Wallenius Wilhelmsen

Quarterly report

Q3 2019

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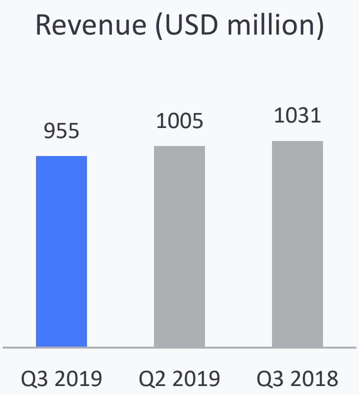
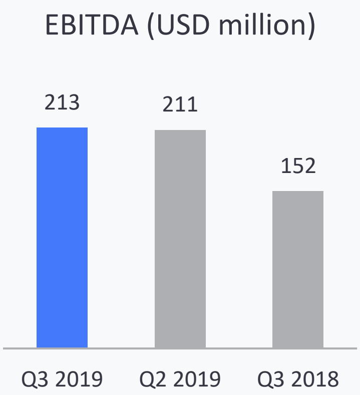
Highlights third quarter 2019

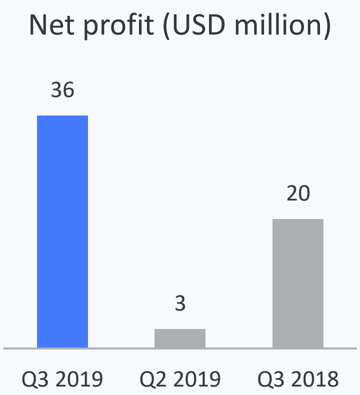
- EBITDA of USD 213 million, showing continued performance improvement
- Ocean results driven by higher net freight per CBM, more efficient operations and lower net bunker cost
- Ocean volume declined 7% y-o-y, due to relinquished volumes and slower markets
- Performance in Landbased fell as a result of lower volumes
- Continuous progress on the performance improvement programme
- Second dividend payment of USD 6 cents per share

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

"I am pleased to see the continued improvement in profitability for the Ocean business. We continue to make conscious choices to not renew Ocean business under conditions that we do not consider economically sustainable. While we do see a softening of auto markets globally, we are prepared to adjust to changes in volumes and continue to run a profitable business, serving our clients in the best possible way."







Consolidated results and key figures – third quarter 2019

EBITDA for the third quarter of 2019 was USD 213 million, up USD 61 million compared to the same period last year as a result of improved profitability for the Ocean segment and IFRS 16 implementation

USD million	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018
Total income	955	1 005	1 031	2 977	3 043
EBITDA	213	211	152	643	433
EBIT	94	88	56	277	128
Profit for the period	36	3	20	61	13
EPS [1)]	0.08	0.00	0.05	0.12	0.02
Net interest-bearing debt	3 625	3 851	3 159	3 625	3 851
ROCE	5.2%	4.8%	3.5%	n/a	n/a
Equity ratio	36.3%	35.3%	38.1%	36.3%	38.1%
EBITDA adjusted	213	211	152	643	439
IFRS 16 EBITDA effect	41	42	n/a	125	n/a

1) After tax and non-controlling interests

Consolidated results

Total income was USD 955 million in the third quarter, down 7% compared to the same period last year, primarily as a result of lower revenues in the Ocean segment. The decrease in Ocean revenues was a result of lower volumes and reduced other operating income. Ocean volumes were down 7% y-o-y. A key driver behind the reduced volumes are commercial priorities where Wallenius Wilhelmsen chooses not to carry low paying or unprofitable cargo. In addition, slower markets are impacting volumes. Compared to the second quarter, total income was down 5% due to lower volumes in both the Ocean and Landbased segments.

EBITDA in the third quarter of 2019 was USD 213 million, up by USD 61 million compared to the same quarter last year of which USD 41 million was related to the implementation of IFRS 16 for leases as of 1 January 2019. The underlying improvement was driven by the Ocean segment, while the Landbased segment reported an underlying drop in EBITDA when excluding the impact of IFRS 16 implementation. See note 12 to the financial statements for more information about IFRS 16 effects. Compared to the second quarter, EBITDA was up USD 2 million.

