Wallenius Wilhelmsen

Quarterly report

Q1 2019

Investor Relations:

Astrid Martinsen

astrid.martinsen@walleniuswilhelmsen.com

+47 958 45 255

Media:

Anna Larsson

anna.larsson@walleniuswilhelmsen.com

+47 484 06 919

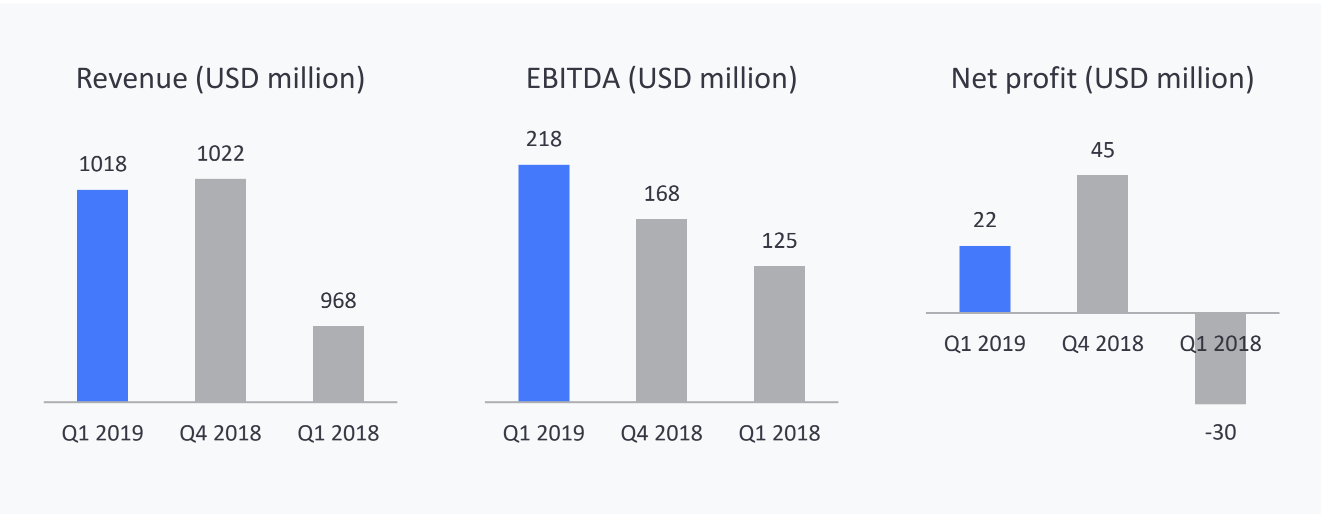
walleniuswilhelmsen.com

Highlights first quarter 2019

- EBITDA of USD 218 million, a significant improvement y-o-y
- Ocean results positively impacted by performance improvement initiatives, lower net bunker cost and project cargo in the Atlantic
- Underlying flat ocean volume development y-o-y
- The landbased segment delivered stable performance
- About USD 60 million of the USD 100 million performance improvement target confirmed

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

"This is a good start to the year. I am very happy to see such strong performance in a quarter that is usually seasonally weak and that we have been able to lift rates for several smaller contracts. Our efforts to improve our operations are starting to pay off. On the other hand, the market environment remains challenging and the volume outlook is increasingly uncertain."



Consolidated Results and Key Figures

EBITDA ended at USD 218 million in the first quarter, a significant improvement compared to the same period last year due to stronger performance for the Ocean segment.

USD million	Q1 2019	Q4 2018	% change q-o-q	Q1 2018	% change y-o-y
Total income	1 018	1 022	0%	968	5%
EBITDA	218	168	30%	125	74%
EBIT	95	116	-18%	0	n/a
Profit for the period	22	45	-50%	-30	n/a
EPS [1)]	0.05	0.10	-54%	-0.07	n/a
Net interest-bearing debt	3 881	3 100	25%	2 977	30%
ROCE	5.2%	5.5%	n/a	2.5%	n/a
Equity ratio	35.0%	38.8%	n/a	36.3%	n/a
EBITDA adjusted	218	168	30%	128	71%
IFRS 16 EBITDA effect	42	n/a	n/a	n/a	n/a

1) *After tax and non-controlling interests*

Consolidated results

Total income was USD 1 018 million in the first quarter, up 5% compared to the same period last year due to increased revenues for the ocean segment. The ocean revenues increased despite slightly lower volumes, driven by a more favourable cargo mix, strong project cargo shipments in the Atlantic and higher fuel cost compensation from customers. Ocean volumes were down 2% y-o-y due to lower auto volumes, partly explained by unprofitable volumes not renewed in the Atlantic trade (with effect from January 2019). Compared to the fourth quarter total income was flat for both the ocean and landbased segment.

EBITDA ended at USD 218 million in the first quarter, up USD 93 million compared to the same quarter last year of which USD 42 million was related to the implementation of IFRS 16 for leases as of 1 January 2019, with underlying improvement driven by the Ocean segment. See note 12 to the financial statements for more information about IFRS 16 effects. Compared to the fourth quarter, EBITDA was up USD 50 million due to improved performance for the Ocean segment and the IFRS 16 effect.

At the end of the first quarter about USD 60 million of the USD 100 million performance improvement program has been confirmed, up from USD 55 million in the previous quarter. The increase of USD 5 million comes mainly through voyage optimization and more efficient hull cleaning. The annualized run rate of improvements realized through implemented measures also reached USD 60 million, up from about USD 20 million in the previous quarter.

