Q4 2018 and preliminary results 2018

Quarterly report

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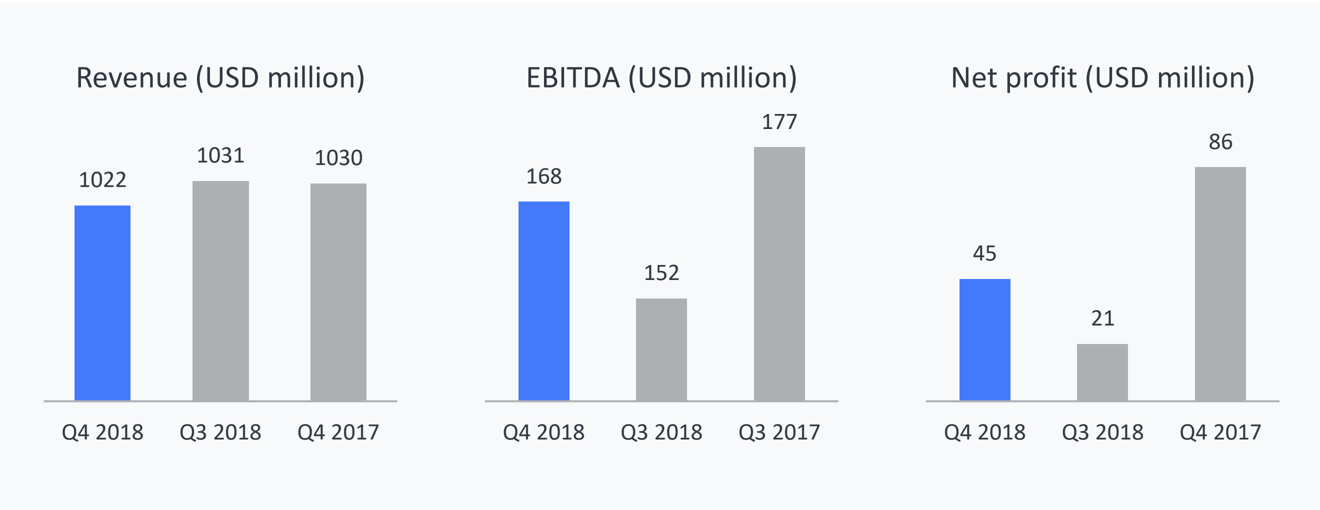
Highlights fourth quarter 2018

- Adjusted EBITDA of USD 168 million, a 10% improvement over previous quarter, but down 8% y-o-y
- Underlying flat ocean volume development y-o-y
- Ocean result impacted by biosecurity challenges and weaker project cargo shipments in the Atlantic
- The landbased segment delivered a stable performance
- More than half of the USD 100 million performance improvement target confirmed
- The board has decided to propose a dividend of up to 12 cents/share, equivalent to USD 50 million

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

"Results and operating margins for the fourth quarter was at a satisfactory level given the current market conditions but below the results we would like to see and deliver. I am therefore very pleased to see good traction for the performance improvement program with more than USD 50 million already confirmed. I am also delighted to be able announce the first dividend proposal from Wallenius Wilhelmsen since the merger"



Consolidated results and key figures

EBITDA adjusted for the fourth quarter ended at USD 168 million, a decline of 8% compared to the same period last year mainly due to lower results for the ocean segment.

USD million	Q4 2018	Q3 2018[2)]	% change q-o-q	Q4 2017[2)]	% change y-o-y
Total income	1 022	1 031	-1%	1 030	-1%
EBITDA	168	152	10%	177	-6%
EBIT	116	56	107%	93	25%
Profit for the period	45	21	116%	86	-48%
EPS [1)]	0.10	0.05	110%	0,20	48%
Net interest-bearing debt	3 100	3 159	-2%	2 968	4%
ROCE	5.5%	3.8%	n/a	n/a	n/a
Equity ratio	38.8%	38.0%	n/a	36.2%	n/a
EBITDA adjusted	168	152	10%	182	-8%

1) *After tax and non-controlling interests*
2) *Figures for Q3 2018 are restated to include the effect of changes in the fair value of the EUKOR put/call option (for further details see Note 11)*

Consolidated results

Total income was USD 1 022 million in the fourth quarter, down 1% compared to the same period last year due to lower revenues for the ocean segment, partially balanced by increased revenues for the landbased segment. The reduction in ocean revenues were driven by lower net freight which was partly offset by increased fuel cost compensation from customers. Ocean volumes were down 8% y-o-y due to planned reduction in contracted volumes for Hyundai Motor Group, a few large auto contracts not renewed due to unattractive rates, weaker project cargo shipments in the Atlantic and biosecurity challenges causing delays for the Oceania trade. Compared to the third quarter total income was flat for both the ocean and landbased segment.

EBITDA ended at USD 168 million in the fourth quarter, a decline of 8% from EBITDA (adjusted) of USD 182 million in the fourth quarter last year. As for the previous quarters in 2018, the results for ocean were negatively impacted by higher bunker prices, lower rates, reduced HMG volumes. In addition, fourth quarter results were also negatively impacted with biosecurity problems on cargo to Australia and New Zealand, as well as weaker project cargo shipments in the Atlantic when comparing to the same period last year. The negative effects were however partly countered by a slight improvement in the cargo mix, higher realization of synergies and early wins on the performance improvement program. EBITDA for the landbased segment was down about 1 million compared to the fourth quarter last year.

Compared to the third quarter, group EBITDA was up 10% due to increased fuel cost compensation from customers and a notable impact performance improvement program that compensated for seasonally weaker project cargo shipments in the Atlantic and biosecurity challenges.

The performance improvement program saw improvements in contractual arrangements and voyage optimization in the fourth quarter, confirming USD 55 million of the USD 100 million target. The annualized realized effect for performance improvement initiatives were about USD 20 million, derived from voyage optimization and more efficient hull cleaning practices. The confirmed performance improvements from contractual improvements will be effective from early 2019.

