Wallenius Wilhelmsen

Q2 and First Half Year 2018

Quarterly report

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Highlights second quarter 2018

- EBITDA adjusted of USD 159 million, down from USD 188 million in the same period last year, but up from USD 128 million in the previous quarter
- Continued positive ocean volume development, especially for high & heavy (share up to 29%)
- However, ocean results negatively impacted by, lower rates, increased bunker cost and unfavourable currency movements
- The newbuilding “Titus” was delivered end of May 2018
- About USD 110 million in synergies confirmed
- Acquisition of 70% of Syngin Technologies for about USD 30 million (July 6th 2018)

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

“Results for the second quarter were in line with our expectations and we are pleased to see the continued positive volume development. However, the underlying performance remains hampered by rising bunker prices, low rates and trade imbalances causing inefficiencies.”

Consolidated results and key figures

EBITDA adjusted for the second quarter ended at USD 159 million, a decline of 16% compared to the same period last year due to lower results for the ocean segment.

USD million	Q2 2018	Q1 2018	% change q-o-q	Q2 2017	% change y-o-y
Total income	1 044	968	8%	974	7%
EBITDA	156	125	24%	168	-7%
EBIT	70	41	73%	85	-17%
Profit for the period	21	10	113%	-20	n/a
EPS [1)]	0.04	0.02	n/a	-0.06	n/a
Net interest-bearing debt	3 207	2 977	8%	3 171	1%
ROCE [2)]	4.5%	2.7%	n/a	5.9%	n/a
Equity ratio	37.4%	36.3%	n/a	34.7%	n/a
Total income adjusted	1 044	968	8%	974	7%
EBITDA adjusted	159	128	24%	188	-16%

1) *After tax and non-controlling interests*
2) *ROCE calculated as annualised EBIT adjusted for non-recurring items minus restructuring costs divided by average CE in the quarter*

Consolidated results

Total income was USD 1 044 million in the second quarter, up 7% compared to the same period last year due to increased revenues for both the ocean and landbased segment. The increase in ocean revenues were driven by continued positive volume development and increased fuel cost compensation. Ocean volumes were up 3% y-o-y despite planned reduction in contracted Hyundai Motor Group (HMG) volumes due to strong underlying volume development. The Atlantic, Asia-South America and partly also Asia-Europe trade experienced strong growth while the Europe-Oceania trade moved sideways, and the Europe-Asia and Asia-North America trades decreased (latter due to reduction in HMG volumes). Compared to the first quarter total income was up 8%, driven by ocean volumes which rose 12% due to seasonality and somewhat higher fuel compensation from customers.

EBITDA ended at USD 156 million in the second quarter, a decline of 7% from USD 168 million in the second quarter last year. Costs of about USD 3 million related to the restructuring and realization of synergies were recorded in the quarter. EBITDA adjusted for these items came in at USD 159 million, a decline of 16% y-o-y (the second quarter 2017 included USD 20 million in restructuring costs). The decline is mainly driven by the ocean segment which was negatively impacted by contracted reductions in HMG volumes, lower rates, increased bunker prices and unfavourable currency movements. Furthermore, the results were negatively impacted by inefficiencies in ocean operations due to trade imbalances (more volumes out of Asia than Europe), combined with challenges to meet customer commitments as more capacity was needed to handle the volumes. The negative effects were only partly offset by underlying positive volume and cargo mix development and higher realization of synergies. EBITDA

adjusted for the landbased segment was down about USD 2 million y-o-y due to increased SG&A cost allocations of about USD 3 million (same as in the previous quarter). The results were positively impacted by the Melbourne terminal being fully operational and the acquisition of Keen Transport. On the other hand, results were negatively affected by a less optimal customer and service mix for Solutions Americas – Auto (VSA). EBITDA adjusted in the second quarter was up 24% compared to the seasonally weaker first quarter.

At the end of the second quarter about USD 110 million of the USD 120 million synergy target was confirmed. During the quarter about USD 25 million was added to confirmed synergies, through mainly ship management, fleet optimization and procurement, but also some smaller savings from SG&A. The annualized run rate for synergies were above USD 100 million, up from about USD 80 million in the previous quarter. The remaining part of the confirmed synergies will gradually come into effect over the next 3-6 months.

Net financial items were USD 45 million for the second quarter, compared with an expense of only USD 5 million in the previous quarter (which included substantial unrealized gains on interest rate derivates). Net interest expenses were slightly up compared to the previous quarter due to a combination of higher interest rates (LIBOR) and increased net interest-bearing debt. Net financial expenses were positively impacted by USD 12 million in unrealised interest derivates and negatively impacted by USD 15 million related to movements in currency / currency derivatives.

The group recorded a tax expense of USD 4 million for the second quarter, compared with an expense of USD 25 million in the first quarter. Net result for the second quarter came in at USD 21 million compared with a loss of USD 20 million in the second quarter last year (which was impacted by a USD 62 million merger accounting loss and USD 20 million in restructuring costs). The average Return on Capital Employed (ROCE) in the second quarter was 4.5%.

Capital and financing

The equity ratio was 37.4% in the second quarter, slightly up compared to previous quarter of 36.3%. Cash and cash equivalents by the end of the second quarter was USD 517 million, down from USD 649 million in the previous quarter. The reduction was mainly driven by payment of the EUR 207 million (about USD 245 million) fine settlement with the European Competition Authorities in late May 2018. In addition, Wallenius Wilhelmsen has about USD 275 million in undrawn credit facilities. Net interest-bearing debt was USD 3 207 million at the end of the second quarter.

During the quarter two vessels in EUKOR were refinanced and WW Ocean Holding AS (former Wilhelmsen Lines AS) secured a new unsecured revolving credit facility of USD 100 million which replaced similar facilities earlier placed in the operating entity WW Ocean AS (former Wallenius Wilhelmsen Logistics AS). Furthermore, the NOK 800 million bond that was refinanced in October last year was repaid towards at the end the quarter. The group has three vessels on order and the outstanding instalments for these vessels are about USD 120 million. The vessels have been financed through regular bank facilities.

Ocean operations

EBITDA adjusted for the second quarter ended at USD 136 million, a decline of 16% y-o-y due to contracted reduction in HMG volumes, rate reductions, increased bunker prices, unfavorable currency movements and trade imbalances and inefficiencies.

USD million	Q2 2018	Q1 2018	% change q-o-q	Q2 2017	% change y-o-y
Total income	842	750	12%	798	5%
EBITDA	134	109	23%	145	-8%
EBIT	61	37	66%	73	-17%
Volume ('000 cbm) [1)]	18 500	16 496	12%	18 015	3%
High & heavy share	29.2%	28.0%	n/a	26.0%	n/a
Total income adjusted	842	750	12%	798	6%
EBITDA adjusted	136	111	23%	162	-16%

Total income and EBITDA

Total income for the ocean segment was USD 842 million, up 5% from USD 798 million in the second quarter last year, driven by both increased ocean volumes and fuel cost compensation due to higher bunker prices. Ocean volumes were up 3% y-o-y driven by strong underlying volume development, offset by a reduction in contracted HMG volumes (about 0.5 million cbm) from January 2018. The Atlantic, Asia-South America and partly also Asia-Europe trade experienced strong growth, while the Oceania trade moved sideways, and Europe-Asia and Asia-North America decreased (latter due to reduction in HMG volumes). Total income increased 12% from the seasonally weak first quarter driven by increased ocean volumes of 12% combined with increased fuel cost compensation. The high & heavy share increased to 29.2% (up from about 28% in the previous quarter) due to continued positive development in the high & heavy segment.