Net financial items were USD 70 million for the first quarter, compared with a net expense of USD 82 million in the previous quarter. Interest expense was USD 53 million, up 15% as a result of implementation of IFRS 16 (USD 10 million). Net financial expenses were negatively impacted by USD 22 million from unrealised interest derivates.

The group recorded a tax expense of USD 3 million for the first quarter 2019, compared with an expense of USD 25 million the same quarter last year when a withholding tax on dividends of USD 7 million from EUKOR and an increase in deferred tax liability of USD 12 million were recognized. The average Return on Capital Employed (ROCE) in the first quarter was 5.2%.

Capital and financing

The equity ratio was 35.0% at the end of the first quarter, down from 38.8% in the previous quarter due to implementation of IFRS 16. Cash and cash equivalents at the end of the first quarter was USD 555 million, up from USD 484 million in the previous quarter. In addition, Wallenius Wilhelmsen had about USD 280 million in undrawn credit facilities. Net interest-bearing debt was USD 3 881 million at the end of the first quarter of which IFRS 16 implementation effect represents USD 855 million. On 9 April 2019, remaining outstanding amounts under the NOK 800 million bond was repaid.

The Annual General Meeting held 25 April 2019 approved a dividend of USD 6 cents per share, with dividend payment on 9 May 2019. Furthermore, the general meeting authorised the Board of Directors to approve a second distribution of dividend of up to USD 6 cents per share. The authorisation is valid until the annual general meeting in 2020, but no longer than 30 June 2020. Target date for payment of a second dividend is November 2019.

Governance

Through our internal governance processes, we have discovered that certain individuals at two smaller sites in South Korea may have been involved in financial irregularities, potential bribery and breach of rules regarding the working environment. We take this very seriously and have retained external advisors to investigate. Based on preliminary indications there may be reason to suspect that breaches have been committed, and we will inform the relevant authorities accordingly.

This has had consequences for the individuals concerned, and we are taking action to ensure that the operations are fully compliant with the relevant laws and regulations. Based on the investigation the amounts involved appear limited.

Ocean Operations

EBITDA for the first quarter ended at USD 190 million, a significant improvement compared to the same quarter last year driven by performance improvement measures and lower net bunker cost.

USD million	Q1 2018	Q4 2018	% change q-o-q	Q1 2018	% change y-o-y
Total income	812	807	1%	750	8%
EBITDA	190	152	25%	109	74%
EBIT	90	114	-21%	-4	n/a
Volume ('000 cbm)	16 240	17 144	-5%	16 496	-2%
High & heavy share	30.0%	27.0%	n/a	28.0%	n/a
EBITDA adjusted	190	152	25%	111	74%
IFRS 16 EBITDA effect	31	n/a	n/a	n/a	n/a

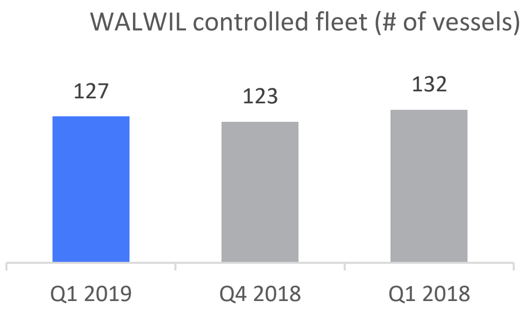
Total income and EBITDA

Total income was USD 812 million in the first quarter, up 8% compared to the same period last year. The ocean revenues increased despite lower volumes, driven by higher net freight/CBM and fuel cost compensation from customers. Ocean volumes were down 2% y-o-y due to lower auto volumes partly explained by unprofitable volumes not renewed in the Atlantic trade (with effect from January 2019). The Asia-North America trade experienced solid growth with good auto volumes and very strong high & heavy volumes, while the Asia-Europe trade was flat. The Oceania trade was also flat compared to same period last year but was boosted by volumes pushed over from the previous quarter due to sailings being delayed as a result of biosecurity challenges (about 200k CBM). The Atlantic and Europe-Asia trades declined due to lower auto volumes. Total income was at the same level as last quarter, despite a volume reduction of 5%, owing to improved quality of cargo and higher net freight/CBM. The high & heavy share increased to 30.0% (up from about 27% in the previous quarter) primarily because of lower auto volumes.

EBITDA for the first quarter ended at USD 190 million, an improvement of USD 81 million compared to first quarter last year, of which USD 31 million was related to the IFRS 16 implementation effect. The improved results were driven by several factors; full realization of synergies and early wins on the performance improvement program contributing about USD 25 million, more favourable cargo mix and project cargo shipments in the Atlantic improving net freight/CBM, net bunker cost (adjusted for lower bunker consumption) of about USD 10 million, and a further USD 10 million of currency effects. On the negative side, biosecurity challenges caused disruption to the Oceania trade and impacted the results with about USD 5 million. Compared to the fourth quarter, EBITDA increased by USD 38 million of which USD 31 million is explained by the IFRS 16 effect.

Wallenius Wilhelmsen fleet

Wallenius Wilhelmsen controlled a fleet of 123 vessels at the start of the quarter and 127 vessels at the end of the first quarter. Fleet capacity was managed tightly in the quarter through position swaps and active leveraging of the short-term charter market. There were some operational delays during the first part of the quarter caused by biosecurity challenges. Currently, the group retains flexibility to redeliver up to 12 vessels by 2020 (excluding vessels on short charter).