Other gain/loss in the fourth quarter was positive with USD 36 million and is related to changes in the fair value of the EUKOR put/call option (for more details see “Capital and financing” below and Note 12).

Net financial items were USD 82 million for the fourth quarter, compared with an expense of USD 34 million in the previous quarter. Net financial expenses were negatively impacted by USD 25 million from unrealised interest derivates and USD 7 million in losses on bunker hedges. In November 2018 the group decided to lock in the current forward spread between HFO 3.5% and MGO for parts of the bunker volumes in November 2019 to April 2020 by buying MGO and selling HFO 3.5% as part of its program to mitigate the transition risk related to the IMO 2020 sulphur regulation.

The group recorded a tax income of USD 11 million for the fourth quarter. Net result for the fourth quarter came in at USD 45 million compared with USD 86 million in the fourth quarter last year. The average Return on Capital Employed (ROCE) in the fourth quarter was 5.4%.

Capital and financing

The equity ratio was 38.8% at the end of the fourth quarter, slightly up compared to the previous quarter of 38.2%. Cash and cash equivalents by the end of the fourth quarter was USD 484 million, down from USD 545 million in the previous quarter due to repayment on drawn credit facilities. In addition, Wallenius Wilhelmsen has about USD 350 million in undrawn credit facilities. Net interest-bearing debt was USD 3 100 million at the end of the fourth 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.

The Board has decided to propose an ordinary dividend of 6 cents per share to the Annual General Meeting in April 2019. The board also proposes that the Annual General Meeting gives the Board authority to approve a second dividend payment of up to USD 6 cents per share for a period limited in time up to the annual general meeting in 2020, but no longer than to 30 June 2020. In total, the proposed dividend for 2018 is equivalent to USD 50 million.

A put-call arrangement exists in the shareholder agreement with the minority shareholders for the investment in EUKOR. The net derivative became exercisable in 2018, when volumes fell to 40%, and needs to be reflected in the balance sheet. Any changes in the valuation of the net derivative will be charged to the Income Statement. The net value of the derivative reflected in the balance sheet as of year-end 2018 is 94 million partly offset by a reduction in goodwill of USD 52 million. For more details see Note 12.

Ocean operations

EBITDA adjusted for the fourth quarter ended at USD 152 million, a decline of 5% y-o-y. The negative trend was partly mitigated by savings from the synergy and performance improvement programs

USD million	Q4 2018	Q3 2018	% change q-o-q	Q4 2017	% change y-o-y
Total income	807	822	-2%	830	-3%
EBITDA	152	132	15%	157	-3%
EBIT	114	59	94%	84	36%
Volume (‘000 cbm)	17 144	17 286	-1%	18 778	-9%
High & heavy share	27.0%	29.7%	n/a	26.1%	n/a
EBITDA adjusted	152	132	15%	160	-5%

Total income and EBITDA

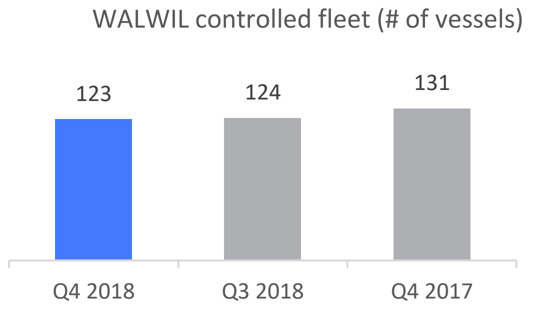
Total income was USD 807 million in the fourth quarter, down 3% compared to the same period last year. The reduction in ocean revenues were driven by lower net freight which was partly mitigated by increased fuel cost compensation from customers. The underlying ocean volume development was relatively flat, but volumes were down 9% y-o-y due to planned reduction in contracted volumes for Hyundai Motor Group and a few large auto contracts not renewed due to unattractive rates, weaker project cargo shipments in the Atlantic and biosecurity challenges causing delays for the Oceania trade. The volume development for the Atlantic trade was also negative due to a slowdown in auto exports compared to strong volumes in the fourth quarter last year.

High & heavy volumes overall were down 5% in the fourth quarter driven by weaker project cargo shipments in the Atlantic and no high & heavy volumes to Turkey due to the currency crisis and challenges. Biosecurity challenges also delayed some voyages on the Oceania trade.

EBITDA for the fourth quarter ended at USD 152 million, a decline of 5% compared to adjusted EBITDA of USD 160 million in the same period last year. EBITDA was negatively impacted by the planned reduction in contracted HMG volumes, rate reductions (about USD 7 million), biosecurity challenges (USD 3 million), and weaker project cargo shipments in the Atlantic. The higher bunker prices had an estimated USD 10 million negative impact on results y-o-y, mainly related to lag effect and legacy lack of BAF in some trades and contracts. Realisation of synergies, early wins in the performance improvement program and increased fuel cost compensation helped counter those negative effects. Compared to the third quarter EBITDA was up 15%. The improvement was largely explained by increased fuel cost compensation from customers and the performance improvement program.

Wallenius Wilhelmsen fleet

Wallenius Wilhelmsen controlled a fleet of 124 vessels at the start of the quarter and 123 vessels at the end of the fourth quarter. Fleet capacity was managed tightly in the quarter through position swaps and active leveraging of the short-term charter market. Furthermore, voyage rationalization efforts helped to reduce the fleet size while biosecurity challenges caused some delays and additional voyage days. One long-term charter vessel was redelivered to a tonnage provider during the quarter. Currently, the group retains flexibility to redeliver up to 12 vessels by 2020 (excluding vessels on short charter).



Source: Wallenius Wilhelmsen

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

Landbased Operations

EBITDA adjusted for landbased was down 9% compared to last year, mainly explained by an increase in cost allocation that took place in the first quarter 2018. The ramp up of the Melbourne terminal and the acquisitions of Keen and Syngin contributed positively to the results.

