results were in line with previous year. The landbased results were positively impacted by the Melbourne terminal being fully operational and the acquisition of Keen Transport, while Solutions Americas – Auto (VSA) experienced weaker results due to a less optimal customer and service mix.

The market fundamentals continued to improve in 2018, with modest growth for automotive and a continued recovery for the high & heavy segment. Furthermore, the order book remains very low and the net fleet growth is expected to be marginal, perhaps even negative, for several years to come. However, the short-term volume outlook became more uncertain towards the end of 2018 due to the risk of increased trade barriers, slower global economic growth, and weaker automotive sales in China and Europe.

Throughout 2018, the ocean segment continued to face the challenge of overcapacity of tonnage resulting in pressure on freight rates, which are currently at a low level. A key focus during contract negotiations in 2018 has been on changing service commitments to improve contract profitability. Additionally, BAF clauses are in the process of being adjusted to reflect the implications of IMO 2020. Overall, Wallenius Wilhelmsen has been able to retain both desired existing business, and achieve a high degree of new business on both land and sea in 2018.

Throughout the year, Wallenius Wilhelmsen benefited from the positive effects of the merger between Wilh. Wilhelmsen ASA and Wallroll AB in April 2017. The new structure has been well received by customers, suppliers and financial stakeholders,and the group enjoys a very strong standing in the market. The USD 120 million synergy target was achieved in the third quarter 2018. The synergy programme was immediately succeeded by a new two-year performance improvement programme targeting USD 100 million in bottom line improvements, which will further strengthen company and improve financial performance. A key part of the programme is leveraging digitalisation and introducing new technologies to optimise voyage and fleet management, increasing operational efficiency and reducing costs.

In April 2018, Wallenius Wilhelmsen finalised the project to establish a legal and funding structure consistent with the business unit structure consisting of Wallenius Wilhelmsen Ocean ('WW Ocean'), Wallenius Wilhelmsen Solutions ('WW Solutions'), EUKOR and ARC. As part of this process, all ship loans in Wallenius Logistics AB and Wilhelmsen Lines AS were either refinanced or amended to allow for the restructuring. In the second half of the year, Wallenius Wilhelmsen refinanced about USD 450 million in ship loans. Following the restructuring and refinancing activities in 2018, the Ocean business has limited refinancing needs for 2019 and 2020.

In July 2018, WW Solutions acquired 70% of the membership interest in Syngin Technology LLC ('Syngin') for an estimated purchase consideration of about USD 29 million on a cash and debt-free basis. The acquisition of Syngin marked the entry into the full life cycle logistics space for Wallenius Wilhelmsen.

Financial review 2018

Consolidated financial results

The merger between Wilh. Wilhelmsen ASA and WallRoll AB in April 2017 materially impacted the consolidated historical financial statements for 2017. Therefore, the financial information for 2017 used for comparison with 2018 figures is based on the unaudited proforma income statement for first quarter 2017, as well as actual figures for the last three quarters of 2017.

Total income for Wallenius Wilhelmsen was USD 4 065 million for the full year of 2018, up 6% compared to 2017 (proforma revenue). The increase in total income was driven by stable net freight and increased surcharges related to bunker adjustment clauses (BAF) for the ocean segment and growth in the landbased segment.

For 2018, EBITDA ended at USD 601 million which included costs of about USD5 million related to the restructuring and realisation of synergies. EBITDA adjusted for these items, came in at USD 606 million, a decline of 14% compared to last year's adjusted EBITDA of USD706 million (based on proforma figures). The performance shortfall was largely driven by the ocean segment, which was negatively impacted by bunker prices, a planned reduction in contracted HMG volumes, lower rates, and unfavourable currency movements in the first part of the year. The negative development was partly balanced by underlying positive volume development, especially for high & heavy, and increased realisation of synergies.

Net financial expenses were USD 166 million for the full year of 2018. Interest rates increased during the year, but had only a marginal negative impact due to a large portion of debt being secured through a hedging programme (interest rate swaps not directly linked to specific loans and/or facilities). Net financial expenses were positively impacted by USD 32 million in unrealised gains from interest rate hedges and negatively impacted by USD 21 million in currency movements/derivates and USD 7 million in losses on bunker hedges purchased in November 2018.

Wallenius Wilhelmsen recorded a tax expense of USD 20 million for the full year of 2018. The tax expense included withholding tax on dividends from EUKOR of USD 7 million and a reclassification of a provision between WW Ocean and EUKOR with a deferred tax effect of USD 11 million.

Profit for the full year of 2018 was USD 58 million.

Financial position and capital structure

Wallenius Wilhelmsen had an equity ratio of 38.8% at the end of 2018, up from 36.2% at the end of 2017. The liquidity position is good, with cash and cash equivalents of USD 484 million and around USD 335 million in undrawn credit facilities. The group had total interest-bearing debt of USD 3 585 million at the end of 2018. Outstanding bonds were about USD 380 million with the remainder consisting of bank loans and leasing commitments. The group was in compliance with all loan covenants at year-end 2018.

Several financing arrangements were concluded during 2018. In April 2018, Wallenius Wilhelmsen finalised the project to establish a legal and funding structure consistent with the business unit structure. As part of this process, all ship loans in Wallenius Logistics AB and Wilhelmsen Lines AS were either refinanced or amended to allow for the restructuring. In addition, the WW Solutions credit facility was increased from USD 250 million to USD 400 million, EUKOR refinanced four vessels for a total of USD 120 million, and WW Ocean refinanced seven vessels for a total of USD325 million. Wallenius Wilhelmsen ASA also issued a NOK 750 million unsecured bond, with a floating interest rate coupon set at three-month NIBOR plus 3.00% p.a. and maturity date on 13 September 2021.

Cash flow

Net cash flow from operating, investing and financing activities was negative by USD 312 million in 2018.

The net cash flow from operations amounted to USD 261 million. Net cash flow from operations was negatively impacted by the EUR 207 million settlement with the European competition authorities and customer settlements of USD 11 million.

Net cash flow from investing activities was negative USD 174 million, mainly related to execution of a vessel purchase option, final instalments for the first HERO newbuilding delivered in May 2018, regular drydockings, the acquisition of Syngin and a few other landbased investments.

Net cash flow from financing activities, which was significantly impacted by the all the refinancings throughout the year, ended at negative USD 399 million. The main items were net proceeds from issue of debt of USD 1 280 million, repayment of debt of USD 1 455 million, interest payments of USD 177 million, realised derivatives of USD 30 million and USD 17 million in dividends to the minority shareholders in EUKOR.

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

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

Summary of 2018

Total income was USD 3 220 million for the full year 2018, up 3% compared with 2017 (proforma) due to increased fuel cost compensation from customers. Ocean volumes were relatively flat despite reduction in contracted Hyundai Motor Group (HMG) volumes due to strong underlying volume development in the first half of the year. The Oceania and Asia-South America trade experienced growth, while the volume development for Atlantic, Asia-Europe and Europe-Asia trade was flat. Furthermore, the Asia-North America trade decreased substantially as the largest reduction of HMG volumes took place here. The high & heavy share increased to 27.9%, up from about 25.6% in 2017 due to positive development in the high & heavy segment.

EBITDA in 2018 ended at USD 528 million, which included costs of about USD 4 million related to the restructuring and realisation of synergies. EBITDA adjusted for these items came in at USD 532 million, a decline of 13% compared to 2017 (proforma). The performance shortfall was largely driven by higher bunker prices, reduction in contracted HMG volumes, lower rates, and unfavourable currency movements. The negative development was only partly offset by underlying positive volume development, especially for high & heavy, and increased realisation of synergies.

The fleet

At year-end 2018, the Ocean business operated a core fleet of 123 vessels with carrying capacity of 866,000 car equivalent units (CEU) accounting for about 20% of the global car carrier fleet. At year end, the group owned 78 vessels, had 48 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) was stable throughout 2018, while the number of short-term charters varied during the year due to seasonal volume shifts. Currently, the group retains flexibility to redeliver up to 12 vessels by 2020 (excluding vessels on short charter).

During 2018, the group took delivery of one new building on WW Ocean's account and EUKOR exercised one purchase option on chartered vessels. The number of owned vessels increased from 76 vessels in 2017 to 78 vessels in 2018.

Three Post-Panamax vessels are under construction, with combined capacity of 24,000 CEU. Two of these vessels are expected to enter service in 2019 and one is scheduled for delivery in early 2020. The outstanding instalments for these vessels are USD 120 million. The new buildings have been financed through regular bank facilities.

In June 2018, Wallenius Wilhelmsen decided to initiate a programme to retrofit scrubbers on 20 vessels over the next few years, increasing the number of vessels in the fleet with scrubbers to 25. Total cost for the scrubber installations (including off-hire costs) are estimated to USD 120-130 million. The scrubbers will be retrofitted during scheduled dry-docking to minimise the impact on operations, and will be financed through available cash, existing credit facilities, and new scrubber tranches for selected ship loans.

The landbased segment

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

Summary of 2018

Total income from the landbased segment for the full year of 2018 was USD 914 million, representing an increase of 14% compared with 2017 (proforma). The increase in landbased revenues were driven by full operations at the Melbourne terminal and the acquisitions of Keen and Syngin. For 2018, EBITDA was USD 90 million, down about 10% from 2017 (proforma). The results were positively impacted by the Melbourne terminal being fully operational and the acquisition of Keen Transport ('Keen'). On the other hand, results were negatively affected by increased SG&A cost allocations of about USD 12 million (offset by a similar reduction in ocean), and a less optimal customer and service mix for Solutions Americas – Auto (VSA).

Solutions Americas – Auto (VSA) continued to experience high volumes and activity levels throughout 2018. However, EBITDA ended at USD 40 million, down 27% compared to 2017, due to increased SG&A cost allocations combined with less profitable customer and service mix, i.e. less accessory fitting and content, and more yard management work. This was partly offset by positive contribution from Syngin which was acquired on 5 July 2018 (see note 5 for more information).

The terminal business delivered solid results in 2018 and EBITDA ended at USD 33 million, up 25% compared to 2017. The improved results were driven by the Melbourne terminal being fully operational, whereas results for the other terminals on average were in line with 2017. Towards the end of the year, it was decided to close the Kotka terminal due to low volumes and a weak outlook with Russian bound volumes moving directly to Russian ports.

Solutions Americas – H&H developed positively in 2018 delivered USD 12 million in EBITDA, up from about USD million in 2017. The improved results were driven by the acquisition of Keen Transport in December 2017.

Network development

Wallenius Wilhelmsen has a clear ambition to continue to grow and expand the landbased footprint. In 2018, WW Solutions continued its expansion through M&A and investments.

In early 2018, WW Solutions signed an agreement with the local port authorities (MBZ) in Zeebrugge to gradually expand the footprint in the terminal to cater for increased volumes and growth. The estimated investment is about USD 20 million over the next few years.

In July 2018, WW Solutions acquired 70% of the membership interest in Syngin for USD 29 million on a cash and debt-free basis. The acquisition of Syngin marked the entry into the full life cycle logistics space.

In late 2018, the construction of the Tacoma Vehicle Processing Centre in the US was completed, and the first units were processed through the facility in December 2018, with a total investment of USD 12 million.

Market development and outlook

The global demand for deep-sea transportation developed favourably in 2018, with modest growth for automotive exports and continued recovery in the global high & heavy equipment markets.

Auto market

Global auto sales declined by 0.5% in 2018 and totalled 93.8 million units. The US economy continued to develop positively, and auto sales for the US market were slightly up in 2018 at a healthy level of 17.3 million units sold. Sales in Western Europe developed positively in the first half of the year, but started to drop from September due to the new emission scheme WLTP and ended the year down 0.4% compared to 2017. China recorded the first annual loss for more than 20 years down 3.3% largely driven by reduced consumer confidence due to the trade tension with the US. Auto sales in Brazil and Russia continued to rebound in 2018 with double-digit growth figures, but from a low base.

Global deep-sea auto exports were up about 2.5% from 2017 to 2018. Auto exports from Europe developed steadily up 0.8%, as hunger for premium brands remained solid in many parts of the world. North American exports continued to increase (up 2%) driven by new volumes out of Mexico. Japanese exports increased with 4.5% from 2017, while Korean vehicle exports continued the negative trend, down 2.5% from 2017, mainly driven by reduced volumes to the Middle East and South America. Chinese exports increased in 2018 with 36% as both western and domestic brands increased their focus on exports partly explained by a slow domestic market in China. The domestic Chinese OEM's still produced volumes for export which were mainly delivered to emerging markets.

The sales outlook for 2019 is stable with a forecasted growth of about 1% compared to 2018. US sales growth is predicted to continue to be soft, but to remain historically high in absolute terms. Western Europe is foreseen to experience a modest sales decline while Russia and Brazil are expected to extend the positive momentum into 2019. The base case scenario remains that deep-sea volumes will continue to grow as trends from 2018 are likely to continue with new volumes out of North America, solid exports from Europe, and new volumes out of China. Exports from Japan is expected to be in well shape, while Korean export are expected to decline slightly. However, the outlook for 2019 is increasingly uncertain due to weaker auto sales in certain markets, potential risk of trade barriers and a slightly softer macro picture.

High & heavy market

The global market for large agricultural, construction and mining equipment continued to expand in 2018, following the strong recovery a year prior that ended four consecutive years of decline. Global trade volumes increased about 10% last year, but growth rates moderated from the highs when entering the year.

Global construction equipment volumes remained key to the continued market expansion and increased 15% y-o-y in the first ten months of 2018. The strong turnaround a year prior was characterised by almost every single market globally advancing, and all regions except Latin America continued to experience growth in 2018. The global cycle is assumed to continue in the coming year, albeit at a far more measured pace than in previous years as the global economic expansion is becoming increasingly unsynchronised.

The mining equipment replacement cycle continued in 2018, as producers are replacing machinery commissioned during the early years of the super cycle. Global deliveries of surface mining machinery increased 35% with all regions except for Asia experiencing growth compared to the previous year. Commodity prices moderated from mid-year, driven in part by trade related worries, but are still 30-40% above trough levels for key metals. Prices are assumed to remain supportive of continued machinery investment, and the capex outlook among mining majors remains favourable for the year ahead.

While weak agricultural commodity prices continued to weigh heavily on farm income in 2018, the global market for agricultural equipment showed some signs of recovery last year. North American large tractor sales increased 6% in 2018, as replacement demand put an end to four straight years of decline. The Brazilian tractor market strengthened 5% from the previous year, as new farmer financing rates became available. Tractor registration in the biggest European markets were mixed, with flat development in UK, the French market continued to struggle and Germany edged up. Sales in Australia were unchanged compared to the previous year, as drought related worries dampened sales in the second half of the year.

Global fleet

The global vehicle carrier fleet totalled 741 vessels with carrying capacity of 4.08 million CEUs at the end of 2018, up about 2% from year-end 2017. In 2018, 14 newbuildings were delivered, and 10 vessels were recycled. 2018 was an uneventful year in terms of ordering of newbuildings, with zero vessels ordered. This resulted in a sharp decline in the order book, counting only 16 vessels, equivalent to about 3% of the active fleet and the net fleet growth is forecasted to be marginal for several years going forward. The majority of the order book is scheduled for delivery in 2019 and the remainder from 2020 to 2021.

Risk and risk management

A deliberate strategy and procedure for risk mitigation 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 on a regular basis. On a quarterly basis, management presents a detailed risk assessment, including mitigating actions, covering all business units and functional areas, to the Board of Directors.

The responsibility of governing bodies, management and employees is to be aware of the current environment in which they operate, implement measures to mitigate risks, prepare to act upon unusual observations, threats or incidents, and proactively try to reduce potential negative consequences. Risk evaluation is integrated in all business operations, both at group and business unit level. 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 bunker price development. Wallenius Wilhelmsen seeks 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%.

The dominant currency for both revenues and costs across the group is USD, which is also the functional currency. The majority of the currency exposure arises on the cost side in the ocean operating companies with EUR, KRW, JPY, SEK, NOK, GDP and CNY representing about 25% of the operating costs. 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 USD is historically strong compared to other currencies.

As a general principle, BAF in customer contracts is the main way of managing bunker oil price risk. 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. Therefore, the implementation of IMO 2020 and the transition from HFO 3.5% to VLFSO represents a risk for Wallenius Wilhelmsen as the price for compliant fuel could increase sharply in the transition period creating a negative lag effect. To mitigate the risk, the group has locked in the forward spread between HFO 3.5%, and MGO for about one third of the bunker volumes in the period November 2019 – April 2020.

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

Market and commercial risk

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

As such, the ongoing trade tension and possibility of new tariffs on automotive imports to the US represents a risk for Wallenius Wilhelmsen. A short-term direct effect of some reduction in automotive volume shipments to the US is not expected to be substantial, as the group can reduce its fleet size, and the profitability for automotive volumes in certain trade lines is very low (e.g. Atlantic trade). On the other hand, the indirect effects of slower global economic growth, combined with reduced deep-sea volumes across all cargo segments (not only US automotive imports), will 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 & heavy equipment is continuously changing. A shift in the balance between locally produced and exported cargo may affect the overall demand for deep-sea ocean transportation, resulting in changed utilisation of the fleet. A shift in customers' market positions can also represent opportunities and risks for Wallenius Wilhelmsen's operating entities. However, the group's broad global coverage and client exposure reduces this risk element.

Operational risk

The main operational risks for Wallenius Wilhelmsen include tonnage balance, 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 down capacity to meet changes in demand cost-effectively. Wallenius Wilhelmsen proactively handles trade imbalances through vessel swaps and space charter arrangements for excess volumes with other operators.

Furthermore, implementation of the IMO 2020 0.5% global sulphur cap represents a challenge and risk for the shipping industry, with fuel costs potentially to increase significantly due to lack of availability and quality of fuels. Wallenius Wilhelmsen is relatively well-covered through Sulphur (BAF) clauses already in place for the majority of the larger customer contracts and aims to introduce relevant clauses for remaining customer contracts. To handle this uncertainty, Wallenius Wilhelmsen has chosen a balanced approach which gives the best chance of managing risks and costs. The group has therefore arrived at a strategy of combining operating with different types of low sulphur fuel and installing scrubbers on the most suitable vessels.

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 2019, while the timeline for the resolution of civil claims is more uncertain. The ongoing investigations of WW Ocean and EUKOR are confidential, and Wallenius Wilhelmsen is therefore not able to provide more detailed comments.

The Wallenius Wilhelmsen group maintains a strong focus on compliance, and performs regular trainings and updates to its employees.

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 land-based operations. These risks are mitigated through their respective management systems on all owned 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. Furthermore, the group has also implemented programmes with KPI follow-up that seek to identify and prevent potential environmental and safety risks.

Changes in regulation concerning emission of Green House Gases (GHG) are another significant 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 are likely to impact the shipping industry. Wallenius Wilhelmsen seeks to contribute to progressive yet pragmatic outcomes through active engagement in the regulatory process.

Dividend for 2018

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

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.

The Board has decided to propose an ordinary dividend of 6 cents per share to the Annual General Meeting in April 2019. The Board also proposes that the Annual General Meeting gives the Board authority to approve 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 total, the proposed dividend for 2018 is equivalent to USD 50 million.

The Wallenius Wilhelmsen ASA share price developed negatively during 2018 and decreased from NOK 59.00 per 31 December 2017 to NOK 29.70 per 31 December 2018 representing a reduction of 50%.

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 Annual General Meeting in 2019, but no longer than to 30 June 2019.

Allocation of net profit

The Board's proposal for allocating the net profit for 2018 is as follows:

Net profit	58 million
Dividend	50 million
To other equity	8 million
Total allocation	**58 million**

Prospects

The Board maintains a balanced view on the prospects for Wallenius Wilhelmsen. However, there is increased uncertainty around the volume outlook in light of weaker auto sales in certain markets, potential risk of trade barriers and a slightly softer macro picture. Market rates remain at a low level, but tonnage balance is gradually improving.

Wallenius Wilhelmsen has a solid platform for growth and is well positioned to succeed in a challenging market. Furthermore, the new two-year performance improvement program will support profitability going forward.

Sustainability at Wallenius Wilhelmsen

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

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

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

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

Focus areas (Click image to zoom)

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

Transparency in Wallenius Wilhelmsen's sustainability effort and performance is essential to promote good relationships with the company's stakeholders and meet their evolving expectations. To ensure the appropriate focus and relevance of the sustainability work and reporting, the company has conducted a materiality assessment to identify and prioritise the most material sustainability issues. A complete overview of materiality in the Wallenius Wilhelmsen value chain and our engagement with stakeholders is available in the Sustainability section on our website.

Working towards the UN Sustainable Development Goals

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

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

SDG 3: Ensure healthy lives and promote well-being for all at all ages

By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination

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

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

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

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

SDG 10: Reduce inequality within and among countries

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

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

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

Integrate climate change measures into national policies, strategies and planning

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

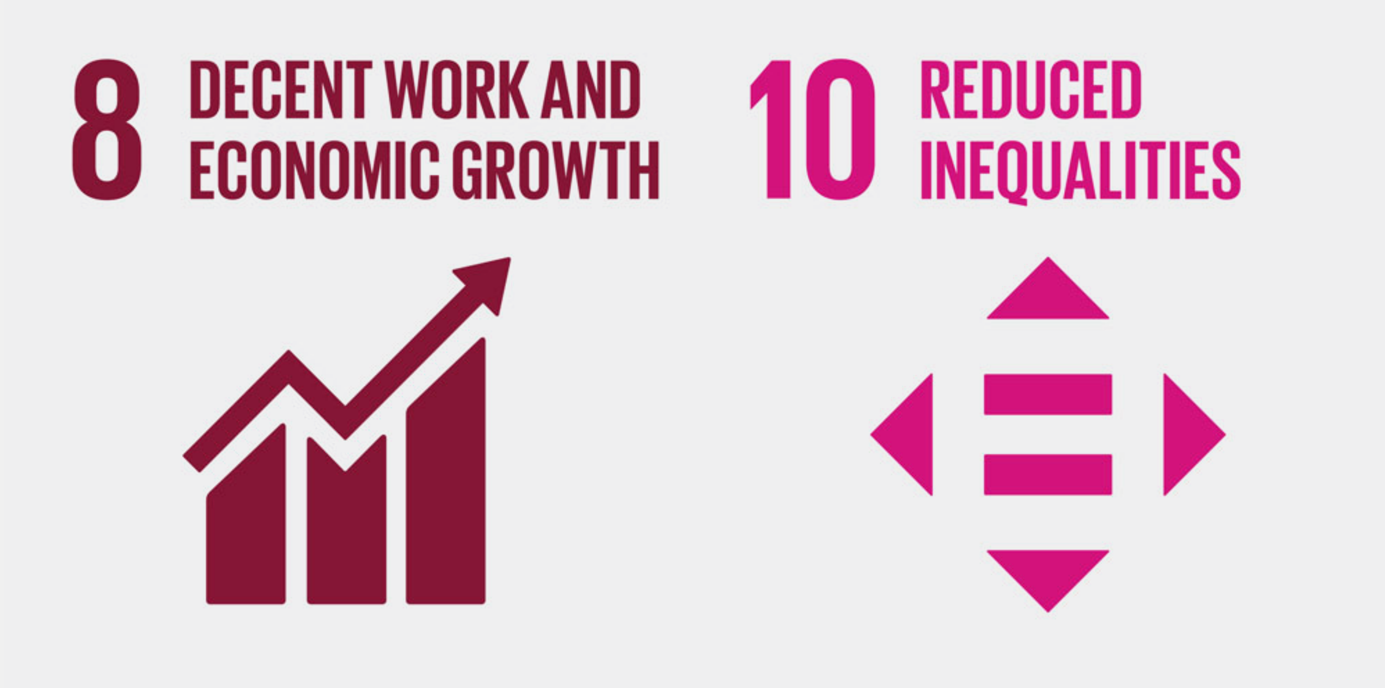
By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution

Valuing our people's wellbeing and diversity

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

Wallenius Wilhelmsen has almost 9 500 employees across the world and prides itself on being a responsible employer and providing a safe, challenging and fulfilling working environment. The company believes that there is a strong correlation between employee satisfaction, employee engagement and value creation.

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



Diversity

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

As a group, employees offer a great range of knowledge, experience and cultural understanding, all of which are major contributing factors to ensuring the group is equipped to thrive in an uncertain climate.

The company's future success is important to its employees, customers and investors, which means it's essential that the diversity of employees is preserved and enhanced in the future.

The company also recognizes that for diversity to have a meaningful impact, the company also needs to strive towards a culture of inclusion where diverse opinions are treated with respect and taken into account.

Managing Diversity

The main tool for assessing the diversity of the workforce across Wallenius Wilhelmsen is the Human Resources database, and diversity-related management decisions are made based on its data. Each of the companies in the group has its own Human Resources departments which together form the global HR function under Wallenius Wilhelmsen's Chief Human Resource Officer.

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

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

Evaluation of results

Data has been compiled from the global HR systems, which in accordance with the ambitions set for 2018, were upgraded to be able to provide a more granular break-down of the workforce diversity.

Total number of employees by region

Asia Pacific	Europe Middle East and Africa	America	Total
1452	1636	6363	9451

Total number of production workers by contract type (permanent, temporary), by gender

	Male	Female	Total	M / F %
Regular/Permanent	5285	790	6075	87/13
Contract Labour/Temporary	NA	NA	1164	NA
Total	NA	NA	7239	NA

Total number of office workers by contract type (permanent, temporary), by gender

	Male	Female	Total	M / F %
Regular/Permanent	1246	887	2133	58/42
Contract Labour/Temporary	36	43	79	46/54
Total	1283	930	2212	58/42

Total number of office workers by employment type (full-time, part-time), by gender

	Male	Female	Total
Full time	1280	906	2186
Part time	2	24	26
Total	1282	930	2212

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

	APAC	EMEA
Regular / Permanent	1127	1526
Contract Labour/Temporary	325	110
Total	1452	1636

The company employs external consultants and contractors who assist in developing specialised business software solutions and provide general IT support services. Their number, however, is not significant. There are no major seasonal variations in the numbers reported above for the office workers, however, the number of production workers can fluctuate considerably according to operational demand at land-based facilities. Note that Wallenius Wilhelmsen does not employ any seafarers directly.

The total number of employees has increased quite significantly from the 7 497 in 2017 to 9 451 in 2018. The key factors contributing to this increase are the inclusion of the Keen organisation's workforce, the inclusion of contract and temporary production workers, and the general increase in production workers due to increased activity in WW Solutions.

The gender balance for regular and permanent production workers is reported for the first time and is 87:13 male to female. The result reflects the fact that this type of work is generally much more sought after by men than women. The data does not cover temporary or contract production labour, however, those employees represent a relatively small fraction of the total production workforce and would reflect a broadly similar gender balance.

The overall gender balance for the office workers of the group is 58:42 male to female, which is unchanged from last year. This result earned the company ninth place on the 2018 SHE Index (www.shecommunity.no) of Norway's 50 largest listed companies.

For both genders and across all major geographical regions, an overwhelming majority of both production workers and office workers are on permanent and full-time employment contracts, which is also unchanged from 2017.

As per the plan for the year, a diversity project was initiated in late 2018. Seeking a more diverse workforce and a more inclusive workplace is an effective means of boosting employee engagement and morale – while moving towards the goals of increased organisational innovation and creativity, and more diverse leadership. The project will consider diversity in all its forms, including age, nationality, experience and skills. A diversity project team has been established, and a project plan has been created.

Ambitions and next steps

The next step in the diversity project will be to undertake an audit to form a clear understanding of the diversity profile of the current organisation. This will enable appropriate goals and the actions to achieve them to be identified. In addition, measures will be taken to help reinforce a company mindset for diversity and inclusion. To do this, focus will be placed on diversity and inclusion in relation to the company's values as well as through raising awareness of unconscious bias.