Source: Wallenius Wilhelmsen

Delivery of vessel number two (8 000 CEU) in the Post-Panamax newbuilding programme of total four vessels took place on 11 April 2019. The remaining two vessels are under construction, with one vessel expected to enter service in the second half of 2019 and the last one scheduled for delivery in early 2020. The outstanding instalments for these vessels are about USD 80 million. The newbuildings have been financed through regular bank facilities.

Landbased Operations

EBITDA for the landbased segment ended at USD 33 million with continued good underlying performance, especially for Solutions Americas – H&H.

USD million	Q1 2019	Q4 2018	% change q-o-q	Q1 2018	% change y-o-y
Total income	232	235	-1%	232	0%
EBITDA	33	22	50%	20	63%
EBIT	10	8	23%	8	28%
EBITDA adjusted	33	22	50%	20	63%
IFRS 16 EBITDA effect	11	n/a	n/a	n/a	n/a

Total income and EBITDA

Total income in the first quarter was USD 235 million with all business segments delivering revenues in line with first quarter last year.

EBITDA for the first quarter ended at USD 33 million, an improvement of USD 13 million compared to the first quarter last year, of which USD 11 million was related to the IFRS 16 implementation effect. The improvement was driven by stronger performance of Solutions Americas – H&H. Compared to the fourth quarter, EBITDA increased by USD 11 million which is all explained by the IFRS 16 effect.

EBITDA for Solutions Americas – Auto was USD 15 million. Underlying VSA performance was weaker due to lower volumes for key customers and less value-added services but was offset by positive contribution from Syngin.

EBITDA for Solutions Americas – H&H was USD 5 million, up significantly from last year due to full realization of synergies combined with strong volumes and favourable customer and service mix.

EBITDA for Solutions – APAC/EMEA was USD 3 million, with improvement compared to both same period last year and fourth quarter 2018 driven by high volumes in value-added services.

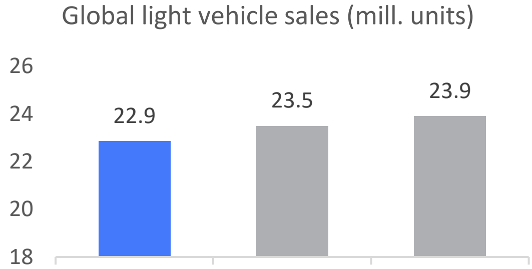
EBITDA for the Terminals was USD 11 million. Compared to the same period last year, the US terminals and Zeebrugge continued to deliver strong results, while performance was lower for Southampton and the Pyeongtaek terminal.

Market update

Auto exports in the first quarter declined 1.1% with weak auto sales and continued uncertainty in the markets. High & heavy trade remained solid, but momentum keeps softening

Auto markets

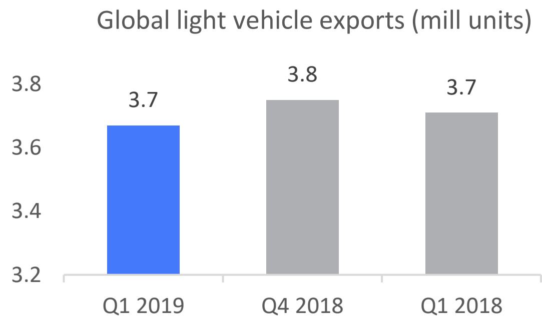
Total light vehicle (LV) sales in the first quarter declined 4.3% compared to the corresponding period last year and 2.7% from the previous quarter.



Source: IHS Markit / LMCA

North American sales declined 4.6% y-o-y and 10.9% q-o-q, partly explained by increasing financing cost for consumers and incoming flows of used vehicles. Sales in Western Europe dropped 4.5% y-o-y driven by the implementation of the EU WLTP emission testing scheme, Brexit uncertainty and noise around diesel vehicles. The Chinese market continued to be influenced by US trade tensions, currency depreciation and consumers waiting for governmental stimulus and declined 12.8% y-o-y. The Russian market was down 3.2% y-o-y (-23.5% q-o-q), while the Brazilian market continued the rebound with 9.9% y-o-y growth (16.4% q-o-q).

Total exports in the first quarter were down 1.1% compared to the corresponding period last year and down 2.3% from the previous quarter. Exports out of North America were down 6.5% y-o-y and flat 0.1% q-o-q, due to falling imports to China and a drop in exports to Europe. European exports declined 4.5% y-o-y and 5.9% q-o-q, as reduced volumes to North-America dragged the figures down in the quarter. Japanese exports in the first quarter declined 2.9% y-o-y and down 2.2% q-o-q with exports to North-America representing most of the decline. Exports out of South Korea continued to soften and was down 1.3% y-o-y, but up 2.9% q-o-q. Chinese exports were up 23.5% y-o-y (down 5.7% q-o-q) with continued production ramp-up and broad geographic growth despite U.S. tariff increases.



Source: IHS Markit / LMCA

High and heavy markets

The global expansion in high & heavy trade continued throughout the fourth quarter, with exports of construction, mining and farm machinery growing 2% y-o-y.