At the end of the third quarter about USD 69 million of the USD 100 million performance improvement programme has been confirmed with concrete improvement measures identified, and USD 67 million realized through improvement measures actually implemented.

Net financial expenses were USD 72 million in the third quarter, down from USD 83 million in the previous quarter. Interest expense was USD 50 million, up USD 4 million compared to third quarter 2018 and down by USD 1 million compared to last quarter. The implementation of IFRS 16 as of 1 January 2019 increases interest expenses with approx. USD 10 million per quarter compared to previous year. Net financial expenses were positively impacted by

USD 11 million in unrealised bunker derivatives, and negatively impacted by USD 19 million in unrealised interest rate derivatives and USD 18 million in unrealised FX derivatives.

The group recorded a tax income of USD 14 million for the third quarter of 2019, compared with an expense of USD 1 million in the same period last year. The significant change is due to a positive outcome of a withholding tax case in Korea. The Supreme Court in Korea ruled in the company's favour, resulting in a repayment of withholding tax on dividends from EUKOR paid in the period 2010-2015 of USD 12.7 million. In addition, a reversal of USD 6.7 million in accrued withholding tax on dividends for the years 2016-2018 has been made. Total effect of this case is thus a tax payable income of USD 19.4 million in Q3 2019.

The average Return on Capital Employed (ROCE) in the third quarter was 5.2%, compared to 3.6% in the third quarter of 2018.

Capital and financing

The equity ratio was 36.3% at the end of the third quarter, up from 35.3% in the previous quarter. Cash and cash equivalents at the end of the third quarter was USD 513 million, up from USD 487 million in the previous quarter. In addition, Wallenius Wilhelmsen had USD 322 million in undrawn credit facilities. Net interest-bearing debt was USD 3 625 million at the end of the third quarter.

Following on the authority given to the Board in the Annual General Meeting in April 2019, the Board has resolved to approve a second dividend payment of USD 6 cents per share, equivalent to USD 25 million. Last date including right will be 11 November 2019, and ex-dividend date 12 November 2019.

Ocean operations

EBITDA for the third quarter of 2019 was USD 188 million. The underlying improvement, compared to the same quarter last year, was driven by higher net freight/CBM, improved operational efficiency, and a positive net bunker effect.

USD million	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018
Total income	773	800	822	2 385	2 414
EBITDA	188	184	132	561	376
EBIT	92	84	49	265	108
Volume[1] ('000 cbm)	16 123	17 006	17 257	49 292	52 154
High & heavy share[2]	29.5%	30.5%	29.7%	30.0%	28.2%
EBITDA adjusted	188	184	134	561	379
IFRS 16 EBITDA effect	31	31	n/a	93	n/a

1) Prorated
2) Unprorated

Total income and EBITDA

Total income was USD 773 million in the third quarter, down 6% compared to the same period last year. The decline in Ocean revenues was driven by lower volumes and reduced other operating revenue, but positively impacted by higher net freight per CBM. Ocean volumes were down 7% y-o-y. A significant share of the volume decline is explained by commercial priorities whereby Wallenius Wilhelmsen is choosing not to carry low paying volumes, particularly in the Atlantic. In addition, weaker auto markets affected the total volumes. Compared to the second quarter, volumes were also affected by Northern hemisphere summer holiday season.

The Asia-Europe trade was up by 6% compared to the same period last year, partly driven by project cargoes, with underlying development roughly flat. The Europe – Asia trade was down by 11% y-o-y, driven by lower volumes to China. The Asia-North America trade was flat y-o-y. Volume in the Atlantic was down by 8%, with a large share of the decline explained by unprofitable volumes not renewed with effect from January 2019. The Oceania trade was down 4% compared to same period in 2018, which was generally a strong year in this trade, driven by both lower auto and H&H volumes.