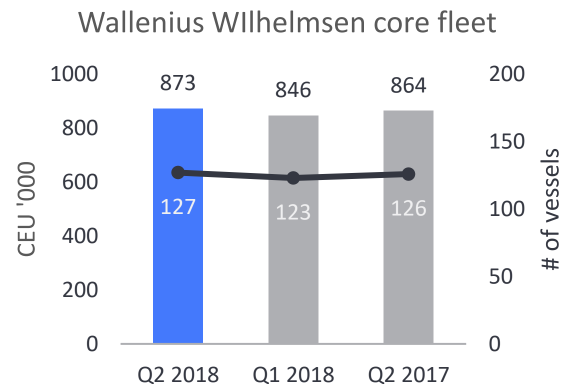
EBITDA for the second quarter ended at USD 134 million, a decline of 8% compared to the same period last year. In the second quarter costs of about USD 2 million related to the restructuring and realization of synergies were recorded. EBITDA adjusted for these items came in at USD 136 million, a decline of 16% y-o-y due to several factors. Firstly, EBITDA was negatively impacted by planned contracted reduction in HMG volumes (about 0.5 million cbm) and rate reductions (about USD 12 million) in the quarter. Furthermore, net bunker cost in the quarter increased by USD 26 million y-o-y driven by increased bunker prices and higher bunker consumption (due to more voyage days). In the second quarter, the increased bunker prices had an about USD 20 million negative impact on results y-o-y of which about half is related to the lag effect and the other half relates to lack of BAF and/or structure of the BAF in some customer contracts. In addition, the USD has weakened substantially since the same period last year causing a negative currency effect of close to USD 10 million. USD is the functional currency for most customer contracts, while local port charges and SG&A costs are partly in other currencies (see annual report for currency risk in the group). Furthermore, the results were negatively impacted by inefficiencies in ocean operations due to trade imbalances (more volumes out of Asia than Europe) combined with challenges to meet customer commitments as more capacity was needed to handle the volumes. The negative impact from

above factors were partly offset by underlying strong volume development, increased high & heavy share and higher realization of synergies.

EBITDA adjusted in the first quarter was up 23% compared to the seasonally weak first quarter.

Wallenius Wilhelmsen fleet

Wallenius Wilhelmsen operated a core fleet of 127 vessels with carrying capacity of 873K CEU, representing about 22% of the global car carrier fleet, in the second quarter. During the quarter one Post-Panamax newbuilding (8k CEU) was delivered and three vessels from external owners chartered-in, which resulted in an increase of four vessels in the core fleet.



Source: Wallenius WIlhelmsen

To further meet increasing demand, the group continued to increase short-term time charter activities and controlled a fleet of 137 vessels at the end of the second quarter. Currently, the group has flexibility to redeliver one vessel in 2018 and up to 18 vessels by 2022 (excluding vessels on short term charter; less than 12 months).

Three Post-Panamax vessels remain under construction with combined capacity of 24K CEU. One of these vessels is expected to enter service at the end of 2018 and two are scheduled for delivery in 2019. The outstanding instalments for these vessels are about USD 120 million. The vessels have been financed through regular bank facilities.

In June 2018 Wallenius Wilhelmsen decided to initiate a program to retrofit scrubbers on 20 vessels over the next four years, increasing the number of vessels in the fleet with scrubbers to 25. The scrubbers will be retrofitted during scheduled dry docking to minimize impact on the operations and will be financed through available cash and/or credit facilities. The average cost per scrubber instalment is estimated to USD 6-7 million.

Landbased Operations

EBITDA for the landbased segment was stable compared to last year, but results were negatively affected by increased SG&A cost allocations effective from January 2018.

USD million	Q2 2018	Q1 2018	% change q-o-q	Q2 2017	% change y-o-y
Total income	222	232	-4%	192	16%
EBITDA	25	20	24%	26	-3%
EBIT	13	8	64%	15	-15%
EBITDA adjusted	25	20	22%	27	-8%

Total income and EBITDA

Total income in the second quarter increased to USD 222 million, up 16% compared with the same quarter last year. This was driven by the Keen Transport acquisition and full operations at the Melbourne terminal as other entities in sum moved sideways with relatively small changes. Total income was slightly down q-o-q (-4%) due to loss of a few large contracts (from a revenue perspective) for the EMEA/APAC solutions business.

EBITDA adjusted for the landbased segment was USD 25 million in the second quarter, down from USD 27 million in the same period last year, equivalent to an 8% reduction. Year-on-year, the landbased segment was negatively impacted by increased SG&A cost allocations of USD 3 million (offset by a similar reduction in ocean) following a detailed review of the IT portfolio and cost drivers in the first quarter (same as in the previous quarter).

Solutions Americas – Auto (VSA) continued to experience high volumes and activity level with revenues of USD 99 million, up 7% compared to the same quarter last year. However, EBITDA in second quarter ended at only USD 11 million, down 35% compared to the same quarter last year, due to increased SG&A cost allocations combined with less profitable customer and service mix (less accessory fitting & content and more yard management work).

EBITDA for Terminals was USD 9 million, up 36% from USD 7 million in the second quarter last year. The improved results were driven by the Melbourne terminal being fully operational, whereas results for the other terminals on average were in line with last year.

EBITDA for Solutions Americas – H&H was USD 4 million, substantially up from USD 0.4 million in the second quarter last year driven by the acquisition of Keen Transport in December 2017.

Consolidated results – First Half year 2018

Adjusted EBITDA for the First Half Year 2018 ended at USD 286 million, down 13% compared with same period previous year.

USD million	1st half 2018	Proforma 1st half 2017	% change
Total income	2 012	1 864	8%
EBITDA	281	311	-10%
EBIT	111	146	-24%
Profit for the period	31	39	-20%
EPS [2)]	0.06	0.06	n/a
Net interest-bearing debt	3 207	3 177	1%
ROCE [3)]	3.5%	n/a	n/a
Equity ratio	37.4%	34.7%	n/a
Total income adjusted	2 012	1 864	8%
EBITDA adjusted	286	331	-13%

1) *After tax and non-controlling interests*
2) *ROCE calculated as annualised EBIT adjusted for non-recurring items minus restructuring costs divided by average CE in the quarter*
3) *Pre-merger proforma accounts are prepared as if the merger had taken place 1 Jan 2017 and inclusion of SG&A costs in WallRoll AB.*

On April 4th 2017, the merger between Wilh. Wilhelmsen ASA and WallRoll AB was completed, with Wilh. Wilhelmsen ASA as the surviving company, renamed to Wallenius Wilhelmsen ASA. Historical figures used for comparison with the second quarter below are the proforma figures.