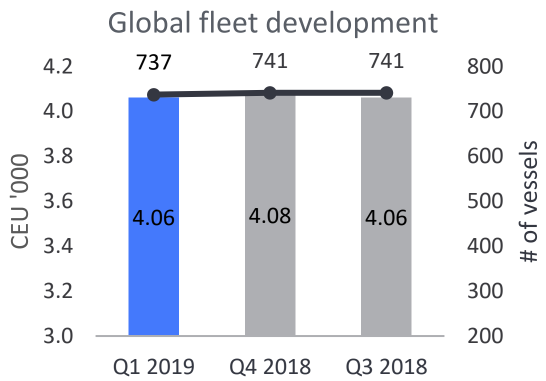
Global construction equipment exports increased 4% y-o-y driven by North American imports that increased 15% y-o-y. Furthermore, the Eurozone construction PMI signalled strengthening industry expansion in the quarter at 52.2, and European imports of construction machinery increased 4% y-o-y. The Australian construction PMI weakened in four consecutive months towards the end of 2018 (42.6 in Dec), and has risen only slightly during the first three months of 2019 (45.6 YTD), which is still at levels indicating contraction. Australian import growth decelerated to -5% y-o-y in the 3-month rolling period ending in January.

Mining machinery demand continued to show signs of growth in the quarter but has come off last year's highs. OEM majors again reported broad-based geographical sales growth and positive order development for mining machinery.

Exports of agricultural machinery declined 2% y-o-y, and demand for large agriculture equipment was soft in several key markets in the first quarter. US large tractor sales increased 3% y-o-y. European registrations of tractors varied considerably in the biggest markets. UK declined 9% y-o-y in the first quarter, while Germany recorded 20% growth y-o-y. The Australian tractor sales declined 13% y-o-y as drought impacted farmer sentiment, while Brazilian wheel tractor sales grew 15% y-o-y.

Global fleet

The global car carrier fleet (>1 000 CEU) totalled 737 vessels with a capacity of 4.06 million CEU at the end of the first quarter. During the quarter one vessel was delivered, while five vessels were recycled. No new orders were confirmed in the period (for vessels >4000 CEU). The orderbook for deep-sea vehicle carriers (>4 000 CEU) counts 15 vessels, which amounts to about 3% of the global fleet capacity.



Source: Seaweb

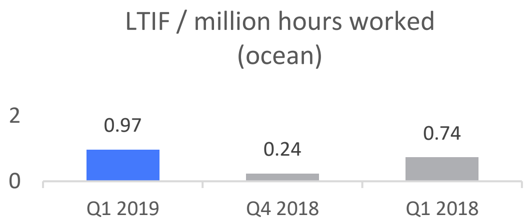
[1] All import/export data refer to the three-month period ending in December 2018, with the exception of imports to Oceania, referring to the three-month period ending in January 2019. Source: IHS Markit

Health, safety and environment

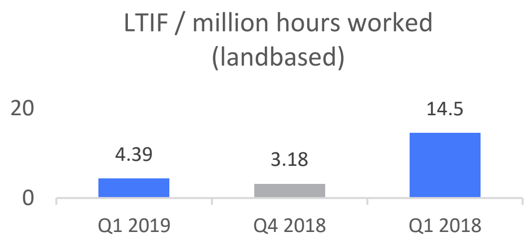
Lost time injury frequency (LTIF) in the ocean segment saw a significant rise compared to previous quarters, whereas landbased LTIF has stabilised at a lower level. Fleet CO_2 emissions relative to cargo work has improved significantly relative to the same quarter last year.

Health & safety

The level of ocean LTIF has fluctuated continuously over the past 12 months, with no clear trend observed, which emphasizes the importance of the close follow-up of associated incidents.

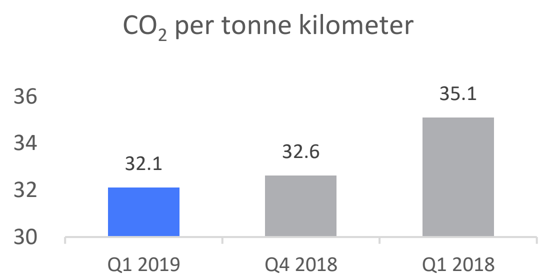


Landbased has through several safety initiatives achieved a significant improvement in LTIF. The step improvement first seen in Q3 2018 was sustained this quarter and reflects a well-established Safety 1st culture.



Environment

The total CO_2 emitted for the quarter was 7.5% lower than the same quarter of 2018, the corresponding total cargo work done increased by 1.3% as measured in tonne kilometers. Lowered emissions and increased cargo work resulted in 8.6% reduction in the grams of CO_2 emitted per tonne kilometer. The reduction in emissions compared with last year is influenced by efficiency improvements coming from the de-fouling initiative and improved utilization arising from improved cargo mix.



The Group's terminals in the US were awarded the annual AEU (American Equity Underwriters) Safety Award for 2018. This award recognizes ALMA (American Longshore Mutual Association) members with the most effective safety programs.

The second annual Global Reporting Initiative (GRI) Standard sustainability report was published as part of the Wallenius Wilhelmsen Group's Annual Report, with more KPIs and more nuanced performance assessment added to the report since last.

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 most markets, potential risk of increased trade barriers and a continued soft macro picture. Market rates remain at a low level although a few smaller contracts have been renewed at improved rates in the early part of the year.

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 continue to support profitability going forward.