The high & heavy share, based on un-prorated volumes, was 29.5%, roughly same level compared to third quarter last year at 29.7%.

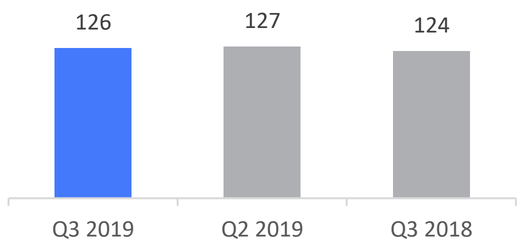
Total income was down 3% from the last quarter, in line with the volume decline, but positively impacted by higher net freight per CBM.

EBITDA for the third quarter ended at USD 188 million, an improvement of USD 56 million compared to third quarter last year, of which USD 31 million was related to the IFRS 16 implementation effect. Underlying improvement was a result of the performance improvements contributing about USD 17 million, higher net freight per CBM, lower net bunker cost (adjusted for lower bunker consumption) of about USD 18 million and currency effect of about USD 6 million. On the other hand, EBITDA was negatively impacted by lower volumes. Compared to the second quarter, EBITDA increased by USD 4 million despite lower volumes, as a result of higher net freight per CBM, further improved operational efficiency and lower net bunker cost.

Wallenius Wilhelmsen fleet

Wallenius Wilhelmsen controlled a fleet of 127 vessels at the start of the third quarter and 126 vessels at the end. Group fleet capacity was mostly managed by position swaps within the group and leveraging of the short-term charter market. The weak charter market has continued from previous quarter. Currently, the group retains flexibility to redeliver up to 12 vessels by end 2020 (excluding vessels on short charter).

WALWIL controlled fleet (# of vessels)



Source: Wallenius Wilhelmsen

Two vessels are under construction in the Post-Panamax newbuilding programme of total four vessels (each 8 000 CEU), with one vessel expected to enter service around end of 2019/beginning 2020 and the last one scheduled for delivery in June 2020. The outstanding instalments for these vessels are about USD 80 million. The newbuildings are financed through bank facilities.

Landbased operations

EBITDA for the third quarter of 2019 was USD 29 million, impacted by lower volumes for both terminals and technical services.

USD million	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018
Total income	221	235	225	688	679
EBITDA	29	35	23	97	68
EBIT	6	11	9	27	30
EBITDA adjusted	29	35	22	97	67
IFRS 16 EBITDA effect	11	11	n/a	32	n/a
EBITDA by segment					
Solutions Americas (auto)	14	17	11	46	32
Solutions Americas (H&H)	5	6	4	16	10
Solutions APAC/EMEA	3	4	2	11	5
Terminals	9	10	7	30	25
Other	-2	-3	-1	-6	-2

Total income and EBITDA

Total income in the third quarter was USD 221 million, down 2% compared to the same period last year. Lower volumes impacted revenues in Terminals and Solutions Americas – Auto, while Solutions Americas – H&H contributed positively. Compared to the second quarter, revenue was down 6%, affected by seasonality due to the summer break.

EBITDA for the third quarter was USD 29 million, an improvement of USD 6 million compared to the third quarter last year. However, EBITDA was positively impacted by USD 11 million related to the IFRS 16 implementation, therefore underlying performance was down. Terminals and Solutions Americas – Auto were the main cause of the underlying performance drop, while Solutions Americas – H&H contributed positively. Compared to the second quarter, EBITDA was down 16% as a result of lower volumes.

EBITDA for Solutions Americas – Auto was USD 14 million, with the drop in underlying performance primarily a result of lower volumes. Syngin continues to show positive development.

EBITDA for Solutions Americas – H&H was USD 5 million, with underlying performance up compared to the same period last year, as a result of positive volume development.

EBITDA for Solutions – APAC/EMEA was USD 3 million, with underlying performance slightly down, partly due to volume reduction.