Safe operations

A focus on safety underpins Wallenius Wilhelmsen's global operations. This is true for all people, including employees, contractors, suppliers and property. There is no compromise in striving for an industry-leading safety performance across all fields of activity, both on land and at sea. Accordingly, there are safety KPIs covering the entire group's operations and the ultimate responsibility for safety rests with the CEO.

Safety is key to employee retention and morale, as it's closely linked to high quality and efficient operations, as well as excellence in safety, which are expected by all stakeholders. The safe operations of the company are also important to other stakeholders – particularly because of links with quality and good risk management, as well as what responsible businesses expect of one another.

Managing safety on sea and land

Safety management in ocean operations is the responsibility of the Marine Operations Management team, which has the specialist competence to follow up safety performance across the fleet, drive the implementation of fleet-wide safety initiatives, and lead incident investigation.

WW Solutions' operations are performed by both direct employees and outsourced labour. Safety is directly overseen by the company in both cases and, on a site level, is the responsibility of the site manager. At a corporate level, safety is the responsibility of the Global Way of Working team.

Evaluation of results

The 2018 Lost Time Incident Frequency (LTIF) for all ocean operations was 0.73, which compares favourably with the target for the year of 1.0. In all, there were 12 incidents which were accounted for by four slips, trips or falls, three hand injuries, two burns and three leisure time injuries. It was the latter that explained the marginal increase on the 2017 result of 0.62.

The full year result for the fleet's PSC deficiency ratio was 0.63, which fell short of the target of 0.5 and lagged the 2017 result of 0.49, which is also reported here for the first time as the reporting system was not finalised a year ago. The number of inspections for 2018 and 2017 were similar at 264 and 268 respectively, while the respective number of deficiencies were 167 and 130. The drop in performance was due to four vessel inspections which resulted in several deficiencies each in 2018, whereas there were two such inspections with a higher number of deficiencies 2017. The four vessels with several deficiencies all underwent altered trading patterns relative to the previous 12 months and thus became focus vessels on Paris MOU Port State control regime. While the result was ahead of the sub-standard level, which is set at 1.0, it still places the issue in the yellow 'watch' zone, particularly on those vessels which had the high deficiency rates.

Regrettably there was one fatality relating to ocean operations during 2018, however it was due to natural causes. The number of reported incidences of occupational diseases in 2018 was zero across the fleet, as was the number of incidents of absenteeism. The latter is to be expected due to the unique working circumstances involved.

WW Solutions achieved a global result for LTIF of 5.77 in 2018, which compares favourably with 2017 result of 21.7, as well as the goal of 22.1. It should be noted that 2018 was the first full year's data with the current reporting system, which resolved some data quality issues with the previous system. In total there 260 Lost Time Incidents (LTIs) during the year, with 186 occurring in the Americas, 8 in APAC and the remaining 66 in EMEA. Data on the types of injury or the gender of those injured is not yet available. Similarly, data on absenteeism and occupational diseases is not available.

2018 was the first full year of the Safety ImpACTs preventative KPI reporting and it marked the kick-off of the global health and safety regulatory compliance solution, 'Safety First'. Both are contributing to the safety culture of WW Solutions and, most likely, to its LTIF result too. Safety First entails the development of robust safety plans, processes and routines at individual sites and in due course will help develop a globally consistency approach.

The ImpACT preventative safety result is reported here for the first time with a full year result for 2018 of 1117. The KPI reflects the preventative safety efforts made and shared with the organisation. The high volume of ImpACTs has made a large contribution to the safety culture in the organisation. As the reporting metric has not yet stabilised, the decision has been made to let it mature further before setting a target.

Ambitions and next steps

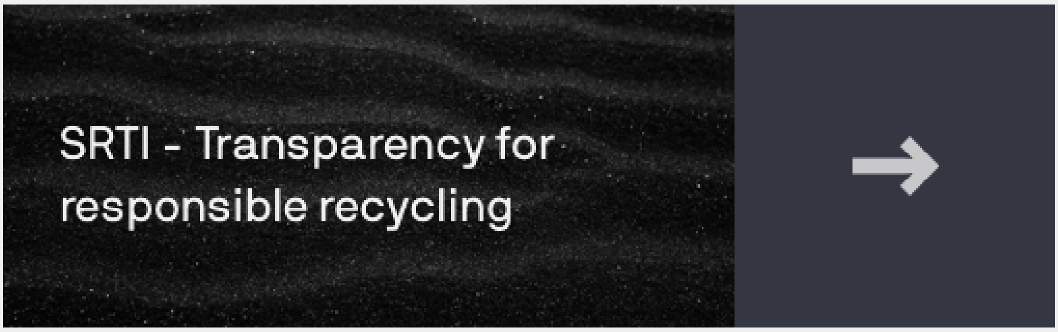
The 2019 safety targets for ocean operations are to achieve a LTIF of less than 1.0 and to keep the Port State deficiency ratio below 0.5. In view of the stable and good performance on safety as well as the maturity of the approach that contributes to it, attention for 2019 will focus on maintaining and improving performance.

For Wallenius Wilhelmsen Solutions the 2019 LTIF goal is a 3% improvement on the actual result from 2018, which is 5.60. The company will also introduce category, gender, absenteeism and occupational disease reporting for safety incidents during 2019. For Safety ImpACTs the focus will be to improve the reporting and analysis solution before setting any numeric targets. Finally, the incorporation of local Safety First practices into the WoW framework will be evaluated.

Human and labour rights in ship recycling

The way a vessel is recycled at the end of its service life can be highly impactful to the people who undertake the work. In too many cases, workers must endure extremely poor safety and welfare conditions. Wallenius Wilhelmsen has direct influence over how the vessels it owns are recycled and has for many years taken a responsible 'green recycling' approach that has a positive outcome for workers at the recycling facilities.

The safety and welfare of the workers on Wallenius Wilhelmsen's recycling projects is of great concern to the company because poor performance would have a harmful effect on employee perception and the company's relationship with a growing number of external stakeholders. These stakeholders include investors, lenders and customers who are increasingly aware of the social risks regarding vessel recycling and are demonstrating a growing willingness to act against companies that fail to perform responsibly.



Process control and incentives

Wallenius Wilhelmsen's Marine Operations Management team is responsible for overseeing how vessels are recycled. Maintaining control over the process, which is essential to achieving such standards, is ensured by closely following the company's Vessel Recycling Policy.

The main points of the policy include appointing an independent surveyor to assess any candidate facilities. Such yards must have proper safety management, craned berths or floating docks, and the correct handling and storage of all materials must be ensured.

Secondly, the vessel is sold through cash buyers to a specific yard to be recycled to specific standards and within a specified timeframe. There is no possibility for the vessel to be recycled other than as Wallenius Wilhelmsen intends.

Thirdly, the actual recycling is supervised by a qualified partner who has the right to halt work on safety or environmental grounds. The payment structure for the yard is set up such that they are incentivised to achieve particular safety and environmental performance results.

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

Evaluation of results

The Wallenius Wilhelmsen group did not recycle any vessels in 2018 because no vessels had reached end-of-life. During 2018, the company formalised its long-standing green approach to vessel recycling in a Vessel Recycling Policy, which has been published on the Wallenius Wilhelmsen website. The policy includes references to the human and labour rights aspects of ship recycling.

Wallenius Wilhelmsen was a founding member of a major industry initiative, the Ship Recycling Transparency Initiative (SRTI www.shiprecyclingtransparency.org), launched in 2018. SRTI is an online platform for the disclosure of all the relevant policies and practices of shipowners in relation to vessel recycling. It is a response to the lack of transparency that has long existed in the area, and which has been a key factor in enabling irresponsible practices to continue. Apart from the obvious negative social and environmental impact, poor recycling practices put companies that take a responsible approach at a financial disadvantage when compared to those that don't.

The information disclosed is available to any interested party and it is hoped that it will enable industry stakeholders, including customers, lenders and investors to make informed and responsible decisions in relation to vessel recycling. Wallenius Wilhelmsen is a steering committee member of SRTI and has been actively working to raise its profile and urge other companies to become SRTI members. Some of the world's most prominent shippers have become signatories, thereby showing their support for the need for transparency in vessel recycling.

There was an aim to develop a contract term during 2018 for long-term vessel charters that would require a charter vessel being redelivered close to the end of its service life to be recycled in a manner consistent with Wallenius Wilhelmsen's Vessel Recycling Policy. The clause was not developed as no long-term charter agreements were made for vessels that would be near recycling age at the time of redelivery.

Ambitions and next steps

To complement the detailed information already disclosed on the Ship Recycling Transparency Initiative's platform, the company will publish details of how its owned vessels have been green recycled since 2000. This information will published on the corporate website.

During 2019, the company will examine the potential to ensure any existing long-term charter vessels that are redelivered at or close to recycling age are responsibly recycled. Similarly, if entering into any long-term charter agreements where redelivery would be at or close to the point of recycling, a contract term will be included to ensure the vessel is recycled in a manner consistent with the company's Vessel Recycling Policy.

Training and development

Wallenius Wilhelmsen places great importance on employee training and development. The scope of this is universal: it applies to all employees. An organisation that is learning is more aware and better prepared to succeed in the evolving and unpredictable business environment in which Wallenius Wilhelmsen operates.

Training and development are important to the company and it's workforce, because when employees are well-supported in these areas they tend to be more fulfilled, which leads to better performance and retention levels. Wallenius Wilhelmsen's ability to maintain its competitiveness and drive innovation is underpinned by a workforce that is well prepared and fulfilled, which in turn also benefits the company's customers and investors.

Focus on development

A new job goals and learning plan platform called 'Go.Grow.Succeed' was launched in 2018. It facilitates more frequent performance and career development dialogues while reducing the amount of process documentation. The emphasis of the discussions between employees and line management is oriented towards future development rather than past performance.

Evaluation of results

KPI's have not been established for training and development, however, the Go.Grow.Succeed management system sends reminders to schedule the review discussions and can flag when they have not occurred.

Ambitions and next steps

The Wallenius Wilhelmsen Board-approved strategy for Human Resources outlines projects for Talent Management and Succession Planning, and Leadership Development. The overarching objective of the strategy and projects is to help develop and prepare the workforce for the challenges and opportunities that the fourth industrial revolution will involve. There will be an emphasis on innovation and the value of developing a growth mindset. Organisational agility and the associated network thinking that will dismantle organisational silos will also feature prominently. Both projects will get underway in 2019.

Working conditions and welfare

Wallenius Wilhelmsen believes that there is a clear link between the working conditions and welfare provided by the company on the one hand, and the quality of work on the other. This applies equally for workers of all kinds, but has special significance for vessel crew, particularly during recreation and resting hours, as well as while at work. For this reason, the focus in this section is on the owned fleet's crew working conditions and welfare.

The crew of the owned fleet are not employed directly by Wallenius Wilhelmsen, but there is still a close working relationship between the company and the crew. The company believes that industry-leading work and living standards for crew are central to reaching and maintaining the highest levels of safety and quality in vessel operations. Furthermore, it supports good morale, which is critical in retaining talented crew, and fosters a good and open dialogue between ship and shore.

Managing crew working conditions

This topic is the responsibility of the Marine Operations Management team, and encompasses the vessels in the owned fleet only because those vessels are under the operational control of the company. The team pursues the company's objectives through close collaboration with its various ship management companies.

A considerable body of regulation establishes minimum requirements for working conditions and on-board vessel welfare. Wallenius Wilhelmsen actively monitors standards onboard through its ship managers to ensure regulatory compliance is maintained. The company also goes beyond the regulatory minimum. It ensures insulation, heating and vibration are all within comfortable levels and stipulates the quality of work clothing. Furthermore, it specifies the amount of money to be spent on catering services and the up-keep of recreational areas.

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

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

Evaluation of results

Two main metrics are used to assess crew welfare working conditions on the owned fleet – the annual retention rate and the crew satisfaction survey. Regarding the former, the target was to retain 95% of crew over the course of the year. The 2018 result for the entire owned fleet was 98%, which was the same as in 2017, although those results applied for only a fraction of the owned fleet. The performance was consistent across individual vessels and crew nationalities.

The crew satisfaction survey covers a wide range of topics, including treatment onboard, interaction with shore (including manning agents), recreation on-board, food and beverages, length of tenure (per rotation), and training. The survey works to a scale of 0-5, where five is exceptional. The 2018 result, which represented the views of about 30% of the owned fleet, was 4.4, which, again, was the same as in 2017 and was consistent across both vessels and crew nationalities.

Both results are good and demonstrate that the programmes and initiatives are effective and should be continued. The validity of the crew satisfaction survey is somewhat constrained by the fact that it represented only a portion of the owned fleet. It had been planned to extend the survey so that it covered the entire owned fleet during 2018, but this didn't happen due to other events.

Ambitions and next steps

A common template for crew satisfaction surveys for all ship managers will be developed and deployed in 2019 so that results for the year will reflect the views of seafarers from the entire owned fleet.

Being your trusted business partner

Being your trusted business partner is about efficient operations and conducting business in the right way, and it's important not only to suppliers and customers, but also to partners such as industry peers. Ethical business conduct is the foundation of Wallenius Wilhelmsen's operations and activities, while operational efficiency, and the company's ability to deliver as agreed, is key to creating value for the client.

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 outlines the top management's commitment to and expectations of sustainable, compliant and responsible business conduct.

Ethical business conduct

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

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

The Wallenius Wilhelmsen compliance program

The company conducts a variety of activities to ensure compliance with applicable laws and regulations through its governance and compliance programme. The main components are: to ensure top level commitment; to have in place adequate policies and instructions; to communicate polices and instructions to the organisation, provide training; to carry out risk assessments and proactively monitor the organisation's activities; and to background-check partners. The company is an active member of the Maritime Anti-Corruption Network, where it takes part in actions to improve industry compliance standards. The overall programme is run by the company's Legal & Compliance department, which appointed a dedicated group compliance resource during 2018.

Evaluation of results

In 2018, the company commissioned an external review of its governance and compliance programme, which helpfully identified several areas that can be matured further, including prevention, detection and reaction. To develop the compliance programme further, various improvement initiatives have been launched, such as establishing a common channel for reporting of compliance issues throughout the group. The company is also working to strengthen its oversight over remote facilities through improved instructions to board members, clear reporting lines, training, and internal audits. A project has also been initiated to bolster the internal control framework, and an internal audit function is in the process of being established.

Ambitions and next steps

The company will continue to work on improving its governance and compliance programme with a *One group – One governance perspective*. This involves a review of the company's key steering documents to improve clarity and measures, including training, to raise the visibility of governance within the organisation.

Quality of service

The interrelation between environmental, social and corporate governance (ESG) issues on the one hand, and quality of service on the other, is the focus of this topic. The scope of the issue extends to all services provided by the Wallenius Wilhelmsen group and is particularly relevant for its operations and commercial divisions. The focus for this report is three areas: uptime of the owned fleet, achieving 'data liberation' (or 'digitisation') of the owned-fleet, and compliance with environmental regulation. The former applies to ocean operations only, while the latter applies to all operations on land and at sea. The company always has a direct supervisory role in ensuring the quality of its service, however, the actual performance of the service is not necessarily carried out by direct employees.

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

Quality Management

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

Vessel data liberation, known internally as the 'One Operation' initiative, involves linking the thousands of onboard sensors to the vessel's satellite communications system, transmitting the sensor data to a cloud and then running analytics on the data. The benefit of data liberation is that it facilitates a more intensively data-driven approach to managing and optimising vessel performance. The data analysis can be used for to optimise many the performance of many different processes and pieces of equipment. Examples include optimisation of the amount of ballast carried onboard to optimisation of engine performance by identifying outlying data from turbochargers, coolers or cylinders.

In terms of environmental regulation, the commitment for ocean and land-based businesses is the same: full compliance with all applicable regulation. Compliance is maintained through strict adherence to company procedures and processes. In the case of the owned fleet, these are complemented by regular inspections by vessel crew, ship management and the relevant authorities. For land-based facilities, site staff follow routines to identify and prevent potential non-compliance issues, and many sites are subject to periodic external audits to ISO 14001 or similar quality standards.

All ship managers are required to be ISO 14001 certified and at corporate level, the company is implementing an ISO 14001 certified environmental management system during 2019. All WW Solutions' EMEA facilities are ISO 14001 certified and those in the Americas and APAC follow other EMS standards. The aim is to standardise to ISO 14001, and a target date will be set following an implementation review. The ISO 14001 approach is also being applied to the management of social and governance issues, making it an ESG sustainability management system.

Evaluation of results

The data liberation initiative proceeded rapidly in 2018 with four vessels being retrofitted, which was two more than planned. The analysis work is just getting underway, but the merit of the approach is already sufficiently clear to warrant retrofitting more of the owned fleet.

Average unplanned off-hire across the entire owned fleet in 2018 was 21.2 hrs, which is a deterioration on the figure reported for 2017 of 16.0 hrs. Furthermore, the target of less than 24hrs of off-hire result for each individual ship manager wasn't met. Both results were mainly due to main engine issues in the WSM UK and ARC fleets.

During 2018 there were no cases of environmental regulation non-compliance from ocean operations and all vessel managers maintained their ISO14001 certification. There were also no cases of environmental regulatory non-compliance at any of Wallenius Wilhelmsen Solutions' facilities. All of its EMEA facilities are ISO14001 certified while those in the Americas and APAC also have similar EMS in place.

Ambitions and next steps

The ambition for unscheduled off-hire for 2019 is unchanged from 2018, which is to achieve an average of under 24hrs for the fleet as well as for each individual ship manager. For the One Operation data liberation initiative, the aim is to have the technology deployed across the entire owned fleet during 2019. It is anticipated that the project will contribute to improving unscheduled off-hire performance, but it is too early to estimate by how much.

On environmental compliance, 2018's results demonstrate existing processes and measures are achieving the desired results, so the focus for 2019 will be on maintaining performance. That said, work on the corporate ISO 14001 EMS will be completed, and attention will be given to ensuring it and WW Solutions' facility level EMS are aligned. Additionally, WW Solutions will evaluate incorporating Environmental Regulation into " Way-of-Working" , a uniform framework used by operations to effectively manage health & safety, environment, quality, cost, and ISO compliance.

ESG customer management

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

Ensuring that services provided to customers always comply with international sanctions, laws and regulations goes with the right to trade in certain countries and is therefore essential to the company's global operations. As Wallenius Wilhelmsen's services form a vital part of the supply chains of its customers, compliance with the rules and conditions of international sanctions is paramount for them too. Furthermore, several recent high-profile cases against companies for breaching sanctions have raised awareness and vigilance for the issue among the investor community.

ESG approach and ESG Customer management responsibilities

Wallenius Wilhelmsen has established an internal procedure to ensure compliance with the rules associated with international sanctions laws and regulations. The group's commercial teams are responsible for engaging the support of in-house legal expertise on any case where a concern exists about possible sanction compliance. Conversely, the company's legal and compliance team keep the commercial teams updated on development in relation to international sanctions. If a case of non-compliance occurs the compliance resources will make sure that the activity is stopped.

Evaluation of results

In 2018, there were no cases in which the group's companies were found in breach of international sanction laws and regulations, which continues the same positive performance as achieved in 2017. In 2018, the company finalised and disseminated a clear aligned group sanctions policy.

Ambitions and next steps

The company has an ambition to constantly improve and make sure that employees and other stakeholders are aware of the implemented sanction policy and intend to work further with awareness raising and training, in 2019.

Tax Practices

Interest in multinational corporations' global tax planning has increased over recent years. The Organisation for Economic Cooperation and Development (OECD) and the G-20 countries, have worked out 15 actions relating to global tax planning strategies by multinationals in the so-called Base Erosion and Profit Shifting (BEPS) project. The project aims to ensure that income is taxed in the countries where value is created and prevent multinationals from shifting profit from high tax countries to low tax countries. The group is committed to comply with all changes in local tax regulations following the BEPS project in all countries in which it operates. That includes reporting according to the country-by country reporting (CbCR) requirements to tax authorities in Norway, as well as making a Transfer Pricing Master file. The CbCR information is shared among tax authorities globally.

The group is committed to being a responsible taxpayer, combining professionally executed tax compliance with legitimate tax planning based on valid business purposes. It is committed to ensuring compliance with local requirements and practices, and disclosure of all relevant facts to the tax authorities. It also commits to adopting a justifiable and defendable tax position where tax regulations are open to interpretation or choices. The tax position taken in all significant transactions is supported by obtaining an external tax opinion.

The Wallenius Wilhelmsen group do not utilize any tax incentives or have any special tax agreements with tax authorities in any country it operates.

At Wallenius Wilhelmsen corporate tax affairs fall within the responsibilities of the CFO and extend to all jurisdictions where the company operates.

Wallenius Wilhelmsen's business units and how they are taxed

WW Ocean

WW Ocean operates 55 vessels, of which 45 are owned. WW Ocean is centrally taxed in the ship owning companies in Sweden, Malta, UK and Singapore. All companies are taxed according to shipping-specific tonnage tax regimes. Companies not qualifying for tonnage tax are ordinarily taxed. A special freight tax is also paid in some jurisdictions.

EUKOR

EUKOR operates 66 vessels, of which 23 are owned. EUKOR is taxed according to the shipping-specific tonnage tax regime in Korea.

ARC

ARC operates 6 vessels but is the owner of 8 vessels (2 have been chartered out). The vessels are owned by Fidelio Limited Partnership and the partners are ordinarily taxed in the US and Norway. ARC is a Limited Liability Corporation (LLC) and disregarded for US tax purposes. The owners of ARC LLC in Sweden and Norway are ordinarily taxed on the result or dividend distributions.

WW Solutions

All companies in WW Solutions are ordinarily taxed in the countries they operate. Disregarded US LLC's are taxed on owner level.

Management of tax in Wallenius Wilhelmsen group

The company is committed to full compliance with local tax laws and international tax regulations. Internal resources in Head Office in Oslo as well as local resources and external advisors are involved in the preparation and filing of all corporate tax returns as wells as VAT/GST filing.

Evaluation of results

Wallenius Wilhelmsen have filed all applicable tax and VAT/GST returns in 2018 in a timely manner. The group has also made a 2017 Transfer Pricing Master file documentation which has been submitted to tax authorities in countries where it is mandatory. The CbCR for 2017 was submitted on time to the tax authorities in Norway.

Ambitions and next steps

The tax laws and regulations that apply to multinational companies are becoming increasingly complex and the interpretation of them can change rapidly, which can significantly increase the risk of unintentional non-compliance. Hence, the Wallenius Wilhelmsen group's primary focus is to maintain full compliance in this dynamic environment. The current approach to this challenge, which is to closely follow development in local tax laws and international tax regulations, has proven to be effective and will be continued.

Security at landbased facilities

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

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

Zero-tolerance policy

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

Evaluation of results

Monitoring, registering and managing data on theft of units takes place at a local and regional level. In 2018, one unit was reported stolen from the company's terminal in Zeebrugge, Belgium. The item, which was not in the care of the company, and not from our quay, passed the shared security gate.

A study was run in 2018 to assess the potential of Radio Frequency Identification (RFID) technology to provide an even higher level of visibility and security throughout the company's facilities. Although RFID technology is not specifically designed for security purposes, the study identified two criteria which could justify deploying RFID at a facility to boost security. Those criteria are where facilities both have RFID readers are in place and where many different parties are driving units off the site. The number of facilities that fit those criteria are few, but they have now been equipped with RFID systems.

Ambitions and next steps

During 2019 security incidents will be added to the global KPI register for WW Solutions and manually reported on a SharePoint based system. A project will also be run to select a global mobile-device based Plan-Do-Check-Act (PDCA) reporting solution, which by the end of the year will have replaced the manual system.

Security of vessels

The security of the fleet involves the prevention of interference with or harm to vessels, their crew or their cargo. The group has a reputation for high-quality and dependable services. Vessel security breaches could potentially endanger or harm vessels, crew and cargo or disrupt services, all of which would have a corrosive effect on the group's reputation.

Managing fleet security

Responsibility for fleet security lies with the Marine Operations Management team. They set the targets, define the initiatives and assess the performance on security for all vessels in the fleet. The practical implementation of the security measures set by the Marine Operations Management team is undertaken by the Company Security Officer of each of the ship management companies. All owned or controlled vessels must follow the company's Ship Security Policy, which includes the basic requirement that ship managers adhere to all rules and regulations applicable to each vessel.

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

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

Evaluation of results

In all there were six security breaches across the fleet in 2018, all of which were stowaways. These occurred in EU and African ports and compare with five such events in 2017. The volume of activity was broadly similar for both years and such small numbers have a negligible impact on the quality of our service. Ten stowaway attempts were thwarted at the terminals used by the company during 2018, which compares to three in 2017. The improved capture rate is due to streamlined communications linked to the fact that all vessels have common ownership.

Ambitions and next steps

During 2019, the company will support efforts to influence the EU to have ports looked upon as 'protection objects', which would make stowaway attempts a criminal offence. Currently, there are very few countries in which attempting to stowaway is a criminal offence with the result that deterrent is low in many ports.

ESG supplier management

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

Wallenius Wilhelmsen sees effective ESG management and performance as a sound proxy indicator of the general fitness of its supplier base. It is also a reflection of what is expected of the company by its customers. It is in the interest of society in general that ESG factors be considered in supplier selection at all stages in the value chain. Ultimately, demand is the most effective driver of progress.

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

Evaluation of results

During 2018, the case for a group-wide approach to ESG supplier management was presented to the top executive team and authorisation was given to proceed with the implementation. Although the intention was to have implemented the programme during 2018, the Ship Recycling Transparency Initiative, which addresses the most significant supplier sustainability issue across the industry, was prioritised instead. Since the ESG supplier management programme is not in place there is no data to report.

Ambitions and next steps

During 2019 a supplier sustainability management policy and system will be defined and implemented. The requirements for an individual supplier basis will likely vary according to the sustainability materiality of the product or service they provide and will be adapted to the needs of individual business areas. Once the system is in place a performance baseline will be recorded and based on that an appropriate set of goals will be set. A minimum requirement will be compliance with all applicable rules and regulations in all cases. Recording the baseline and setting targets (other than compliance) are 2020 ambitions.

Privacy and data security

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

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

Information Security Management

Wallenius Wilhelmsen will comply with the 2018 GDPR regulation through its structured and strategic approach to information security, which includes the implementation of a related set of policies and procedures. For example, routines for escalation of issues and reporting to authorities have been implemented. Responsibility and ownership of the process lies with the Data Privacy Officer (DPO), who cooperates closely with internal information security, IT, HR and other resources.

Management of privacy and data security will also interface with ongoing projects and initiatives in information security in general and specifically in relation to the strengthening of the company's Information Security Management system (ISMS).

Evaluation of results

The requirements of GDPR took effect from 25 May 2018. Wallenius Wilhelmsen experienced one incident relating to a breached email account that warranted being handled in accordance with the regulation's reporting requirements. As this is the first year of reporting, it is not possible to infer much from this result. The occurrence of events and any associated reporting requirements will reflect the nature of the attacks and the robustness of the company's security system going forward. The implementation of processes to further safeguard the privacy of employees' data is still in progress.

Ambitions and next steps

Wallenius Wilhelmsen submitted its binding corporate rules (BCR) application in 2018 in accordance with the regulations. The company will act in line with the regulations while the application is being formally processed by the Norwegian Data Protection Authority. Risk–reducing measures associated with GDPR remain a focus area for 2019, and are one reason why the ISMS will be reinforced: to reflect industry best practice and policies and to increase the overall maturity level.