Lysaker, 7 May 2019
The board of directors of Wallenius Wilhelmsen ASA

Håkan Larsson – Chair

Thomas Wilhelmsen   Jonas Kleberg   Marianne Lie   Margareta Alestig

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

Income statement

USD million	Notes	Q1 2019	Q1 2018	2018
Operating revenue	4	1,018	968	4,063
Gain/(loss) from disposal of assets	2	0	0	1
Total income		**1,018**	**968**	**4,065**
Operating expenses	4	(799)	(843)	(3,463)
Operating profit before depreciation, amortisation and impairment (EBITDA)		**218**	**125**	**601**
Other gain / (loss)	3	(0)	(40)	(12)
Depreciation and amortisation	5, 6	(123)	(85)	(345)
Operating profit (EBIT)		**95**	**0**	**244**
Share of profit from joint ventures and associates		(0)	1	2
Financial income/(expenses)	7	(70)	(6)	(169)
Profit before tax		**25**	**(5)**	**78**
Tax income/(expenses)		(3)	(25)	(20)
Profit for the period		**22**	**(30)**	**58**
Profit for the period attributable to:				
Owners of the parent		20	(30)	52
Non-controlling interests		3	0	6
Basic earnings per share (USD)	8	0.05	(0.07)	0.12

Statement of comprehensive income

USD million	Q1 2019	Q1 2018	2018
Profit for the period	22	(30)	58
Other comprehensive income:			
Items that may subsequently be reclassified to the income statement			
Changes in fair value of cash flow hedge instruments	2	-	(4)
Currency translation adjustment	0	3	(12)
Items that will not be reclassified to the income statement			
Remeasurement pension liabilities, net of tax	-	-	2
Other comprehensive income for the period	**3**	**3**	**(13)**
Total comprehensive income for the period	**25**	**(27)**	**45**
Total comprehensive income attributable to:			
Owners of the parent	22	(27)	40
Non-controlling interests	3	0	5
Total comprehensive income for the period	**25**	**(27)**	**45**

Balance sheet

USD million	Notes	31 Mar 2019	31 Mar 2018	31 Dec 2018
ASSETS				
Non-current assets				
Deferred tax assets		112	91	105
Goodwill and other intangible assets	5	693	711	711
Vessels and other tangible assets	6, 12	5,991	5,336	5,225
Investments in joint ventures and associates		2	3	2
Other non-current assets	3	150	160	162
Total non-current assets		**6,948**	**6,301**	**6,204**
Current assets				
Bunkers/luboil		78	121	107
Trade receivables		544	503	489
Other current assets		155	137	130
Cash and cash equivalents		555	649	484
Total current assets		**1,332**	**1,410**	**1,210**
Total assets		**8,280**	**7,711**	**7,414**
EQUITY and LIABILITIES				
Equity				
Share capital	8	28	28	28
Retained earnings and other reserves		2,640	2,567	2,619
Total equity attributable to owners of the parent		**2,668**	**2,532**	**2,647**
Non-controlling interests		233	214	228
Total equity		**2,900**	**2,809**	**2,876**
Non-current liabilities				
Pension liabilities		64	76	65
Deferred tax liabilities		112	105	116
Non-current interest-bearing debt	11, 12	3,875	2,908	3,054
Non-current provisions		133	135	133
Other non-current liabilities		67	56	63
Total non-current liabilities		**4,251**	**3,280**	**3,431**
Current liabilities				
Trade payables		203	232	220
Current interest-bearing debt	11	562	717	530
Current income tax liabilities		16	19	14
Current provisions		45	304	46
Other current liabilities		303	349	298
Total current liabilities		**1,128**	**1,621**	**1,107**
Total equity and liabilities		**8,280**	**7,711**	**7,414**

Cash flow statement

USD million	Notes	Q1 2019	Q1 2018	2018
Cash flow from operating activities				
Profit before tax		25	(5)	78
Financial (income)/expenses		70	6	169
Share of net income from joint ventures and associates		(0)	(1)	(2)
Depreciation and amortisation		123	85	345
(Gain)/loss on sale of tangible assets		(0)	(0)	1
Change in net pension assets/liabilities		(1)	2	(11)
Change in derivative financial assets	3	0	40	12
Other change in working capital		(71)	(19)	(292)
Tax paid (company income tax, withholding tax)		(2)	(6)	(27)
Net cash flow provided by operating activities [1)]		**144**	**102**	**272**
Cash flow from investing activities				
Proceeds from sale of tangible assets		0	5	10
Investments in vessels, other tangible and intangible assets		(9)	(50)	(171)
Investments in subsidiaries, net of cash aquired		-	-	(22)
Investments in joint ventures		-	-	(1)
Interest received		3	2	9
Changes in other investments		-	(2)	-
Net cash flow provided by/(used in) investing activities		**(6)**	**(45)**	**(174)**
Cash flow from financing activities				
Proceeds from issue of debt		225	37	1,269
Repayment of debt		(236)	(185)	(1,455)
Interest paid including interest derivatives		(53)	(47)	(177)
Realised other derivatives		(2)	5	(30)
Dividend to non-controlling interests		(2)	(14)	(17)
Net cash flow used in financing activities		**(67)**	**(204)**	**(410)**
Net increase in cash and cash equivalents		71	(147)	(312)
Cash and cash equivalents, excluding restricted cash, at beginning of period		484	796	796
Cash and cash equivalents at end of period[1)]		**555**	**649**	**484**