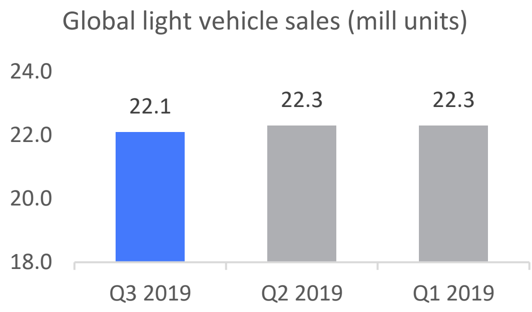
EBITDA for the Terminals was USD 9 million, with lower volumes driving the underlying decline.

Market update

Auto exports in the third quarter declined 1.4% as auto sales are soft and market uncertainty continues. High & heavy trade has softened through the first half of 2019, and the outlook remains mixed.

Auto markets

Total light vehicle (LV) sales in the third quarter decreased 1.1% compared to the corresponding period last year and was down 0.5% from the previous quarter.



Source: IHS Markit / LMCA

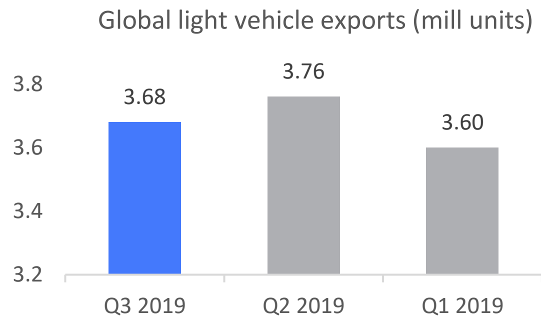
North American sales increased 0.2% y-o-y (down 2.6% q-o-q) as continued incentives, specially initiated from the dealers, and wide credit availability supports the consumer environment.

Sales in Western Europe increased 1.0% y-o-y. The implementation of the EU WLTP emission testing scheme contributed to several monthly effects as the market entered different standards both in September 2018 and September 2019. The market was negatively impacted by continued UK Brexit uncertainty and uncertainty around diesel vehicles. Several OEMs have been struggling to get vehicles compliant and some vehicles have also been subject to increased taxes. Sales in Europe were down 15.5% q-o-q.

The Chinese market continues to be soft with a flat development y-o-y. Compared to last quarter, sales were up 9.6%. The Chinese auto market is influenced by the US trade tensions and currency depreciation, and governmental stimulus has not given the consumers the confidence they have been looking for.

The Russian market was up 2.4% y-o-y (+5.6% q-o-q), while the Brazilian market continued the rebound with 5.3% and 2.7% y-o-y growth.

Total exports in the third quarter were down 1.4% compared to the corresponding period last year, and were down 2.1% from the previous quarter.



Source: IHS Markit / LMCA

Exports out of North America were down 1.3% y-o-y (down 3.1% q-o-q), as selected OEMs experienced reduced volume on Mexico - EU due to normal product cyclicality.

European exports declined 3.1% y-o-y and were up 0.1% q-o-q, given reduced volume to North America- due to model shift for one OEM from Europe to North America.

Japanese exports in the third quarter declined 1.9% y-o-y (down 1.4% q-o-q) where North America-bound export contributed to most of this decline. Exports out of South Korea continued to soften and was down 3.1% y-o-y, 5.2%

q-o-q. Chinese exports were up 1.9% y-o-y (down 4.3% q-o-q) driven by continued production ramp-up with broad geographic growth despite U.S. tariff increases.

High and heavy markets[1]

Global high & heavy trade has softened through the first seven months of 2019, with exports of construction, mining and farm machinery declining 2% y-o-y.