USD million	Q4 2018	Q3 2018	% change q-o-q	Q4 2017	% change y-o-y
Total income	235	225	4%	218	8%
EBITDA	22	23	-4%	23	-5%
EBIT	8	9	-11%	12	-30%
EBITDA adjusted	22	23	-3%	24	-9%

Total income and EBITDA

Total income in the fourth quarter increased to USD 235 million, up 8% compared with the same quarter last year. This was driven by full operations at the Melbourne terminal and the acquisitions of Keen and Syngin. Total income was also up compared to last quarter due to increased revenues for Solutions Americas – Auto (VSA)

EBITDA for the landbased segment ended at USD 22 million, a decline of USD 2 million compared to EBITDA in the fourth quarter last year. The slightly weaker performance was driven by increased IT related SG&A cost allocation of USD 3 million (offset by a similar reduction in ocean) effective from January 2018. Melbourne terminal at full operation and the acquisitions of Keen and Syngin contributed positively.

Solutions Americas – Auto (VSA) continued to experience good volumes and activity level. EBITDA in fourth quarter ended at USD 9 million, up 5% compared to the same quarter last year due to increased volumes in certain locations and positive contribution from Syngin.

EBITDA for the Terminals was USD 8 million, down 6% compared to the fourth quarter last year. Increased IT cost allocations negatively impacted the results. However, positive impacts by the Melbourne terminal being fully operational and strong performance from the Baltimore terminal partially compensated the aforementioned factors. Furthermore, it was decided to close the Kotka terminal due to low volumes and a weak outlook with Russian bound volumes moving directly to Russian ports. The closing of the Kotka terminal impacted the results negatively with about USD 1 million in the fourth quarter.

EBITDA for Solutions Americas – H&H was USD 2.5 million, up from USD 1.5 million in the fourth quarter last year driven by the acquisition of Keen in December 2017.

Consolidated results – Full year 2018

EBITDA adjusted for 2018 ended at USD 606 million, down 14% compared with 2017 driven by the ocean segment which was negatively impacted by higher and rising bunker prices, reduction in contracted HMG volumes, lower rates and unfavourable currency movements.

USD million	FY 2018[3)]	Proforma FY 2017[3)]	% change
Total income	4 065	3 849	6%
EBITDA	601	677	-11%
EBIT	244	344	-29%
Profit for the period	58	179	-68%
EPS [2)]	0.12	0.37	n/a
Net interest-bearing debt	3 100	2 968	4%
ROCE	3.7%	n/a	n/a
Equity ratio	38.8%	36.2%	n/a
EBITDA adjusted	606	706	-14%

1) *After tax and non-controlling interests*
2) *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.*
3) *Figures for Q1-Q3 2018 are restated to include the effect of changes in the fair value of the EUKOR put/call option (for further details see Note 11)*

On 4 April 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 full year 2018 below are the proforma figures for 2017.

Total income was USD 4 065 million for the full year of 2018, an increase of 6% compared with the full year of 2017 with increased revenues for both the ocean and landbased segment. The increase in ocean revenues were driven by increased fuel cost compensation as ocean volumes and net freight/CBM were relatively flat. Ocean volumes were relatively flat despite reduction in contracted Hyundai Motor Group (HMG) volumes due to strong underlying volume development in the first half of the year. The increase in landbased revenues were driven by full operations at the Melbourne terminal and the acquisitions of Keen and Syngin.

EBITDA ended at USD 601 for the full year of 2018 million compared to USD 677 million in 2017, down 11%. EBITDA for 2018 was negatively impacted by about USD 5 million in costs related to the restructuring and realization of synergies. EBITDA adjusted for these costs came in at USD 606 million, a decline of 14% compared to EBITDA adjusted for 2017 (which included USD 20 million in costs related to the restructuring and realization of synergies). The reduction in EBITDA was mainly driven by the ocean segment which was negatively impacted by planned contracted reductions in HMG volumes, lower rates, bunker prices and unfavorable currency movements. The negative effects were countered by underlying positive volume and cargo mix development and realization of synergies and early wins for the performance improvement program.

Net profit for the full year of 2018 ended at USD 58 million.

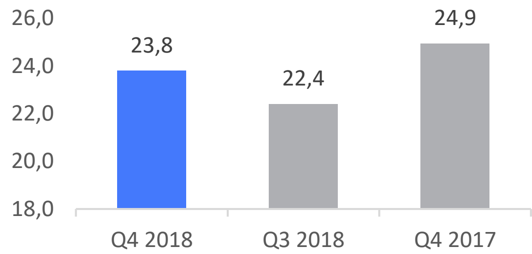
Market update

Auto exports in the fourth quarter increased 2.5% despite weak auto sales and continued uncertainty in the markets. The high & heavy markets continued to improve, but at modest growth rates.

Auto markets

Total light vehicle (LV) sales in the fourth quarter decreased 4.6% compared to the corresponding period last year but increased 6.4% from the previous quarter.

Global light vehicle sales (mill units)

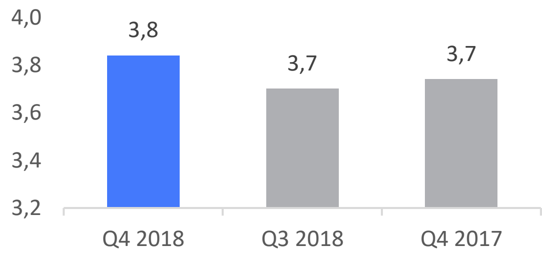


Source: IHS Markit

North American sales declined 1.4% y-o-y and 0.1% q-o-q partly explained by increasing financing cost for consumers. Sales in Western Europe dropped 5.2% y-o-y and declined 3.5% q-o-q largely driven by the implementation of the EU WLTP emission testing scheme. Several OEMs have been struggling to get vehicles compliant and some vehicles have also seen increased taxes. The Chinese market continued to lose momentum and declined 11.4% y-o-y but increased 21.5% compared to the seasonally much weaker third quarter. The Chinese auto market is clearly influenced by the US trade tensions, currency depreciation and reduced consumer confidence. The Russian and the Brazilian markets continued their rebound with 10.3% and 15.3% y-o-y growth respectively (14.9% and 5.8% q-o-q).