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

Wallenius Wilhelmsen

Statement of changes in equity

USD million	Notes	Share Capital	Own shares	Total paid-in capital	Retained eqrnings and other reserves	Total	Non-controlling interests	Total equity
2019								
Balance at 31 December 2018		**28**	**0**	**28**	**2,619**	**2,647**	**228**	**2,876**
Profit for the period		-	-	-	20	20	3	22
Other comprehensive income		-	-	-	2	2	0	3
Total comprehensive income		**-**	**-**	**-**	**22**	**22**	**3**	**25**
								-
Transactions with non-controlling interests on acquisition of subsidiary		-	-	-	-	-	1	1
Transactions with non-controlling interests		-	-	-	(2)	(2)	2	-
Dividend to non-controlling interests		-	-	-	-	-	(2)	(2)
Balance 31 March 2019		**28**	**0**	**28**	**2,640**	**2,668**	**233**	**2,900**

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

Note 1 - Accounting Principles

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Wallenius Wilhelmsen

Note 2 - Gain/(loss) from disposal of assets

USD million	Q1 2019	Q1 2018	2018
Ocean	-	-	-
Other	-	-	(1)
Net gain/(loss) on sale of assets	**-**	**-**	**(1)**
Land based			
Deferred contingent consideration Syngin Technology LLC	-	-	2
Net gain/(loss) on sale of assets	**-**	**-**	**2**
Total			
Deferred consideration Syngin Technology LLC	-	-	2
Other	-	-	(1)
Net gain/(loss) on sale of assets	**-**	**-**	**1**

Note 3 - Other gain/(loss)

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

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

During first quarter 2019 the change in the value of the derivative was USD 16 thousand recognised as an Other gain/(loss) in the income statement. The change in value during first quarter 2018 was a negative USD 40 million.

The financial derivative is recognised as an other non-current asset and has a carrying value of USD 94 million at the end of first quarter 2019.

Wallenius Wilhelmsen

Note 4 - Segment reporting

USD million	Ocean			Landbased			Holding & Eliminations			Total		
	Q1 2019	Q1 2018	2018	Q1 2019	Q1 2018	2018	Q1 2019	Q1 2018	2018	Q1 2019	Q1 2018	2018
Net freight revenue	698	663	2,815	-	-	-	-	-	-	698	663	2,815
Surcharges	70	44	234	-	-	-	-	-	-	70	44	234
Other operating revenue	44	43	172	206	218	842	-	-	-	249	262	1,014
Internal operating revenue	0	-	-	27	14	69	(27)	(14)	(69)	0	-	-
Gain/(loss) on sale of assets	0	(0)	(1)	0	-	2	(0)	-	(0)	0	-	1
Total income	**812**	**750**	**3,220**	**232**	**232**	**914**	**(27)**	**(14)**	**(69)**	**1,018**	**968**	**4,065**
Cargo expenses	(184)	(160)	(697)	-	-	-	24	14	62	(159)	(146)	(635)
Bunker	(176)	(166)	(740)	-	-	-	-	-	-	(176)	(166)	(740)
Other voyage expenses	(111)	(124)	(483)	-	-	-	0	-	(1)	(111)	(124)	(484)
Ship operating expenses	(53)	(55)	(226)	-	-	-	-	-	-	(53)	(55)	(226)
Charter expenses	(55)	(84)	(362)	-	-	-	-	-	-	(55)	(84)	(362)
Manufacturing cost	-	-	-	(62)	(73)	(266)	2	-	6	(60)	(73)	(259)
Other operating expenses	(5)	(7)	(25)	(110)	(109)	(433)	1	-	1	(115)	(116)	(456)
Selling, general and administrative expenses	(37)	(45)	(160)	(27)	(30)	(125)	(5)	(4)	(15)	(69)	(79)	(301)
Total operating expenses	**(622)**	**(641)**	**(2,692)**	**(199)**	**(212)**	**(824)**	**22**	**10**	**53**	**(799)**	(843)	(3,463)
Operating profit before depreciation, amortisation and impairment (EBITDA)	**190**	**109**	**528**	**33**	**20**	**90**	**(5)**	**(4)**	**(16)**	**218**	**125**	**601**
Other gain/(loss)	-	(40)	(12)	-	-	-	-	-	-	-	(40)	(12)
Depreciation	(94)	(64)	(262)	(13)	(4)	(17)	-	-	-	(108)	(69)	(279)
Amortisation	(6)	(8)	(32)	(9)	(8)	(34)	(0)	-	-	(15)	(16)	(67)
Operating profit (EBIT)[1]	**90**	**(4)**	**222**	**10**	**8**	**39**	**(5)**	**(4)**	**(16)**	**95**	**0**	**244**
Share of profit from joint ventures and associates	0	0	2	(0)	0	0	(0)	-	(0)	(0)	1	2
Financial income/(expenses)	(83)	(7)	(164)	(15)	(0)	(14)	28	1	9	(70)	(6)	(169)
Profit before tax	**7**	**(11)**	**60**	**(5)**	**8**	**25**	**23**	**(3)**	**(7)**	**25**	**(5)**	**78**
Tax income/(expense)	(2)	(22)	(20)	(1)	(4)	(3)	-	1	4	(3)	(25)	(20)
Profit for the period	**5**	**(33)**	**40**	**(6)**	**4**	**22**	**23**	**(2)**	**(4)**	**22**	**(30)**	**58**
Profit for the period attributable to:												
Owners of the parent	3	(32)	35	(6)	4	20	23	(2)	(4)	20	(30)	52
Non-controlling interests	2	(1)	5	0	1	1	-	-	(0)	3	0	6