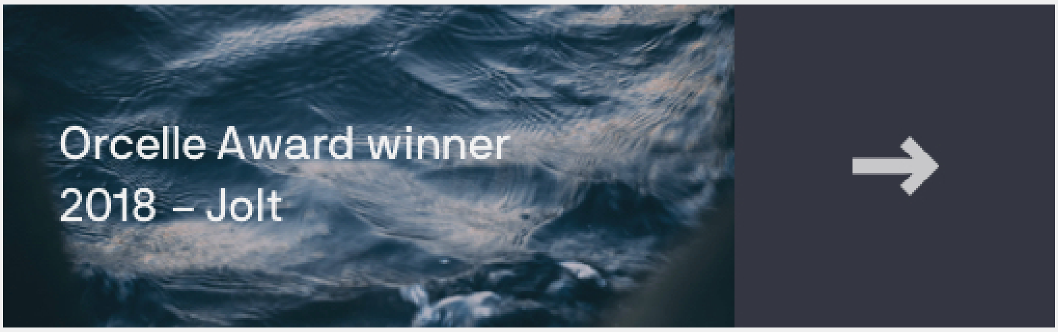
Green innovation

Wallenius Wilhelmsen's 'Lean:Green' sustainability strategy is centred on the belief that the economical and the sustainable can and must be the same thing. Furthermore, Lean:Green embraces the beliefs that sustainability will increasingly be a business driver and that it will be possible for the company to offer its logistics services with zero emissions by 2050.

Lean:Green innovations are already in use across the company, however, more innovations are needed to meet the increasing demands of environmental regulation, maintain competitiveness and ensure control of the business' future. In short, for the group to create and capitalise on future opportunities, Lean:Green innovation is a must. To innovate is in the aligned current and future interests of the company and its stakeholders, including employees, investors and customers.

Wallenius Wilhelmsen takes a two-pronged approach to Lean:Green innovation. The first is to partner with innovators and other industry stakeholders to trial and refine innovative and sustainable solutions. The company regularly partners with innovators to develop and trial innovative products and services.

The second approach is to actively seek new Lean:Green solutions and to attract innovators to the shipping industry. The main initiative in that respect is the www.OceanExchange.org website, which is a sustainable innovation forum of which the company is a sponsor. The forum hosts Wallenius Wilhelmsen's annual USD 100 000 Orcelle Award. The company's overall collaboration with the Ocean Exchange is led by the President of WW Solutions, who also serves as Chair of its board. Engaging the relevant functional groups of Wallenius Wilhelmsen is the responsibility of the Head of Sustainability.



Evaluation of results

There were a record number of submissions to Ocean Exchange in 2018 and the strength of the 12 finalists was unprecedented. The winner of the Orcelle Award was Jolt Energy Systems, a company with a novel flow battery technology with the potential to become an alternative power source for vessels at berth. Subject to commercial and technical realities, industry interest in such a solution would likely be significant because it would enable a vessel to be self-reliant, thereby avoiding the severe operational drawbacks of current at-berth compliance solutions. The main sustainable benefit would be the potential to reduce emissions to zero while the vessel is closest to centres of population i.e. while in port. Wallenius Wilhelmsen continues to support Jolt Energy Systems in their development.

Ambitions and next steps

For the ninth annual Ocean Exchange, the event will move to Fort Lauderdale, Florida and will partner with the Marine Research Hub of South Florida. It will be held on October 28-30, at the same time as the Fort Lauderdale International Boat Show. Wallenius Wilhelmsen will continue to be a global sponsor of Ocean Exchange and anticipates that it will become a world-class sustainable innovation event in the years to come.

To broaden the scope of the solutions it attracts, the Orcelle Award definition has been updated. It will be presented to the innovation that creates greatest environmental and business value for any of our activities as they relate to any of the six UN SDGs applicable to us.

Biosecurity

This is a new addition to the Wallenius Wilhelmsen GRI Standard Sustainability Report 2018. It has arisen due to the increased awareness of cargo as a vector for invasive species transfer, which has most recently been linked to the exceptionally warm and long summer in Europe in 2018. The main biosecurity threat has long been the Brown Marmorated Stink Bug (BMSB or stink bug) and there are established measures in place in Australia and New Zealand to prevent its establishment. More recently, requirements to address other species have been introduced too.

The issue is of great significance to Wallenius Wilhelmsen due to its threat to Australian and New Zealand economies, potential to interfere with vessel schedules and operations, as well as harm the company’s reputation. For similar reasons, the issue has the potential to heavily impact customers too.

The company’s response has evolved over the course of the year in line with changes in the requirements of the authorities, and as a result of experience gained. It is the responsibility of the cargo owner to ensure that any product to be imported to Australia or New Zealand is free from any biosecurity threats. The point of origin, which is not necessarily the load port, is what determines whether the cargo must be treated to exterminate any hibernating bugs. The treatment process prescribed by authorities uses either chemical means or elevated temperatures.

Wallenius Wilhelmsen only accepts certified treated cargo from regulated countries, and thoroughly inspects each vessel before departure. At the last port of load, cargo on-board is `fogged´ in order to wake any hibernating bugs, which will then perish. Regular inspections take place and prior to arrival in Australian and New Zealand waters, vessels report any live bug activity to biosecurity regulators.

Management of customer compliance with the regulation, treatment procedures and response to incidents lies with several of the organisation's functional groups.

Evaluation of results

2018 saw several incidents of BMSB discovered on cargo shipped from Europe. It is clear that, despite regulations and clean cargo requirements, contaminated cargo still is being presented for shipment, placing all stakeholders at risk. Wallenius Wilhelmsen is together with industry peers calling on authorities to provide consistent regulation that identifies all countries in Europe as high risk. BMSB contamination can then be handled at the source and appropriate treatment for cargo enforced before shipping.

Ambitions and next steps

Wallenius Wilhelmsen will continue its work for more robust regulation of BMSB. At the same time, the company will work to further improve its ability to detect and control invasive species. Tests will be conducted on different types of trap for BMSB and other pests. Inspection procedures will be reviewed and revised as necessary, and a common biosecurity management plan across the whole fleet will be developed and implemented.

Protecting life below water

The important issue of protecting life below water includes maintaining biodiversity and safeguarding the ecosystems in the ocean. Wallenius Wilhelmsen's activities relating to ballast water, hull fouling, ship generated waste, and vessel recycling all represent a potential risk to life below water. This is why the company takes its responsibility for protecting life below water very seriously. To ensure this, the company strictly adheres to all applicable rules and regulations, as well as actively engaging in the development and support of novel solutions that act to mitigate the environmental impact of its operations.

Environmental emergency preparedness of ships

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

Ensuring emergency preparedness

The Marine Operations Management team has the overall responsibility for ensuring the emergency preparedness of the fleet. In practice this is done indirectly through close collaboration with the fleet's various ship management companies who are responsible for the spill response readiness of the individual vessels.

The focus of preparation for all vessels owned by Wallenius Wilhelmsen is on IMO Shipboard Oil Pollution Emergency Plans and Oil Pollution Act 90 drills. Furthermore, there is a focus on ensuring that adequate supplies of effective tools and materials are maintained onboard each vessel to respond to oil spills of various kinds. The regulations stipulate that drills are conducted at least bi-annually. They are organised by the ship managers who are also responsible for the provision of adequate response tools and materials.

If an environmental emergency does occur, the company's Emergency Response Reporting Routines Policy is enacted to enable the company to respond quickly and effectively to minimise environmental impact. The policy includes immediate notification from the vessel to the Marine Operations Management team who are responsible for the company's emergency response. To complement the Emergency Response Policy, group-wide cloud-based emergency response handling systems were set up during 2018 for both landbased and ocean operations as well as IT.

Evaluation of results

During 2018 there were no cases of non-compliance relating to environmental emergencies from ocean operations. Furthermore, there were no significant oil spills, which are generally regarded in the industry to be spills of 20 litres or more. Both were acceptable results and represent an improvement on the single spill event that occurred during 2017.

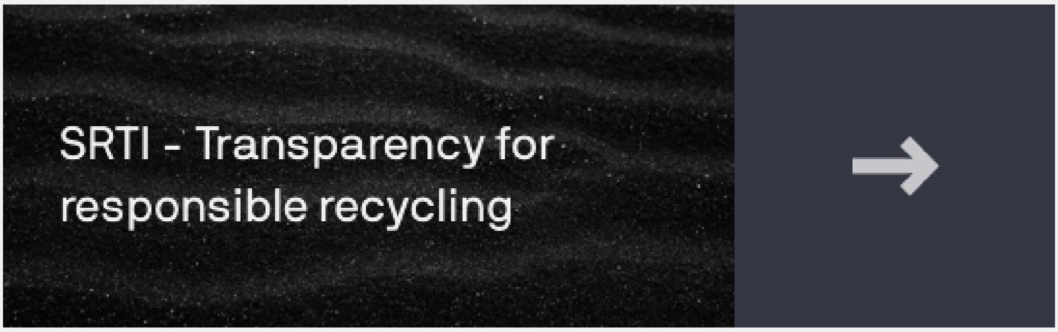
In 2018 660 SOPEP / OPA 90 drills were conducted across the owned fleet, giving an average of 10 per vessel, which meets the requirement of the regulations. The regulations stipulate that each year there must be at least four notification drills which must be reported to local authorities, four scheduled spill drills, one unannounced spill drill, and one Vessel General Permit drill. Last year's report did not include all categories of drills, hence the average number of drills per vessels was lower. Wallenius Wilhelmsen believes that the attention created by the drill frequency, variety, and authenticity are effective for maintaining crew readiness, and have been central to avoiding environmental emergencies.

Ambitions and next steps

The current approach to emergency preparedness onboard vessels continues to function well and so the existing approach will be not be modified during 2019. Emergency drills using the emergency response system InCaseIT will be run twice during the year to ensure that the relevant processes, tasks and systems provide the desired effect.

Environmental issues in ship recycling

The way a vessel is recycled at the end of its service life can greatly impact the local environment where the recycling takes place. In too many cases, water and/or land is contaminated by oily discharges or toxic materials. Wallenius Wilhelmsen has direct influence over how its vessels are recycled and has for many years taken a responsible 'green recycling' approach.



Ensuring process control

Wallenius Wilhelmsen's Marine Operations Management team is responsible for overseeing how vessels are recycled. Maintaining control over the process, which is essential to achieving such standards, is done by closely following the company's Vessel Recycling Policy. The main points of the policy include appointing an independent surveyor to assess any candidate facilities. Such yards must have proper safety management, craned berths or floating docks, and the correct handling and storage of all materials. Their measures and experience should also be taken into account.

The second point of the policy states that the vessel should be sold through cash buyers to a specific yard to be recycled to specific standards and within a specified timeframe. There is no possibility for the vessel to be recycled other than as Wallenius Wilhelmsen intends.

Thirdly, the actual recycling is supervised by a qualified partner who has the right to halt work on safety or environmental grounds. The payment structure for the yard should be set up so that they

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

Evaluation of results

The Wallenius Wilhelmsen group did not recycle any vessels in 2018 because no vessels had reached their end-of-life. During 2018 the company formalised its long-standing green approach to vessel recycling in a Vessel Recycling Policy, which has been published on the Wallenius Wilhelmsen website. The policy includes references to the human and labour rights aspects of ship recycling.

Wallenius Wilhelmsen was a founding member of a major industry initiative, the Ship Recycling Transparency Initiative (SRTI, www.shiprecyclingtransparency.org), launched in 2018. SRTI is an online platform for the disclosure of all the relevant policies and practices for shipowners in relation to vessel recycling. It is a response to the lack of transparency that has long-existed in the area, which in turn has been a key factor in enabling irresponsible practices to continue. Apart from the obvious negative social and environmental impacts, poor recycling practices put companies taking a responsible approach at a financial disadvantage.

The information disclosed on SRTI is available to any interested party and it is hoped that it will enable industry stakeholders including customers, lenders, and investors to make informed and responsible decisions in relation to vessel recycling. Wallenius Wilhelmsen is a steering committee member of SRTI and has been actively working to raise its profile and urge other companies to become SRTI members. Some of the world's most prominent shippers have started to become signatories, thereby showing their support for the need for transparency in vessel recycling.

There were plans to develop a contract term during 2018 for long-term vessel charters – this would require a charter vessel that was being redelivered close to the end of its service life to be recycled in a manner consistent with Wallenius Wilhelmsen's Vessel Recycling Policy. The clause was not developed because no long-term charter agreements were made for vessels that would be approaching recycling age at the time of redelivery.

Ambitions and next steps

To complement the detailed information already disclosed on the Ship Recycling Transparency Initiative's platform, Wallenius Wilhelmsen will publish details of how its own vessels have been green recycled since 2000. Although initially planned for publication during 2018, this information will be part of the new corporate website in 2019.

During 2019 the company will ensure any existing long-term charter vessels that are redelivered at or close to recycling age are responsibly recycled. Similarly, if entering into any long-term charter agreements where redelivery would be at or close to the point of recycling, a contract term will be included to ensure the vessel is recycled in a manner consistent with the company's Vessel Recycling Policy.

Ballast water

Ships require ballast water for several purposes including stability, trim, and manoeuvring. Vessels in the Wallenius Wilhelmsen fleet each have a ballast capacity of several thousand tonnes. Ballast water is a known vector for the transportation of invasive species and therefore regulation is required to mitigate the risk of organisms being transferred from one ecosystem to another.

Protection of marine ecosystems is important for environmental and economic reasons, which makes the issue important for many coastal communities. For Wallenius Wilhelmsen it is a compliance issue and is therefore a minimum requirement to trade. It is also part of its commitment to be a responsible logistics provider.

How ballast water is managed

The selection and installation of the ballast water treatment system for owned vessels is overseen by the Wallenius Wilhelmsen's Marine Operations Management team. Ongoing compliance for those vessels is the task of the ship management companies.

The Wallenius Wilhelmsen fleet complies with the regulation through the installation of ballast water treatment systems. The regulation specifies that the installation deadline for a particular vessel is linked to its dry-docking schedule. While awaiting the installation of the ballast water treatment system, vessels in the fleet maintain compliance through deep sea ballast water exchange.

The company's policy is to only install systems that have received Type Approval from the United States Coast Guard (USCG), in addition to IMO, as only those may be used in United States waters. The company has only chosen a select number of treatment system vendors in order to make training, operations, and maintenance as straightforward as possible, and to mitigate the risk of non-compliance through human error.

Evaluation of results

Wallenius Wilhelmsen has been fully compliant with ballast water regulation throughout 2018, continuing the level of performance from 2017. During the year the company concluded an exhaustive process to select the ballast treatment system vendors for the owned fleet. Two systems were installed in 2018, meeting the target for the year.

Ambitions and next steps

The plan for 2019 is to retrofit ballast water treatment systems on the seventeen owned vessels that are scheduled to dry dock this year.

Hull fouling

One of the most impactful yet least discussed aspects of vessel performance is hull fouling. Significantly more power is required to propel a vessel at a constant speed as the level of hull fouling increases. That means the increased levels of hull fouling increase emissions to air of all kinds. Moreover, the organisms that grow on the hulls of ships can present an invasive species risk with negative environmental and economic consequences.

Hull fouling management

Hull fouling management and policies are overseen by the Marine Operations Management team, while ongoing compliance with regulations and implementation of company policies for the owned fleet is the responsibility of the ship management companies.

All Wallenius Wilhelmsen owned and long-term charted vessels must conform to its Underwater Hull Maintenance Policy. The policy describes the roles, responsibilities, objectives, and norms to be followed in relation to hull fouling. The company only uses hull cleaning vendors that operate 'clean and capture' systems. These systems collect all the material removed from the hull so that it can be disposed of in a controlled manner that eliminates the risk of invasive species, or of paint flecks entering the water column. The only exception is for charter vessels departing from a port where a 'clean and capture' system is not available. This is especially the case with vessels bound for New Zealand, where vessels must be cleaned prior to arrival unless it can be documented that their hull is free from fouling.

Evaluation of results

In accordance with the target set for 2018, all the owned fleet have been enrolled in hull fouling management programmes. An empirical hull fouling scale is used as part of the programme. The fouling factor of a vessel is scored on a scale of one (good) to 10. The scale takes into account the type, amount, and coverage of hull fouling. The scale is used across the owned fleet and the implementation in long-term charter vessels is ongoing. The average score for the owned fleet in 2018 was four, which remains unchanged from 2017. The 2018 result includes more vessels than in 2017 and some of these have failed anti-fouling coatings. For that reason, a number of vessels will be docked earlier than scheduled to have new coatings applied that meet the company's coating quality standards.

Wallenius Wilhelmsen has also been working closely with a vendor and former Orcelle Award winner to establish an online hull fouling management platform. This will enable the company to record all inspections and cleaning activities, with reviewing made quick and convenient for port state authorities and the company itself. The trial phase platform is being re-engineered to provide more versatile access and upload rights. Except for owned vessels in Asia and the Americas that are regional trades, all owned vessels that undergo cleaning or inspection are registered on the platform. Access to the platform has been given to certain authorities to enable them to assess the hull condition and maintenance activities before a vessel even arrives in a port.

Ambitions and next steps

During 2019 the hull fouling management programme, which includes inspection and cleaning routines, will be extended to all long-term charter vessels. If there are vessels with severe fouling, it will be the vessel owner's responsibility to take appropriate measures.

Ship generated waste

The routine operation of a vessel normally generates waste. Major sub-categories of waste include dunnage, packaging from vessel supplies, fuel sludge, and food waste. Monitoring the quantities of key types of waste generated at the fleet and vessel levels are the focus of this indicator. For most of the categories mentioned, it makes sense to strive for zero waste. Dunnage – the timber and other materials used to support and stabilise cargo – is an exception to this. If there is insufficient dunnage, it can quickly lead to safety issues in the vessel.

Managing on-board waste

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

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

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

Evaluation of results

The total amount of garbage landed to shore reception facilities during 2018 from the owned fleet of 83 vessels, was 6362 cbm , with an average per vessel of 76.7 cbm. That represented a decrease of 11% compared to the 2017 average of 86.2cbm for the 57 vessels of the WW Ocean owned fleet. Note that the average reported in 2017 is restated to 86.2 cbm (from 59.2 cbm) because it was incorrectly based on the entire owned fleet, rather than just WW Ocean owned fleet. Similarly, the 2017 total of 4915 cbm was for the WW Ocean fleet only. The decrease is believed to be linked to the focus on avoiding waste generation by reducing the unnecessary packaging left onboard during deliveries to the vessels, as described in the 'Show Me The Plastic' initiative below. In general, comparison between two years may not be a reliable performance indicator as a lot of the waste, like dunnage, is driven by specific operational or cargo needs and should not be reduced to zero. However, the average amount of waste produced per vessel should track downward over an extended period.

Food waste discharged to sea was 440 cbm, giving an average of 5.3 cbm for the 83 vessels in the owned fleet. The corresponding number for 2017 was 3.7 cbm. That figure was based on the 57 vessels of the WW Ocean owned fleet. Similar to the results for garbage, the 2017 result is restated to 210 cbm for the WW Ocean owned fleet, rather than the entire owned fleet. Superficially, it may seem that the average discharge to sea of food waste has increased, however it must be noted that there are differences in exposure to MARPOL Annex V Special Areas between the WW Ocean, EUKOR and ARC fleets. In the Special Areas food wastes may only be discharged when a vessel is as far as practicable from the nearest land, and in any event no less than 12 nautical miles from the coast. Special Areas include the Mediterranean, Baltic, Black, Red and North Sea as well the Wider Caribbean region, including the Gulf of Mexico and the Caribbean Sea. The EUKOR and ARC fleets have a higher exposure to these areas than the WW Ocean fleet. In short, it is not possible to reliably deduce anything about performance by comparing the average result for part of the owned fleet from 2017 with the average result for the entire owned fleet for 2018.

During 2018, an initiative called 'Show Me The Plastic' was taken to form a comprehensive overview of the plastic waste value chain across our global operations, including onboard vessels and at shore-based handling facilities. The main study findings concerned the optimal packaging sizes for delivers of food and beverages, the opportunity to make more use of non-plastic refuse bags onboard, opportunities to limit single-use plastic onboard and to measures to limit the amount of waste plastic water bottles. Further, the study's findings have been communicated to all owned vessels and it is the responsibility of the ship managers to follow up on the findings and report the results to the company at the end of 2019.

Ambitions and next steps

During 2019, a supplier initiative to reduce the amount of packaging waste left onboard will be developed and applied with greatest focus on suppliers that contribute most to the problem.

Navigating towards zero emissions

With a long-term 'zero emissions' target, emissions – of which the majority for the Wallenius Wilhelmsen group are SOx, NOx, Particulate Matter and CO2 – are naturally a big focus for the company. The company embraces the fact that society and businesses are moving towards zero emissions, and sees this as an opportunity as well as a potential risk. Not only will it allow Wallenius Wilhelmsen to reduce operating costs, but it will also give the company the chance to differentiate in a competitive market.

The company's Lean:Green environmental approach is a central part of the strategy for navigating towards zero emissions. You can read more about this in 'Sustainability at Wallenius Wilhelmsen'.

GHG emissions from ships

Transoceanic shipping is an industry of paradoxes. It is the most carbon efficient mode of transport, yet it accounts for over 2% of global CO2 emissions, and there is currently no viable substitute for fossil fuels. The emissions are the result of the onboard generation of energy for propulsion, as well as electricity and steam to run ancillary systems. Power is generated from fuel oil, which means fuel consumed is accountable for all Scope one and Scope two emissions of the fleet.

For Wallenius Wilhelmsen, GHG emissions from its ships are dominated by CO_2 and other GHGs, and are negligible in comparison. Managing the technical performance of the fleet is the responsibility of the Marine Operations Management team and is reported on a quarterly basis to the top executive team and the board of directors.

Vessel performance management

The fuel consumption of each vessel is recorded daily along with many other factors that affect performance. The data is assessed by the Marine Operations Management team to determine vessel performance, and adjustments are continuously made to achieve a better result. The total and relative CO_2 results for the entire fleet under Wallenius Wilhelmsen's control are reported in line with the ISO 14064 standard for greenhouse gas accounting.

The relative CO_2 objective (CO_2/tonne kilometre) applies to the combined performance of all vessels under the company's control, regardless of whether they are owned or chartered. Major factors that will contribute to achieving the result will be: optimised fleet deployment and utilisation, enhanced hull fouling management, and the addition of four modern and efficient HERO vessels to the global fleet.

Evaluation of results

Scope 1 and Scope 2 GHG emissions from the entire fleet are reported as one figure because they come from the same source and are not possible to separate. For 2018 total CO_2 arising from all ocean operations was 5 188 534 tonnes, which is just 0.3% more than the 2017 result of 5 171 315 tonnes. The result is a reflection of the amount of cargo work done in the interval and is driven by the state of global markets, which were similar in 2017 and 2018.

Relative CO_2 emissions, or carbon intensity, is also a significant GHG KPI. For the fleet under the group's control, the 2018 carbon intensity result was 35.52 g/tkm, which was a 1.1% reduction on the 2017 figure of 35.91 g/tkm. It is difficult to reliably attribute a marginal improvement of this kind to any single factor or set of factors when there are such a wide range of operational, technical and market factors that influence the result.

During 2018 the company GHG emissions baseline was recalculated to include the entire Wallenius Wilhelmsen fleet. From that the company's medium-term objective for relative CO_2 emissions (carbon intensity) was set at an 8% reduction by 2020 relative to 2017. In numeric terms that is a reduction from 35.9 grams of CO2 per tonne kilometre (g CO2/tkm) to 33.0g CO2/tkm. The objective is embedded in the Lean:Green sustainability strategy which has been approved by the Board of Directors. The company does not set a near or medium- term target for the absolute reduction in CO2 because there is currently no viable technical means to achieve it for transoceanic shipping.

Ambitions and next steps

The data liberation project discussed in the 'Quality of Service' section will be the most prominent initiative contributing to continued improvement in GHG performance in 2019. To a large degree it will focus on retrofitting and commissioning the equipment to achieve data liberation across a large portion of the fleet, however it is anticipated that analytical tools to improve different aspects of vessel operating performance and efficiency will also being to be used. As the technology is new it is premature to comment on anticipated results or targets.

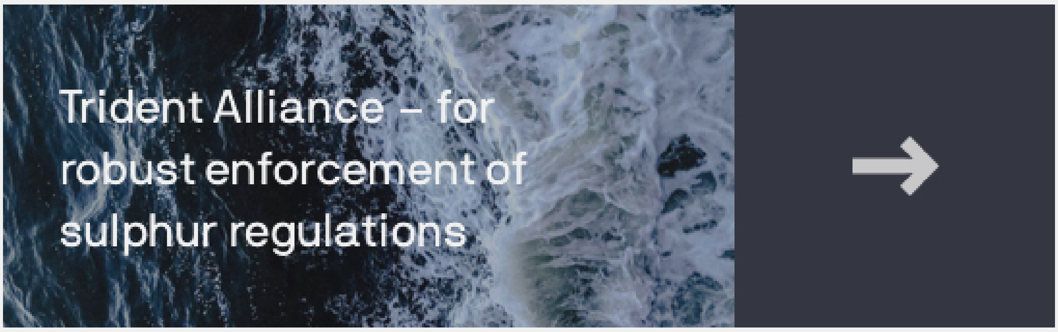
In May 2019 IMO will hold it's 74thMEPC meeting where the next stage in the development of future GHG regulations will take place. Wallenius Wilhelmsen engages in such regulatory events to try to achieve progressive but pragmatic outcomes. For MEPC 74 the company will urge support for initiatives that will contributing to raising the scale and global coordination of low and zero emission research and development.

Non-GHG air emissions from ships

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

Wallenius Wilhelmsen has a zero emissions vision for its ocean services, making non-GHG emissions a material topic for the company.

The scope includes all vessels under Wallenius Wilhelmsen's control, whether owned or chartered, and the progress of these emissions and CO2 emissions is driven by specific regulation. Overall responsibility for compliance and vessel performance lies with the Marine Operations Management team: their decisions and instructions affect performance in this area, however, as with CO2, the results are also heavily affected by factors outside the company's control, such as market conditions.



How the topic is managed

Compliance with NOx regulation is established through adjustment of engine settings and or installation of specialist machinery during the building of the ship. SOx and PM fall under the same IMO regulation, which allows compliance through the use of a fuel- either liquid or gaseous- of the required sulphur content, or through operation of a device ('scrubber') that removes SOx from air emissions, which is regarded as an 'alternative compliance method' as outlined in IMO's MARPOL Annex 6, Regulation 4.1. Compliance on an individual vessel level is managed by the crew with oversight by the ship managers.

Sulphur regulation will undergo a step change in 2020, with the introduction of a new global cap on the amount of sulphur in fuel. From 1 January 2020, the cap will be 0.5%, an 86% reduction from the current level of 3.5%. Wallenius Wilhelmsen will comply with the new limits through a combination of operating with different types of low Sulphur fuel and installing scrubbers on the most suitable vessels. The company is also the founder and current chair of the Trident Alliance, a network of over 40 shipping companies that believe in robust enforcement of sulphur regulations for the benefit of health, the environment and fair competition.

During 2018, a relative NOx target was set as part of the Lean:Green strategy. The target is a 1% reduction in the owned fleet's main engine average IAPP value from 13.68 to 13.53 between 2017 and 2022, which will be achieved through fleet renewal.

The validity of this as a KPI is underscored by the fact that NOx and CO2 emissions go hand in hand. Particulate Matter (PM) is regulated together with SOx and there are no explicit PM levels to be met, so targets have not been set and nor will results be reported. It is important to note that all the foregoing criteria emissions correlate strongly with CO2 emissions. Therefore, all initiatives to improve fuel efficiency, such as enhanced hull fouling management generally, have a positive effect on NOx, SOx and PM emissions too.

Evaluation of results

In 2018, the total SOx emissions of the fleet under the group's control was 68 480 tonnes, which represented a 5.1% reduction on the 2017 value of 71 330 tonnes (restated from 72 194 after review). The difference is mainly attributed to the lower average sulphur content of High Sulphur Fuel Oil (HSFO) on the market in 2018 compared to 2017. The amount of cargo work carried out by the fleet and its carbon intensity can affect the total SOx result, however, there were only marginal differences in those factors between 2017 and 2018.