Total income was USD 2 012 million in the first half of 2018, up 8% compared to the same period last year due to increased revenues for both the ocean and landbased segment. The increase in ocean revenues were driven by continued positive volume development and increased fuel cost compensation. Ocean volumes were up 2% despite reduction in contracted Hyundai Motor Group (HMG) volumes due to strong underlying volume development.

EBITDA ended at USD 281 million in the first half of 2018, down 10% from USD 311 million in the same period previous year. Costs of about USD 5 million related to the restructuring and realization of synergies were recorded in the first half of 2018 compared to USD 20 million in the first half of 2017. EBITDA adjusted for these items came in at USD 286 million, a decline of 13% y-o-y. The reduction in EBITDA is mainly driven by the ocean segment which was negatively impacted by contracted reductions in HMG volumes, rate reductions, increased bunker prices, unfavorable currency movements and inefficiencies in ocean operations due to trade imbalances (more volumes out of Asia than Europe), combined with challenges to meet customer commitments driving increased voyage and vessel costs. The negative effects were only partly offset by underlying positive volume and cargo mix development and realization of synergies. Net profit amounted to USD 31 million for the first half of 2018 compared to USD 39 million in 2017, a decline of 20%. Adjusted for the restructuring costs net profit for the first half of 2018 was USD 35 million, down from adjusted net profit of USD 121 million in the first half 2017.

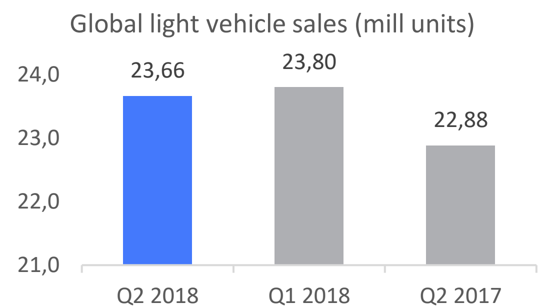
Market update

Overall, auto export development was positive in the quarter with an increase of 6.5% compared to the same period last year. The high & heavy markets continued to strengthen with construction equipment trade growing and mining equipment markets showing additional signs of improvement.

Auto markets

Total light vehicle (LV) sales in the second quarter increased 3.4% compared to the corresponding period last year and edged down 0.6% compared to the previous quarter.

North American sales were largely stable and declined 0.5% compared to same period last year, while increasing 11.0% q-o-q in the seasonally strong second quarter.

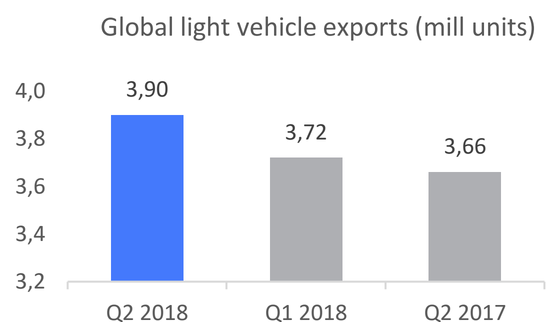


Source: IHS Markit

Sales in Western Europe strengthened 2.3% y-o-y in the quarter, with expansion in the five biggest markets except UK, and edged up 0.5% from the first quarter. The Chinese market strengthened another 5.0% y-o-y despite the temporary tax cut coming to an end in December 2017, but declined 7.2% q-o-q. Both the Russian (+18.9% y-o-y and +20.2% q-o-q) and the Brazilian (+13.7% y-o-y and +14.9% q-o-q) markets continued the strong growth in the second quarter.

Total exports in the second quarter were up 6.5% compared to the corresponding period last year, extending the positive momentum in global deep-sea volumes.

Exports out of North America in the second quarter increased 9.0% y-o-y and 2.6% q-o-q as Mexican exports continue to be ramped up. European exports were up 4.6% y-o-y and 5.7% q-o-q in the quarter. Japanese exports in the second quarter were up 8.9% y-o-y and 2.1% q-o-q, and exports out of South Korea were up 0.9% y-o-y and 9.1% q-o-q. Chinese exports were up 32.6% y-o-y and 19.8% q-o-q with continued production ramp-up.



Source: IHS Markit

High and heavy markets

The positive momentum in global high & heavy trade continued going into the second quarter, with exports of construction, mining and farm machinery growing 12% y-o-y[1].

The growth in global construction equipment exports softened moderately to 15% y-o-y in the period. The seasonally adjusted US construction spending lifted from the previous quarter, despite a

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[1] All import/export data refer to the three-month period ending in April, 2018, with the exception of imports to North America and Australia, referring to the three-month period ending in May, 2018. Source: IHS Markit
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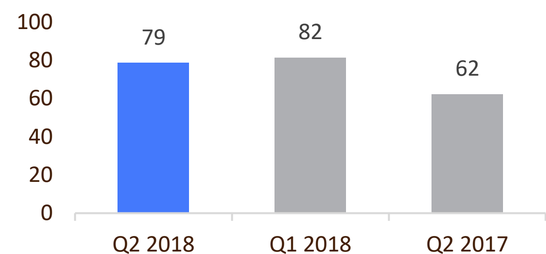
decline in public spending in June. Construction machinery sales from US manufacturers increased 13% y-o-y in the period, and North American imports of construction equipment lifted 20% y-o-y. The Eurozone construction PMI strengthened from the weak weather-related March output, and European imports of construction machinery increased 15% y-o-y. The Australian construction industry extended its period of growth to 17 consecutive months despite a softening momentum, and construction machinery imports increased 35% y-o-y.

Mining machinery demand continued to show signs of improvement in the quarter, and OEM majors again reported broad-based geographical sales growth and healthy order development in their mining equipment divisions. Global deliveries of large surface mining equipment continued to strengthen in the quarter, with growth from a year earlier to all continents except North America. Deliveries edged down from the previous quarter, driven by a sharp decline to North America and softening Asian demand. Australian demand recorded the strongest growth compared to last year, while deliveries moved sideways from the previous quarter.

Mining shipments (index = 2007)



Source: The Parker Bay Company

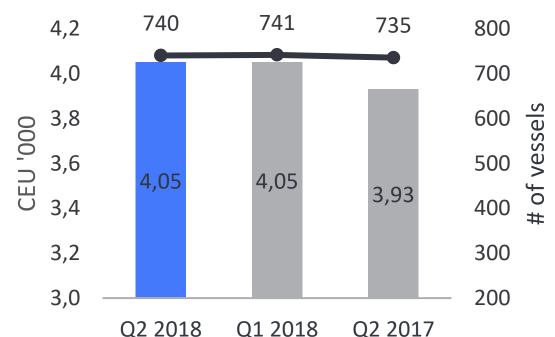
Global agricultural commodity prices strengthened in the second quarter. Global exports of agricultural machinery increased 6% y-o-y, and demand for large agriculture equipment was broadly strong in key markets in the quarter. US large tractor sales increased 6% y-o-y, with strong gains in the +100 HP category in May and June. Registrations of higher HP tractors were mixed in the three biggest European markets in the quarter, as Germany (+23% y-o-y) and the UK (+15% y-o-y) strengthened, while France (-6% y-o-y) extended its period of decline. The Australian market concluded yet another healthy quarter with 3% y-o-y sales growth, while the Brazilian market expanded 3% y-o-y after three quarters of decline.