Global construction and rolling mining equipment exports decreased 2% y-o-y where all regions except Europe and Latin America experienced negative growth. North America and Asia accounted for the largest volume drops as exports declined 19% and 2% y-o-y respectively. Except for August, the Eurozone construction PMI has remained at levels indicating expansion through the first three quarters of 2019, recording 50.5 at the end of the third quarter. The Eurozone expansion is reflected in both an increase in imports (+13%) and exports (+2%) of construction equipment. The Australian construction PMI, on the other hand, has remained at levels indicating contraction for 13 consecutive months, recording 42.6 in September 2019. The Australian market contraction can be seen in both imports (-22%) and exports (-7%) of construction equipment which both declined in the 3-month rolling period ending in August. Global sales of construction equipment are expected to decline through 2021 with OEM majors estimated to record modest negative overall sales growth in the period. Despite declining sales projections, global demand of construction equipment is still considered to remain at high-levels following last year's record-setting sales volumes.

While aftermarket sales have remained strong for several of the mining equipment OEMs, the macro uncertainty has negatively affected investments for new mining equipment. Analysts expect global mining machinery sales to decelerate with OEM majors projected to see moderate to flat growth in the period 2019-2020.

Global exports of farm machinery declined 1% y-o-y, where sustained growth in Asia (+17%) was offset by declining exports from North America (-8%) and Europe (-4%). Consistent with this trade development, agriculture equipment demand has been mixed across key markets in the third quarter, as concerns over the trade dispute, weather, and low commodity prices have negatively impacted farmer sentiment. Apart from the US, where large tractor sales grew 3% y-o-y, demand largely weakened in the third quarter. Australia tractor sales declined 8% y-o-y in the third quarter, despite rebounding sales in September. Moreover, German tractor registrations declined 3% y-o-y, while tractor sales in Brazil fell 17% y-o-y. The recent surge in the US was fuelled by the replacement market, despite farmers still voicing their concerns about the overall agriculture economy. Analysts expect OEM majors to see flat to modest growth in global sales over the next 15 months.

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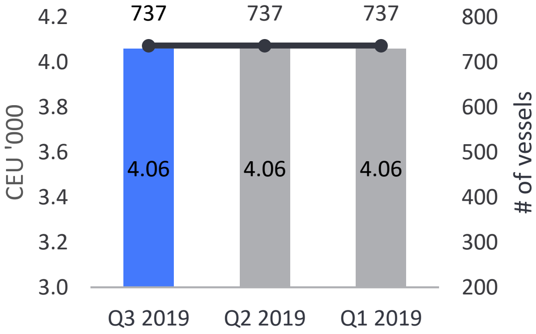
[1] All import/export data refer to the three-month rolling period ending in July 2019, with the exception of Oceania, referring to the three-month rolling period ending in August 2019. Source: IHS Markit

Global fleet

The global car carrier fleet (>1 000 CEU) totalled 737 vessels with a capacity of 4.06 million CEU at the end of the third quarter. During the quarter one vessel was delivered, while one vessel was recycled. No new orders were confirmed in the period (for vessels >4000 CEU). The orderbook for deep-sea vehicle carriers (>4 000 CEU) counts 14 vessels, which amount to about 3% of the global fleet capacity.

Global fleet development



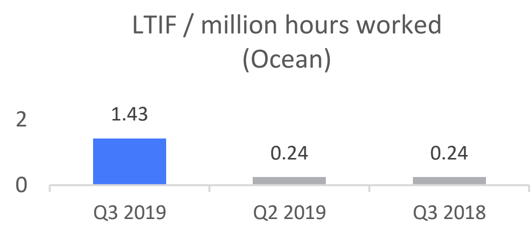
Source: Clarksons

Health, safety and environment

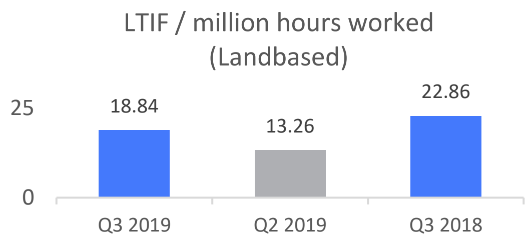
Ocean LTIF saw a significant increase compared to previous quarters, with six incidents in the third quarter of 2019. Landbased LTIF is showing overall improvement compared to 2018. Fleet CO2 emissions relative to cargo work is flat compared to the same quarter last year.