The average sulphur content in fuel used was 2.06%, a reduction of 4.6% compared to the 2.18% reported for 2017. In most cases, the average sulphur content of a fleet is affected by several factors, including compliance with sulphur regulation, the proportionate exposure to Emission Control Areas for the year, and the actual sulphur content of the fuel on the market during the year. For Wallenius Wilhelmsen, compliance is always 100% and exposure to ECAs was similar in 2017 and 2018, so the main factor in the difference is the change in average sulphur content of HSFO.

The relative NOx for the owned fleet in 2018 was 13.66g/kWh, a marginal reduction on the 2017 result of 13.68g/kWh. This reduction was due to the addition of MV Titus to the global fleet.

Ambitions and next steps

The data liberation project will have a positive impact on total SOx, NOx and PM emissions, but it is premature to quantify what that contribution will be. With SOx, the continuation of the Four Stream and Trident Alliance initiatives are central to continued progress, while with relative NOx, the addition of new HERO vessels will have a positive impact.

GHG emissions in landbased operations

While the landbased activities of Wallenius Wilhelmsen are not energy-intensive compared to its ocean activities, they are significant from a GHG perspective. The scope of landbased GHG emissions includes all types of facilities, including vehicle processing centres, vehicle distribution centres and ocean terminals, and vehicles that the company operates. Facilities and vehicles that the company has operational control over can be directly or indirectly influenced in relation to GHG emissions. Responsibility for GHG emissions, including from the vehicles associated with a facility, lies with the respective operational manager.

Reducing energy consumption

Energy consumption is managed on an individual facility basis. The leading source of energy at most facilities is electricity, and the focus has been on making energy consumption more efficient. An example of this has been upgrading to LED lighting at several facilities. Energy is also consumed by cargo handling and distribution vehicles. Local or regional regulation govern emissions from such vehicles, and Wallenius Wilhelmsen is always committed to full compliance.

It is important to note that the annual emissions of a typical landbased facility heavily depend on the volume and profile of activity that the facility performs, and can fluctuate greatly from one year to the next depending on market demand. For these reasons, it may be difficult to establish a CO2 intensity metric or targets for either relative or absolute reduction in GHG for Wallenius Wilhelmsen Solutions. The matter will be closely evaluated during 2019.

Evaluation of results

During 2018, a new online global performance reporting system for all landbased facilities was created, covering fuel and power consumption. The intention was that it would provide robust full-year baseline GHG emissions figures, however, development has not yet reached that point. Conversion of electricity to CO2 is yet to happen, and for similar reasons, the GHG targets for WW Solutions have yet to be decided.

The total CO2 from liquid and gaseous fuels was 5 611 tonnes. The fuels covered were diesel, petrol, propane and natural gas, and represented the operational consumption related to WW Solutions' vehicles, equipment and buildings. This does not include offices, personal vehicles and customer property unless they were included on the same bill as WW Solutions' operations. Facilities belonging to Keen were also not included as they have yet to be brought into the WW

Solutions standard operating environment. 2018 was the first year of data reporting and because of the business factors affecting total GHG emissions of WW Solutions, it is not possible to infer anything on performance from these results.

The total electrical consumption of WW Solutions in 2018 was 17.350 megawatt hours and represented liquid and gaseous fuels. The reporting solution does not yet convert electrical consumption to CO2 according to how electricity is produced in the area where each facility is located. The same applies for gaseous and liquid fuels.

Ambitions and next steps

In 2019, the existing global KPI reporting system will be extended to become a global, streamlined Plan Do Check Act (PDCA) solution for registering energy consumption and improvement actions (ImpACTs). The intention is to harness the system to develop environmental policies, objectives and initiatives for WW Solutions, as well as to share improvement opportunities across the organisation. Additionally, the reporting will be amended so that electrical consumption is converted to CO2. Furthermore, there will be an evaluation into the possibility to target (relative) reductions in either fuel or power volume fluctuations, as well as the profile of activities at facilities.

Non-GHG emissions in landbased operations

The landbased operations of Wallenius Wilhelmsen include terminals, equipment processing centres and trucking operations. All of these consume energy and for the majority, energy is derived either directly or indirectly from fossil fuels. This means that the operations Wallenius Wilhelmsen Solutions undertake will result in both GHG and non-GHG emissions. The latter includes primarily NOx and Particulate Matter emissions.

The scope of landbased non-GHG emissions includes all facilities and vehicles which the company has operational control over. All of these facilities and vehicles can be directly or in-directly influenced in relation to their non-GHG emissions, depending on the form of energy in question. Responsibility for non-GHG emissions, including from the vehicles associated with a facility, lies with the respective operational manager.

Regulations that govern vehicle non-GHG emissions apply in many of the jurisdictions in which the company operates, and compliance is compulsory for Wallenius Wilhelmsen, which makes it an essential issue for the company. Local communities increasingly take interest in the non-GHG emissions of industrial facilities because of the negative health impacts of such emissions.

Managing non-GHG emissions.

Non-GHG emissions in the group's operations are predominantly due to mechanical or electrical power generation, which means they are closely linked to GHG emissions. This means that aside from a commitment to compliance with all applicable environmental regulation, reduction in non-GHG emissions is achieved through the company's efforts to reduce GHG emissions. Furthermore, GHG emissions are linked to cost, so the company strives to reduce non-GHG emissions for this reason too.

Evaluation of results

A global reporting system for power and fuel consumption was implemented during 2018 – however, it has not been developed to the point where it can do the conversions necessary to report on non-GHG emissions.

Ambitions and next steps

During 2019 the existing fuel and power reporting tool will be developed to provide non-GHG KPIs across Wallenius Wilhelmsen's Solution's organisation.

Wallenius Wilhelmsen GRI Index - 2018

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 in brief (p.2)
102-2	Activities, brands, products, and services	Wallenius Wilhelmsen in brief (p.2)
102-3	Location of headquarters	*"Strandveien 20, 1366 Lysaker, Norway"*
102-4	Location of operations	Wallenius Wilhelmsen in brief (p.3-5)
102-5		Wallenius Wilhelmsen in brief (p.9-12) Corporate governance (p.88-108)
102-6	Markets served	Wallenius Wilhelmsen in brief (p.3-5)
102-7	Scale of the organization	Wallenius Wilhelmsen in brief (p.3-5)
102-8	Information on employees and other workers	Wallenius Wilhelmsen in brief (p.2-6) Diversity (40-43)
102-9	Supply chain	ESG supplier management (p.60-61))
102-10	Significant changes to the organization and its supply chain	Highlights for 2018 (p.18-19)
102-11	Precautionary Principle or approach	*"Precautionary Principle is applied"*
102-12	External initiatives	Sustainability at Wallenius Wilhelmsen (p.35-86)
102-13	Membership of associations	Sustainability at Wallenius Wilhelmsen (p.35-86)
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)
Governance		
102-18	Governance structure	Wallenius Wilhelmsen in brief (p.9-12) Corporate governance (p.88-108)
Stakeholder engagement		
102-40	List of stakeholder groups	Sustainability at Wallenius Wilhelmsen (p.35-38)
102-41	Collective bargaining agreements	Pension obligations (p.121) Note 16, Employee retirement plans (p.151-153)
102-42	Identifying and selecting stakeholders	Sustainability at Wallenius Wilhelmsen (p.35-38)
102-43	Approach to stakeholder engagement	Sustainability at Wallenius Wilhelmsen (p.35-38)
102-44	Key topics and concerns raised	Sustainability at Wallenius Wilhelmsen (p.35-38)
Reporting practice		
102-45	Entities included in the consolidated financial statements	Wallenius Wilhelmsen in brief (p.9) Corporate governance (p.88-108)
102-46	Defining report content and topic Boundaries	Sustainability at Wallenius Wilhelmsen (p.35-38)
102-47	List of material topics	Sustainability at Wallenius Wilhelmsen (p.35-38)
102-48	Restatements of information	Refer to p. 74 (Ship generated waste) and p.79 (Non GHG-air emissions from ships)
102-49	Changes in reporting	*Added one material topic "Biosecurity", under Being your trusted business partner*
102-50	Reporting period	*01.01.18-31.12.18*
102-51	Date of most recent report	*Annual Report 2017*
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	*Wallenius Wilhelmsen GRI Index - 2018*
102-55	GRI content index	*Wallenius Wilhelmsen GRI Index - 2018*

MATERIAL TOPICS

WALWIL topic / § no.	Description	Source (page number)	Omission	Reason for omission	Explanation for omission
Valuing our people's wellbeing and diversity - **Diversity**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	40-43			
103-2	The management approach and its components	40-43			
103-3	Evaluation of the management approach	40-43			
GRI 102 - General disclosures					
102-8	Information on employees and other workers	41-42			
Valuing our people's wellbeing and diversity - **Safe operations**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	43-45			
103-2	The management approach and its components	43-45			
103-3	Evaluation of the management approach	43-45			
GRI 403 - Occupational health and safety					
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	44-45			
Valuing our people's wellbeing and diversity - **Human and labour rights in ship recycling**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	45-48			
103-2	The management approach and its components	45-48			
103-3	Evaluation of the management approach	45-48			
Wallenius Wilhelmsen - Own indicator					
WALWIL-1	Number of ships recycled	47, 69			
Valuing our people's wellbeing and diversity - **Training and development**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	48			
103-2	The management approach and its components	48			
103-3	Evaluation of the management approach	48			
GRI 404 - Training and education					
404-3	Percentage of employees receiving regular performance and career development reviews	48	Not reported for 2018	Information not available	A reporting system will be established in 2019 to close this omission
Valuing our people's wellbeing and diversity - **Working conditions and welfare**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	49-51			
103-2	The management approach and its components	49-51			
103-3	Evaluation of the management approach	49-51			
Wallenius Wilhelmsen - Own indicator					
WALWIL-2	Crew retention rate	50			
WALWIL-3	Crew satisfaction results	50			
Being your trusted business partner - **Ethical business conduct**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	51-52			
103-2	The management approach and its components	51-52			
103-3	Evaluation of the management approach	51-52			
Wallenius Wilhelmsen - Own indicator					
WALWIL-4	Ethical business conduct	NA	Not reported	Information not available	No indicator(s) for external reporting on ethical business conduct has been established. In 2018 steps were taken to develop the compliance programme further, various improvement initiatives have been launched, such as establishing a common channel for reporting of compliance issues throughout the group.
Being your trusted business partner - **Quality of service**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	52-54			
103-2	The management approach and its components	52-54			
103-3	Evaluation of the management approach	52-54			
GRI 306 - Effluents and waste					
306-3	Significant spills	54, 67			
Wallenius Wilhelmsen - Own indicator					
WALWIL-5	Unplanned off-hire	54			
Being your trusted business partner - **ESG customer management**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	55			
103-2	The management approach and its components	55			
103-3	Evaluation of the management approach	55			
GRI 419 - Socioeconomic compliance					
419-1	Non-compliance with laws and regulations in the social and economic area (sanction laws and regulations)	55			
Being your trusted business partner - **Tax practices**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	56-58			
103-2	The management approach and its components	56-58			
103-3	Evaluation of the management approach	56-58			
Wallenius Wilhelmsen - Own indicator					
WALWIL-6	Transfer pricing documentation compliance	57			
Being your trusted business partner - **Security at landbased facilities**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	58-59			
103-2	The management approach and its components	58-59			

103-3	Evaluation of the management approach	58-59			
Wallenius Wilhelmsen - Own indicator					
WALWIL-7	Security at landbased facilities (theft of units)	59			
Being your trusted business partner - **Security of vessels**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	59-60			
103-2	The management approach and its components	59-60			
103-3	Evaluation of the management approach	59-60			
Wallenius Wilhelmsen - Own indicator					
WALWIL-8	Number of security breaches on vessels owned by Wallenius Wilhelmsen	60			
Being your trusted business partner - **ESG supplier management**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	60-61			
103-2	The management approach and its components	60-61			
103-3	Evaluation of the management approach	60-61			
Wallenius Wilhelmsen - Own indicator					
WALWIL-9	ESG supplier management	NA	Not reported	Information not available.	In 2018 priority was given to the Ship Recycling Transparency Initiative, which addresses the most significant supplier sustainability issue across the industry. During 2019 a supplier sustainability management policy and system will be defined and implemented.
Being your trusted business partner - **Privacy and data security**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	61-62			
103-2	The management approach and its components	61-62			
103-3	Evaluation of the management approach	61-62			
Wallenius Wilhelmsen - Own indicator					
WALWIL-10	Number of substantiated breaches of privacy and data security	62			
Being your trusted business partner - **Green innovation**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	62-64			
103-2	The management approach and its components	62-64			
103-3	Evaluation of the management approach	62-64			
Wallenius Wilhelmsen - Own indicator					
WALWIL-11	Number of Orcelle Award finalists	63			
Being your trusted business partner - **Biosecurity**					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	64-65			
103-2	The management approach and its components	64-65			
103-3	Evaluation of the management approach	64-65			
Wallenius Wilhelmsen - Own indicator					
WALWIL-17	Contaminated cargo (BMSB and other invasive species)	65	Quantitative data for contaminated cargo not provided	Information not available	First year of reporting on this topic. Wallenius Wilhelmsen will in 2019 establish an indicator to close this omission.
Protecting life below water - **Environmental emergency preparedness of ships**					
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GRI 305 - Emissions					
305-1	Direct (Scope 1) GHG emissions	NA	Not reported	Information not available	During 2018, a new online global performance reporting system for all landbased facilities was created, covering fuel and power consumption. The intention was that it would provide robust full-year baseline GHG emissions figures, however, development has not yet reached that point.
305-2	Energy indirect (Scope 2) GHG emissions	NA	Not reported	Information not available	During 2018, a new online global performance reporting system for all landbased facilities was created, covering fuel and power consumption. The intention was that it would provide robust full-year baseline GHG emissions figures, however, development has not yet reached that point.
305-3	GHG emissions intensity	NA	Not reported	Information not available	During 2018, a new online global performance reporting system for all landbased facilities was created, covering fuel and power consumption. The intention was that it would provide robust full-year baseline GHG emissions figures, however, development has not yet reached that point.
305-5	Reduction of GHG emissions	NA	Not reported	Information not available	During 2018, a new online global performance reporting system for all landbased facilities was created, covering fuel and power consumption. The intention was that it would provide robust full-year baseline GHG emissions figures, however, development has not yet reached that point.
Navigating towards zero emissions - **Non-GHG air emissions from land-based operations**					
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GRI 305 - Emissions					
305-7	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	NA	Not reported	Information not available	A global reporting system for power and fuel consumption was implemented during 2018 – however, it has not been developed to the point where it can do the conversions necessary to report on non-GHG emission

Board of directors' report

Signatures

Lysaker, 12 March 2019

The Board of Directors of Wallenius Wilhelmsen ASA

Håkan Larsson Chair	**Thomas Wilhelmsen** Board member	**Jonas Kleberg** Board member
Marianne Lie Board member	**Margareta Alestig** Board member	**Craig Jasienski** President and CEO

Corporate governance

Implementation and reporting on corporate governance

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

This report is based on the requirements covered in the Norwegian Code of Practice for Corporate Governance ("the code", dated 17 October 2018), 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

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

Sustainable business model

A responsible business model is necessary to be sustainable. Acknowledging that the Company's activities affect its surroundings, Wallenius Wilhelmsen issues a report consistent with the requirements of the GRI (Global Reporting Initiative) Standard. The report for 2018 can be found under chapter three in this report. The report describes how Wallenius Wilhelmsen manages its business in relation to the environmental, social and governance issues that are material to it.

Governing elements

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

To ensure that the right results are achieved in the right way, the Company has a set of governing elements including its values, leadership expectations, code of conduct and compliance policies. 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.

The governing elements are available electronically on the Company's intranet, as written documentation and as e-learnings. In 2018, as in 2017, anti-corruption, competition law, and fraud and theft received particular attention. This focus will continue in 2019.

Deviations from the Code: None

The business

Articles of Association

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

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

The full articles of association are presented on the Company's website.

Strategy

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

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

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

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

The Board of Directors evaluate Wallenius Wilhelmsen's objectives, strategies and risk profiles on at least an annual basis.

Guidelines regarding social responsibility

The Company has a strong focus on social responsibility and keep 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

Wallenius Wilhelmsen has a sound level of equity supporting its objectives, strategy and risk profile. As of 31 December 2018, the total equity amounted to USD 2 876 million, corresponding to 38.8%, up from 36.2% at the end of 2017. The liquidity position is considered good, with cash and cash equivalents of USD 484 million, and about USD 335 million in undrawn credit facilities. The group had total interest-bearing debt of USD 3 100 million at the end of 2018. Outstanding bonds were about USD 380 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 2018.

The Board of Directors is of the view that the capital structure of the Wallenius Wilhelmsen is appropriate to the company's objectives, strategies and risk profile.

Dividend policy

The Board of Directors have adopted the following dividend policy:

Wallenius Wilhelmsen ASA's ('WALWIL ASA') objective is to provide shareholders with a competitive return over time through a combination of rising value for the WALWIL ASA share 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 2017

As the Board of Directors wanted to see a further strengthening of the solidity of the group before declaring a dividend, there was no dividend pay-out for the financial year 2017.

Dividend 2018

The Board has decided to propose an ordinary dividend of 6 cents per share to the Annual General Meeting in April 2019.

The Board also proposes that the Annual General Meeting gives them authority to approve 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 total, the proposed dividend for 2018 is equivalent to up to USD 50 million.

The boards proposal is based on careful review of the group’s current solidity and liquidity position, future capital requirements and prospects. The proposal will also facilitate a semi-annual payment of dividend, in line with the company’s dividend policy.

Authorisations to the Board of Directors

At the AGM in 2018, the Board of Directors were 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 be used in connection with the Company’s long-term incentive scheme for the executive management, as well as to enable the acquisition of own shares as an alternative to dividends in order to be able to optimize the capital structure of the company. The authorisation is valid until the AGM in 2019, but no longer than 30 June 2019.

At the AGM in 2018, 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 2019, but not longer than 30 June 2019.

Deviations from the code: The authorisations to the Board of Directors to acquire own shares and to increase the share capital cover more than one purpose. The Board of Directors is of the view that this gives them a flexibility to use the authorisations for one or several purposes, depending on the specific needs of the company.

Equal treatment of shareholders and transactions with close associates

Shareholders

As of 31 December 2018, the company had 4017 shareholders, of which 290 were foreign and the remaining were Norwegian. This indicates an increase of 20% in the number of shareholders at the end of the year. The Norwegian shareholders count for 210,960,519 of the company's shareholder base or 49.86% of the total number of shares.

Pre-emptive rights

The Board of Directors has not made any resolutions to increase the share capital based on the authorisations granted in 2018.

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

In accordance with the authorisation granted by the AGM in 2018, the company has purchased 800,000 shares in connection with its share incentive program. Such transactions have been carried out through the stock exchange and at prevailing stock exchange prices.

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; and
- members of the Board of Directors and the Chairman of the Nomination Committee are present at the general meeting

Pursuant to the articles of association of the Company, the Chairman 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 form/written voting form, which will be set up so that it is possible to vote on each of the items on the agenda and candidates that are nominated for election.

Shareholders with known address are notified by mail no later than 21 days prior to the meeting, and all relevant documents are published on Wallenius Wilhelmsen's website no later than 21 days prior to 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 they are in the best position to chair the general meeting.

Nomination committee

In accordance with section 8 of the Company’s articles of association, the general meeting has appointed the nomination committee, approved the guidelines for the committee’s work and the remuneration to be paid for participating in the committee.

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

Both Thomas Wilhelmsen and Jonas Kleberg are members of the Board of Directors. The majority of the nomination committee are accordingly not independent of the Board of Directors and more than one member is also a member of the Board. 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 are available on the company’s webpage.

In 2018, the nomination committee held four meetings.

Deviations from the code: The majority of the nomination committee is not independent from the Board of Directors and more than one member is also a member of the Board. The reason for such deviation from the code is that the current members are considered highly competent individuals to nominate the most capable board members in the best interest of the company.

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 8 of the Code.

The composition of the Board of Directors is considered to attend to the common interests of all shareholders and meet the Company’s need for expertise, capacity and diversity. The Board of Directors is also composed so that it can act independently of any special interests. Two of the directors are female. Three of the directors, Lars Håkan Larsson, Marianne Lie and Margareta Alestig are independent of the majority owners, the executive management and significant business relations. The Board does not include executive personnel.

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.

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

Board member	Elected
Håkan Larsson	April 2017
Thomas Wilhelmsen	April 2017
Jonas Kleberg	April 2017
Marianne Lie	April 2017
Margareta Alestig	April 2017

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 underlying business; they are best equipped to nominate their own chair.

Board responsibility and work

The Board of Directors

The Board of Directors have adopted instructions which include rules on the work of the Board and its administrative procedures determining what matters should be considered by the Board. The Board has the ultimate responsibility for the management of the Company and that the business is run in a sustainable and responsible way. The Board of Directors have 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 have also implemented procedures to ensure that members of the Board of Directors and executive personnel make the Company aware of any material interests that they may have to be 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 Chairman 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 2018, the company arranged seven board meetings. In addition to the board meetings, the Board 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 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 has considered appointing a remuneration committee but deemed that this is not necessary in order to ensure a thorough and independent preparation of matters relating to compensation paid to the executive personnel. The Board therefore acts collectively as the remuneration committee. The Board sets guidelines for remuneration for the executive personnel, including long- and short-term bonus schemes and pension plans. They also decide the general remuneration principles for other employees in the company.

Management team

In 2018, 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) Wallenius Wilhelmsen Solution and Chairman of ARC;
- Chief Operating Officer (COO) Wallenius Wilhelmsen Ocean;
- Chief Information Officer (CIO) and SVP Commercial WW Ocean;
- Chief Human Resources Officer (CHRO).

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 the overall responsibility for the Company’s results and for conducting the businesses and affairs of the company and its businesses in a proper and efficient manner, in the Company’s and its shareholders best interest.

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

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

CFO

The CFO heads up finance 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 Tecnologies , LLC. Each entity has its own board responsible for issues related to the specific operating entity.

Wallenius Wilhelmsen's ambition is to be a serious and reliable owner, taking the long-term interests of the companies, as well as its own, into consideration when developing its future strategy, including how ownership will be exercised, financial prospects as well as expectation towards code of conduct, environmental and sustainable standards and aspirations. All majority owned entities will need to comply with Wallenius Wilhelmsen's standards for compliance and code of conduct.

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. A project has been initiated to improve the Company's internal control environment to a more formalized level. The system contributes to control characterised by integrity and ethical attitudes throughout the organisation. It is based on the Company's guidelines for business standard and corporate social responsibility.

The Board reviews the Company's risk matrix four times a year and the internal control arrangements at least once a year, the latter 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. These controls will be further improved through a project initiated in 2019.

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 statement 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, and give reasonable assurance as to whether the consolidated financial statements are free from material misstatements and whether internal control over financial reporting were appropriate in the circumstances relevant to the audit. The audit includes examining on test basis evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting policies used and the reasonableness of accounting estimates made by management as well as evaluation of the overall financial statement presentation including the disclosures.

Whistleblowing

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. Strengthening transparency and safeguarding that the business standards are applied the way they are intended, the procedures also ensure that the Group has a professional way of handling potential breaches to laws and regulations, self-imposed business standards or other serious irregularities. The procedures also include guidelines to safeguard the whistle-blower.

Deviations from the Code: None

Remuneration of the Board of Directors

Remuneration of the Board of Directors is determined by the annual general meeting and is not dependent upon the Company’s results. The fee reflects the responsibilities of the Board, its expertise, the amount of time devoted to board related work and the complexity of the Company’s businesses. The Company does not grant share options to its members of the Board.

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 Chief Executive's, CFO and COO's remuneration packages, is detailed in note 2 to Wallenius Wilhelmsen's accounts. The Board's statement on remuneration to executive personnel is also a separate appendix to the agenda for the annual general meeting and the annual general meeting 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 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, a long-term incentive plan for senior executives was approved by the AGM in 2018 in order 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 common shares, which will vest after three years, subject to continued employment and the achievement of financial and strategic long-term performance targets.

Deviations from the Code: None

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 secure that 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 are provided with sufficient insight into the work of the auditor. In this regard, the Board of Directors ensure that the auditor submits the main features of the plan for the audit of the company to the Audit Committee annually.

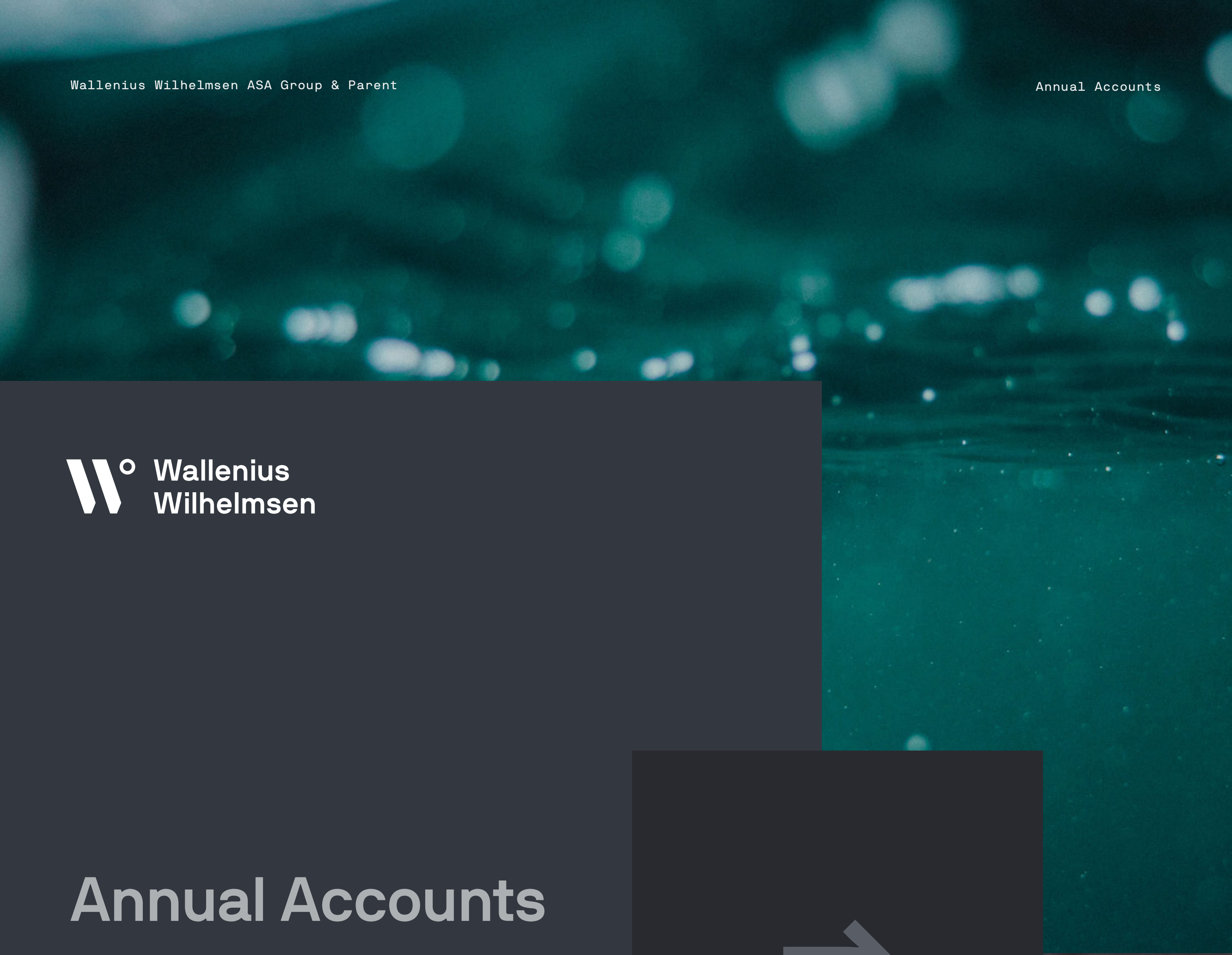
The Company’s auditor – PricewaterhouseCoopers AS (PwC) – attends all Board Audit Committee meetings and is always present when the annual accounts are dealt with by the Board. At these meetings, the auditor (i) reports on any material changes in the Company’s accounting principles and key aspects of 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 the Management and PwC during 2018. Once a year, the Board of Directors will review the Company’s internal control procedures with the auditor, including weaknesses identified by the auditor and proposals for improvement.