Global fleet

The global car carrier fleet (>1 000 CEU) totaled 740 vessels with a capacity of 4.05 million CEU at the end of the second quarter. During the quarter two vessels were delivered, and three sold for recycling, resulting in a net decrease of one vessel in the second quarter. Furthermore, no orders, cancellations or conversions were reported.

The orderbook for deep-sea vehicle carriers (>4 000 CEU) counts 24 vessels, which together with four smaller (>1 000 CEU) vessels on order amount to less than 5% of the global fleet capacity.

Global fleet development



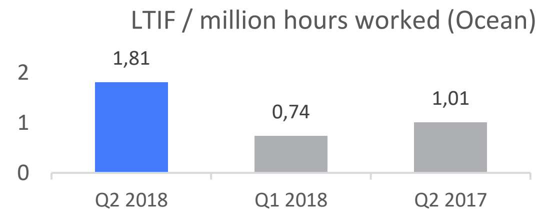
Source: Seaweb

Health, safety and environment

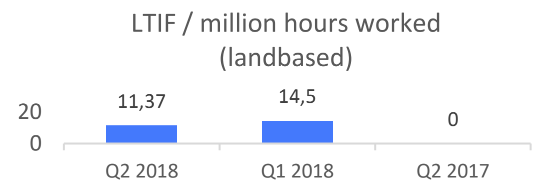
Ocean LTIF increased both compared to last quarter and same period last year and indicate a trend and level that needs attention. For WW Solutions, the Safety 1st program is currently being rolled out.

Health & safety

There were seven lost time incidents arising from ocean operations during the quarter, which is a significant increase versus the previous quarter. At the same time an overall reduction in exposure hours is observed. New Vessel Experience Feedback system has been established with distribution to all controlled vessels to address the negative trend.

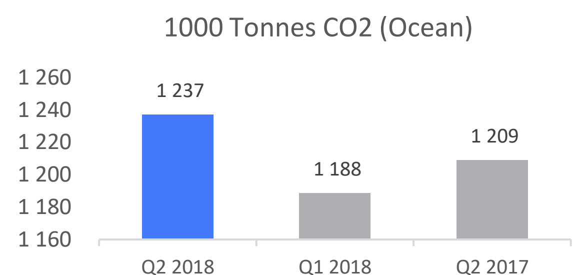


LTIF results for landbased are presented for the second time, and the Safety 1st program is currently being rolled out to all entities globally, and reporting into WW Solutions Preventive Safety ImpACT initiative is up to 74% this quarter. The target is to reduce number of incidents to an absolute minimum through proactively addressing safety risks, near misses, and personal injury incidents.



Environment

The total CO_2 emitted for the quarter was 2.4% higher than the same quarter of 2017, the corresponding total cargo work done increased by 3.6% measured in tonne kilometres. The increase in both these factors ultimately results in a marginal 0.03% reduction in the grams of CO_2 emitted per tonne kilometre. Minor changes, like this, observed over relatively short intervals, are generally not possible to relate to a particular driver.



During the quarter, WW Solutions deployed a streamlined, paperless registration solution for tracking waste sent to landfill, water consumption, electricity consumption and fuel consumption.

Risk Update

The group is through its global operation within ocean transportation and landbased services for the car and ro-ro industry exposed to market-, operational- and financial risks.

Main risk factors

Wallenius Wilhelmsen has a thorough enterprise risk management model and maps all main risks on a regular basis. On a quarterly basis, management presents a detailed risk assessment, including mitigating actions, covering all business units and functional areas, to the Board of Directors. The group is, through its global operation within ocean transportation and landbased services to the car and ro-ro industry, exposed to certain market-, operational- and financial risks as described in the Wallenius Wilhelmsen Annual report 2017. For a thorough explanation of the risk factors, please refer to pages 27-29 and note 18, page 158-169. In addition, the ongoing trade tension and possibility of new tariffs on auto imports to the US represents a risk for Wallenius Wilhelmsen. Imports to the US (from outside NAFTA) were about 3.7 million units in 2017 which represents about 25% of global deep-sea volumes. Wallenius Wilhelmsen is always prepared for changes in global deep-sea volumes and changing sourcing patterns has been a part of the business for many decades. However, a substantial reduction in imports to the US will not be positive for the ocean segment. A short term direct effect of some auto volume reduction is not expected to be substantial as the group can reduce its fleet size, and the profitability for auto volumes in certain trades lines is very low (e.g. Atlantic trade). On the other hand, the indirect effects of higher tariffs and hence reduction in auto shipments could be more negative. Potentially slower growth for the global economy, combined with reduced deep-sea volumes across all cargo segments (not only US auto imports), will not only directly impact the results, but could also lead to continued and increased overcapacity and create further pressure on rates.

Furthermore, implementation of the IMO 2020 0.5% global sulphur cap represents a challenge and risk for the shipping industry, with fuel costs expected to increase with about 50% combined with a lack of clarity around availability and quality of fuels. Wallenius Wilhelmsen is relatively well covered through Sulphur (BAF) clauses already in place for 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. In June 2018 Wallenius Wilhelmsen decided to initiate a program to retrofit scrubbers on 20 vessels over the next few years, increasing the number of vessels in the fleet with scrubbers to 25. The average cost per scrubber instalment is estimated to USD 6-7 million. The scrubbers will be retrofitted during scheduled dry docking to minimize impact on the operations and will be financed through available cash and/or credit facilities.

Anti-Trust Investigation

In late May 2018 Wallenius Wilhelmsen paid the EUR 207 million (about USD 245 million) fine settlement to the European competition authorities. As per end of the second quarter, about USD 195 million in provision remains to cover potential extraordinary costs in jurisdictions with ongoing anti-trust proceedings and potential civil claims. Wallenius Wilhelmsen expects the processes with the outstanding jurisdictions to be largely resolved by late 2018, while the timeline for potential civil claims is more uncertain. The ongoing investigations of WW Ocean and EUKOR are confidential, and Wallenius Wilhelmsen is therefore not able to provide detailed comments.

Prospects

The board maintains a balanced view on the prospects for Wallenius Wilhelmsen. The 2018 results will continue to be negatively impacted by the underlying reduced HMG contractual volumes and rate reductions from contract renewals during 2017, as well as higher bunker prices and trade imbalance.

The positive volume development with 2-3% y-o-y growth combined with recovery in the high & heavy segment is expected to continue. Increased realization of synergies will also positively impact the results. The tonnage supply/demand balance has improved, but market rates remain at a low level.

Responsibility statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2018 have been prepared in accordance with IAS 34 – Interim Financial Reporting and gives a true and fair view of the group’s assets, liabilities, financial position and profit as a whole.

We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties’ transactions.

Lysaker, 8 August 2018
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.