Health & safety

The Ocean LTIF has fluctuated over the past 12 months, with no clear trend observed. Six incidents this quarter led to an increase in the LTIF compared to previous quarters. None of the incidents were of a severe nature or related, improvement actions are being undertaken.

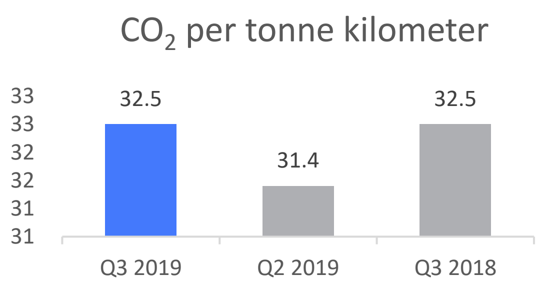


Landbased LTIF has fluctuated as well, however the trend shows and overall improvement compared to 2018. Regrettably there was one severe incident in the quarter and root cause analysis is ongoing. Preventive actions are being undertaken to continue Safety 1st focus.



Environment

The total CO2 emitted for the quarter was about 2.3% lower than the same quarter of 2018, while the corresponding total cargo work performed decreased by about 2% as measured in tonne kilometres. The combination between lowered emissions and decline in cargo work resulted in a flat development in the grams of CO2 emitted per tonne kilometre compared to the same period in 2018.



Wallenius Wilhelmsen has joined the 'Getting to Zero 2030' initiative, which seeks to make a zero-emission deep sea vessel a reality by 2030. It is a multi-stakeholder, collaborative effort that is under the auspices of the World Economic Forum, the World Maritime Forum and the Friends of Ocean Action. Being part of the initiative does not require the company to put a zero-emission vessel of our own on the water by 2030, rather it provides an opportunity to contribute to industry, regulatory and technical insights and progress.

The company has also joined the 'LEO' project together with Maersk, the University of Copenhagen and several leading shippers, including BMW. LEO stands for 'Lignin Ethanol Oil' and has the potential to become a drop-in, second generation heavy biofuel, which will be close to carbon neutral. Lignin is a plant fibre that is a waste product of the paper production industry. It is currently at an early stage of development and faces many challenges, but if they can be overcome it could become an industrial-scale, low-carbon fuel within five years.

Prospects

The board maintains a balanced view on the prospects for Wallenius Wilhelmsen. However, uncertainty remains on the volume outlook in light of weaker auto sales in all major markets, potential risk of increased trade barriers and a volatile macro picture. Market rates remain at a low level and generally under pressure, although some contracts have been renewed at stable or improved rates in the first half of the year.

Wallenius Wilhelmsen has a solid platform for growth, an efficient cost base and is well positioned to succeed in a challenging market. Furthermore, continuous focus on efficiency in operations will continue to support profitability going forward.

Lysaker, 5 November 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.

Wallenius Wilhelmsen

Income statement

USD million	Notes	Q3 2019	Q3 2018	YTD 2019	YTD 2018	2018
Operating revenue	4	954	1,031	2,977	3,043	4,063
Gain/(loss) from disposal of assets	2	0	(0)	0	(0)	1
Total income		**955**	**1,031**	**2,977**	**3,043**	**4,065**
Operating expenses	4	(741)	(879)	(2,334)	(2,610)	(3,463)
Operating profit before depreciation, amortisation and impairment (EBITDA)		**213**	**152**	**643**	**433**	**601**
Other gain / (loss)	3	2	(9)	3	(48)	(12)
Depreciation and amortisation	5, 6	(121)	(87)	(369)	(257)	(345)
Operating profit (EBIT)		**94**	**56**	**277**	**128**	**244**
Share of profit from joint ventures and associates		0	0	0	1	2
Financial income/(expenses)	7	(72)	(34)	(225)	(86)	(169)
Profit before tax		**22**	**22**	**52**	**44**	**78**
Tax income/(expenses)	10	14	(1)	9	(31)	(20)
Profit for the period		**36**	**21**	**61**	**13**	**58**
Profit for the period attributable to:						
Owners of the parent		33	21	51	9	52
Non-controlling interests		3	0	10	5	6
Basic earnings per share (USD)	8	0.08	0.05	0.12	0.02	0.12