Total exports in the fourth quarter were up 2.5% compared to the corresponding period last year and increased 3.6% from the previous quarter. Exports out of North America was down 2.0% y-o-y and up 1.2% q-o-q, due to falling imports to China and a significant drop in exports to Europe in the fourth quarter. European exports were up 1.3% y-o-y and 8.8% q-o-q, as exports to major regions performed solid in the quarter. Japanese exports in the fourth quarter edged down 1.1% y-o-y and down 2.4% q-o-q partly explained by earthquakes in September that disrupted supply-chains for several manufacturers. Exports out of South Korea continued to soften and was down 0.2% y-o-y and 3.1% q-o-q. Chinese exports were up 40.2% y-o-y and 24.1% q-o-q with continued production ramp-up with broad geographic growth despite U.S. tariff increases.

Global light vehicle exports (mill units)



Source: IHS Markit

High and heavy markets

The global expansion in high & heavy trade continued going into the fourth quarter, with exports of construction, mining and farm machinery growing 4% y-o-y[1].

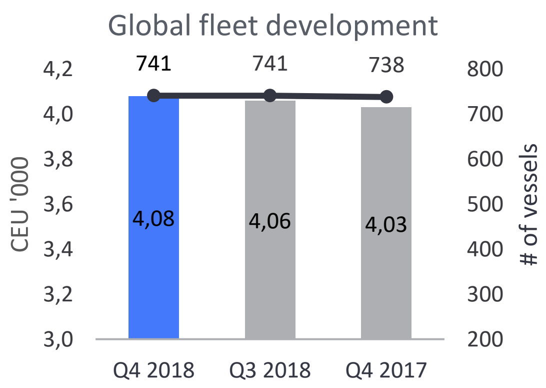
Global construction equipment exports increased 7% y-o-y driven by North American imports that increased 12% y-o-y. Furthermore, the Eurozone construction PMI signalled strengthening industry expansion in the quarter, and European imports of construction machinery increased 6% y-o-y. The Australian construction PMI continued to weaken throughout the quarter, with December representing the fourth consecutive month of contracting conditions as the house and apartment building sectors deteriorated further, but imports still strengthened 5% y-o-y.

Mining machinery demand continued to show signs of sustained improvement in the quarter. OEM majors again reported broad-based geographical sales growth and order development for mining machinery, with strong activity for both equipment and aftermarket business.

Exports of agricultural machinery were down 1% y-o-y, and demand for large agriculture equipment was soft in several key markets in the fourth quarter. US large tractor sales decreased 1% y-o-y, as weak October sales offset growth towards the end of the quarter. European registrations of high-HP tractors were weak in the biggest markets and declined 19% y-o-y in UK and 11% y-o-y in Germany. The Australian market declined 1% y-o-y as drought kept taking its toll on farmer sentiment, while the Brazilian market expanded 20% y-o-y and extended the positive development.

Global fleet

The global car carrier fleet (>1 000 CEU) totalled 741 vessels with a capacity of 4.08 million CEU at the end of the fourth quarter. During the quarter four vessels were delivered, while three vessels were recycled and one vessel was converted, resulting in an unchanged number of vessels. No new orders were confirmed in the period. The orderbook for deep-sea vehicle carriers (>4 000 CEU) counts 16 vessels, which amount to about 3% of the global fleet capacity.



Source: Seaweb

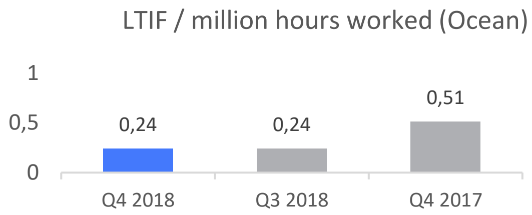
[1] All import/export data refer to the three-month period ending in October 2018, with the exception of imports to Australia, referring to the three-month period ending in November 2018. Source: IHS Markit

Health, safety and environment

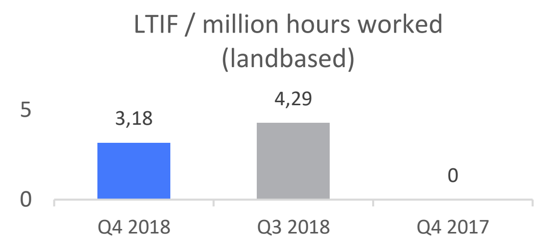
Ocean LTIF was at the same level as the previous quarter, and significantly lower than for the second quarter last year. Landbased LTIF declined significantly this quarter and the contribution to the Preventive Safety Initiative continued to rise, both demonstrating dedication to a strong safety culture.

Health & safety

There was one lost time incident arising from ocean operations for the quarter, the same as in the previous quarter. This level upholds the good trend from the second quarter. Exposure hours stayed at the same level as the previous quarter.