Wallenius Wilhelmsen

Income statement

USD mill	Notes	Q2 2018	Q2 2017	YTD 2018	YTD 2017	Full year 2017
Operating revenue	4	1 044	974	2 013	1 033	3 024
Gain/(loss) on sale of assets	3				9	16
Total income		**1 044**	**974**	**2 012**	**1 042**	**3 040**
Operating expenses	4	(888)	(806)	(1 731)	(835)	(2 467)
Operating profit before depreciation, amortisation and impairment (EBITDA)		**156**	**168**	**281**	**207**	**573**
Depreciation and amortisation	5/6	(86)	(83)	(170)	(103)	(272)
Operating profit (EBIT)		**70**	**85**	**111**	**104**	**301**
Share of profit from joint ventures and associates				1	14	15
Loss on previously held equity interest	2/12/13		(62)		(62)	(64)
Financial income	7	33	18	80	26	70
Financial (expenses)	7	(79)	(59)	(132)	(74)	(175)
Financial items - net		**(45)**	**(103)**	**(50)**	**(96)**	**(153)**
Profit before tax		**25**	**(17)**	**61**	**7**	**148**
Tax income/(expense)	8	(4)	(3)	(29)	(2)	(3)
Profit for the period		**21**	**(20)**	**31**	**5**	**146**
Profit for the period attributable to:						
Owners of the parent		17	(25)	27	1	134
Non-controlling interests		4	4	4	4	11
Basic and diluted earnings per share (USD)	9	0.04	(0.06)	0.06	0.06	0.37

Statement of comprehensive income

USD mill	Notes	Q2 2018	Q2 2017	YTD 2018	YTD 2017	Full year 2017
Profit for the period		21	(20)	31	5	146
Other comprehensive income:						
Items that may be subsequently reclassified to the income statement						
Cash flow hedges, net of tax			(1)		(2)	(3)
Currency translation adjustment and recycling of currency translation adjustment related to previously equity investment		(8)	17	(5)	19	3
Items that will not be reclassified to the income statement						
Remeasurement pension liabilities, net of tax						1
Other comprehensive income, net of tax		**(8)**	**16**	**(5)**	**17**	**2**
Total comprehensive income for the period		**13**	**(5)**	**26**	**22**	**148**
Total comprehensive income attributable to:						
Owners of the parent		10	(10)	23	17	135
Non-controlling interests		4	5	4	5	13
Total comprehensive income for the period		**13**	**(5)**	**26**	**22**	**148**

The above consolidated income statement and comprehensive income should be read in conjunction with the accompanying notes.

Wallenius Wilhelmsen

Balance sheet

USD mill	Notes	30.06.2018	30.06.2017	31.12.2017
ASSETS				
Non current assets				
Deferred tax assets		91	81	99
Goodwill and other intangible assets	5	746	683	774
Vessels and other tangible assets	6	5 316	5 543	5 364
Investments in joint ventures and associates		3	1	1
Other non current assets		75	86	84
Total non current assets		**6 231**	**6 394**	**6 322**
Current assets				
Bunkers/ luboil		124	73	96
Trade receivables		499	393	472
Other current assets		132	122	123
Cash and cash equivalents		517	755	796
Total current assets		**1 272**	**1 344**	**1 487**
Total assets		**7 503**	**7 738**	**7 809**
EQUITY and LIABILITIES				
Equity				
Share capital	9	28	1 017	28
Retained earnings and other reserves		2 563	1 436	2 540
Total equity attributable to owners of the parent		**2 591**	**2 454**	**2 568**
Non-controlling interests		215	229	228
Total equity		**2 806**	**2 683**	**2 796**
Non current liabilities				
Pension liabilities		73	78	73
Deferred tax liabilities		106	126	106
Non current interest-bearing debt	11	3 052	3 424	3 103
Non current provision		135		183
Other non current liabilities		35	127	89
Total non current liabilites		**3 400**	**3 755**	**3 554**
Current liabilities				
Trade payables		219	191	221
Current income tax liabilities		21	17	13
Current provision		58	270	257
Other current liabilities		999	823	967
Total current liabilities		**1 297**	**1 301**	**1 458**
Total equity and liabilities		**7 503**	**7 738**	**7 809**

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Wallenius Wilhelmsen

Cash flow statement

USD mill	Q2 2018	Q2 2017	YTD 2018	YTD 2017	Full year 2017
Cash flow from operating activities					
Profit before tax	25	(17)	61	7	148
Financial (income)/expenses	44	103	50	96	153
Depreciation/impairment	86	83	170	103	272
(Gain)/loss on sale of tangible assets				(9)	(2)
Change in net pension assets/liabilities	(3)	1	(1)	1	(2)
Other change in working capital	(234)	26	(253)	4	(74)
Tax paid (company income tax, witholding tax)	(6)	(10)	(12)	(10)	(32)
Net cash flow provided by operating activities	**(87)**	**186**	**15**	**193**	**462**
Cash flow from investing activities					
Proceeds from sale of tangible assets	1		6	54	154
Investments in vessels, other tangible and intangible assets	(56)	(48)	(106)	(48)	(83)
Investments in subsidaries, net of cash aquired					(64)
Proceeds from sale of financial investments		150		218	218
Investments in financial investments				(15)	(15)
Interest received	3		5		4
Cash and cash equivalents, incoming entities merger		485		485	494
Changes in other investments	1		(1)		1
Net cash flow provided by/(used in) investing activities	**(52)**	**587**	**(97)**	**695**	**710**
Cash flow from financing activities					
Proceeds from issue of debt	553	131	590	131	281
Repayment of debt	(472)	(206)	(658)	(260)	(568)
Loan to related party		(15)		(15)	(15)
Interest paid including interest derivatives	(39)	(32)	(86)	(54)	(119)
Realised other derivatives	(32)	(16)	(27)	(15)	(31)
Dividend to non-controlling interests	(2)		(16)		(5)
Net cash flow used in financing activities	**7**	**(139)**	**(197)**	**(214)**	**(457)**
Net increase in cash and cash equivalents	(132)	634	(279)	674	715
period	649	121	796	81	81
Currency on cash and cash equivalents*					
Cash and cash equivalents at end of period	**517**	**755**	**517**	**755**	**796**

* 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.

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

Statement of changes in equity

USD mill	Share capital	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
2018 - Year to date					
Balance at 31.12.2017	28	2 540	2 568	228	2 796
Profit for the period		27	27	4	31
Other comprehensive income		(4)	(4)	(1)	(5)
Total comprehensive income		**23**	**23**	**4**	**26**
Dividend to non-controlling interests				(16)	(16)
Balance 30.06.2018	**28**	**2 563**	**2 591**	**215**	**2 806**
2017 - Year to date					
Balance at 31.12.2016	16	1 419	1 435		1 435
Profit for the period		1	1	4	5
Other comprehensive income		16	16	1	17
Total comprehensive income	**0**	**17**	**17**	**5**	**22**
Merger with Wallroll AB	12	989	1 002	224	1 225
Change in non-controlling interest		(3)	(3)	3	0
Balance 30.06.2017	**28**	**2 422**	**2 451**	**232**	**2 683**
2017 - Full year					
Balance at 31.12.2016	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**	**135**	**135**	**13**	**148**
Merger with Wallroll AB	12	989	1 002	224	1 225
Change in non-controlling interests		(3)	(3)	(4)	(7)
Dividend to non-controlling interests			0	(5)	(5)
Balance 31.12.2017	**28**	**2 540**	**2 568**	**228**	**2 796**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Note 1 - Accounting principles

This consolidated interim financial report has been prepared in accordance with International Accounting Standards (IAS 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 2017 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 2017, with the exception of IFRS 9 and 15:

IFRS 9 replaces the provisions of IAS 39 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 and adjustments to the amounts recognized in the financial statements.