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

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

USD million	Goodwill	Customer relations/contracts	Other intangible assets	Total intangible assets
2019				
Cost at 1 January	350	421	49	819
Acquisitions through business combination	(3)	-	0	(3)
Currency translation adjustment	-	-	0	0
Cost at 31 March	**346**	**421**	**49**	**816**
Accumulated amortisation and impairment losses at 1 January	-	(91)	(16)	(107)
Amortisation	-	(14)	(1)	(15)
Accumulated amortisation and impairment losses at 31 March	**-**	**(105)**	**(17)**	**(123)**
Carrying amounts at 31 March	**346**	**315**	**32**	**693**

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

Wallenius Wilhelmsen

Note 6 - Vessels, property and other tangible assets

USD million	Property and land	Other tangible assets	Vessels & docking	Newbuilding contracts	Leased assets	Total tangible assets
2019						
Cost at 1 January	114	67	5,953	95	-	6,230
Additions	2	4	1	1	(0)	8
Implementation IFRS 16					861	861
Reclassification	1	(3)	(2,515)	-	2,518	-
Disposal	-	(1)	(2)	-	(0)	(2)
Currency translation adjustment	(0)	0	-	-	5	5
Cost at 31 March	**117**	**67**	**3,437**	**96**	**3,383**	**7,101**
Accumulated depreciation and impairment losses at 1 January	(2)	(15)	(988)	-	-	(1,005)
Depreciation	(2)	(3)	(39)	-	(64)	(108)
Disposal	-	1	2	-	(0)	2
Reclassification	(1)	2	227	-	(228)	-
Currency translation adjustment	0	(0)	-	-	0	0
Accumulated depreciation and impairment losses at 31 March	**(4)**	**(16)**	**(799)**	**-**	**(291)**	**(1,110)**
Carrying amounts at 31 March	**113**	**52**	**2,638**	**96**	**3,092**	**5,991**

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

Specification on leased assets

USD million	Property and land	Vessels	Vehicles	Other assets	Total leased assets
2019					
IFRS 16 implementation at 1 January	419	440	1	0	861
Existing financial leases under IAS 17	-	2,515	2		2,518
Total leases assets at 1 January	**419**	**2,955**	**3**	**0**	**3,378**
Currency translation adjustment	5	-	(0)	(0)	5
Cost at 31 March	**425**	**2,955**	**3**	**0**	**3,383**
Accumulated depreciation and impairment losses at 1 January	-	-	-	-	-
Existing financial leases under IAS 17	-	(227)	(1)	-	(228)
Depreciation	(11)	(53)	(0)	(0)	(64)
Currency translation adjustment	0	-	0	0	-
Accumulated depreciation and impairment losses at 31 March	**(11)**	**(279)**	**(1)**	**(0)**	**(291)**
Carrying amounts at 31 March	**414**	**2,677**	**2**	**0**	**3,092**

Note 7 - Financial income and expenses

USD million	Q1 2019	Q1 2018	2018
Financial income			
Interest income	3	2	9
Other financial items	1	0	4
Net financial income	**3**	**2**	**13**
Financial expenses			
Interest expenses	(49)	(36)	(161)
Interest rate derivatives - realised	(4)	(5)	(17)
Interest rate derivatives - unrealised	(22)	30	32
Other financial items	(1)	(0)	(8)
Net financial expenses	**(76)**	**(11)**	**(154)**
Currency			
Net currency gain/(loss)	(2)	(11)	(8)
Derivatives for hedging of foreign currency risk - realised	(2)	(1)	(30)
Derivatives for hedging of foreign currency risk - unrealised	3	15	16
Net currency	**(0)**	**3**	**(21)**
Financial derivatives bunker			
Unrealised bunker derivatives	2	-	(7)
Net bunker derivatives	**2**	**-**	**(7)**
Financial income/(expenses)	**(70)**	**(6)**	**(169)**

Wallenius Wilhelmsen

Note 8 - Shares

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

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

Basic earnings per share is calculated by dividing profit for the period after non-controlling interests, by average number of total outstanding shares. Basic earnings per share for the first quarter was USD 0.05 compared with a negative USD 0.07 in the same quarter last year.

The company's share capital is as follows:	Number of shares	NOK million	USD million
Share capital 31 March 2019	423,104,938	220	28
Own shares 31 March 2019	785,864		

Note 9 - Dividend

The Annual General Meeting approved an ordinary dividend of 6 cents per share on 25 April 2019. The Annual General Meeting also gave the board authority to pay a second dividend payment of up to USD 6 cents per share for a period limited in time up to the annual general meeting in 2020, but no longer than to 30 June 2020. In total, the dividend for 2018 is equivalent to up to USD 50 million

Note 10 - Tax

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. Tonnage tax is considered as operating expense in the accounts.

The group recorded a tax expense of USD 3 million for the first quarter 2019, compared with an expense of USD 25 million the same quarter last year when a withholding tax on dividends of USD 7 million from EUKOR and an increase in deferred tax liability of USD 12 million were recognised.

The effective tax rate has increased in the first quarter as a consequence of non-recognition of new deferred tax asset in the balance sheet related to tax losses in the Norwegian entities. Future utilisation of such tax losses are uncertain and hence not recognised in the accounts.