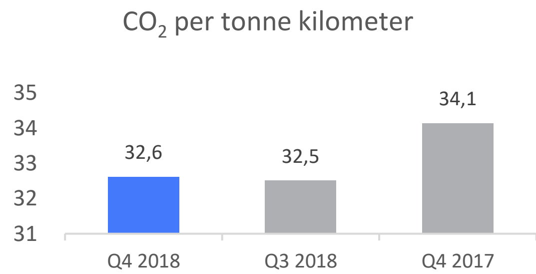


LTIF results for landbased are presented for the fourth time, and the Safety 1st program is currently being rolled out to all entities globally. Contribution into the landbased Preventive Safety Initiative continued to rise this quarter and changes in reporting are the main reason for the large drop in LTIF compared to the last 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

Total CO_2 emitted for the fourth quarter was 10.9% lower than for the same quarter last year driven by a reduction in cargo work done (measured in tonne kilometers) and reduced CO_2 emitted per tonne kilometer. The reduction in CO_2 emitted per tonne kilometer of 4.5% was driven by improved utilisation levels arising from voyage optimization and slightly lower speed.



During the fourth quarter, China announced new CO_2 emission reporting requirements similar to the EU's MRV regulation except that they must be reported on a per voyage basis, rather than annually. Furthermore, an update of the EU's "white list" of approved vessel recycling facilities was published which now also includes three facilities outside Europe. The collective capacity of the list continues to improve but is not yet at a level that will ensure healthy competition in meeting the ongoing needs of the European flagged fleet.

Prospects

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

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

Lysaker, 12 February 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	Q4 2018	Q4 2017	2018	2017
Operating revenue	4	1,020	1,033	4,063	3,024
Gain/(loss) from disposal of assets	2	2	(3)	1	2
Total income		**1,022**	**1,030**	**4,065**	**3,027**
Operating expenses	4	(854)	(853)	(3,463)	(2,454)
Operating profit before depreciation, amortisation and impairment (EBITDA)		**168**	**177**	**601**	**573**
Other gain/(loss)	12	36		(12)	
Depreciation and amortisation	5/6	(88)	(85)	(345)	(272)
Operating profit (EBIT)		**116**	**93**	**244**	**301**
Share of profit from joint ventures and associates		1		2	15
Loss on previously held equity interest	2				(64)
Financial income	8	18	25	57	70
Financial expenses	8	(101)	(59)	(225)	(174)
Financial items - net		**(82)**	**(35)**	**(166)**	**(153)**
Profit before tax		**34**	**58**	**78**	**148**
Tax income/(expense)		11	27	(20)	(3)
Profit for the period		**45**	**86**	**58**	**146**
Profit for the period attributable to:					
Owners of the parent		43	83	52	134
Non-controlling interests		2	3	6	11
Basic earnings per share (USD)	9	0.10	0.20	0.12	0.37
Diluted earnings per share (USD)	9	0.10	0.20	0.12	0.37

Statement of comprehensive income

USD million	Q4 2018	Q4 2017	2018	2017
Profit for the period	45	86	58	146
Other comprehensive income:				
Items that may be subsequently reclassified to the income statement				
Cash flow hedges, net of tax	(4)	(1)	(4)	(3)
Currency translation adjustment and recycling of currency translation adjustment related to previously equity investment	(10)	(5)	(14)	3
Items that will not be reclassified to the income statement				
Remeasurement pension liabilities, net of tax	2	1	2	1
Other comprehensive income, net of tax	**(11)**	**(5)**	**(16)**	**2**
Total comprehensive income for the period	**34**	**81**	**42**	**148**
Total comprehensive income attributable to:				
Owners of the parent	33	86	37	135
Non-controlling interests	0	(6)	5	13
Total comprehensive income for the period	**34**	**81**	**42**	**148**

Wallenius Wilhelmsen

Balance sheet

USD million	Notes	31 Dec 2018	Revised 31 Dec 2017
ASSETS			
Non-current assets			
Deferred tax assets		105	99
Goodwill and other intangible assets	5	711	723
Vessels and other tangible assets	6	5,225	5,364
Investments in joint ventures and associates		2	1
Other non-current assets	12	162	190
Total non-current assets		**6,204**	**6,376**
Current assets			
Bunkers/luboil		107	96
Trade receivables		489	472
Other current assets		130	123
Cash and cash equivalents		484	796
Total current assets		**1,210**	**1,487**
Total assets		**7,414**	**7,863**
EQUITY and LIABILITIES			
Equity			
Share capital	9	28	28
Retained earnings and other reserves		2,619	2,594
Total equity attributable to owners of the parent		**2,647**	**2,622**
Non-controlling interests		228	228
Total equity		**2,876**	**2,850**
Non-current liabilities			
Pension liabilities		65	73
Deferred tax liabilities		116	106
Non-current interest-bearing debt	11	3,054	3,103
Non-current provisions		133	183
Other non-current liabilities		63	89
Total non-current liabilites		**3,431**	**3,554**
Current liabilities			
Trade payables		220	221
Current interest-bearing debt	11	530	661
Current income tax liabilities		14	13
Current provisions		46	257
Other current liabilities		298	307
Total current liabilities		**1,107**	**1,458**
Total equity and liabilities		**7,414**	**7,863**

Cash flow statement

USD million	Notes	Q4 2018	Q4 2017	2018	2017
Cash flow from operating activities					
Profit before tax		34	58	78	148
Financial (income)/expenses		82	34	166	153
Depreciation/impairment		88	85	345	272
(Gain)/loss on sale of tangible assets			3	1	(2)
Change in net pension assets/liabilities		(10)	(7)	(11)	(2)
Change in derivative financial asset	12	(36)		12	
Other change in working capital		(29)	(17)	(302)	(74)
Tax paid (company income tax, witholding tax)		(8)	(11)	(27)	(32)
Net cash flow provided by operating activities [1)]		**121**	**145**	**261**	**462**
Cash flow from investing activities					
Dividend received from joint ventures and associates		(2)			
Proceeds from sale of tangible assets		3	4	10	154
Investments in vessels, other tangible and intangible assets		(38)	(17)	(171)	(83)
Investments in subsidaries, net of cash aquired			(64)	(22)	(64)
Investments in joint ventures		(1)		(1)	
Proceeds from sale of financial investments					218
Investments in financial investments					(15)
Interest received		3	1	9	4
Cash and cash equivalents, incoming entities merger					494
Changes in other investments		2	(1)		1
Net cash flow provided by/(used in) investing activities		**(34)**	**(76)**	**(174)**	**710**
Cash flow from financing activities					
Proceeds from issue of debt		484	143	1,280	281
Repayment of debt		(585)	(187)	(1,455)	(568)
Loan to related party					(15)
Interest paid including interest derivatives		(46)	(35)	(177)	(119)
Realised other derivatives		(1)	(15)	(30)	(31)
Dividend to non-controlling interests		(1)		(17)	(5)
Net cash flow used in financing activities		**(149)**	**(94)**	**(399)**	**(457)**
Net increase in cash and cash equivalents		(62)	(25)	(312)	715
Cash and cash equivalents, excluding restricted cash, at beginning of period		545	820	796	81
Cash and cash equivalents at end of period		**484**	**796**	**484**	**796**