The group has only one type of financial asset that are subject to IFRS 9's new expected credit loss model: Trade receivables for sale of services.
The group was required to revise its impairment methodology under IFRS 9 for the class of asset. The impact of the change in impairment on the group's level is immaterial and no adjustments have been done at the retained earnings.

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

There are no other new standards or amendments to standards released during 2018.

Due to the merger transaction described in note 2, 12 and 13 the group's remaining joint ventures and associates are no longer regarded as part of the group's operating activity. Hence, the share of profit/(loss) from joint ventures and associates are reclassified to financial income/expenses. Comparative figures, including loss on previously held equity interest, are also reclassified.

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

Note 2 - Significant acquisitions and disposals

2018:
There has not been any significant acquisitions or disposals during the first half of 2018.

2017:
Acquisitions in the landbased segment and new ownership structure for joint ventures, see note 12.

Note 3 - Material gain/(loss) from disposal of assets and impairment charges

2018:
Q1 - No material gain/(loss)
Q2 - No material gain/(loss)

2017:
Ocean Q1 - Gain of USD 8.6 mill from sale of vessel to joint venture (based on historical financial information).
Holding Q2 - Loss on previously held equity interest USD 62 million.
Holding Q3 - Additional loss on previously hold equity interest of USD 2 million after an update of the preliminary purchase price
Ocean Q3 - A refinancing of two vessels through sale and leaseback agreements led to a loss of USD 8 million.
Landbased Q3 - Gain of USD 4.5 million related to sales of a facility in the US.
Landbased Q4 - Gain of USD 2.4 million related to sales of a facility in the US.
Ocean Q4 - 1.8 mill write down of capitalised IT costs.
Landbased Q4 - 3.4 mill write down of capitalised IT costs.

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Note 4 - Segment reporting

Due to the merger transaction in 2017, described in note 2 and 12, 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 Q1 2017 and actual figures for the last three quarters of 2017. The proforma income statement for Q1 2017 has been prepared under the assumption that the merger took place on 1 January 2016. The figures are adjusted for the demerger of Treasure ASA, gain/loss on intercompany transactions and WWL Vehicle Services Americas acquisition as well as inclusion of SG&A costs in WallRoll AB.

USD mill	Ocean			Landbased			Holding			Eliminations			Total		
Year to date	Q2 2018	Q2 2017	Full year 2017	Q2 2018	Q2 2017	Full year 2017	Q2 2018	Q2 2017	Full year 2017	Q2 2018	Q2 2017	Full year 2017	Q2 2018	Q2 2017	Full year 2017
Net freight revenue	750	730	2 847										750	730	
Surcharges	52	28	114										52	28	
Other operating revenue	41	40	162	222	192			1	3	(20)	(17)		242	216	
Gain/(loss) on sale of assets	(1)														
Total income	**842**	**798**	**3 123**	**222**	**192**	**802**	**0**	**1**	**3**	**(20)**	**(17)**	**(66)**	**1 044**	**974**	**3 862**
Cargo expenses	(191)	(186)	(696)							19	16		(172)	(170)	
Bunker	(188)	(138)	(559)										(188)	(138)	
Other voyage expenses	(124)	(123)	(479)										(124)	(123)	
Ship operating expenses	(56)	(55)	(226)										(56)	(55)	
Charter expenses	(99)	(76)	(337)										(99)	(76)	
Manufacturing cost				(64)	(50)								(64)	(50)	
Other operating expenses	(7)	(6)	(20)	(102)	(95)								(109)	(101)	
Selling, general and administrative expenses	(42)	(68)	(220)	(30)	(21)		(3)	(4)		1	1		(75)	(92)	
Total operating expenses	**(707)**	**(653)**	**(2 538)**	**(197)**	**(166)**	**(702)**	**(3)**	**(4)**	**(13)**	**20**	**17**	**66**	**(888)**	**(806)**	**(3 186)**
Operating profit before depreciation, amortisation and impairment (EBITDA)	**134**	**145**	**587**	**25**	**26**	**100**	**(3)**	**(3)**	**(10)**	**(0)**	**(0)**	**0**	**156**	**168**	**677**
Depreciation	(66)	(64)	(256)	(4)	(4)	(16)		(0)					(70)	(67)	(271)
Amortisation	(8)	(9)	(37)	(8)	(6)	(26)		(0)					(16)	(15)	(63)
Operating profit (EBIT)[1]	**61**	**73**	**295**	**13**	**15**	**58**	**(3)**	**(3)**	**(10)**	**(0)**	**0**	**0**	**70**	**86**	**344**
Financial items - net	(37)	(31)	(106)	(3)	(1)	(1)	(6)	(71)	(75)				(45)	**(103)**	**(182)**
Profit before tax	**24**	**42**	**189**	**10**	**14**	**57**	**(9)**	**(73)**	**(85)**	**(0)**	**0**	**0**	**25**	**(17)**	**162**
Tax income/(expense)	(2)	(1)	(8)	(4)	(5)	26	2	3					(4)	(3)	18
Profit for the period	**22**	**41**	**181**	**6**	**9**	**83**	**(7)**	**(71)**	**(85)**	**(0)**	**0**	**0**	**21**	**(20)**	**179**
Profit for the period attributable to:															
Owners of the parent	19	38	170	5	8	80	(7)	(71)	(85)				17	(25)	165
Non-controlling interests	3	4	11	1	1	3							4	4	14

[1] Cash settled portion of bunker hedge swaps is included in net operating profit by reduction/(increase) of voyage related expense:
As a result of rounding adjustments, the figures in one or more columns may not add up to the total of that column.

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Note 4 - Segment reporting

Due to the merger transaction in 2017, described in note 2, 12 and 13, 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 Q1 2017 and actual figures for the last three quarters of 2017. The proforma income statement for Q1 2017 has been prepared on the basis as if the merger transaction had been effective on 1 January 2016.