Statement of comprehensive income

USD million	Q3 2019	Q3 2018	YTD 2019	YTD 2018	2018
Profit for the period	36	21	61	13	58
Other comprehensive income:					
Items that may subsequently be reclassified to the income statement					
Changes in fair value of cash flow hedge instruments	0	-	2	-	(4)
Currency translation adjustment	(5)	(0)	(5)	(5)	(12)
Items that will not be reclassified to the income statement					
Remeasurement pension liabilities, net of tax	-	-	-	-	2
Other comprehensive income for the period	**(5)**	**(0)**	**(3)**	**(5)**	**(13)**
Total comprehensive income for the period	**31**	**20**	**58**	**9**	**45**
Total comprehensive income attributable to:					
Owners of the parent	28	20	47	4	40
Non-controlling interests	3	(0)	11	4	5
Total comprehensive income for the period	**31**	**20**	**58**	**9**	**45**

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Balance sheet

USD million	Notes	30 Sep 2019	30 Sep 2018	31 Dec 2018
ASSETS				
Non-current assets				
Deferred tax assets		105	91	105
Goodwill and other intangible assets	5	665	727	711
Vessels, other tangible and leased assets	6, 12	5,854	5,265	5,225
Investments in joint ventures and associates		2	2	2
Other non-current assets	3	153	136	162
Total non-current assets		**6,779**	**6,221**	**6,204**
Current assets				
Bunkers/luboil		83	115	107
Trade receivables		482	474	489
Other current assets		160	110	130
Cash and cash equivalents		513	545	484
Total current assets		**1,237**	**1,244**	**1,210**
Total assets		**8,015**	**7,465**	**7,414**
EQUITY and LIABILITIES				
Equity				
Share capital	8	28	28	28
Retained earnings and other reserves		2,639	2,586	2,619
Total equity attributable to owners of the parent		**2,667**	**2,614**	**2,647**
Non-controlling interests		239	228	228
Total equity		**2,906**	**2,842**	**2,876**
Non-current liabilities				
Pension liabilities		61	72	65
Deferred tax liabilities		104	108	116
Non-current interest-bearing debt	11, 12	3,644	3,140	3,054
Non-current provisions		123	114	133
Other non-current liabilities		23	26	63
Total non-current liabilities		**3,956**	**3,460**	**3,431**
Current liabilities				
Trade payables		235	233	220
Current interest-bearing debt	11	493	564	530
Current income tax liabilities		12	20	14
Current provisions		42	65	46
Other current liabilities		371	281	298
Total current liabilities		**1,154**	**1,163**	**1,107**
Total equity and liabilities		**8,015**	**7,465**	**7,414**