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

Statement of changes in equity

USD million	Notes	Share capital	Own shares	Total paid-in capital	Retained earnings 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					(15)	(15)	(1)	(16)
Total comprehensive income		**0**	**0**	**0**	**37**	**37**	**5**	**42**
Acquisition of own shares	9			0		0		0
Put option non-controlling interests on acquisition of subsidiary	3				(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**		**28**	**2,619**	**2,647**	**228**	**2,876**
2017								
Balance at 31 December 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**	**0**	**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)
Derivative financial asset	12				54	54		54
Balance 31 December 2017		**28**	**0**	**0**	**2,594**	**2,622**	**228**	**2,850**

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 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, IFRS 15 and financial derivatives as described below.

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 . The group has only one type of financial assets that are subject to IFRS 9's new expected credit loss model: Trade receivables for sale of services. The group adopted the simplified expected credit loss model for its trade receivables with only minor effects. No assets held by the group were subject to reclassifications in IFRS 9. The impact of the change in impairment on the group is immaterial and no adjustments have been reflected in retained earnings.

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

Due to the merger transaction in 2017, 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.

Put and call options for non-controlling shareholder interest
Non-controlling interests containing a symmetrical put and call option held by the non-controlling interest shareholder and the group, respectively, is recognized as one integrated derivative financial instrument. The derivative financial instrument is recognized as a non-current asset when the options are exercisable and the fair value of the non-controlling interest exceed the value of the exercise price for symmetrical put and call option. Changes in fair value of the derivative financial instrument is recognized as an Other gain/(loss) in the income statement

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 new judgements and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described above.

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 - Gain/(loss) from disposal of assets

USD million	Q4 2018	Q4 2017	2018	2017
Ocean				
Sale of vessel to joint venture				9
Refinancing of two vessels through sale and leaseback agreements				(8)
Write-off of capitalised IT costs		(2)		(2)
Other			(1)	
Net gain/(loss) on sale of assets	**0**	**(2)**	**(1)**	**(1)**
Landbased				
Sales of a facility in the US		2		7
Write-off of capitalised IT costs		(3)		(3)
Deferred contingent consideration Syngin Technology LLC	2		2	
Net gain/(loss) on sale of assets	**2**	**(1)**	**2**	**4**
Total				
Sale of vessel to joint venture				9
Refinancing of two vessels through sale and leaseback agreements				(8)
Sales of a facility in the US		2		7
Write-off of capitalised IT costs		(5)		(5)
Deferred consideration Syngin Technology LLC	2		2	
Other			(1)	
Net gain/(loss) on sale of assets	**2**	**(3)**	**1**	**2**

Note 3 - Business combinations

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

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

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

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

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

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

Details of net assets acquired and goodwill are as follows:

USD million

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

The fair value of net identifiable assets is primarily attributable to Syngin's software technology and customer relationships.
Other current assets primarily comprise account receivables. The gross contractual amounts of the receivables reflected in the balance sheet is considered to best reflect the fair value of the receivables at the time of the acquisition.

Identifiable assets aquired and liabilities recognised at the date of aquisition:

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

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

Note 4 - Segment reporting

Due to the merger transaction in 2017 which materially impacts the consolidated historical financial statements for the group, the below segment information for 2017 is not based on historical financial information since the board is of the opinion that this would not provide meaningful information. Therefore, the information is based on unaudited proforma income statement for Q1 2017 and actual figures for the last three quarters of 2017. The proforma income statement has been prepared on the basis as if the merger transaction had been effective on 1 January 2016.

USD million	Ocean		Landbased		Holding & Eliminations		Total	
	Q4 2018	Q4 2017	Q4 2018	Q4 2017	Q4 2018	Q4 2017	Q4 2018	Q4 2017
Net freight revenue	687	755					687	755
Surcharges	76	34					76	34
Other operating revenue	45	42	233	219	(20)	(18)	258	243
Gain/(loss) on sale of assets		(2)	2	(1)			2	(3)
Total income	**807**	**830**	**235**	**218**	**(20)**	**(18)**	**1,022**	**1,030**
Cargo expenses	(164)	(187)			13	18	(150)	(169)
Bunker	(192)	(159)					(192)	(159)
Other voyage expenses	(117)	(124)			(1)		(118)	(124)
Ship operating expenses	(56)	(55)					(56)	(55)
Charter expenses	(85)	(98)					(85)	(98)
Manufacturing cost			(64)	(58)	6		(57)	(58)
Other operating expenses	(4)		(115)	(111)	1		(118)	(110)
Selling, general and administrative expenses	(36)	(51)	(34)	(27)	(6)	(3)	(76)	(81)
Total operating expenses	**(654)**	**(673)**	**(213)**	**(195)**	**14**	**15**	**(854)**	**(853)**
Operating profit before depreciation, amortisation and impairment (EBITDA)	**152**	**157**	**22**	**23**	**(6)**	**(3)**	**168**	**177**
Other gain/(loss)	36						36	
Depreciation	(66)	(64)	(4)	(4)			(70)	(68)
Amortisation	(9)	(10)	(9)	(7)			(18)	(17)
Operating profit (EBIT)[1]	**114**	**84**	**8**	**12**	**(6)**	**(3)**	**116**	**93**
Financial items - net	(61)	(29)	(10)	(1)	(10)	(5)	(82)	**(35)**
Profit before tax	**53**	**55**	**(2)**	**11**	**(16)**	**(8)**	**34**	**58**
Tax income/(expense)	(1)	16	6	14	6	(3)	11	27
Profit for the period	**52**	**71**	**4**	**26**	**(10)**	**(11)**	**45**	**86**
Profit for the period attributable to:								
Owners of the parent	49	69	5	25	(10)	(11)	43	83
Non-controlling interests	3	2	(1)	1			2	3