USD mill	Ocean			Landbased			Holding			Eliminations			Total		
Year to date	YTD 2018	YTD 2017	Full year 2017	YTD 2018	YTD 2017	Full year 2017	YTD 2018	YTD 2017	Full year 2017	YTD 2018	YTD 2017	Full year 2017	YTD 2018	YTD 2017	Full year 2017
Net freight revenue	1 412	1 394	2 847										1 412	1 394	2 847
Surcharges	96	47	114										96	47	114
Operating revenue	84	75	162	454	378	795		2	3	(34)	(32)	(66)	504	423	894
Gain/(loss) on sale of assets	(1)					7				0					7
Total income	**1 592**	**1 517**	**3 123**	**454**	**378**	**802**	**0**	**2**	**3**	**(34)**	**(32)**	**(66)**	**2 012**	**1 864**	**3 862**
Cargo expenses	(351)	(338)	(696)							33	31	63	(318)	(308)	(633)
Bunker	(354)	(269)	(559)										(354)	(269)	(559)
Other voyage expenses	(248)	(237)	(479)										(248)	(237)	(479)
Ship operating expenses	(110)	(116)	(226)										(110)	(116)	(226)
Charter expenses	(183)	(152)	(337)										(183)	(152)	(337)
Manufacturing cost				(137)	(99)	(211)							(137)	(99)	(211)
Other operating expenses	(14)	(17)	(20)	(211)	(190)	(403)							(225)	(206)	(423)
Selling, general and administrative expenses	(88)	(121)	(220)	(61)	(40)	(88)	(7)	(7)	(13)	1	2	3	(155)	(166)	(318)
Total operating expenses	**(1 348)**	**(1 249)**	**(2 538)**	**(409)**	**(329)**	**(702)**	**(7)**	**(7)**	**(13)**	**34**	**32**	**66**	**(1 731)**	**(1 554)**	**(3 186)**
Operating profit before depreciation, amortisation and impairment (EBITDA)	**243**	**268**	**587**	**45**	**48**	**100**	**(7)**	**(5)**	**(10)**	**0**	**(0)**	**(0)**	**281**	**311**	**677**
Depreciation	(130)	(127)	(256)	(9)	(8)	(16)							(139)	**(135)**	**(271)**
Amortisation	(16)	(18)	(37)	(16)	(13)	(26)							(32)	(31)	(63)
Operating profit (EBIT)[1]	**97**	**123**	**295**	**21**	**27**	**58**	**(7)**	**(5)**	**(10)**	**0**	**0**	**0**	**111**	**146**	**344**
Financial items - net	(44)	(53)	(106)	(2)	(1)	(1)	(5)	(71)	(75)				(50)	**(125)**	**(182)**
Profit before tax	**54**	**70**	**189**	**19**	**26**	**57**	**(12)**	**(76)**	**(85)**	**0**	**0**	**0**	**61**	**20**	**162**
Tax income/(expense)	(24)	(3)	(8)	(8)	17	26	3	5	(0)				(29)	19	18
Profit for the period	**30**	**67**	**181**	**10**	**43**	**83**	**(9)**	**(71)**	**(85)**	**(0)**	**0**	**0**	**31**	**39**	**179**
Profit for the period attributable to:															
Owners of the parent	27	60	170	9	42	80	(9)	(71)	(85)				27	32	165
Non-controlling interests	3	7	11	2	1	3							4	7	14

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

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

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

USD mill	Goodwill	Customer relations/ contracts	Other	Total intangible assets
2018 - Year to date				
Cost at 01.01	383	398	33	815
Additions	2		1	4
Cost at 30.06	**386**	**398**	**35**	**819**
Accumulated amortisation and impairment losses at 01.01		(37)	(4)	(41)
Amortisation		(26)	(6)	(32)
Accumulated amortisation and impairment losses at 31.03	**0**	**(63)**	**(10)**	**(72)**
Carrying amounts at 30.06	**386**	**336**	**25**	**746**
2017 - Year to date				
Cost at 01.01	6		1	7
Additions			1	1
Acquisitions through business combination*	373	277	42	692
Disposal			(1)	(1)
Cost at 30.06	**379**	**277**	**43**	**699**
Accumulated amortisation and impairment losses 01.01			(1)	(1)
Depreciation and amortisation		(15)		(15)
Disposal			1	1
Accumulated amortisation and impairment losses at 31.03	**0**	**(15)**	**(1)**	**(16)**
Carrying amounts at 30.06	**379**	**262**	**43**	**683**
2017 - Full year				
Cost at 01.01	6		1	7
Additions			4	4
Acquisitions through business combination*	377	398	42	817
Disposal			(14)	(14)
Cost at 31.12	**383**	**398**	**33**	**815**
Accumulated amortisation and impairment losses at 01.01			(1)	(1)
Amortisation		(37)	(11)	(48)
Disposal			8	8
Accumulated amortisation and impairment losses at 31.12	**0**	**(37)**	**(4)**	**(41)**
Carrying amounts at 31.12	**383**	**362**	**29**	**774**

* See the business combination notes 12 and 13 for more information.

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Note 6 - Vessels, property and other tangible assets

USD mill	Property & land	Other tangible assets	Vessels & docking	Newbuilding contracts	Total tangible assets
2018 - Year to date					
Cost at 01.01	85	89	5 840	120	6 134
Additions		11	43	48	102
Disposal	(7)	(7)	(13)		(26)
Currency translation adjustment	(4)	(2)			(6)
Cost at 30.06	**75**	**91**	**5 945**	**93**	**6 204**
Accumulated depreciation and impairment losses at 01.01	(3)	(10)	(757)		(770)
Depreciation	(2)	(9)	(127)		(139)
Disposal	1	6	13		20
Currency translation adjustment		1			2
Accumulated depreciation and impairment losses at 30.06	**(4)**	**(12)**	**(871)**	**0**	**(887)**
Carrying amounts at 30.06	**71**	**79**	**5 074**	**93**	**5 316**
2017 - Year to date					
Cost at 01.01		2	2 457		2 459
Additions		5	9	32	47
Acquisitions through business combination*	80	60	3 415	186	3 741
Reclassification from newbuilding contracts to vessels			101	(101)	0
Disposal		(3)	(34)		(37)
Cost at 30.06	**80**	**64**	**5 948**	**117**	**6 210**
Accumulated depreciation and impairment losses 01.01		(1)	(579)		(581)
Depreciation	(1)	(4)	(83)		(88)
Disposal		3			3
Accumulated depreciation and impairment losses at 30.06	**(1)**	**(3)**	**(662)**	**0**	**(666)**
Carrying amounts at 30.06	**79**	**62**	**5 287**	**117**	**5 544**
2017 - Full year					
Cost at 01.01		2	2 457		2 459
Additions		14	29	35	78
Acquisitions through business combination*	87	78	3 416	186	3 767
Reclassification from new building contracts to vessels			101	(101)	0
Disposal	(5)	(5)	(164)		(174)
Currency translation adjustment	2	1			3
Cost at 31.12	**85**	**89**	**5 840**	**120**	**6 134**
Accumulated depreciation and impairment losses at 01.01		(1)	(579)		(581)
Depreciation	(3)	(13)	(208)		(224)
Disposal		5	31		36
Currency translation adjustment		(1)			(2)
Accumulated depreciation and impairment losses at 31.12	**(3)**	**(10)**	**(757)**		**(770)**
Carrying amounts at 31.12	**81**	**79**	**5 083**	**120**	**5 364**
Economic lifetime	30-50 years	3-10 years	30 years		
Depreciation schedule	Straight-line	Straight-line	Straight-line		

* See the business combination notes 12 for more information.