It is of importance to the Board that the auditor is independent of Management. The Board therefore has at least one meeting with PwC without senior management being present. In order to ensure the auditor’s independence of the Company’s executive management, the Board of Directors have established guidelines in respect of the use of the auditor by the Management for services other than the audit. The auditor provides the Board with a confirmation of independence in relation to non-audit services provided.

In 2018, PwC has audited accounts, notes, the Board of 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 2018, Bjørn Lund has been the Company’s engagement partner from PwC.

Deviations from the Code: None



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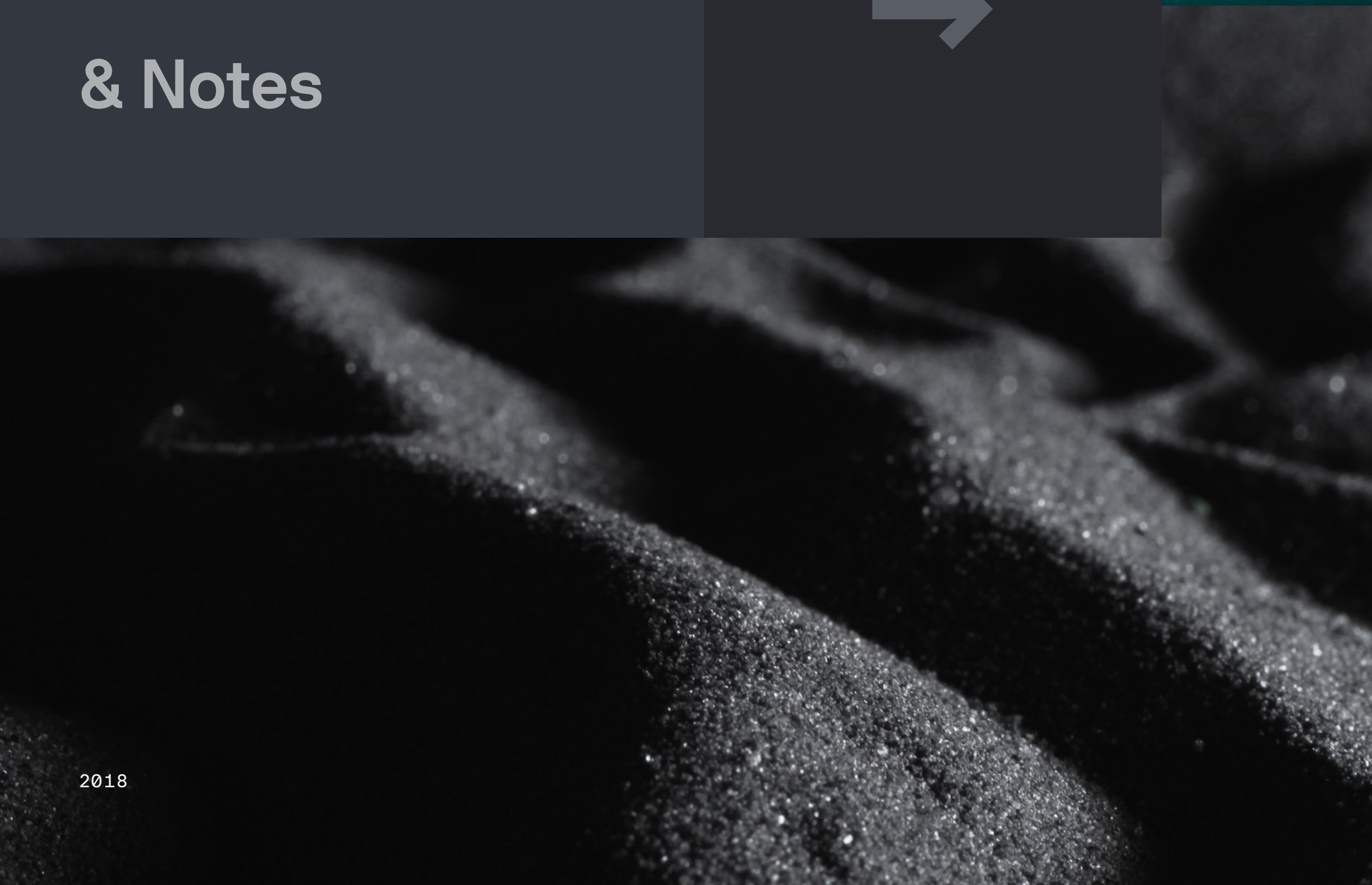
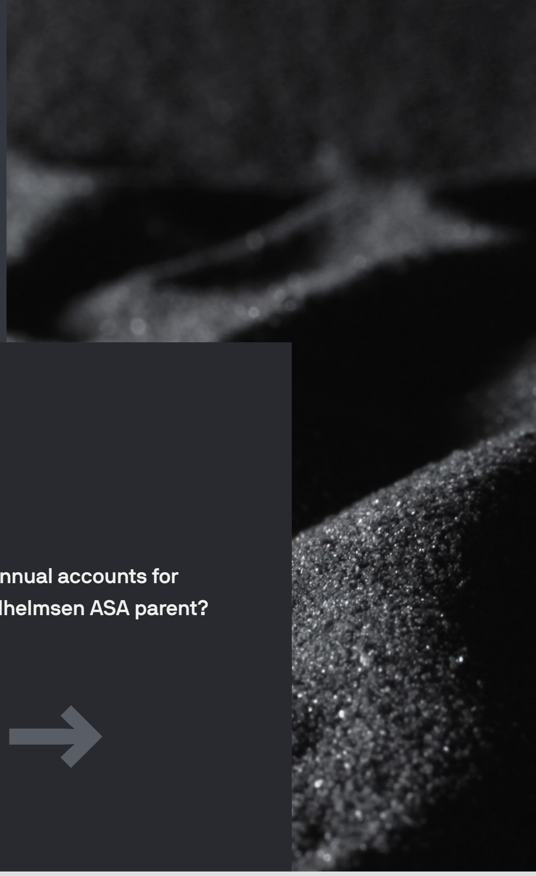


2018

Index: **Wallenius Wilhelmsen ASA Group**



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Notes:

Income statement

USD million	Notes	2018	Revised [1] 2017
Operating revenue	3	4,063	3,024
Gain/(loss) on sale of assets	4	1	2
Total income		**4,065**	**3,027**
Operating expenses	3	(3,463)	(2,454)
Operating profit before depreciation, amortisation and impairment (EBITDA)		**601**	**573**
Other gain/(loss)	13	(12)	
Depreciation and amortisation	8/9	(345)	(272)
Operating profit (EBIT)		**244**	**301**
Share of profit from joint ventures and associates	7	2	15
Loss on previously held equity interest			(64)
Financial income		57	67
Financial expenses		(225)	(171)
Financial items - net	**20**	**(166)**	**(153)**
Profit before tax		**78**	**148**
Tax income/(expense)	11	(20)	(3)
Profit for the period		**58**	**146**
Profit for the period attributable to:			
Owners of the parent		52	134
Non-controlling interests	12	6	11
Basic and diluted earnings (USD)		0.12	0.37

[1] See note 29

Statement of comprehensive income

USD million	Notes	2018	2017
Profit for the period		58	146
Other comprehensive income:			
Items that may be subsequently reclassified to the income statement			
Changes in fair value of cash flow hedge instruments		(4)	
Hedging gains reclassified to the income statement related to cash flow hedges			(3)
Currency translation adjustment and recycling of currency translation adjustment related to previous equity investment		(12)	3
Items that will not be reclassified to the income statement			
Remeasurement pension liabilities, net of tax	16	2	1
Other comprehensive income, net of tax		**(13)**	**2**
Total comprehensive income for the period		**45**	**148**
Total comprehensive income attributable to:			
Owners of the parent		40	135
Non-controlling interests		5	13
Total comprehensive income for the period		**45**	**148**

Balance sheet

USD million	Notes	31 Dec 2018	Revised [1] 31 Dec 2017
Assets			
Non-current assets			
Deferred tax assets	11	105	99
Goodwill and other intangible assets	8	711	723
Vessels and other tangible assets	9	5,225	5,364
Investments in joint ventures and associates	7	2	1
Other non-current assets	17	162	190
Total non-current assets		**6,204**	**6,376**
Current assets			
Bunkers/luboil		107	96
Trade receivables	18	489	472
Other current assets	17	130	123
Cash and cash equivalents		484	796
Total current assets		**1,210**	**1,487**
Total assets		**7,414**	**7,863**
Equity and liabilities			
Equity			
Share capital		28	28
Retained earnings and other reserves		2,619	2,594
Total equity attributable to owners of the parent		**2,647**	**2,622**
Non-controlling interests		228	228
Total equity		**2,876**	**2,850**
Non-current liabilities			
Pension liabilities		65	73
Deferred tax liabilities	11	116	106
Non-current interest-bearing debt	21/19	3,054	3,103
Non-current provisions		133	183
Other non-current liabilities	17	63	89
Total non-current liabilites		**3,431**	**3,554**
Current liabilities			
Trade payables		220	221
Current interest-bearing debt	21/19	530	661
Current income tax liabilities	11	14	13
Current provisions		46	257
Other current liabilities	17	298	307
Total current liabilities		**1,107**	**1,458**
Total equity and liabilities		**7,414**	**7,863**

[1] See note 13

Lysaker, 12 March 2019

Håkan Larsson	**Thomas Wilhelmsen**	**Jonas Kleberg**	**Marianne Lie**	**Margareta Alestig**	**Craig Jasienski**
Chair	Board member	Board member	Board member	Board member	President and CEO

Cash flow statement

USD million	Notes	2018	2017
Cash flow from operating activities			
Profit before tax		78	148
Financial (income)/expenses		166	153
Depreciation and amortisation	8/9	345	272
(Gain)/loss on sale of tangible assets	4	1	(2)
Change in net pension assets/liabilitie		(11)	(2)
Change in derivative financial asset	13	12	
Other change in working capital		(292)	(74)
Tax paid (company income tax, witholding tax)		(27)	(32)
Net cash flow provided by operating activities [1]		**272**	**462**
Cash flow from investing activities			
Dividend received from joint ventures and associates			
Proceeds from sale of tangible assets		10	154
Investments in vessels, other tangible and intangible assets	8/9	(171)	(83)
Investments in subsidaries, net of cash aquired	6	(22)	(64)
Investments in joint ventures	7	(1)	
Proceeds from sale of financial investments			218
Investments in financial investments			(15)
Interest received	20	9	4
Cash and cash equivalents, incoming entities merger			494
Changes in other investments			1
Net cash flow provided by/(used in) investing activities		**(174)**	**710**
Cash flow from financing activities			
Proceeds from issue of debt	21	1,269	281
Repayment of debt	21	(1,455)	(568)
Loan to related party	24		(15)
Interest paid including interest derivatives		(177)	(119)
Realised other derivatives		(30)	(31)
Dividend to non-controlling interests		(17)	(5)
Net cash flow used in financing activities		**(410)**	**(457)**
Net increase in cash and cash equivalents		**(312)**	**715**
Cash and cash equivalents at beginning of period		796	81
Cash and cash equivalents at end of period [1]		**484**	**796**

[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 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	**0**	**0**	**0**	**(40)**	**40**	**5**	**45**
Acquisition of own shares				(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 shareholders							0
Dividend to non-controlling interests						(17)	(17)
Balance 31 December 2018	**28**	**0**	**28**	**2,619**	**2,647**	**228**	**2,876**
Balance at 31 December 2016	16		16	1,419	1,435		1,435
Profit for the period				134	134	11	146
Other comprehensive income					0	2	2
Total comprehensive income	**0**		**0**	**135**	**135**	**13**	**148**
Merger with Wallroll AB	12		12	989	1,002	224	1,225
Change in non-controlling interests				(3)	(3)	(4)	(7)
Dividend to non-controlling interests					0	(5)	(5)
Derivative financial asset				54	54		54
Balance 31 December 2017	**28**		**28**	**2,594**	**2,622**	**228**	**2,850**

As of 31 December 2018, own shares represented 0.2% of the share capital in nominal value.
As of 31 December 2017, the company had no own shares.

Paid/proposed dividend

The board has decided to propose an ordinary dividend of 6 cents per share to the Annual General Meeting in April 2019. The board also proposes that the Annual General Meeting gives the board authority to approve a further dividend 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 total, the proposed dividend for 2018 is equivalent to USD 50 million.

The annual general meeting held 25 April 2018 decided not to pay dividend for the fiscal year 2017.

Accounting policies

General information and background

Wallenius Wilhelmsen (the group) consists of Wallenius Wilhelmsen ASA and its subsidiaries. On 4 April 2017, Wilh. Wilhelmsen ASA merged with Wallroll AB, with Wilh. Wilhelmsen ASA being the surviving company and renamed Wallenius Wilhelmsen Logistics ASA (WWL ASA). In 2018 the group was renamed to Wallenius Wilhelmsen ASA. The transaction is defined as 'the merger transaction'. Prior to 4 April 2017, the group was called WWASA and primarily owned vessels and held ownership stakes in joint ventures alongside Walleniusrederierna AB.

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. Following the merger transaction, 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 approved by the Norwegian Ministry of Finance 3 November 2014. In the parent company, the company has elected to apply the exception from IFRS for dividends and group contributions. Otherwise, the accounting policies for the group also applies to the parent company to the extent applicable.

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 12 March 2019.

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 2018. 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 first three months of 2017 is Wallenius Wilhelmsen group as before the merger.

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.

Accounting policies. Continued

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.

EVALUATION OF GROUP IMPACT IFRS 9
IFRS 9 Financial Instruments replaces the provisions of IAS 39 Financial instruments – Recognition and Measurement that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of assets and hedge accounting. The adoption of IFRS 9 Financial instruments from 1 January 2018 resulted in changes in accounting policies. The group has only one type of financial assets that are subject to IFRS 9's new expected credit loss model: Trade receivables for sale of services. The group adopted the simplified expected credit loss model for its trade receivables with only minor effects. No assets held by the group were subject to reclassifications in IFRS 9. The impact of the change in impairment on the group is immaterial and no adjustments have been reflected in retained earnings.

EVALUATION OF GROUP IMPACT IFRS 15
The group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in no material changes.

Under the new standards, an entity recognises revenue only when it satisfies a performance obligation by transferring a promised good or service (over time or at a point in time) to a customer. A good or service is considered to be transferred when the customer obtains control. Recognizing revenue upon a transfer of control is a different approach from the "risks and rewards" model in IAS 18. A performance obligation is satisfied over time if any one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits of the entity's performance as the entity performs.
- The entity's performance creates or enhances an asset (work-in-progress) that the customer controls as the asset is created or enhanced.

Ocean transportation services is assessed to meet the criteria for revenue recognition over time as the customer simultaneously receives and consumes the benefits as the entity performs. For Ocean transportation activities, the implementation of IFRS 15 will not have any effect on the group's recognition of revenue as the current practice is in line with the new standard.

Landbased operations has a wider variety of services and will likely meet the criteria for recognition of revenue at a point in time and over-time as the satisfaction of performance obligation related to the different service may vary. For Landbased services, the implementation of IFRS 15 will not have any effect on the group's recognition of revenue as the current practice is in line with the new standard.

There are no other new or amended standards adopted by the group or parent company from 1 January 2018 or later.

New and revised standards – not yet effective
IFRS 16, Leases, issued in January 2016 and effective from 1 January 2019 covers the recognition of leases and related disclosure in the financial statements, and will replace IAS 17 Leases. In the financial statement of lessees, the new standard requires recognition of all contracts that qualify under its definition of a lease as right-of-use assets and lease liabilities in the balance sheet, while lease payments should be split in interest expense and reduction of lease liabilities. The right-of-use assets are to be depreciated in accordance with IAS 16 "Property, Plant and Equipment" over the shorter of each contract's term and the assets useful life. The standard consequently implies a significant change in lessees' accounting for leases currently defined as operating leases under IAS 17, both as regards impact on the balance period of time in exchange of consideration. The group has a preliminary assessment of the impact of IFRS 16. The details can be found in note 28.

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

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

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

Accounting policies. Continued

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 combination

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit and loss as a bargain purchase.

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

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

Segment reporting

The operating segments are reported in a manner consistent with the internal financial reporting provided to the chief operating decision-maker 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

In first quarter 2017 the group had transactions with significant joint ventures. These JVs were from 4 April 2017 fully consolidated subsidiaries. The group transacts with other related parties on commercial terms such as Wilhelmsen Ship Service (WSS) and Wilhelmsen Ships Management (WSM).

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

See note 15 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

Accounting policies. Continued

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

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

Voyage charter revenue and expenses

Voyage charter revenue and expenses is recognised by estimating the total income and expenses for a vessel on a round trip. The voyage charter revenues and expenses are recognised on a percentage of completion basis over the length of the round trip voyage.

Landbased service revenue

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

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 program which provides annual awards of Wallenius Wilhemsen ASA shares after 3 years to the extent that certain performance conditions have been met to top executives. The costs of the incentive program are recognised over the vesting period.

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 environmental friendly recycling is deducted. The calculation is done on an annual basis.

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

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

Tangible assets are depreciated over the following expected useful lives:

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

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

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

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

Accounting policies. Continued

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.

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.).

Accounting policies. Continued

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

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

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

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

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

Financial assets

The group 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, fair value through other comprehensive income and fair value through profit or loss.

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

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

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.

Derivatives which do not qualify for hedge accounting

Derivative instruments are entered into for hedging purposes, but the company has elected 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.

Accounting policies. Continued

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). 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 without a significant financing component are measured at nominal amount less expected credit losses. The group applies the simplified approach and measure expected credit loss using a lifetime approach, grouping receivables into groups based on shared credit risk characteristics and days past due.

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 debtare 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.

Accounting policies. Continued

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.

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 2018, mainly due to continued oversupply and depressed rates in the market. No impairment has been recognised on vessels and other tangible assets in 2018. The carrying amount on vessels and other tangible assets at 31 December 2018 is USD 5,225 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 2018 is USD 350 million, USD 329 million and USD 32 million, respectively.

No impairment has been recognised in 2018. Further information on recognised goodwill and intangible assets are provided in note 8. The impairment information and sensitivities are provided in note 10.

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 179 million is the remaining provision as of 31 December 2018. Further details on the anti-trust provision is provided in note 26.

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. A USD 1.9 million gain due to a change in the deferred contingent consideration related to the acquisition of Syngin Technologies LLC has been recognised in the income statement in 2018. See note 6 for more information.

Critical judgments in applying accounting policies

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 an Other gain/(loss) in the income statement. As of 31 December 2018, the estimated fair value of the derivative financial instrument is USD 94 million. See note 13 for more information.

Note 2. Principal subsidiaries

	Business office, country	Nature of business	Ownership interest held by the group 2018	2017
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%	

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 2018 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	2018	2017
Operating revenue			
Freight revenue	5	3,049	2,404
Landbased	5	911	561
Other revenue	5	103	59
Total operating revenue		**4,063**	**3,024**
Voyage expenses			
Port & canal expenses		(442)	(328)
Stevedoring - loading/discharging		(417)	(312)
Bunker		(740)	(429)
Other voyage expenses		(261)	(182)
Total voyage expenses		**(1,859)**	**(1,250)**
Charter expenses		**(362)**	**(303)**
Ship operating expenses			
Crew expenses*		(113)	(84)
Maintenance of vessels		(30)	(27)
Ship management fee		(13)	(8)
Other ocean expenses		(70)	(63)
Total ship operating expenses		**(226)**	**(182)**

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

USD million	Notes	2018	2017
Other expenses			
Rent (office/buildings/terminals/land etc)		(64)	(44)
Manufacturing cost		(259)	(162)
Employee benefits	15	(465)	(320)
Hired personnel		(46)	(50)
External services		(20)	(21)
Other administration expenses		(162)	(121)
Total other expenses		**(1,017)**	**(719)**
Total operating expenses		**(3,463)**	**(2,454)**

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

USD million	Notes	2018	2017
Ocean			
Sale of vessel to joint venture			9
Refinancing of two vessels through sale and leaseback agreements			(8)
Write-off of capitalised IT costs			(2)
Other		(1)	
Net gain/(loss) on sale of assets		**(1)**	**(1)**
Landbased			
Sales of a facility in the US			7
Write-off of capitalised IT costs			(3)
Deferred consideration Syngin Technology LLC	6	2	
Net gain/(loss) on sale of assets		**2**	**4**
Total			
Sale of vessel to joint venture			9
Refinancing of two vessels through sale and leaseback agreements			(8)
Sales of a facility in the US			7
Write-off of capitalised IT costs			(5)
Deferred consideration Syngin Technology LLC		2	
Other	6	(1)	
Net gain/(loss) on sale of assets		**1**	**2**

Note 5. Segment reporting

The chief operating decision-maker monitors the business by combining operations having similar operational characteristics such as product services, market and underlying asset base, into operating segments. For management purposes, the group is organized 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. Voyage charter revenue and expenses are recognised on a percentage of completion basis by estimating the total income and expense for a vessel on a round trip. Revenues from fixed time charter contracts are recognised on a straight-line basis over the lease term in accordance with IAS 17 as service is performed and adjusted for off-hire days as applicable. 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. 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.

The landbased segment has much the same customer groups as ocean. Customers operating globally are offered sophisticated landbased services, such as vehicle processing centers, equipment processing centers, inland distribution networks and terminals. The segment's primary assets are human capital (expertise and systems) and customer contacts reflected in long-term relationships.

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.

Due to the merger transaction in 2017 which materially impacts the consolidated historical financial statements for the group, the below segment information for 2017 is not based on historical financial information since the board is of the opinion that this would not provide meaningful information. Therefore, the information is based on unaudited proforma income statement for first quarter 2017 and actual figures for the last three quarters of 2017. The proforma income statement has been prepared on the basis as if the merger transaction had been effective on 1 January 2016.

Note 5. Segment reporting. Continued

USD million	Ocean		Landbased		Holding/Eliminations		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Net freight revenue	2,815	2,847					2,815	2,847
Surcharges	234	114					234	114
Operating revenue	172	162	911	795	(69)	(63)	1,014	894
Gain/(loss) on sale of assets	(1)	(10)	2	4			1	(6)
Total income	**3,220**	**3,113**	**914**	**799**	**(69)**	**(63)**	**4,065**	**3,849**
Cargo expenses	(697)	(686)			62	63	(635)	(623)
Bunker	(740)	(559)					(740)	(559)
Other voyage expenses	(483)	(479)			(1)		(484)	(479)
Ship operating expenses	(226)	(226)					(226)	(226)
Charter expenses	(362)	(337)					(362)	(337)
Manufacturing cost			(266)	(211)	6		(259)	(211)
Other operating expenses	(25)	(20)	(433)	(399)	1		(456)	(420)
Selling, general and administrative expenses	(160)	(220)	(125)	(88)	(15)	(10)	(301)	(318)
Total operating expenses	**(2,692)**	**(2,528)**	**(824)**	**(699)**	**53**	**53**	**(3,463)**	**(3,173)**
Operating profit before depreciation, amortisation and impairment (EBITDA)	**528**	**587**	**90**	**100**	**(17)**	**(10)**	**601**	**677**
Other gain/(loss)	(12)						(12)	
Depreciation	(262)	(256)	(17)	(16)			(279)	(271)
Amortisation	(32)	(37)	(34)	(26)			(67)	(63)
Operating profit (EBIT)[1]	**222**	**295**	**39**	**58**	**(17)**	**(10)**	**244**	**344**
Financial items - net	(162)	(106)	(14)	(1)	9	(75)	(166)	(182)
Profit before tax	**60**	**189**	**25**	**57**	**(7)**	**(85)**	**78**	**162**
Tax income/(expense)	(20)	(8)	(3)	26	4		(20)	18
Profit for the period	**40**	**181**	**22**	**83**	**(4)**	**(85)**	**58**	**179**
Profit for the period attributable to:								
Owners of the parent	35	170	20	80	(4)	(85)	52	165
Non-controlling interests	5	11	1	3			6	14

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

In 2018, income of approximately USD 223 million and USD 190 million are from two external customers belonging to the group's ocean segment. In 2018, income of approximately USD 139 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. 31 December 2017 figures for the ocean segment are revised. See note 13.

USD million	Ocean		Landbased		Holding/Eliminations		Total	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Deferred tax asset	26	23	14	11	65	66	105	99
Goodwill and other intangible assets	594	238	118	484			711	723
Vessels and other tangible assets	5,088	5,237	136	126			5,225	5,364
Investment in joint ventures and associates		1	1				2	1
Other non-current assets	145	176	65	42	(48)	(28)	162	190
Current financial investments								
Other current assets	1,222	560	210	222	(705)	(92)	726	691
Cash and cash equivalents	299	634	123	128	62	35	484	796
Total assets	**7,374**	**6,869**	**666**	**1,013**	**(626)**	**(19)**	**7,414**	**7,863**
Equity controlling interests	3,515	2,585	115	400	(983)	(362)	2,647	2,622
Equity non-controlling interests	204	219	24	8			228	228
Deferred tax	95	37	20	69			116	106
Interest-bearing debt	2,906	3,074	302	303	376	387	3,584	3,764
Other non-current liabilities	241	290	12	8	8	48	261	345
Other current liabilities	413	664	192	225	(27)	(92)	577	798
Total equity and liabilities	**7,374**	**6,869**	**666**	**1,013**	**(626)**	**(19)**	**7,414**	**7,863**
Investments in tangible assets	123	64	33	14			155	78

Investments related to business combination see note 6.

USD million	Europe*		Americas		Asia & Africa		Elimination		Total landbased & holding		Ocean		Elimination		Total	
Geographical segments	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Total income	177	186	594	379	139	100	(70)	(49)	840	616	3,352	2,469	(128)	(57)	4,065	3,027
Total assets	590	1,010	347	585	127	122			1,064	1,717	7,122	6,319	(772)	(173)	7,414	7,863
Investment in tangible assets	7	1	22	5	4	1			33	7	123	71			155	78

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

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

Total income
Area income is based on the geographical location of the company and includes sales gains.

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 2018

Acquisition of Syngin Technology LLC

On July 4, the group signed an agreement to acquire 70% of the membership 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 centers.

The consideration included a deferred consideration initially calculated to USD 8 million. The deferred contingent consideration has been reduced to USD 6.1 million during the year to updated estimates on the threshold targets. A gain of USD 1.9 million has been 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 have been 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 is 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 has been 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.

DETAILS OF NET ASSETS ACQUIRED AND GOODWILL IS 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	
Liabilitites	
Other non-current liabilities	
Other current liabilities	
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 millions respectively.

Note 6. Business combinations. Continued

Business combinations 2017

Acquisition of Keen Transport in 2017

In 2017, the group purchased 100% of the shares in KTI Holding Corporation (Keen) from Platinum Equity for USD 64 million pluss pro contra working capital, total USD 67 million. Keen operates 14 high & heavy equipment processing centres (EPC's) and a specialty trucking entity in the US.

DETAILS OF NET ASSETS ACQUIRED AND GOODWILL IS AS FOLLOWS:

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

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

THE PURCHASE PRICE ALLOCATION IS AS FOLLOWS:

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

REVENUE AND PROFIT CONTRIBUTION

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

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

PURCHASE CONSIDERATION - CASH FLOW

USD mill	
Cash consideration December 2017	67
Less balance acquired Cash	3
Net	**3**
Net flow of cash	**(64)**

ACQUISITION RELATED COSTS

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

Note 6. Business combinations. Continued

Merger between Wilh. Wilhelmsen ASA and Wallroll AB

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

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

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

DETAILS OF NET ASSETS ACQUIRED AND GOODWILL IS AS FOLLOWS:

USD million	
Share consideration	1,002
Bond consideration	80
Total purchase consideration	**1,082**
Non-controlling interest	224
Fair value of previously held interests	710
Cost of business combination	**2,015**
Fair value of net identifiable assets acquired (see below*)	1,694
Goodwill	**321**

*For balance sheet revision related to other gain/loss see note 13.