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

Note 4 - Segment reporting

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

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

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

USD million	Goodwill [1)]	Customer relations/ contracts	Other intangible assets	Total intangible assets
2018				
Cost at 1 January	332	398	33	763
Additions	19	22	15	56
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	**0**	**(91)**	**(16)**	**(107)**
Carrying amounts at 31 December	**350**	**329**	**32**	**711**

1) See note 12 for revised balance sheet as of 1 January .

Note 6 - Vessels, property and other tangible assets

USD million	Property & land [2)]	Other tangible assets [2)]	Vessels & docking	Newbuilding contracts	Total tangible assets
2018					
Cost at 1 January	135	37	5,840	120	6,132
Additions		44	63	50	157
Reclassification from newbuilding contracts to vessels			75	(75)	0
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)**	**0**	**(1,005)**
Carrying amounts at 31 December	**113**	**52**	**4,965**	**95**	**5,225**

2) Reclassification between Propery & land and Other tangible asset to better reflect the underlying assets as of 1 January.

Note 7 - Impairment of non-current assets

Goodwill has been tested for impairment at year-end. Based on the value in use estimates, management has concluded that no impairment exits as per 31 December 2018.

The group has significant investments in intangible assets, vessels, property and other tangible assets. At every balance sheet date, the group considers whether there are any indications of impairment on the book values of these assets. If such indications exist, a valuation is performed to assess whether the asset is impaired or not.

Factors that indicate impairment of intangible assets (specifically customer relations or contracts) which trigger impairment testing may be significant decline in volumes and or prices, significant deterioration of a customer relationship, significant underperformance compared to projected operating results, significant negative industry or global economic trends, significant unfavourable regulatory decisions. In addition, market capitalization below the book value of equity and increased interest rates would be indicators of impairment. As per December 2018, there are no indications of impairment of the group's intangible assets.

Factors that indicate impairment of the vessels which trigger impairment testing may be significant decline in freight rates, significant decline in market value of vessels, significant underperformance compared to projected operating results, significant negative industry or global economic trends, significant loss of market share and significant unfavourable regulatory decisions. In addition, market capitalization below the book value of equity and increased interest rates would be indicators of impairment. As per 31 December 2018, there are indications that might imply impairment for the group's vessels. Vessels have therefor been tested for impairment at year-end. Based on the value in use estimates, management has concluded that no impairment exits as per 31 December 2018.

Note 8 - Financial items

USD million	Q4 2018	Q4 2017	2018	2017
Share of profit from joint ventures and associates	1		2	15
Loss on previously held equity interest				(64)
Interest income	3	1	9	6
Other financial items	(4)	(3)	(3)	(3)
Interest expenses	(46)	(41)	(178)	(137)
Interest rate derivatives - unrealised	(25)	12	32	25
Currency				
Net currency gain/(loss)	16	7	(8)	5
Derivatives for hedging of foreign currency risk - realised	(1)	(15)	(30)	(31)
Derivatives for hedging of foreign currency risk - unrealised	(18)	4	16	31
Net financial - currency	**(4)**	**(4)**	**(21)**	**4**
Bunker				
Unrealised bunker derivatives	(7)		(7)	(3)
Realised bunker derivatives				3
Net bunker derivatives	**(7)**	**0**	**(7)**	**0**
Financial items - net	**(82)**	**(34)**	**(166)**	**(153)**

Financial income				
Interest income	3	1	9	6
Interest rate derivatives - unrealised		12	32	25
Net currency gain/(loss)	15	7		5
Derivatives for hedging of foreign currency risk - realised				
Derivatives for hedging of foreign currency risk - unrealised		4	16	31
Realised other financial derivatives				3
Financial income	**18**	**25**	**57**	**70**

Note 9 - 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, authorized the company to acquire up to 10% of own shares. During the fourth quarter 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 fourth quarter was USD 0.10 compared with USD 0.20 in the same quarter last year.

The company's share capital is as follows:	Number of shares	NOK mill	USD mill
Share capital 31 December 2018	423,104,938	220	28
Own shares 31 December 2018	785,864		

Note 10 - Proposed dividend

The board has decided to propose an ordinary dividend of 6 cents per share to the Annual General Meeting in April 2019. The board also proposes that the Annual General Meeting gives the board authority to approve a second dividend payment of up to USD 6 cents per share for a period limited in time up to the annual general meeting in 2020, but no longer than to 30 June 2020. In total, the proposed dividend for 2018 is equivalent to USD 50 million

Wallenius Wilhelmsen

Note 11 - Interest-bearing debt

USD million	31 Dec 2018	31 Dec 2017
Non-current interest-bearing debt	3,054	3,103
Current interest-bearing debt	530	661
Total interest-bearing debt	**3,584**	**3,764**
Cash and cash equivalents	484	796
Net interest-bearing debt	**3,100**	**2,968**

Repayment schedule for interest-bearing debt

	Bank loans	Leasing commitments	Bonds	Other interest-bearing debt	31 Dec 2018
Due in year 2019	186	254	68	23	**530**
Due in year 2020	443	173	9		**626**
Due in year 2021	170	182	86		**438**
Due in year 2022	173	192	213		**578**
Due in year 2023 and later	623	727		63	**1,413**
Total interest-bearing debt	**1,595**	**1,528**	**376**	**86**	**3,584**

Reconciliation of liabilities arising from financing activities

			Non cash changes					
	31 Dec 2017	Cash flows	Debt assumed as part of acquisition	Foreign exchange movement	Amorti-sation	Other*	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	**0**	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**	**0**	**3,584**

*Interest on corporate bond with maturity in 2022.