Note 11 - Interest-bearing debt

USD million	31 Mar 2019	31 Mar 2018	31 Dec 2018
Non-current interest-bearing debt	3,875	2,908	3,054
Current interest-bearing debt	562	717	530
Total interest-bearing debt	**4,437**	**3,627**	**3,584**
Cash and cash equivalents	555	649	484
Net interest-bearing debt	**3,881**	**2,977**	**3,100**

Repayment schedule for interest-bearing debt	Bank loans	Leasing	Bonds	Other	31 Mar 2019
Due in one year	208	276	77	1	**562**
Due in year +1	259	185	-	0	**445**
Due in year +2	248	283	87	1	**619**
Due in year +3	193	279	215	1	**687**
Due in year +4 and later	799	1,312	-	14	**2,124**
Total interest-bearing debt	**1,707**	**2,335**	**379**	**16**	**4,437**

Reconciliation of liabilities arising from financing activities	31 Dec 2018	Cash flow	Debt assumed as part of acquisition	Foreign exchange movement	Amorti-sation	Other [1]	Reclass-ification	31 Mar 2019
Bank loans	1,409	90	-	2	1	(4)	0	1,499
Leasing commitments	1,274	117	-	3	0	702	(37)	2,059
Bonds	309	-	-	2	-	-	(10)	301
Bank overdraft / other interest-bearing debt	63	-	-		-	2	(50)	15
Total non-current interest-bearing liabilities	**3,055**	**207**	**-**	**8**	**2**	**700**	**(96)**	**3,875**
Current portion of non-current debt	530	(218)	-	-	-	154	96	562
Total liabilities from financing activities	**3,584**	**(11)**	**-**	**8**	**2**	**855**	**-**	**4,437**

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

Reconciliation of liabilities arising from financing activities	31 Dec 2017	Cash flow	Debt assumed as part of acquisition	Foreign exchange movement	Amorti-sation	Other [2]	Reclass-ification	31 Dec 2018
Bank loans	1,344	25	-	-	6	-	34	1,409
Leasing commitments	1,435	171	-	-	-	-	(333)	1,274
Bonds	324	89	-	(12)	-	5	(98)	309
Bank overdraft / other interest-bearing debt	-	51	12	-	-	-	-	63
Total non-current interest-bearing liabilities	**3,103**	**336**	**12**	**(12)**	**6**	**5**	**(396)**	**3,055**
Current portion of non-current debt	661	(522)	-	(5)	-	-	396	530
Total liabilities from financing activities	**3,764**	**(186)**	**12**	**(17)**	**6**	**5**	**-**	**3,584**

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

Wallenius Wilhelmsen

Note 12 - IFRS 16 - Leases

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 summarizes 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 recognized 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.

USD million

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

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

Reconciliation of lease commitment and lease liability

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

[1)] Mainly related to current vessel leases.

Wallenius Wilhelmsen

Note 12 - IFRS 16 - Leases

IFRS 16 effect income statement

USD million	Ocean Q1 2019	Landbased Q1 2019	Total Q1 2019
Operating expenses	31	11	42
Operating profit before depreciation, amortisation and impairment (EBITDA)	**31**	**11**	**42**
Depreciation and amortisation	(28)	(9)	(37)
EBIT	**3**	**2**	**5**
Interest expense	(6)	(5)	(11)
Profit for the period	**(2)**	**(3)**	**(6)**

There are no leases in the Holding segment

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 168 million. Annual depreciation expense of leased assets will increase approximately USD 149 million. Annual net interest expense will increase approximately USD 40 million. 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.

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.

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

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

Reconciliation of alternative performance measures

USD million

	Q1 2019	Q1 2018	2018
Reconciliation of Total income to EBITDA and EBITDA adjusted			
Total income	1,018	968	4,065
Operating expenses excluding other gain/(loss)	(799)	(843)	(3,463)
EBITDA	**218**	**125**	**601**
EBITDA Ocean	190	109	528
Restructuring costs	-	2	3
Loss on sale of tangible assets	-	-	1
EBITDA adjusted Ocean	**190**	**111**	**532**
EBITDA Landbased	33	20	90
Gain on sale of tangible assets	-	-	(0)
EBITDA adjusted Landbased	**33**	**20**	**89**
EBITDA Holding/Eliminations	(5)	(4)	(16)
Restructuring costs	-	1	2
EBITDA adjusted Holding/Eliminations	**(5)**	**(3)**	**(15)**
EBITDA adjusted	**218**	**128**	**606**
Reconciliation of Total income to EBIT and EBIT adjusted			
EBITDA	218	125	601
Other gain/loss	(0)	(40)	(12)
Depreciation and amortisation	(123)	(85)	(345)
EBIT	**95**	**0**	**244**
Restructuring costs	-	3	5
Gain on sale of other tangible assets	-	-	0
Derivative financial asset	0	40	12
EBIT adjusted	**95**	**43**	**261**

	Quarter average		Yearly average
Reconciliation of total assets to capital employed and ROCE calculation and return on equity calculation	Q1 2019	Q1 2018	31 Dec 2018
Total assets	8,041	7,808	7,638
Total liabilities	5,153	4,978	4,776
Total equity	**2,888**	**2,830**	**2,863**
Total interest-bearing debt	4,435	3,695	3,674
Capital employed	**7,323**	**6,524**	**6,537**
EBIT adjusted annualised	381	130	261
ROCE	**5.2%**	**2.0%**	**4.0%**
Profit for the period	89	(122)	58
Return on equity	**3.1%**	**-4.3%**	**2.0%**

	Q1 2019	Q1 2018	31 Dec 2018
Net interest-bearing debt			
Cash and cash equivalents	555	649	484
Non-current interest bearing debt	3,875	2,908	3,054
Current interest-bearing debt	562	717	530
Net interest-bearing debt	**3,882**	**2,977**	**3,100**