The goodwill is attributable to the companies' strong position in the market and the synergies expected to arise after the merger. The goodwill will not be deductible for tax. The non-controlling interests is measure to fair value at the merger date.

THE PURCHASE PRICE ALLOCATION IS AS FOLLOWS:

USD million	Fair value
Intangible assets, incl customer relations/contracts and other intangible assets	403
Vessels, property and fixtures	3,748
Other non-current assets	237
Other current assets*	624
Cash and cash equivalents	494
Non-current interest-bearing debt	(2,246)
Other non-current liabilities	(756)
Other current liabilities	(812)
Net identifiable assets acquired*	**1,694**
Goodwill*	321
Net assets acquired	**2,015**

Note 6. Business combinations. Continued

BUSINESS COMBINATION INTANGIBLE AND TANGIBLE ASSETS

USD million	Ocean	Landbased
Goodwill*	125	196
Customer contracts	96	234
Customer relationships		32
Vessels	3,602	
Property/land/terminals	45	38
Other intangible assets	33	9
Other tangible assets		63

REVENUE AND PROFIT CONTRIBUTION

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

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

The proforma adjustments are included in proforma figures for 2017.

PURCHASE CONSIDERATION - CASH FLOW

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

ACQUISITION RELATED COSTS

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

THE GROUP SHARE OF JOINT VENTURES PREVIOUSLY HELD

USD million	
Book value previously held interests	775
Fair value of previously held interests	710
Loss on previously held equity interests	**(64)**

Note 6. Business combinations. Continued

USD million 4 April 2017	Wilh. Wilhelmsen group	JV "out"	Walleniusrederierna	JV to subsidaries	Fair value adjustments	Wallenius Wilhelmsen group
Non-current assets						
Deferred tax assets*	56		3	48		108
Goodwill and other intangible assets	6			728	(4)	730
Vessels and other tangible assets	1,822		1,057	2,609	83	5,570
Pension assets				2		2
Investments in joint ventures and associates	775	(775)		1		1
Other non-current assets*	55			151	52	258
Total non current assets*	**2,713**	**(775)**	**1,060**	**3,539**	**131**	**6,668**
Current assets						
Current financial investments	150					150
Other current assets	16		22	582		620
Cash and cash equivalents	121		40	455		616
Total current assets	**287**	**0**	**62**	**1,038**	**0**	**1,386**
Total assets*	**3,000**	**(775)**	**1,122**	**4,576**	**131**	**8,055**
Equity						
Share capital	16				12	28
Retained earnings and other reserves*	1,500	(775)	371	1,671	(341)	2,425
Non-controlling interests				224	224	2 622
Total equity attributable to owners of the parent*	**1,516**	**(775)**	**371**	**1,671**	**(106)**	**2,676**
Non-current liabilities						
Pension liabilities	40		1	36		77
Deferred tax liabilities		18	77	33	128	3 474
Non-current interest-bearing debt	1,155		619	1,621	80	3,474
Other non-current liabilities	124			473	124	721
Total non-current liabilities	**1,318**	**0**	**638**	**2,207**	**237**	**4,400**
Current liabilities						
Current income tax liabilities	7			15		22
Public duties payable	1			3		4
Other current liabilities	**159**		**114**	**680**		**952**
Total current liabilities	**166**	**0**	**114**	**698**	**0**	**978**
Total equity and liabilites*	**3,000**	**(775)**	**1,122**	**4,576**	**131**	**8,055**

*For balance sheet revision related to other gain/loss see note 13.

RECONCILIATION OF CHANGE IN EQUITY

Equity at the merger date*		1,516
Share consideration		1,002
Non-controlling interests		224
Booked value of previously held interests	(775)	
Fair value of previously held interests	710	
Loss on previously held equity interest	**(64)**	(64)
Equity opening balance 4 April 2017*		**2,676**

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

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

Note 7. Investments in joint ventures and associates

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

Company	Business office, country	Voting share/ ownership		Nature of relationship	Carring amount	
USD million		2018	2017		2018	2017
Ocean						
Port Newark Auto Terminal	New Jersey, USA	50%	50%	Joint venture	1	1
Tianjin Port WW Vehicle Log CO Ltd	Tianjin, China	30%	30%	Associate		
Landbased						
North America Terminal & Stevedoring Services LLC	Wilmington, USA	50%		Joint venture	1	
Holding						
Raa Labs AS	Lysaker, Norway	50%		Joint venture		

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

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

Note 7. Investments in joint ventures. Continued

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

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

SUMMARISED FINANCIAL INFORMATION - ACCORDING TO THE GROUP'S OWNERSHIP

USD million	2017
Share of profit	
Share of total income	380
Share of operating expenses	(340)
Share of depreciation	(17)
Share of net financial items	(3)
Share of tax expense	(4)
Share of profit for the period ending 31 March 2017	**14**

JOINT VENTURES' EQUITY (THE GROUP'S SHARE OF INVESTMENT)

USD million	2017
Share of equity 1 January 2017	768
Share of profit for the period	14
Loss on previously held interests	(64)
Charged directly to equity	(8)
Fair value of previously held interests	(710)
Share of equity 31 December 2017	**0**

Note 8. Goodwill and other intangible assets

USD million	Goodwill [1]	Customer relations/ contracts	Other intangible assets	Total goodwill and other intangible assets
Cost at 1 January 2018	332	398	33	763
Additions	2	5	7	14
Acquisitions through business combination [2]	16	17	8	42
Currency translation adjustment				(1)
Cost at 31 December 2018	**350**	**420**	**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	**0**	**(91)**	**(16)**	**(107)**
Carrying amounts at 31 December 2018	**350**	**329**	**32**	**711**

[1] See note 13 for revised balance sheet as of 1 January.

Cost at 1 January 2017	6		1	7
Additions			4	4
Acquisitions through business combination [2]	326	398	42	817
Disposal			(14)	(14)
Cost at 31 December 2017	**332**	**398**	**33**	**763**
Accumulated amortisation and impairment losses at 1 January 2017			(1)	(1)
Amortisation		(37)	(11)	(48)
Disposal			8	8
Accumulated amortisation and impairment losses at 31 December 2017	**0**	**(37)**	**(4)**	**(41)**
Carrying amounts at 31 December 2017	**332**	**362**	**29**	**723**

[2] See the business combination note 6 for more information.

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

USD million	2018	2017
Segment-level summary of the goodwill allocation		
Ocean	130	130
Landbased	219	201
Total goodwill allocation	**350**	**332**

Index:

Note 9. Vessels and other tangible assets

USD million	Property & land*	Other tangible assets*	Vessels & docking	Newbuilding contracts	Total vessels and other tangible assets
Cost at 1 January 2018	85	89	5,840	120	6,134
Additions		41	64	50	155
Reclassification	106	(106)	75	(75)	(0)
Disposal	(13)	(11)	(24)		(49)
Currency translation adjustment	(7)	(2)			(9)
Cost at 31 December 2018	**170**	**11**	**5,955**	**95**	**6,231**
Accumulated depreciation and impairment losses at 1 January 2018	(3)	(10)	(757)		(770)
Depreciation	(4)	(18)	(256)		(278)
Disposal	6	10	24		40
Reclassification	(58)	58			0
Currency translation adjustment	2	1			3
Accumulated depreciation and impairment losses at 31 December 2018	**(58)**	**(11)**	**(989)**	**0**	**(1,006)**
Carrying amounts at 31 December 2018	**66**	**98**	**4,965**	**95**	**5,225**
Cost at 1 January 2017		2	2,457		2,459
Additions		14	29	35	78
Acquisitions through business combination**	87	78	3,416	186	3,767
Reclassification from newbuilding contracts to vessels			101	(101)	0
Disposal	(5)	(5)	(164)		(174)
Currency translation adjustment	2	1			3
Cost at 31 December 2017	**85**	**89**	**5,840**	**120**	**6,134**
Accumulated depreciation and impairment losses at 1 January 2017		(1)	(579)		(581)
Depreciation	(3)	(13)	(208)		(224)
Disposal		5	31		36
Impairment					0
Currency translation adjustment		(1)			(2)
Accumulated depreciation and impairment losses at 31 December 2017	**(3)**	**(10)**	**(757)**	**0**	**(770)**
Carrying amounts at 31 December 2017	**81**	**79**	**5,083**	**120**	**5,364**

* Reclassification between Propery & land and Other tangible asset to better reflect the underlying assets as of 1 January.
** See the business combination note 6 for more information.

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

Vessels include dry-docking, of which carrying amounts at year end was USD 56 million (2017: USD 51 million).

During 2018, two new vessels were delivered (2017: two new deliveries). The group has three new vessels due for delivery in 2019-2020. See note 23 for commitments related to the newbuilding program.

Note 10. Impairment on non-current assets

USD million	Ocean	Landbased	2018 Group	Ocean	Landbased	2017 (Revised) Group
Goodwill	130	219	350	130	201	332
Intangible assets	77	285	361	108	284	391

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 recognised 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 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.

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:

Note 10. Impairment on non-current asset. Continued

	Goodwill			Discount rate post tax	
USD million unless otherwise stated	2018	2017 (Revised)		2018	2017
Wallenius Wilhelmsen Ocean	119	119		8.0%	7.5%
ARC	11	11		8.0%	7.5%
Total Ocean	**130**	**130**			
Wallenius Wilhelmsen Solutions	219	201		8.5%	8.0%
Total	**350**	**332**			

Sensitivities for main CGUs with allocated goodwill

Wallenius Wilhelmsen Ocean

This CGU owns or charter (long term time-charter or bare-boat in) a fleet of 52 vessels mainly through its shipowning subsidiaries, 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. 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 2,500 would reduce the headroom to nil.

ARC

ARC owns eight US flagged vessels, of which six 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 20% reduction in throughput, assuming stable margins, would reduce the headroom to nil.

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.

The group has significant investments in intangible assets, 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.

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 capitalization below the book value of equity and increased interest rates would be indicators of impairment. As per 31 December 2018 (analogous for 2017) there is no indications of impairment of the group's intangible assets with a definite useful life.

Note 10. Impairment on non-current asset. Continued

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 2018 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 2018. There are two main factors that can explain why the Value in Use (ViU) are higher than the book value of the assets. 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.

Sensitivities for main CGUs with vessels

Wallenius Wilhelmsen Ocean
This CGU owns or charter (long term time-charter or bare-boat in) a fleet of 52 vessels mainly through its shipowning subsidiaries, Wallenius Wilhelmsen Shipowning Singapore Ltd, Wall RO/RO AB, Wilhelmsen Lines Car Carriers Inc, Wilhelmsen Lines Shipowning Malta Ltd, Wilhelmsen Lines Shipowning AS and Tellus Shipping AS, 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 to (T/C out) 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 Wallenius Wilhelmsen Ocean. A reduction in average earnings per day of USD 1,000 would reduce the headroom by USD 160 million.

EUKOR
This CGU owns or charter (long term time-charter or bare-boat in) a fleet of 41 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 to (T/C out) 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 Car Carriers. A reduction in average earnings per day of USD 1,000 would reduce the headroom by USD 138 million.

ARC
ARC owns eight and operates a fleet of six 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 2018.

Note 11. 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 five wholly owned companies resident in UK, Malta, Singapore, Sweden and Norway which were taxed under a tonnage tax regime in 2018. 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 23% for 2018. 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 net deferred tax expense of USD 8 million due to reclassification of provisions between WW Ocean and EUKOR.

Foreign taxes

The group have recognised a withholding tax of USD 7 million on dividends from EUKOR.

USD million	2018	2017
Specification of tax expense for the year		
Current income tax (including withholding tax)	28	26
Change in deferred tax	(8)	(23)
Total tax expense	**20**	**3**
Reconciliation of actual tax expense against expected tax expense in accordance with the income tax rate of 23%		
Profit before tax	78	148
23% (2017: 24%) tax	18	36
Tax effect from		
Non-taxable income	(25)	(12)
Share of profits from joint ventures and associates		(4)
Other permanent differences	2	3
Change of tax rate foreign activities		(32)
Corporate income tax different tax rate than 23% (2017: 24%)	(3)	6
Currency transition from USD to local currency for tax purpose	20	6
Withholding tax	9	1
Calculated tax expense for the group	**20**	**3**
Effective tax rate for the group	25%	2%

The effective tax rate for the group will, from period to period, change dependent on the group gains and losses from investments inside the exemption method and tax exempt revenues from tonnage tax regimes.

Change in local tax rate will impact the effective tax rate too. USD to NOK currency transition for Norwegian tax purpose will have a positive effect if the USD/ NOK increase during the period, related to corporate and shipowning entities in Norway.

Note 11. Tax. Continued

USD million	2018	2017
Net deferred tax liabilities at 1 January	(7)	55
Currency translation differences	(3)	5
Merger		(77)
Acquisition	(6)	(13)
Tax charged to equity	(1)	
Income statement charge	8	23
Net deferred tax assets/(liabilities) at 31 December	**(10)**	**(7)**
Deferred tax assets in balance sheet	105	99
Deferred tax liabilities in balance sheet	(116)	(106)
Net deferred tax assets/(liabilities)	**(10)**	**(7)**

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 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)**
At 31 December 2016	(37)	(13)	2	(50)
Through income statement	78	2	(23)	57
Merger	(126)			(126)
Acquisition	(13)			(13)
Currency translations	3		3	7
Deferred tax liabilities at 31 December 2017	**(96)**	**(10)**	**(18)**	**(126)**

Note 11. Tax. Continued

USD million	Non-current assets and liabilities	Current assets and liabilities	Tax losses carried forward	Total
Deferred tax assets				
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 assets at 31 December 2018				**105**
At 31 December 2016	57	(1)	51	105
Through income statement	(58)	3	18	(34)
Merger	51	(2)		49
Charged directly to equity				0
Currency translations			(2)	(2)
Deferred tax assets at 31 December 2017	**51**	**0**	**67**	**119**

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

Note 12. Subsidiaries with material non-controlling interest

	Business office/country	Voting/control share		Non-controlling interest	
		2018	2017	2018	2017
Ocean					
EUKOR Car Carriers Inc	Seoul, Republic of Korea	80.0%	80.0%	20.0%	20.0%

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

USD million	2018	2017
Summarised balance sheet		
Non-current assets	2,121	2,208
Current assets	314	473
Total assets	**2,435**	**2,681**
Non-current liabilities	1,036	1,204
Current liabilities	378	400
Total liabilities	**1,415**	**1,604**
Net assets	**1,020**	**1,077**
Accumulated non-controlling interests (NCI)	204	215
Summarised income statement/OCI		
Total income	1,567	1,210
Profit for the year	18	41
Other comprehensive income	(4)	(1)
Total comprehensive income	**14**	**40**
Profit allocated to material NCI	4	8
Dividends paid to material NCI	(14)	

The non-controlling shareholder holds a put option for their 20% shareholding in EUKOR through the shareholder agreement entered into in 2002. The shareholder agreement also contains a symmetrical call option held by the group. In 2017, the derivative financial asset was not recognised. Based on this, the comparative balance sheet information for 2017 has been revised. Non-current assets reduced with USD 9 million resulting in a reduction in NCI of USD 2 million. See note 13.

Note 12. Subsidiaries with material non-controlling interest. Continued

USD million	2018	2017
Summarised cash flows		
Net cash flow provided by/(used in) operating activities	37	129
Net cash flow provided by/(used in) investing activities	39	6
Net cash flow provided by/(used in) financing activities	(183)	(134)
Net increase/(decrease) in cash and cash equivalents	**(107)**	**1**
Accumulated NCI - EUKOR Car Carrieres Inc	204	215
Accumulated NCI - immaterial subsidiaries	24	13
Accumulated non-controlling interests (NCI)	**228**	**228**
Profit for the period attributable to NCIs - EUKOR Car Carriers Inc*	4	8
Profit for the period attributable to NCIs - immaterial subsidiaries*	3	3
Profit for the period to NCIs*	**6**	**11**

*Period from 1 April to 31 December 2017

Note 13. Other gain/loss

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 exercise price for the put and call option is calculated based on a formula consistent with valuation guidance used in “The Inheritance Tax and Gift Tax Act” applicable in South Korea.

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 an Other gain/(loss) in the income statement.

Based on the calculated amount of the exercise price of the put and call option versus the estimated fair value of EUKOR non-controlling shares, management has recognised a derivative financial asset related to the estimated fair value of the call option. Since the put and call options became exercisable in 2017, the derivative financial assets is accounted for as other non-current assets. The put and call option have no expiry date and can be exercised at any point in time. The group does not have any plan to exercise the call option.

In 2017, the derivative financial asset was not recognised. Based on this, the comparative balance sheet information for 2017 has been revised. The revisions made take into consideration the impact the derivative financial instrument had on the purchase price allocation related to the Wallroll business combination which was effective in April 2017. Also, the revisions take into account the impact on equity (Retained earnings and other reserves) related to the accounting of EUKOR investment under the equity method prior to the Wallroll business combination. No revisions have been recognised in the income statement for 2017 since the estimated changes in fair value of the derivative financial asset was not material for this period. Based on this, the revision effect as of 1 January 2017, is an increase of Other non-current assets of USD 54 million with a corresponding increase in Retained earnings and other reserves.

Summary of balance sheet revision effects for the previously reported period ends:

USD million	31 Dec 2017
Other non-current assets - previously reported	84
Other non-current asset - revision amount	106
Other non-current asset - revised	**190**
Goodwill and other intangible assets - previously reported	774
Goodwill and other intangible assets- revision amount	(52)
Goodwill and other intangible assets- revised	**723**
Retained earnings and other reserves - previously reported	2,540
Retained earnings and other reserves - revision amount	54
Retained earnings and other reserves - revised	**2,594**

In 2018, a loss of USD 12 million has been recognised related to change in the fair value of the derivative financial instrument. As of 31 December 2018, the estimated fair value of the derivative financial instrument is USD 94 million.

Note 14. 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, authorized 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:

USD million	2018	2017
Total number of shares 31 December	423,104,938	423,104,938
Own shares 31 December	785,864	

The merger between Wilh. Wilhelmsen ASA and Wallroll AB was completed on 4 April 2017 and led to an increase in number of shares from 220,000,000 to 423,104,938 shares.

EARNINGS PER SHARE

	31 Dec 2018	31 Dec 2017 [1]
Number of shares	423,104,938	423,104,938
Profit for the period attributable to owners of the parent (USD million)	52	134
Basic and diluted earnings per share (USD) [2]	0.12	0.37

[1] Due to the merger of Wilh. Wilhelmsen ASA and Wallroll AB in April 2017, the year end 2016 figures are excluded from the full year calculation of 2017.
[2] For the share based compensation program there is no dilutive effect for the periods presented.

For 2017, earnings per share is calculated based on 220,000,000 shares for first quarter with profit of of USD 25 million, and 423,104,938 shares for the remaining part of 2017 with profit for the remaining periods of USD 109 million.

Note 15. Employee benefits

USD million	Notes	2018	2017
Salary		406	222
Payroll tax		30	23
Pension cost	16	18	14
Other remuneration		11	61
Total employee benefits		**465**	**320**

Number of employees		
Group companies in Norway	76	77
Group companies abroad	2,739	2,750
Total employees	**2,815**	**2,827**
Average number of employees*	2,821	1,432

*The merger took place 4 April 2017

Remuneration of senior executives

USD thousand	Salary	Bonus	Pension premium	Other remuneration	Total
2018					
President and CEO - Craig Jasienski [1]	570	504	159	188	1,420
Chief Financial Officer - Rebekka Glasser Herlofsen [2]	406	248	37	56	747
Chief Operating Officer (COO) WW Ocean - Michael Hynekamp [3]	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 [4]	439	75	110	257	881

[1] Including gross up of pension expense USD 139 thousand.
[2] Including gross up of pension expense USD 32 thousand.
[3] Including expat expenses, home, education and travel expenses USD 281 thousand.
[4] Including expat expenses, home, education and travel expenses USD 238 thousand.

2017: 4 April - 31 December	Salary	Bonus	Pension premium	Other remuneration	Total
President and CEO - Craig Jasienski [5]	373		130	77	580
Chief Financial Officer - Rebekka Glasser Herlofsen	275		33	46	354
Chief Operating Officer (COO) WW Ocean - Michael Hynekamp [6]	332		20	526	878
Chief Operating Officer (COO) WW Solutions - Raymond Fitzgerald	567		128	44	739
Chief Executive Officer (CEO) EUKOR - Erik Nøklebye [7]	238		48	89	375

[5] Including gross up of pension expense USD 65 thousand.
[6] Including expat expenses, home, education and travel expenses USD 301 thousand.
[7] Including expat expenses, home, education and travel expenses USD 107 thousand.

2017: 1 January - 4 April	Salary	Bonus	Pension premium	Other remuneration	Total
President and CEO - Jan Eyvin Wang [8]	794	480	362	427	2,064
Chief Operating Officer - Benedicte Bakke Agerup [9]	954	175	1	5	1,135

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

Note 15. Employee benefits. Continued

Remuneration of the board of directors and nomination committee

USD thousand	2018	2017
Board of directors		
Håkan Larsson (chair from 4 April 2017) [10]	184	
Thomas Wilhelmsen (chair until 4 April 2017)	61	
Marianne Lie	68	39
Jonas Kleberg (from 4 April 2017)	61	
Margareta Alestig (from 4 April 2017)	66	
Diderik Schnitler (until 4 April 2017) [11]		39
Bente Brevik (until 4 April 2017)		39
Christian Berg (until 4 April 2017)		

[10] Mr Håkan Larsson - steering committee fee until the merger date is USD 181 thousand.
[11] Mr Diderik Schnitler has an additional consulting agreement for which he received USD 24 thousand.

Nomination committee		
Anders Ryssdal	6	6
Jonas Kleberg	4	3
Thomas Wilhelmsen	4	3

The board's remuneration for the fiscal year 2018 will be approved by the general meeting 25 April 2019 and paid/expensed in 2019.

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 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 and for the other senior executives 40% of base salary.

Note 16. 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 recognised 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.

Contribution plan for salaries exceeding 12G in Norway
The group has "Ekstrapensjon", a contribution plan for all Norwegian employees with salaries exceeding 12 G. 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 have agreements on early retirement. These obligations are mainly financed from operations.

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

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

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

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

Note 16. Employee retirement plans. Continued

	2018	2017
Number of people covered by pension schemes at 31 December		
In employment	1,038	961
In retirement (inclusive disability pensions)	778	851
Total number of people covered by pension schemes	**1,816**	**1,812**
Financial assumptions applied for the valuation of liabilities (weighted average)		
Discount rate	3.00%	2.30%
Anticipated pay regulation	2.75%	2.00%
Anticipated increase in National Insurance base amount (G)	2.50%	2.00%
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	2018	2017
Expenses for employee retirement plans recognised in the statement of income		
Current service cost	2	1
Contribution by employees	(1)	
Interest costs from defined benefit obligation	2	1
Interest income from plan assets		
Defined contribution plans	16	12
Social security costs pensions		
Net pension expenses	**18**	**14**
Remeasurements - Other comprehensive income		
Effect of changes in demographic and financial assumptions	(4)	
Effect of experience adjustments		1
Return on plan assets (excluding interest income)		
Total remeasurements included in OCI	**(4)**	**1**
Tax effect of pension OCI	1	
Net remeasurements in OCI	**(2)**	**1**

Note 16. Employee retirement plans. Continued

USD million	Notes	2018	2017
Pension obligations			
Defined benefit obligation at end of prior year		103	69
Current service cost		2	1
Interest expense		2	1
Past service cost			
Benefit payments from employer		(6)	(4)
Experience adjustments			
Effects of changes in financial assumptions		(4)	1
Effects of changes in demographic assumptions			
Business combinations			33
Effect of changes in foreign exchange rates		(4)	3
Defined benefit obligations at 31 December		**92**	**103**
Gross pension assets			
Fair value of plan assets at end of prior year		32	29
Interest income		1	
Employer contributions		2	1
Benefit payments from plan assets		(2)	
Return on plan assets (excluding interest income)			
Business combinations			2
Effect of changes in foreign exchange rates		(2)	
Gross pension assets at 31 December		**31**	**32**
Total pension obligations			
Defined benefit obligations		92	103
Fair value of plan assets		31	32
Net pension liabilities		**61**	**71**
Balance sheet items			
Pension liabilities		65	73
Other non-current assets [1]	17	3	2
Net pension liabilities		**62**	**71**

[1] Pension assets included here.

USD million	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014
Historical developments					
Defined benefit obligations	(92)	(103)	(44)	(45)	(58)
Plan assets	31	32	3	2	2
Surplus/(deficit)	**(62)**	**(71)**	**(40)**	**(42)**	**(56)**

Note 17. Combined items balance sheet

USD million	Notes	2018	2017
Long-term investments		18	18
Financial derivatives		11	5
Loan to related party	24		15
Pension assets		3	2
Derivative financial asset	13	94	106
Other non-current assets		36	44
Total other non-current assets		**162**	**189**
Other current assets			
Trade receivables related party	24		1
Payroll tax withholding account	19	1	1
Prepaid expenses		129	121
Total other current assets		**130**	**123**
Other non-current liabilities			
Financial derivatives		43	73
Other non-current liabilities		21	16
Total other non-current liabilities		**63**	**89**
Other current liabilities			
Trade payables related party	24		3
Financial derivatives		34	35
Accrued operating expenses		251	235
Other current liabilities		13	30
Total other current liabilities		**298**	**302**

Note 18. Aging trade receivables and payables

Trade receivables

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

USD million	2018	2017
Aging of trade receivables fallen due		
Up to 90 days	53	58
90-180 days	12	17
Over 180 days	20	13
Trade receivables per segment		
Ocean	325	311
Landbased	164	161
Total trade receivables	**489**	**472**

Trade payables

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

USD million	2018	2017
Trade payables per segment		
Ocean	162	157
Landbased	57	64
Holding	2	
Total trade payables	**220**	**221**

Note 19. Restricted bank deposits and undrawn committed drawing rights

USD million	2018	2017
Payroll tax withholding account	1	1
Undrawn committed drawing rights	335	275
Undrawn committed loans	150	201

Note 20. Combined financial items

USD million	Notes	2018	2017
Financial income/(expenses)			
Share of profit from joint ventures and associates	7	2	15
Loss on previously held equity interest	6		(64)
Interest income		9	4
Other financial items		(3)	
Interest expenses		(161)	(111)
Interest rate derivatives - realised		(17)	(26)
Interest rate derivatives - unrealised		32	25
Currency			
Net currency gain/(loss) - operating items		(5)	5
Net currency gain/(loss) - financial items		(2)	(1)
Derivatives for hedging of foreign currency risk - realised		(30)	(31)
Derivatives for hedging of foreign currency risk - unrealised		16	31
Net financial - currency		**(21)**	**4**
Other financial derivatives			
Unrealised other financial derivatives		(7)	(3)
Realised other financial derivatives			3
Net other financial derivatives		**(7)**	**0**
Financial items - net		**(166)**	**(153)**

Financial income			
Interest income		9	4
Interest rate derivatives - unrealised		32	25
Net currency gain/(loss)			5
Derivatives for hedging of foreign currency risk - unrealised		16	31
Realised other financial derivatives			3
Financial income		**57**	**67**

See note 22 on financial risk and the section of the accounting policies concerning financial instruments.