Note 12 - 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. The exercise price for the put and call option is calculated based on a formula consistent with valuation guidance used in "The Inheritance Tax and Gift Tax Act" applicable in South Korea.

Non-controlling interests containing a symmetrical put and call option held by the non-controlling interest shareholders and the group, respectively, is recognized as one integrated derivative financial instrument. The derivative financial instrument is recognized as a non-current asset when the options are exercisable and the fair value of the non-controlling interest exceed the value of the exercise price for symmetrical put and call option. Changes in fair value of the derivative financial instrument is recognized as an Other gain/(loss) in the income statement.

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

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

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

USD million	31 Dec 2017	31 Mar 2018	30 Jun 2018	30 Sep 2018
Other non-current assets - previously reported	84	94	75	79
Other non-current asset - revision amount	106	65	67	58
Other non-current asset - revised	**190**	**160**	**142**	**136**
Goodwill and other intangible assets - previously reported	774	762	746	778
Goodwill and other intangible assets- revision amount	(52)	(52)	(52)	(52)
Goodwill and other intangible assets- revised	**723**	**711**	**695**	**727**
Retained earnings and other reserves - previously reported	2,540	2,553	2,563	2,580
Retained earnings and other reserves - revision amount	54	14	15	6
Retained earnings and other reserves - revised	**2,594**	**2,567**	**2,578**	**2,586**

Summary of income statement revision effects for the previously reported interim period:

USD million unless otherwise stated	Q1 2018	Q2 2018	Q3 2018
Other gain/(loss)- previously reported			
Other gain/(loss)- revision amount	(40)	2	(9)
Other gain/(loss)- revised	**(40)**	**2**	**(9)**
Basic and diluted earnings per share (USD) - previously reported	0.02	0.04	0.07
Basic and diluted earnings per share (USD) - revision amount	(0.07)	0.04	0.05
Basic and diluted earnings per share (USD) - revised	**(0.05)**	**0.08**	**0.12**

For the fourth quarter 2018, a gain of USD 36 million has been recognized related to change in the fair value of the derivative financial instrument. As of 31 December 2018, the estimated fair value of the derivative financial instrument is USD 94 million.

Note 13 - 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.

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

USD million

Lease liability at 1 January 2019	897
Right-of-use asset at 1 January 2019	902
Difference between lease liability and right-of-use asset at 1 January 2019	**5**
Effect from prepayments and currency translation	5

Reconciliation of lease commitment and lease liability
USD million

Operating lease commitment as at 31 December 2018	1,231
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	1,240
Effect of discounting lease commitment to net present value	(343)
Lease liability as at 1 January 2019	**897**

1) Mainly related to non-current vessel leases.

Cont. Note 13 - IFRS 16 - Leases

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 170 million. Annual depreciation expense of leased assets will increase approximately USD 150 million. Annual net interest expense will increase approximately USD 41 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.

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 expects the proceedings with the outstanding jurisdictions to be largely resolved in the first half of 2019, while the timeline for the resolution of civil claims is more uncertain. The remaining provision shall cover costs in jurisdictions with ongoing anti-trust proceedings and potential civil claims. The ongoing investigations of WW Ocean and EUKOR are confidential, and Wallenius Wilhelmsen is therefore not able to provide more detailed comments.

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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.

USD million

Reconciliation of Total income to EBITDA and EBITDA adjusted	Q4 2018	Q4 2017	YTD 2018	YTD 2017
Total income	1,022	1,030	4,065	3,027
Operating expenses excluding other gain/(loss)	(854)	(853)	(3,463)	(2,454)
EBITDA	**168**	**177**	**601**	**573**
Restructuring costs			5	27
Gain on sale of vessel				(9)
Gain on sale of other tangible assets		(5)		(7)
Loss on sale of vessels		8		8
EBITDA adjusted	**168**	**180**	**606**	**592**

Reconciliation of Total income to EBIT and EBIT adjusted	Q4 2018	Q4 2017	YTD 2018	YTD 2017
EBITDA	**168**	**177**	**601**	**573**
Other gain/loss	36	0	(12)	0
Depreciation and amortisation	(88)	(85)	(345)	(272)
EBIT	**116**	**93**	**244**	**301**
Restructuring costs			5	27
Gain on sale of vessel				(9)
Gain on sale of other tangible assets		(5)		(7)
Loss on sale of vessels		8		8
Derivative financial asset	(36)	-	12	0
EBIT adjusted	**80**	**96**	**261**	**320**

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Cont. Reconciliation of alternative performance measures

Reconciliation of total assets to capital employed and ROCE calculation	Quarter average		Yearly average	
	Q4 2018	Q4 2017	31 Dec 2018	31 Dec 2017*
Total assets	7,440	7,756	7,638	7,863
Total liabilities	4,581	4,973	4,776	5,013
Total equity	**2,859**	**2,783**	**2,863**	**2,850**
Total interest-bearing debt	3,644	3,790	3,674	3,764
Capital employed	**6,503**	**6,573**	**6,537**	**6,614**
EBIT adjusted annualised	355	380	261	320
ROCE	**5.5%**	**5.8%**	**4.0%**	**4.8%**

*Due to the merger of Wilh. Wilhelmsen ASA and Wallroll AB on 4 April 2017, the year end 2016 figures is excluded from the Full year calculation of 2017.

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