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Note 7 - Financial items

USD mill	Q2 2018	Q2 2017	YTD 2018	YTD 2017	Full year 2017
Share of profit from joint ventures and associates	**1**		**1**	**14**	**15**
Loss on previously held equity interest					**(64)**
Investment management		1		3	3
Interest income	3		5		4
Other financial items			(1)		(3)
Interest income	**3**	**1**	**4**	**2**	**4**
Interest expenses	(41)	(32)	(76)	(42)	(111)
Interest rate derivatives - realised	(5)	(7)	(10)	(13)	(26)
Interest expenses	**(45)**	**(39)**	**(86)**	**(55)**	**(137)**
Interest rate derivatives - unrealised	**12**	**(2)**	**43**	**2**	**25**
Net currency gain/(loss)	(7)	1	(18)	3	5
Derivatives for hedging of foreign currency risk - realised	(27)	(16)	(27)	(15)	(31)
Derivatives for hedging of foreign currency risk - unrealised	18	15	33	14	31
Net financial - currency	**(15)**	**0**	**(12)**	**2**	**4**
Unrealised other financial derivatives				(3)	(3)
Realised other financial derivatives				3	3
Net other financial derivatives	**0**	**0**		**0**	**0**
Financial items - net	**(44)**	**(41)**	**(51)**	**(34)**	**(153)**
Financial income					
Investment management		1		3	3
Interest income	3		5		4
Interest rate derivatives - unrealised	12		43	2	25
Net currency gain/(loss)		1		3	5
Derivatives for hedging of foreign currency risk - unrealised	18	15	33	14	31
Realised other financial derivatives				3	3
Financial income	**33**	**18**	**80**	**26**	**70**

Cont. note 7 - Financial level

Total financial instruments and short term financial investments:

USD mill	Level 1	Level 2	Level 3	Total
Financial assets at fair value through the income statement				
Financial derivatives		18		18
Total financial assets 30.06.2018	**0**	**18**	**0**	**18**
Financial liabilities at fair value through the income statement				
Financial derivatives		45		45
Total financial liabilities 30.06.2018	**0**	**45**	**0**	**45**
Financial assets at fair value through the income statement				
Financial derivatives		5		5
Total financial assets 31.12.2017	**0**	**5**	**0**	**5**
Financial liabilities at fair value through the income statement				
Financial derivatives		108		108
Total financial liabilities 31.12.2017	**0**	**108**	**0**	**108**

No financial assets in level 3 as of year to date 2018 (31 December 2017).

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 that are 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 interest rate swap option (swaption) contracts is determined using observable volatility, yield curve and time-to-maturity parameters at the balance sheet date, resulting in a swaption premium
- 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.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The quoted market price used for financial assets held by the group is the current mid price. These instruments are included in level 1. Instruments included in level 1 are listed equities and liquid investment grade bonds.

The fair value of financial instruments that are 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 - FX and IR derivatives - are included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is in level 3. Primarily illiquid investment funds and structured notes are included in level 3.

Note 8 - 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 4 million for the second quarter 2018, compared with an expense of USD 25 million in the first quarter.
In regards to the withholding tax case on dividends from EUKOR to Wilhelmsen Ships Holding Malta Ltd for the period 2010-2014 the company has brought the 2010 decision in National Tax Tribunal before the Seoul Administrative Court. The Court has issued its ruling and it was negative. An appeal to the High Court will be made. The administrative appeal to the Board of Audit and Inspection (BAI) for the period 2011-2014 is still pending.

The group has been through a legal restructuring in second quarter. We do not expect any material negative tax effect of this restructuring. Some minor stamp duty etc will be applicable in some jurisdictions.

Note 9 - Shares

The company's share capital is as follows:

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

The merger between Wilh. Wilhelmsen ASA and Wallroll AB was completed on 4 April 2017 and led to an increase of the share capital with NOK 106 million / USD 12. See note 11 for further information.

Earnings per share taking into consideration the number of outstanding shares in the period.

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

From the second quarter 2017, earnings per share is calculated based on 423 104 938 shares.
For the first quarter of 2017, earnings per share was calculated based on 220 000 000 shares.

Note 10 - Paid/ proposed dividend

Dividend/Equity transaction
The board and the general meeting decided to not pay any ordinary dividend in May 2018.

Note 11 - Interest-bearing debt

USD mill	30.06.2018	30.06.2017	31.12.2017
Non current interest-bearing debt	3 052	3 424	3 103
Current interest-bearing debt	672	502	661
Total interest-bearing debt	**3 723**	**3 926**	**3 764**
Cash and cash equivalents	517	755	796
Net interest-bearing debt	**3 207**	**3 171**	**2 968**

Specification of interest-bearing debt	30.06.2018	30.06.2017	31.12.2017
Bank loans	1 669	1 956	1 712
Leasing commitments	1 604	1 642	1 653
Bonds	327	281	388
Bank overdraft	123	48	12
Total interest-bearing debt	**3 723**	**3 926**	**3 764**
Repayment schedule for interest-bearing debt			
Due in year 1	237	200	661
Due in year 2	617	742	709
Due in year 3	665	755	609
Due in year 4	348	398	292
Due in year 5 and later	1 857	1 831	1 493
Total interest-bearing debt	**3 723**	**3 926**	**3 764**

Note 12 - Business combinations - merger and acquisition

Merger

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.

For a full overview of the net assets acquired and goodwill see annual report 2017

Keen Transport

In December 2017, the group purchased 100% of the shares in KTI Holding Corporation (Keen) for USD 64 million pluss pro contra working capital, total USD 69 million.

Pro contra working capital has been updated with a net cash effect of USD 2 million during Q1 2018. Total acquisition cost is USD 69 million.

The purchase price allocation is preliminary due to final calculation of intangible assets/ customer relationship's fair value.
For a full overview of the net assets acquired and goodwill see annual report 2017

Note 13 - Related party transactions

The two main shareholders of Wallenius Wilhelmsen ASA are Walleniusrederiarne AB and Wilh. Wilhelmsen Holding ASA with 37.8% of the shares respectively. The Wilhelmsen family controls Wilh Wilhelmsen Holding ASA (Wilhelmsen group) through Tallyman AS, and the Wallenius/Kleberg family controls Walleniusrederierna AB through ”Rederi AB Soya” (Soya group).

Historically and currently, the Wallenius Wilhelmsen ASA group has undertaken, and continues to undertake, several transactions with the Wilhelmsen group and the Soya group

All transactions and services 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
- In-house services such as canteen, post, switchboard and rent of office facilities

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).

Note 14 - Contingencies

Update on the anti-trust investigations

The operating entities WW Ocean and EUKOR have been part of anti-trust investigations in several jurisdictions since 2012. Wallenius Wilhelmsen expect the processes with the outstanding jurisdictions to be largely resolved by late 2018 while the timeline for potential civil claims are more uncertain. The possible outcome of pending investigations and the possibility for civil claims are reflected in the remaining provision in balance sheet. The ongoing investigations of WW Ocean and EUKOR are confidential and Wallenius Wilhelmsen is therefore not able to provide detailed comments.

Note 15 - Events occurring after the balance sheet date

Acquisitions of Syngin Technology LLC

Wallenius Wilhelmsen has signed an agreement to acquire 70% of the membership interest in Syngin Technology LLC ("Syngin"). The agreed purchase price, including performance requirements, is approximately 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.

No other material events occurred between the balance sheet date and the date when the accounts were presented providing new information about conditions prevailing on the balance sheet date.