Note 21. Interest-bearing debt

Reconciliation of liabilities arising from financing activities

USD million	31 Dec 2017	Cash flows	Non cash changes: Debt assumed as part of acquisition	Foreign exchange movement	Amortisation	Other[1]	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)	**3,054**
Current portion of non-current debt	**661**	(522)		(5)			396	**530**
Total liabilities from financing activities	**3,764**	**(186)**	**12**	**(17)**	**6**	**5**	**0**	**3,584**

[1] Interest on corporate bond with maturity in 2022. See note 24.

Repayment schedule for interest-bearing debt

USD million	Bank loans	Leasing liabilities	Bonds	Other interest-bearing debt	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**

Note 21. Interest-bearing debt. Continued

Net debt reconciliation

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

USD million	2018	2017
Cash and liquid investments	485	796
Gross debt – fixed interest rates	928	1,234
Gross debt – variable interest rates	2,657	2,530
Net debt	**3,100**	**2,968**

A key part of the liquidity reserve takes the form of undrawn committed drawing rights, which amounted to USD 185 million at 31 December 2018 (2017: USD 275 million). See note 19.

Most financing is subject to certain financial and non-financial covenants or restrictions. The main covenant related to the group's bond debt is limitation on the ability to pledge assets. The main bank and lease financing of the group have financial covenant clauses relating to one or several of the following minimum liquidity, current assets/current liabilities, net interest-bearing debt/ EBITDA and loan to value clauses.

The minimum ratios are adjusted to reflect the financial situation of the relevant borrowing company or group of companies. Certain subsidiary loan agreements also have change of control clauses. As of 31 December 2018 (analogous for 2017), 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.

Book value of mortgaged and leased assets

USD million	2018	2017
Vessels	4,803	4,993
Property & land	81	81
Total book value of mortgaged and leased assets	**4,884**	**5,074**

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

USD	3,209	3,458
NOK	376	305
Total	**3,584**	**3,764**

See otherwise note 22 for information on financial derivatives (interest rate and currency hedges) relating to interest-bearing debt.

Note 22. Financial risk

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

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

Market risk

Economic hedging strategies have been established in order to reduce market risks in line with the financial strategy approved by the board of directors. EUKOR applied hedge accounting according to IFRS 9 for parts of their bunker hedges. Hedge accounting according to IFRS 9 has not been applied for any other economic hedges. For the mentioned bunker hedges, the realized profit/loss was taken through income statement and any change in market value of the hedge derivatives was taken through OCI. As at end 2018, both EUKOR and WW Ocean had entered into bunker hedging contracts to reduce the risk in connection with the IMO 2020 regulations. There were no open bunker hedge contracts at the end of 2017. Any change in market value of other hedge derivatives is recognised in the income statement.

Foreign exchange rate risk

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

HEDGING OF TRANSACTION RISK

As a main principle, the group does not use financial instruments to hedge cash flow risk in the operating entities but will make an assessment of the merits to do so in periods when the USD is historically strong vs. other currencies. In order to capitalize on the strong USD, the group initiated a hedging program for CNY, NOK and SEK exposures towards end of 2018. As of year-end 2017 no material hedges were in place.

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

USD million

Sensitivity	(20%)	(10%)	0%	10%	20%
Transaction risk					
USD/NOK spot rate	6.96	7.83	8.70	9.57	10.44
Income statement effect (post tax)	**16**	**8**	**0**	**(7)**	**(7)**
USD/SEK spot rate	7.16	8.05	8.95	9.84	10.74
Income statement effect (post tax)	**7**	**2**	**0**	**(3)**	**(6)**
USD/CNY spot rate	5.50	6.19	6.87	7.56	8.25
Income statement effect (post tax)	**42**	**21**	**0**	**(16)**	**(16)**

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

Note 22. Financial risk. Continued

HEDGING OF TRANSLATION RISK

For balance sheet items denominated in other currencies than USD, the group will in each case consider whether to hedge the exposure. The group has outstanding NOK-denominated bonds of about NOK 2.5 billion (USD 290 million). The corresponding amount was NOK 2.5 billion (USD 306 million) for 2017. A large part of this debt (NOK 2.25 billion) has been hedged against USD with basis swaps.

FX SENSITIVITIES

On 31 December 2018, material foreign currency balance sheet exposure subject to translation risk was in NOK, AUD, EUR and KRW. Income statement sensitivities (post tax) for the net exposure booked were as follows:

Income statement sensitivities of economic hedge program

USD million

Sensitivity	(20%)	(10%)	0%	10%	20%
Translation risk					
USD/NOK	6.96	7.83	8.70	9.57	10.44
Income statement effect (post tax)	**3**	**3**	**0**	**(2)**	**(2)**
USD/EUR	0.91	1.03	1.14	1.26	1.37
Income statement effect (post tax)	**(1)**	**(1)**	**0**	**1**	**1**
USD/KRW	891	1,003	1,114	1,226	1,337
Income statement effect (post tax)	**(1)**	**(0)**	**0**	**0**	**0**
AUD/USD	0.56	0.63	0.70	0.78	0.85
Income statement effect (post tax)	**(1)**	**(1)**	**0**	**1**	**1**

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

A negative USD 12 million in translation difference was booked in other comprehensive income for the period ended 31 December 2018 (2017: negative USD 4 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.

Through income statement

USD million	Notes	2018	2017
Financial currency			
Net currency gain/(loss) - operating currency		(5)	5
Net currency gain/(loss) - financial currency		(2)	(1)
Derivatives for hedging of cash flow risk - realised			(21)
Derivatives for hedging of cash flow risk - unrealised		8	20
Derivatives for hedging of translation risk - realised		(30)	(11)
Derivatives for hedging of translation risk - unrealised		9	11
Net financial currency	**20**	**(21)**	**4**
Through other comprehensive income			
Currency translation differences through other comprehensive income		(12)	(4)
Total net currency effect		**(33)**	**1**

Interest rate risk

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

Interest rate contracts held by the group corresponded to about 45% (2017: about 50%) of its outstanding long-term interest exposure at 31 December. However, when fixed rate debt is included, the hedge ratio is about 60% (2017: about 70%) as at 31 December. Financial leases are considered fixed rate debt for this calculation.

Note 22. Financial risk. Continued

USD million	2018	2017
Maturity schedule interest rate hedges (nominal amounts)		
Due in year 1	266	31
Due in year 2	426	266
Due in year 3	301	156
Due in year 4	6	301
Due in year 5 and later*	1,061	1,317
Total interest rate hedges	**2,059**	**2,070**
*of which forward starting	880	765

In preparation for refinancing of fixed rate debt into floating rate debt towards end 2018, the group purchased in the second half of 2018 new interest rate swaps for USD 140 million to ensure a hedge ratio of 60-70% for the foreseeable future. These swaps start their term in 2018 and 2019. Maturity for the longest interest rate swaps are in 2027. As of end 2018 the group held forward starting swaps with nominal value of USD 880 million (2017: USD 765 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 - except where otherwise stated					
Fair value sensitivities of interest rate risk					
Change in interest rates' level	(2%)	(1%)	0%	1%	2%
Estimated change in fair value (post tax)	**(46)**	**(23)**	**0**	**23**	**46**

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

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

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

Index:

Note 22. Financial risk. Continued

USD million	2018 Assets	2018 Liabilites	2017 Assets	2017 Liabilites
Interest rate derivatives				
Holding segment		5		8
Ocean segment	6	14	4	36
Landbased segment	5		1	
Total interest rate derivatives	**11**	**18**	**5**	**44**
Derivatives used for cash flow hedging				
Holding segment		2		9
Ocean segment				
Total currency cash flow derivatives	**0**	**2**	**0**	**9**
Derivatives used for translation risk hedging (basis swaps)				
Holding segment		46		55
Ocean segment				
Total cross currency derivatives (basis swaps)	**0**	**46**	**0**	**55**
Derivatives used for bunker hedging				
Ocean segment		10		
Total bunker derivatives	**0**	**10**	**0**	**0**
Other derivatives				
Ocean segment	94		106	
Total other derivatives	**94**	**0**	**106**	**0**
Total market value of derivatives	**105**	**76**	**111**	**108**

Note 22. 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.

As a general principle, bunker adjustment factors (BAF) in customer contracts are the main mechanism to manage bunker oil 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. At the end of 2018 the market value of these hedges was negative USD 10 million (2017: no hedges held).

Credit risk

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

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

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

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

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

Guarantees
In connection with the restructuring and refinancing of the ocean business area, the parent company has provided a parent company guarantee towards the banks involved in the financing of Wallenius Wilhelmsen Ocean Holding AS. Financial guarantees are provided between the subsidiaries. See note 21 for further details on these.

Credit risk exposure
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

USD million	Notes	2018	2017
Exposure to credit risk			
Long-term investments	17	18	18
Financial derivatives - asset	17	11	5
Loan to related party	24		15
Other non-current assets	17	36	44
Trade receivable		489	472
Other current assets	17	130	123
Cash and cash equivalents		484	796
Total exposure to credit risk		**1,168**	**1,472**

Book value equals market value.

Note 22. 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 484 million (2017: USD 796 million) in liquid assets which can be realised over a three-day period in addition to USD 335 million (2017: USD 275 million) in undrawn capacity under its bank facilities. In addition, USD 150 million is available through banking partners to finance the delivery of the three newbuildings currently under construction.

USD million	Less than 1 year	Year 2	Between 3 and 5 year	Later than 5 years
Undiscounted cash flows financial liabilities				
Bank loans	282	497	760	373
Leasing liabilities	319	265	634	636
Financial derivatives	8	2	(5)	(5)
Bonds	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**
Bank loans	616	618	1,111	495
Leasing liabilities	108	108	335	559
Bonds	70	103	270	
Financial derivatives	29	15	34	25
Total interest-bearing debt	**824**	**845**	**1,750**	**1,079**
Current liabilities (excluding next year's instalment on interest-bearing debt and financial derivatives)	746			
Total gross undiscounted cash flows financial liabilities 31 December 2017	**1,569**	**845**	**1,750**	**1,079**

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

Note 22. Financial risk. Continued

Covenants

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

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

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

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

Capital risk management

The group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors return on capital employed, which the group defines as operating profit divided by capital employed (shareholders equity and interest-bearing debt). The board also monitors the level of dividends to shareholders. 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 2018 the return on capital employed was 4.0%. See reconciliation of alternative performance measures on page 179 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.

USD million	Fair value	Book value
Interest-bearing debt		
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	**3,565**	**3,584**
Bank loans	1,712	1,712
Leasing liabilities	1,653	1,653
Bonds	389	388
Bank overdraft	12	12
Total interest-bearing debt 31 December 2017	**3,765**	**3,764**

Note 22. Financial risk. Continued

FAIR VALUE HIERARCHY:

USD million	Level 1	Level 2	Level 3	Total balance
Financial assets at fair value through income statement				
- Financial derivatives		8		8
- Non-controlling shareholder net derivative			94	
Total assets 31 December 2018	**0**	**8**	**94**	**8**
Financial liabilities at fair value through income statement				
- Financial derivatives		76		76
Total liabilities 31 December 2018	**0**	**76**	**0**	**76**
Financial assets at fair value through income statement				
- Financial derivatives		5		5
- Non-controlling shareholder net derivative			106	
Total assets 31 December 2017	**0**	**5**	**106**	**5**
Financial liabilities at fair value through income statement				
- Financial derivatives		108		108
Total liabilities 31 December 2017	**0**	**108**	**0**	**108**

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 22. Financial risk. Continued

Financial instruments by category

USD million	Asset 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 receivable	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 payable		220	220
Current provision		46	46
Current interest-bearing debt		530	530
Other current liabilities	34	264	298
Liabilities 31 December 2018	**76**	**4,268**	**4,344**

USD million	Loans and receivables	Assets at fair value through the income statement	Other	Total
Assets				
Other non-current assets	15	111	64	189
Bunkers/ luboil			96	96
Trade receivable	472			472
Other current assets			123	123
Cash and cash equivalent	796			796
Assets at 31 December 2017	**1,283**	**111**	**281**	**1,569**

USD million	Liabilities at fair value through the income statement	Other financial liabilities at amortised cost	Total
Liabilities			
Non-current interest-bearing debt		3,103	3,103
Non-current provision		183	183
Other non-current liabilities	73	16	89
Trade payable		221	221
Current provision		257	257
Current interest-bearing debt		661	661
Other current liabilities	35	268	302
Liabilities 31 December 2017	**108**	**4,708**	**4,816**

Note 23. Commitments

Operating leases

The group has various operating lease agreements for vessels over various length. In addition, the group has lease agreements for landbased terminals, equipment, office rental and office equipment.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

USD million	2018	2017
Within one year	152	215
Later than one year but no later than five years	417	561
Later than five years	603	644
Nominal amount of operating lease commitments	**1,171**	**1,420**

Commitments related to the newbuilding program

The group has two new vessels due for delivery in 2019 and one new vessel 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	2018	2017
Due in year 1	78	92
Due in year 2	42	78
Nominal amount of newbuilding commitments	**120**	**170**

Vessels on financial lease

The group has 38 vessels on financial lease. The contracts are made for fixed periods of 10 to 25 years . Lease terms are negotiated on an individual basis containing a wide range of different terms and conditions. As of year-end 2018, remaining lease term for the 38 vessels on financial lease is ranging from 4 to 28 years including option periods. Of the 38 leases one has the option to extend the lease period and 37 leases have purchase options.

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

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

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

- Fixed payments
- Variable lease payment that are based on floating interest
- The exercise price of a purchase option if the lessee is reasonable certain to exercise that option.

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

Leased assets are measured at cost comprising the following:
- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date
- Any initial direct cost and
- Docking cost

Payments associated with short-term leases are recognised on a straight-line basis as an expense in income statement. Book value of leased vessels at 31 December 2018 was USD 2,096 million (2017: USD 2,175 million) with corresponding depreciation of USD 88 million (2017: USD 86 million).

For leasing commitments, see interest-bearing debt note 21.

Note 24. Related party transactions

Transactions with related parties

The two main shareholders of Wallenius Wilhelmsen ASA are Walleniusrederiarne 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 203 thousand and car allowance of USD 23 thousand. For participation in the board of directors and nomination committee, Thomas Wilhelmsen and Jonas Kleberg were each paid USD 72 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 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. In addition, the Soya group delivers accounting services and rent of office facilities to the group. Historically and currently the majority shareholders, WWH and Soya, further deliver several services to the group, all of which are made on an arm’s length principle based on market terms, based on the principles set out in the OECD’s transfer pricing guidelines for group services, including, inter alia, cost plus basis or based on independent broker estimates, as the case may be. In the event services are provided to both external and internal parties, the prices set forth in the contracts regarding such services, are on same level for both the external and the internal customers. The services cover:

- Ship management including crewing, technical and management service
- Insurance brokerage
- Agency services
- Freight and liner services
- Marine products to vessels

As a part of the merger between 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 transferable (as any other corporate bond).

USD million	Notes	2018	2017
Operating revenue from related parties related parties within WWH group			1
Operating revenue from related parties related parties within Soya group		1	
Operating expenses to related parties within WWH group		16	4
Operating expenses to related parties within Soya group		6	4
Non-current receivables from related parties within Soya group*	17		15
Current receivables from related parties within Soya group		1	1
*Interest free loan to Walleniusrederierna AB			
Non-current loan/payables to related parties within Soya group	17		3
Interest-bearing debt/bond to related parties within Soya group		87	82

Note 24. Related party transactions. Continued

Q1 2017 transactions with joint ventures and associates

Wallenius Wilhelmsen Logistics AS (WWL) was a joint venture between Wilh. Wilhelmsen ASA and Walleniusrederierna AB (together “the owners”). It was an operating company within both the ocean segment and the landbased segment. It operated most of the owners’ owned vessels. The distribution of income from WWL to the owners was based on the total net revenue earned by WWL from the operating of the combined fleets of the owners, rather than the net revenue earned by each party’s vessels.

EUKOR Car Carriers Inc was also chartering vessel from Wilh. Wilhelmsen ASA. The contracts governing such transactions were based on commercial market terms and mainly related to the chartering of vessels on short and long term charters.

USD million	Business office, country	Ownership	Notes	2017
Operating revenue from joint ventures				
Wallenius Wilhelmsen Logistics AS	Lysaker, Norway	50%		53
EUKOR Car Carriers Inc	Seoul, Republic of Korea	40%		6
Tellus Shipping AS	Lysaker, Norway	50%		
ARC*	New Jersey, USA	50%		
Freight revenue from joint ventures			**3**	**59**

*American Roll-on Roll-off Carrier Holdings LLC, Fidelio Inc, Fidelio Limited Partnership, American Logistics Network LLC and American Roll-On Roll-Off Carrier Group Inc.

Note 25. Operating lease revenue

Operating lease revenue

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

Pre merger 2017, the group recorded revenue of USD 53 million related to variable time charters in addition to 6 million in fixed income charters. Post merger, additional USD 57 million was recognised throughout the year.

USD million	2018	2017
Variable Time Charter		53
Fixed Time Charter	87	63
Total operating revenues	**87**	**116**

Note 26. Provisions and contingencies

Provisions presented in the consolidated balance sheet

USD million	2018	2017
Current provisions	46	257
Non-current provisions	133	183
Total provisions	**179**	**440**

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

Provisions

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 2019, while the timeline for the resolution of civil claims is more uncertain. As per year end 2018, USD 179 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 2017 is the fine paid as a result of the European Competition authorities investigation revealing certain instances of conduct contrary to company policies and in breach of EU competitition laws. The EUR 207 million fine was paid in 2018 amounting to USD 244 million. The provision was in addition reduced with USD 11 million due to a commercial settlement in 2018.

In 2016 WW Ocean and Eukor were recognised as equity-accounted investees, and the provisions were recognised as part of investments in joint ventures and associates.

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 27. Expensed Audit fee

USD million	2018	2017
Statutory audit	1.6	1.4
Other assurance services	0.1	0.6
Tax and legal advisory services fee	0.3	0.6
Total expensed audit fee	**2.0**	**2.5**

Note 28. Implementation of IFRS 16

The new IFRS 16 Leasing standard is effective from 1 January 2019. The standard will significantly change how the company accounts for its lease contracts for vessels, land, buildings and equipment currently accounted for as operating leases. Virtually all leases will be brought into the balance sheet increasing the groups assets and liabilities, in addition to affecting income statement figures. This note summarises the expected impact on the financial reporting of Wallenius Wilhelmsen group from implementing the new standard. According to the company's existing loan agreements, the new standard will not impact the covenant requirements.

The lease contracts

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

Recognition and measurement approach on transition

Wallenius Wilhelmsen will apply IFRS 16 retrospectively with recognition of the cumulative implementation effect recognised at the date of initial application 1 January 2019. By doing this, comparative financial information shall not be restated, but the cumulative effect of initially applying this standard shall be reflected as an adjustment to the opening balance. At the time of transition, leases entered under IAS 17 will not be reassessed.

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

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

- The standard will not be applied to leases of intangible assets and these will continue to be recognised in accordance with IAS 38 Intangible assets.
- All leases deemed short-term (<12 months) by the standard are exempt from reporting.
- All leases deemed to be of low value by the standard 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.

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

USD million	
Lease liability per 1 January 2019	861
Right-of-use asset per 1 January 2019	867
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 as at 31 December 2018	1,171
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	**1,181**
Effect of discounting lease commitment to net present value	(319)
Lease liability as at 1 January 2019	**861**

Note 28. Implementation of IFRS 16. Continued

Expected future impact on the income and cash flow statement

IFRS 16 Leasing will have a significant impact on the income statement when implemented in 2019. The estimated reduction of annual lease expense gives an improvement of EBITDA of approximately USD 161 million. Annual depreciation expense of leased assets will increase approximately USD 147 million. Annual net interest expense will increase with approximately USD 40 million. In the cash flow statement, operating cash flows will increase and financing cash flows will decrease as the lease payments will be classified as financial rather than operational. It is expected that IFRS 16 will be implemented in the reporting from the operating segments. The actual impact upon implementation may change as a result of changed interest rates, signing of new lease contracts, re-assessment of renewal options and re-assessment of onerous leases. The impact may also change if new information and guidance becomes known before the group presents its first consolidated financial statements using the new standard.

See note 23 for more information about operating lease commitments under current IAS 17.

Note 29. Revision of the income statement

Pre-2017 merger between Wilh. Wilhelmsen ASA and Wallroll AB, the group's share of profit/(loss) from joint ventures and associates was recognised in the income statement as an operating income. From 2018, the share of profit/(loss) from joint ventures and associates, with corresponding loss on previously held equity interest, were reclassified to non-operating items.

In addition, loss on sale of assets was moved from operating expenses to total income. In the table below the revisions in the income statement are shown and reconciled to previously reported amounts.

USD million	Previously reported	Revisions	Revised
Operating revenue	3,024		3,024
Share of profit/(loss) from joint ventures and associates	15	(15)	
Loss on previously held equity interest	(64)	64	
Gain/(loss) on sale of assets	16	(13)	2
Total income	**2,992**	**35**	**3,027**
Operating expenses	(2,467)	13	(2,454)
Operating profit before depreciation, amortisation and impairment (EBITDA)	**524**	**48**	**573**
Depreciation and amortisation	(272)		(272)
Operating profit (EBIT)	**253**	**48**	**301**
Share of profit/(loss) from joint ventures and associates		15	15
Loss on previously held equity interest		(64)	(64)
Financial income	70		70
Financial expenses	(175)		(174)
Financial items - net	**(104)**	**(48)**	**(153)**
Profit before tax	**148**	**0**	**148**
Tax income/(expense)	(3)		(3)
Profit for the period	**146**	**0**	**146**

Note 30. Events after the balance sheet date

Proposed dividend

The board has decided to propose an ordinary dividend of 6 cents per share to the Annual General Meeting in April 2019. The board also proposes that the Annual General Meeting gives the board authority to approve a further dividend 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 total, the proposed dividend for 2018 is equivalent to USD 50 million.

Reconciliation of alternative performance measures

Definitions of Alternative Performance Measures (APMs)

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

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

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

EBITDA adjusted is defined as EBITDA excluding restructuring related items and gain/loss on sale of vessels and other tangible assets. These items have been excluded as they are not regarded as part of the underlying operational performance for the period.

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 amortization. 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 restructuring related items, gain/loss on sale of vessels and other tangible assets and other gain/loss.

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 equity is 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 Total income to EBITDA and EBITDA adjusted

USD million	Ocean	Landbased	Holding/ Eliminations	Total
2018				
Total income	3,220	914	(69)	4,065
Operating expenses excluding other gain/(loss)	(2,692)	(824)	53	(3,463)
EBITDA	**528**	**90**	**(17)**	**601**
Restructuring costs	3		2	5
EBITDA adjusted	**531**	**90**	**(15)**	**606**

Reconciliation of alternative performance measures. Continued

Reconciliation of Total income to EBITDA and EBITDA adjusted

USD million	Ocean	Landbased	Holding/ Eliminations	Total
2017				
Total income	3,113	799	(63)	3,849
Operating expenses excluding other gain/(loss)	(2,528)	(699)	53	(3,173)
EBITDA	**586**	**100**	**(10)**	**677**
Restructuring costs	20	4	3	27
Gain on sale of vessels	(9)			(9)
Gain on sale of other tangible assets		(7)		(7)
Loss on sale of vessels	8			8
EBITDA adjusted	**605**	**98**	**(7)**	**696**

Reconciliation of Total income to EBIT and EBIT adjusted

USD million	2018	2017
EBITDA	**601**	**573**
Other gain/loss	(12)	
Depreciation and amortisation	(345)	(272)
EBIT	**244**	**301**
Restructuring costs	5	27
Gain on sale of vessels		(9)
Gain on sale of other tangible assets		(7)
Loss on sale of vessels		8
Derivative financial asset	12	
EBIT adjusted	**261**	**320**

Reconciliation of alternative performance measures. Continued

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

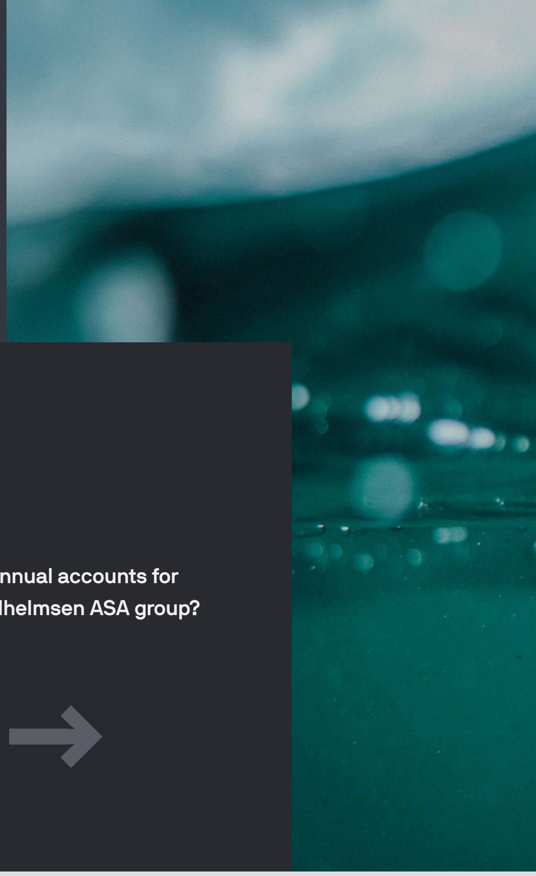
	Yearly average	
USD million	31 Dec 2018	31 Dec 2017 [1]
Total assets	7,638	7,863
Total liabilities	4,776	5,013
Total equity	**2,863**	**2,850**
Total interest-bearing debt	3,674	3,764
Capital employed	**6,537**	**6,614**
EBIT adjusted annualised	261	320
ROCE	**4.0%**	**4.8%**
Profit for the period	58	146
Return on equity	**2.0%**	**5.1%**

[1] Due to the merger of Wilh. Wilhelmsen ASA and Wallroll AB in April 2017, the year end 2016 figures are excluded from the full year calculation of 2017.

Net interest-bearing debt

USD million	31 Dec 2018	31 Dec 2017
Cash and cash equivalents	484	796
Non-current interest bearing debt	3,054	3,103
Current interest bearing debt	530	661
Net interest-bearing debt	**3,100**	**2,968**

Index: **Wallenius Wilhelmsen ASA Parent**



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Notes:

Income statement

USD million	Notes	2018	2017
Operating income	**1**		**3**
Operating expenses			
Employee benefits	2	(2)	(9)
Depreciation and amortisation	4		
Other operating expenses	1	(15)	(4)
Total operating expenses		**(17)**	**(13)**
Net operating profit/(loss)		**(17)**	**(10)**
Financial income and expenses			
Financial income	1	1,431	32
Financial expenses	1	(19)	(18)
Financial derivatives	1	(12)	4
Financial income/(expense)		**1,401**	**17**
Profit before tax		**1,384**	**7**
Tax income/(expense)	5	2	(2)
Profit for the year		**1,386**	**5**
Transfers and allocations			
(To)/from equity		(1,386)	(5)
Total transfers and allocations		(1,386)	(5)

Statement of comprehensive income

USD million	Notes	2018	2017
Profit for the year		1,386	5
Other comprehensive income:			
Items that will not be reclassified to the income statement			
Remeasurement postemployment benefits, net of tax	2	2	1
Other comprehensive income, net of tax		**2**	**1**
Total comprehensive income		**1,388**	**6**
Attributable to			
Owners of the parent		1,388	6
Total comprehensive income for the year		**1,388**	**6**

Balance sheet

USD million	Notes	31 Dec 2018	31 Dec 2017
Assets			
Non-current assets			
Deferred tax assets	5	63	66
Intangible and tangible assets	4		
Investments in subsidiaries	6	3,681	1,682
Total non-current assets		**3,746**	**1,748**
Current assets			
Other current assets	7	18	55
Cash and bank deposits		62	35
Total current assets		**80**	**90**
Total assets		**3,834**	**1,838**
Equity and liabilities			
Equity			
Share capital	8	28	28
Retained earnings	8	2,677	1,292
Total equity		**2,705**	**1,320**
Non-current liabilities			
Pension liabilities	3	32	38
Non-current interest-bearing debt	9	309	324
Financial derivatives		24	
Total non-current liabilities		**365**	**362**
Current liabilities			
Public duties payable			1
Other current liabilities	7/9	763	155
Total current liabilities		**764**	**156**
Total equity and liabilities		**3,834**	**1,838**

Lysaker, 12 March 2019

Håkan Larsson	**Thomas Wilhelmsen**	**Jonas Kleberg**	**Marianne Lie**	**Margareta Alestig**	**Craig Jasienski**
Chair	Board member	Board member	Board member	Board member	President and CEO

Cash flow statement

USD million	Notes	2018	2017
Cash flow from operating activities			
Profit before tax		1,384	7
Financial (income)/expense		(1,401)	(13)
(Gain)/loss on sale of tangible and intangible assets			
Change in net pension assets/liabilities		(4)	1
Change in current assets	7	28	(0)
Other change in working capital		8	(18)
Net cash provided by/(used in) operating activities		**16**	**(23)**
Cash flow from investing activities			
Investments in subsidiaries, associates and joint ventures		(1)	
Loans granted to subsidiaries and associates			(50)
Interest received		2	1
Dividend received		50	30
Net cash flow provided by/(used in) investing activities		**51**	**(19)**
Cash flow from financing activities			
Proceeds from issuance of debt		94	126
Repayment of debt		(89)	(23)
Purchase of own shares		(3)	
Dividends paid			
Interest paid including interest rate derivatives		(43)	(41)
Net cash flow provided by/(used in) financing activities		**(40)**	**63**
Net increase/(decrease) in cash and cash equivalents		**27**	**20**
Cash and cash equivalents at 1 January*		35	15
Cash and cash equivalents at 31 December		**62**	**35**

*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	2018	2017
Operating income			
Intercompany income	11		3
Total operating income		**0**	**3**
Other operating expenses			
Intercompany expenses	11	(2)	
Other administration expenses		(4)	(4)
Total other operating expenses		**(6)**	**(4)**
Financial income/(expenses)			
Financial income			
Dividend from subsidiaries and group contribution	11	1,189	30
Interest income		2	1
Gain on sale of investments		194	
Net currency gain		37	
Other financial income		10	1
Total financial income		**1,431**	**32**
Financial expenses			
Interest expenses		(16)	(11)
Net currency loss			(6)
Other financial expenses		(2)	(1)
Total financial expenses		**(19)**	**(18)**
Financial derivatives			
Realised gain/(loss) related to currency derivatives		(30)	(32)
Realised gain/(loss) related to interest rate derivatives		(2)	(4)
Realised gain/(loss) related to bunker hedging			3
Unrealised gain/(loss) related to currency derivatives		16	36
Unrealised gain/(loss) related to interest rate derivatives		4	3
Unrealised gain/(loss) related to bunker hedging			(3)
Total financial derivatives		**(12)**	**4**
Financial income/(expenses)		**1,401**	**17**

Note 2. Employee benefits

USD million	2018	2017
Salary		6
Payroll tax	(1)	1
Pension cost	(1)	1
Other remuneration		1
Total employee benefits	**(2)**	**9**
Number of employees*	0	0
Average number of employees	**0**	**0**

*All employees (11) are moved to Wallenius Wilhelmsen Ocean AS in 2017.

Remuneration of senior executives

USD thousand	Pay	Bonus	Pension premium	Other remuneration	Total
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 benefits 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.

Note 2. Employee benefits. Continued

USD thousand	Salary	Bonus	Pension premium	Other remuneration	Total
2017: 4 April - 31 December					
President and CEO - Craig Jasienski	373		130	77	450
Chief Financial Officer - Rebekka Glasser Herlofsen	275		33	46	321

The CEO Craig Jasienski has a severance pay guarantee under which he has the right to receive up to 100% of his annual salary for 24 months (notice period of 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 is guaranteed 50% of the annual salary as bonus in 2018.

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 benefits plan. This obligation is mainly covered via group annuity policies in Storebrand.

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).

USD thousand	Salary	Bonus	Pension premium	Other remuneration	Total
2017: 1 January - 3 April					
President and CEO - Jan Eyvin Wang*	794	480	362	427	2,064
Chief Financial Officer - Benedicte Bakke Agerup**	954	175	1	5	1,135

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

Mr. Jan Eyvin Wang and Ms. Benedicte Bakke Agerup left Wallenius Wilhelmsen ASA when the transition to Wallenius Wilhelmsen ASA was completed, 4 April 2017. Mr. Wang was entitled to a 24 months' severance package. Possible income during the period will be deducted up to 50%. Wallenius Wilhelmsen ASA has agreed to continue to pay his pension premium until it is fully financed by 1 Aug 2018. Mr. Wang is entitled to compensation for a company car and various minor benefits until the age of 67. President and CEO - agreed retirement age is 62, provided not agreed to be postponed. The pension should approximately be 66% at age 67.

Ms. Bakke Agerup was entitled to an 18 months' severance package. Possible income during the period will be deducted up to 50%, which comes into force after the notice period (six months). Accrued pension obligations for salary exceeding 12G was paid out after the notice period.

Note 2. Employee benefits. Continued

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.

USD thousand	2018	2017
Remuneration of the board of directors		
Håkan Larsson (chair from 4 April 2017)*	184	
Thomas Wilhelmsen (chair until 4 April 2017)	61	
Marianne Lie	68	39
Jonas Kleberg (from 4 April 2017)	61	
Margareta Alestig (from 4 April 2017)	66	
Diderik Schnitler (until 4 April 2017)**		39
Bente Brevik (until 4 April 2017)		39

*Mr Håkan Larsson - steering committee fee until the merger date was USD 181 thousand.
**Diderik Schnitler had an additional consulting agreement with the group where he got paid USD 24 thousand in 2017.

USD thousand	2018	2017
Nomination committee		
Anders Ryssdal	6	6
Jonas Kleberg	4	3
Thomas Wilhelmsen	4	3

The board's remuneration for board members, for the fiscal year 2017 was received in 2018.

The board's remuneration for the fiscal year 2018 will be approved by the general meeting 25 April 2019 and paid/expensed in 2019.

Loans and guarantee

There were no loans or guarantees to employees or members of the board per 31 December 2018.

Note 2. Employee benefits. Continued

Shares owned or controlled by representatives of the group at 31 December 2018

	Number of shares	% of shares
Board of directors		
Håkan Larsson (chair)		
Margareta Alestig		
Jonas Kleberg		
Marianne Lie		
Thomas Wilhelmsen	42,000	0.01 %
Senior executives		
President and CEO - Craig Jasienski	30,812	0.01 %
CFO - Rebekka Herlofsen	15,812	0.00 %
Nomination Commitee		
Anders Ryssdal		
Jonas Kleberg		
Thomas Wilhelmsen	42,000	0.01 %

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 and for the other senior executives 40% 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 company's defined contribution pension schemes for Norwegian employees are with Storebrand, similar solutions with different investment funds. Maximum contribution levels according to regulations were followed up to 31 December 2014. From 1 January 2015, the contributions from the company are changed to be in accordance with new requirements.

The company has "Ekstrapensjon", a contribution plan for all Norwegian employees with salaries exceeding 12 times the Norwegian National Insurance base amount (G). The new contribution plan replaced the company obligations mainly financed from operation.

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

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

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

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

	2018	2017
Number of people covered by pension schemes at 31 December		
Previous employees not yet retired	1	2
In retirement (inclusive disability pensions)	612	642
Total number of people covered by pension schemes	**613**	**644**
Financial assumptions applied for the valuation of liabilities		
Discount rate	2.7%	2.3%
Anticipated pay regulation	2.5%	2.0%
Anticipated regulation of National Insurance base amount (G)	2.5%	2.0%
Anticipated regulation of pensions	0.1%	0.1%

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

Note 3. Employee retirement obligations. Continued

USD million	2018	2017
Pension expenses		
Current service cost		
Interest expense on defined benefit obligation	(1)	(1)
Interest income on plan assets		
Cost of defined contribution plan		
Net pension expenses	**(1)**	**(1)**
Remeasurements - Other comprehensive income		
Effect of changes in financial assumptions	2	
Effect of experience adjustments		(1)
Return on plan assets (excluding interest income)		
Total remeasurements included in OCI	**2**	**(1)**
Tax effect of pension OCI		
Net remeasurement in OCI	**1**	**(1)**
Pension obligations		
Defined benefit obligations 1 January	42	41
Current service cost		
Interest expense	1	1
Benefits paid from plan assets		
Benefit payments from employer	(3)	(3)
Remeasurements - change in assumptions	(2)	1
Remeasurements - experience adjustments		
Effect of changes in foreign exchange rates	(2)	2
Pension obligations 31 December	**36**	**42**
Gross pension assets		
Fair value of plan assets 1 January	4	3
Interest income		
Employer contributions		1
Benefits payment from plan assets		
Return on plan assets (excluding interest income)		
Effect of changes in foreign exchange rates		
Gross pension assets 31 December	**4**	**4**
Total pension obligations		
Defined benefit obligations	36	42
Fair value of plan assets	4	4
Net pension liabilities	**32**	**38**

Payments from operations are estimated at USD 2.8 million in 2019 (2018: USD 2.8 million).

Note 4. Intangible and tangible assets

During 2018 all intangible and intangible assets were derecognised. As of 31 December 2017, the booked cost for intangible and tangible assets was USD 3 million, with a carrying amount of nil.

The company has a lease agreement for the office building, Strandveien 20

USD million	2018	2017
Due in year 1	1	1
Due in year 2	1	1
Due in year 3	1	1
Due in year 4	1	1
Due in year 5 and later	2	3
Total expense related to lease agreement of office building	**5**	**7**

Note 5. Tax

USD million	2018	2017
Distribution of tax (income)/expense for the year		
Change in deferred tax	(2)	2
Total tax (income)/expense	**(2)**	**2**
Basis for tax computation		
Profit before tax	1,384	7
23% tax (2017: 24% tax)	318	2
Tax effect from		
Non taxable income	(316)	
Total tax (income)/expense	**(2)**	**2**
Effective tax rate	0.1%	28.1 %
Deferred tax assets/(liabilites)		
Tax effect of temporary differences		
Current assets and liabilities	12	17
Non current liabilities and provisions for liabilities	7	9
Tax losses carried forward	45	40
Deferred tax assets/(liabilities)	**63**	**66**
Composition of deferred tax and changes in deferred tax		
Deferred tax assets at 1 January	66	64
Charged directly to equity		
Change of deferred tax through income statement	2	(2)
Currency translation differences	(4)	3
Deferred tax assets/(liabilities) at 31 December	**63**	**66**

The main part of deferred tax asset is related to tax loss carried forward.

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.

USD thousand	Business office	Voting share/ ownership share	2018 Book value	2017 Book value
Wallenius Wlihelmsen Ocean Holding AS (formerly Wilhelmsen Lines AS)	Lysaker, Norway	100%	1,266,634	600,464
Wallenius Wilhelmsen International Holding AS	Lysaker, Norway	100%	1,790,954	
ARC Group Holding AS	Lysaker, Norway	100%	200,495	
Wallenius Wilhelmsen Solutions Holding AS	Lysaker, Norway	100%	422,579	
Raa labs AS	Lysaker, Norway	100%	533	
Wallenius Wilhelmsen Invest AS	Lysaker, Norway	100%	3	
Wallenius Logistics AB	Stockholm, Sweden			1,059,393
American Roll-On Roll-Off Carrier Group Inc	New Jersey, USA			14,028
American Logistics Network LLC	New Jersey, USA			4,509
Wallenius Lines Holding Inc	New Jersey, USA			3,690
Total investments in subsidiaries			**3,681,198**	**1,682,084**

Restructuring of the legal structure

The legal restructuring of the group was completed in 2018, and new holding companies were established in the structure. The previously directly held entities were transferred into the new structure.

Note 7. Combined items balance sheet

USD million	Notes	2018	2017
Other current assets			
Intercompany receivables	11	26	55
Other current receivables		1	
Total other current assets		**27**	**55**
Other current liabilities			
Account payables		2	
Intercompany payables	11	662	11
Next year's instalment on interest-bearing debt		68	64
Financial derivatives		28	72
Other current liabilities		5	8
Total other current liabilities		**763**	**155**

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

Borrowing is at floating rates of interest with margins approximately at today's market terms except for bonds. Fair value is virtually identical with the carried amount.

Note 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 2017	28		28	1,079	213	1,320
Profit for the year			0		1,386	1,386
Other comprehensive income for the year			0		2	2
Total comprehensive income	**0**	**0**	**0**	**0**	**1,388**	**1,388**
Acquisition of own shares			0		(3)	(3)
Equity 31 December 2018	**28**	**0**	**28**	**1,079**	**1,598**	**2,705**
Equity 31 December 2016	16		16	89	208	314
Merger with Wallroll AB	12		12	989		1,002
Profit for the year					5	5
Other comprehensive income for the year					(1)	(1)
Equity 31 December 2017	**28**	**0**	**28**	**1,079**	**213**	**1,320**

The annual general meeting on 25 April 2018, authorized 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:

	2018	2017
Total number of shares 31 December	423,104,938	423,104,938
Own shares 31 December	785,864	

Nominal share value of NOK 0.52 each.

Proposed dividend

The board has decided to propose an ordinary dividend of 6 cents per share to the Annual General Meeting in April 2019. The board also proposes that the Annual General Meeting gives the board authority to approve a further dividend 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 total, the proposed dividend for 2018 is equivalent to USD 50 million.

The annual general meeting held 25 April 2018 decided not to pay dividend for the fiscal year 2017.

Equity transaction

The merger between Wilh. Wilhelmsen ASA and Wallroll AB was completed on 4 April 2017 and led to an increase in number of shares from 220,000,000 to 423,104,938 shares.

Note 8. Equity. Continued

The largest shareholders at 31 December 2018

Shareholders	Note	Number of shares	Number of shares
Walleniusrederierna AB	10	160,000,000	37.82%
Wilh. Wilhelmsen Holding ASA	10	160,000,000	37.82%
Folketrygdfondet		7,552,122	1.78%
Verdipapirfondet DnB Norge (IV)		7,358,192	1.74%
Danske Invest Norske Instit. II.		6,008,387	1.42%
Danske Invest Norske Aksjer Inst.		3,217,893	0.76%
VPF Nordea Norge Verdi		2,985,501	0.71%
Storebrand Norge I Verdipapirfond		2,821,860	0.67%
UBS AG		2,786,811	0.66%
Handelsbanken Nordiska Småbolagsfond		2,621,444	0.62%
Other		67,752,728	16.01%
Total number of shares		**423,104,938**	**100.00%**

Note 9. Interest-bearing debt

USD million	2018	2017
Interest-bearing debt		
Bonds	376	387
Repayment schedule for interest-bearing debt		
Due in year 1	68	64
Due in year 2	9	98
Due in year 3	86	10
Due in year 4	213	
Due in year 5 and later		216
Total interest-bearing debt	**376**	**387**

As of 31 December 2018, weighted average interest rate on interest-bearing debt is 4.23%

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 hedging effect for the parent company. Hedge accounting according to IFRS 9 has not been applied for these economic hedges. Any change in market value of hedge derivatives is therefore recognised in the income statement.

Foreign exchange rate risk
The company is exposed to currency risk on revenues and costs in non-functional currencies (transaction (cash flow) risk) and balance sheet items denominated in currencies other than USD (translation risk). The company's largest individual foreign exchange exposure is NOK against USD.

HEDGING OF TRANSACTION RISK
As a main principle, the group does not use financial instruments to hedge cash flow risk in the operating entities, but will make an assessment of the merits to do so in periods when the USD is historically strong vs. other currencies. In order to capitalize on the strong USD, the group initiated a hedging program for CNY, NOK and SEK exposures towards end of 2018. As of year-end 2017 no material hedges were in place.

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

USD million Sensitivity	(20%)	(10%)	0%	10%	20%
Income statement sensitivities of economic hedge program					
Transaction risk					
USD/NOK spot rate	6.96	7.83	8.70	9.57	10.44
Income statement effect (post tax)	**16**	**8**	**0**	**(7)**	**(7)**
USD/SEK spot rate	7.16	8.05	8.95	9.84	10.74
Income statement effect (post tax)	**7**	**2**	**0**	**(3)**	**(6)**
USD/CNY spot rate	5.50	6.19	6.87	7.56	8.25
Income statement effect (post tax)	**42**	**21**	**0**	**(16)**	**(16)**

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

HEDGING OF TRANSLATION RISK
The company has outstanding NOK-denominated bonds of about NOK 2.5 billion (USD 290 million). The corresponding amount was NOK 2.5 billion (USD 306 million) for 2017. A large part of this debt (NOK 2.25 billion) has been hedged against USD with basis swaps.

FX SENSITIVITIES
On 31 December 2018, 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 Sensitivity	(20%)	(10%)	0%	10%	20%
Translation risk					
USD/NOK	6.96	7.83	8.70	9.57	10.44
Income statement effect (post tax)	**1**	**0**	**0**	**(0)**	**(0)**

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 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 50% (2017: about 40%) of its outstanding long-term interest exposure at 31 December. However, when fixed rate debt is included, the hedge ratio is about 60% (2017: about 60%) as at 31 December. It should be noted that the company also takes on hedges on behalf of the group.

USD mill	2018	2017
Maturity schedule interest rate hedges (nominal amounts)		
Due in year 1		
Due in year 2		
Due in year 3		
Due in year 4		
Due in year 5 and later	150	150
Total interest rate hedges	**150**	**150**

The company has not entered into any forward starting swaps (analogous for 2017).

The average remaining term of the existing loan portfolio is about 2.9 years, while the average remaining term of the running interest rate derivatives and fixed interest loans is approximately 5.2 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 - except where otherwise stated					
Fair value sensitivities of interest rate risk					
Change in interest rates' level	(2%)	(1%)		1%	2%
Estimated change in fair value (post tax)	**(4)**	**(2)**	**0**	**2**	**4**

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

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

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

Note 10. Financial risk. Continued

USD million	Assets 2018	Liabilites 2018	Assets 2017	Liabilites 2017
Interest rate derivatives		5		8
Derivatives used for cash flow hedging		2		9
Derivatives used for translation risk hedging (basis swaps)		46		55
Total market value of derivatives	**0**	**52**	**0**	**72**

Book value equals fair value.

Bunker price risk
The group's strategy for bunker is to secure bunker adjustment clauses (BAF) in contracts of affreightment. Various forms of BAF's are included in most of the contracts of affreightment held by the operating entities.

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 hedge interest rate risk or foreign exchange risk, as well as bank deposits.

Trade receivables
The company's direct exposure to credit risk on its receivables is limited as the company does not have any direct relationship with the customers.

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

Cash and cash equivalents
The company's exposure to credit risk on cash and cash equivalents is considered to be very limited as the company maintains banking relationships with well reputed and familiar banks. In addition, the group – of which 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	2018	2017
Exposure to credit risk			
Inter-company receivables	6	26	55
Other current receivables	6	1	
Cash and cash equivalents	11	62	35
Total exposure to credit risk		**89**	**90**

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 62 million (2017: USD 34 million) in liquid assets which can be realised over a three-day period.

USD million	Less than 1 year	Year 2	Between 2 and 5 years	Later than 5 years
Undiscounted cash flows financial liabilities				
Bonds	101	18	309	
Financial derivatives				
Total interest-bearing debt	**101**	**18**	**309**	**0**
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**	**0**
Bonds	70	103	270	
Financial derivatives	11	2	7	3
Total interest-bearing debt	**81**	**105**	**277**	**3**
Current liabilities (excluding next year's instalment on interest-bearing debt and financial derivatives)	91			
Total gross undiscounted cash flows financial liabilities 31 December 2017	**172**	**105**	**277**	**3**

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 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.

Note 10. Financial risk. Continued

USD million	Fair value	Book amount
Interest-bearing debt		
Bonds	370	376
Total interest-bearing debt 31 December 2018	**370**	**376**
Bonds	389	387
Total interest-bearing debt 31 December 2017	**389**	**387**

Fair value hierarchy:

USD million	Level 1	Level 2	Level 3	Total balance
Financial liabilities at fair value through income statement				
- Financial derivatives		52		52
Total liabilities 31 December 2018	**0**	**52**	**0**	**52**
Financial liabilities at fair value through income statement				
- Financial derivatives		72		72
Total liabilities 31 December 2017	**0**	**72**	**0**	**72**

There were no level 3 instruments in 2018 and 2017.

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 22 to the group accounts for further information on financial risk, and note 21 to the group accounts concerning the fair value of interest-bearing debt.

Note 10. Financial risk. Continued

Financial instruments by category

USD million	Assets at amortised cost	Assets at fair value through the income statement	Total
Assets			
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**

USD million	Loans and receivables	Assets at fair value through the income statement	Total
Assets			
Other current assets	55		55
Cash and cash equivalents	35		35
Assets at 31 December 2017	**90**	**0**	**90**

	Liabilites at fair value through the income statement	Other financial liabilites at amortised cost	Total
Liabilities			
Non-current interest-bearing debt		324	324
Current interest-bearing debt		64	64
Other current liabilities	72	20	92
Liabilities at 31 December 2017	**72**	**407**	**480**

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 203 thousand and car allowance of USD 23 thousand. For participation in the board of directors and nomination committee, Thomas Wilhelmsen and Jonas Kleberg were each paid USD 72 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.

USD million	Note	2018	2017
Intercompany income			
Wallenius Wilhelmsen group subsidiaries			3
Operating revenue from group companies	**1**	**0**	**3**
Intercompany expenses			
WWH group			(2)
Wallenius Wilhelmsen group subsidiaries	1	(2)	
Operating expenses to group companies		**(2)**	**(2)**
Dividend from subsidiaries and group contribution			
Wallenius Wilhelmsen group subsidiaries		1,189	30
Total dividend from subsidiaries and group contribution	**1**	**1,189**	**30**
Intercompany interest income			
Wallenius Wilhelmsen group subsidiaries		10	
Financial income from group companies		**10**	**0**
Intercompany interest expenses			
Wallenius Wilhelmsen group subsidiaries		(1)	
Financial expenses to group companies		**(1)**	**(0)**
Intercompany receivables			
Wallenius Wilhelmsen group subsidiaries		26	55
Account receivables group companies	**6**	**26**	**4**
Intercompany payables			
Wallenius Wilhelmsen group subsidiaries		662	11
Account payables group companies	**6**	**662**	**1**

Note 12. Audit fee

USD thousand	2018	2017
Statutory audit	268	110
Other assurance services	40	244
Total expensed audit fee	**308**	**354**

Note 13. Events after the balance sheet date

Proposed dividend

The board has decided to propose an ordinary dividend of 6 cents per share to the Annual General Meeting in April 2019. The board also proposes that the Annual General Meeting gives the board authority to approve a further dividend 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 total, the proposed dividend for 2018 is equivalent to USD 50 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 (President and COO WW Ocean), Mr Raymond Fitzgerald (President and COO WW Solutions & Chairman of ARC) and Mr Erik Nøklebye (President and CEO EUKOR Car Carriers).

The following guidelines are applied for 2019.

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 and for the other senior executives 40% of base salary.

Pension and insurance schemes (Norway based executives)

Pension and insurance benefits for senior executives include coverage for old age, disability, spouse and children, and supplement payments by the Norwegian National Insurance system.

The President and CEO has a defined benefit plan for salary exceeding 12G and the option to take early retirement is insured.

The remaining executives have a defined contribution plan for salary exceeding 12G.

For salary below 12G, they are all part of the collective agreement.

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

In the US, Mr Fitzgerald and Mr Hynekamp are 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 Nøklebye 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.

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 six months 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.

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

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 15 of the group accounts concerning senior executives of the group.

Auditor's report

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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 2018, 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 2018, 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 2018, 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 2018, 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.

There are changes in our audit focus due to the fact that a material business combination was completed in 2017 which did not merit the same level of attention for the 2018 audit. Furthermore, we focused on the newly recognized put and call option related to the non-controlling interest in EUKOR which is both a material amount and which required judgement to assess the fair value. Similar to the 2017 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 and other intangible assets). The net book value of goodwill as of 31 December 2018 is USD 350 million. In line with IFRS requirements, an impairment test for goodwill was performed at 31 December 2018. No impairment was recognised in the financial statements for 2018. 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 2017 and 2018 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 which also included certain performance enhancement initiatives. 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 were 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.

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Put and call option related to non-controlling interest in EUKOR

We refer to note 1 (Significant accounting judgements, estimates and assumptions) and note 13 (Other gain/loss).

A non-controlling shareholder holds a put option for their 20% shareholding in EUKOR through a shareholder agreement entered into in 2002. This shareholder agreement also contains a symmetrical call option held by the Group. The put and call option became exercisable in 2017 and is recognized as an integrated derivative financial instrument. The Group recognized the derivative financial instrument related to the estimated fair value of the call option as a non-current asset with changes in fair value recognized as an Other gain/loss in the income statement. The derivative asset as of year-end 2018 was USD 94 million.

The derivative financial asset was not recognized in 2017. Based on this, the comparative financial information in the consolidated balance sheet for 2017 has been revised.

We focused on this issue because significant management judgement was necessary to assess the fair value of the derivative financial instrument. In addition, we focused on this area due to the size of the revisions made to the comparative balance sheet information since the instrument was not accounted for as of 31 December 2017.

For the evaluation of the fair value of EUKOR, we used audit procedures largely similar to the ones described in the Key Audit Matter above, "Impairment Assessment for Goodwill. We therefore refer to the description of our assessment of management's budget and forecast, our testing of mathematical accuracy as well as our procedures related to assessment of the discount rate.

For the evaluation of the exercise price of the put and call option, we reviewed key inputs to the formula set forth in the shareholder agreement which we compared to relevant financial information. We discussed our understanding of the formula with management and performed procedures to assess whether the calculations was performed in accordance with the valuation method presented in the shareholder agreement. In addition, we verified the mathematical accuracy of the model.

The above procedures were performed as of 31 December 2018. To ensure that the revision of the error for 2017 was accounted for appropriately, the same type of procedures were also performed as of 1 January 2017, 1 April 2017 (date of Wallroll business combination) and as of 31 December 2017.

Our findings show that management assessments were within a reasonable range.

We considered the appropriateness of the related disclosures in note 13 to the financial statements for the Group to the requirements of the applicable financial reporting framework, IFRS, including IFRS 9 – Financial instruments and found the disclosures to be adequate. We also considered the appropriateness of disclosures in note 13 related to the revision of comparative financial information in the balance sheet for 2017 based on the requirements in IAS 8 – Accounting policies, changes in Accounting Estimates and Errors 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 and other tangible assets).

The group has a large number of vessels with a combined carrying amount

We obtained managements valuation model and evaluated whether the model contained the elements required by accounting regulation.

Management's identification of Cash Generating Units

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USD 4,965 million. Impairment indicators were considered present for the fleet for the cash generating units (CGUs) Ocean and EUKOR 31 December 2018. 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 recognised in 2018.

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.

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 management's 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 26 (Provisions and contingencies).

The provision for anti-trust investigations and civil claims amounts to USD 179 million as of 31 December 2018 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 the rulings and settlements during 2018.

The calculation of a provision is inherently uncertain. Changes to the assumptions used could result in different amounts compared to those calculated by

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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:

- 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

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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 concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

(6)

Auditors Report - Wallenius Wilhelmsen ASA

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, 12 March 2019

PricewaterhouseCoopers AS

Bjørn Lund

State Authorised Public Accountant

(7)

Responsibility statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2018 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, 12 March 2019

The Board of Directors of Wallenius Wilhelmsen ASA

Håkan Larsson
Chair

Thomas Wilhelmsen
Board member

Jonas Kleberg
Board member

Marianne Lie
Board member

Margareta Alestig
Board member

Craig Jasienski
President and CEO