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Cash flow statement

USD million	Notes	Q3 2019	Q3 2018	YTD 2019	YTD 2018	2018
Cash flow from operating activities						
Profit before tax		22	22	52	44	78
Financial (income)/expenses		72	35	225	85	169
Share of net income from joint ventures and associates		(0)	(0)	(0)	(1)	(2)
Depreciation and amortisation		121	87	369	257	345
(Gain)/loss on sale of tangible assets		(0)	0	(0)	0	1
Change in net pension assets/liabilities		(3)	(0)	(4)	(1)	(11)
Change in derivative financial assets	3	(2)	9	(4)	48	12
Other change in working capital		38	(20)	(27)	(274)	(292)
Tax (paid)/received	10	(4)	(7)	(14)	(19)	(27)
Net cash flow provided by operating activities [1]		**243**	**125**	**596**	**140**	**272**
Cash flow from investing activities						
Proceeds from sale of tangible assets		1	2	2	7	10
Investments in vessels, other tangible and intangible assets		(19)	(26)	(84)	(132)	(171)
Investments in subsidiaries, net of cash aquired		-	(22)	-	(22)	(22)
Investments in joint ventures		-	-	-	-	(1)
Interest received		2	2	7	7	9
Changes in other investments		-	(1)	-	(2)	-
Net cash flow provided by/(used in) investing activities		**(16)**	**(44)**	**(75)**	**(140)**	**(174)**
Cash flow from financing activities						
Proceeds from issue of debt		70	206	637	796	1,269
Repayment of debt		(220)	(212)	(917)	(870)	(1,455)
Interest paid including interest derivatives		(50)	(45)	(154)	(131)	(177)
Realised other derivatives		(1)	(1)	(30)	(28)	(30)
Dividend to non-controlling interests		(1)	(0)	(3)	(17)	(17)
Dividend to shareholders		-	-	(25)	-	-
Net cash flow used in financing activities		**(202)**	**(52)**	**(492)**	**(250)**	**(410)**
Net increase in cash and cash equivalents		26	29	29	(250)	(312)
Cash and cash equivalents, excluding restricted cash, at beginning of period		487	517	484	796	796
Cash and cash equivalents at end of period[1)]		**513**	**545**	**513**	**545**	**484**

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

Wallenius Wilhelmsen

Statement of changes in equity

USD million	Notes	Share capital	Own shares	Total paid-in capital	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
2019								
Balance at 31 December 2018		**28**	**(0)**	**28**	**2,619**	**2,647**	**228**	**2,876**
Profit for the period		-	-	-	51	51	10	61
Other comprehensive income		-	-	-	(5)	(5)	1	(3)
Total comprehensive income		**-**	**-**	**-**	**47**	**47**	**11**	**58**
Sale of own shares		-	0	0	0	0	-	0
Transactions with non-controlling interests		-	-	-	(2)	(2)	3	1
Dividend to owners of the parent	9	-	-	-	(25)	(25)	-	(25)
Dividend to non-controlling interests		-	-	-	-	-	(3)	(3)
Balance 30 September 2019		**28**	**(0)**	**28**	**2,639**	**2,667**	**239**	**2,906**

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		-	-		(12)	(12)	(1)	(13)
Total comprehensive income		**-**	**-**	**-**	**40**	**40**	**5**	**45**
Acqusition of own shares	8	-	(0)	(0)	(3)	(3)	-	(3)
Put option non-controlling interests on acquisition of subsidiary		-	-	-	(12)	(12)	-	(12)
Transactions with non-controlling interests on acquisition of subsidiary		-	-	-	-	-	13	13
Dividend to non-controlling interests		-	-	-	-	-	(17)	(17)
Balance 31 December 2018		**28**	**(0)**	**28**	**2,619**	**2,647**	**228**	**2,876**

Note 1 - Accounting Principles

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

USD million	Q3 2019	Q3 2018	YTD 2019	YTD 2018	2018
Deferred consideration Syngin Technology LLC (Landbased)	-	-	-	-	2
Other	0	(0)	0	(0)	(1)
Net gain/(loss) on sale of assets	**0**	**(0)**	**0**	**(0)**	**1**

Note 3 - Other gain/(loss)

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

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

During third quarter 2019 the change in the value of the derivative was USD 2 million, corresponding year-do-date USD 3 million, recognised as a positive effect under Other gain/(loss) in the income statement. The change in value during third quarter 2018 was a negative USD 9 million. The year-to-date 2018 effect was a loss of USD 48 million due to a significant loss recognised in first quarter 2018 of USD 40 million. The loss was mainly related to a change in the fair value of the non-controlling interest reflected in the net financial derivative value.

The financial derivative is recognised as an other non-current asset and has a carrying value of USD 98 million at the end of third quarter 2019.

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Note 4 - Segment reporting

USD million	Ocean		Landbased		Holding & Eliminations		Total	
	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018
Net freight revenue	686	716	-	-	-	-	686	716
Surcharges	59	62	-	-	-	-	59	62
Other operating revenue	28	43	182	209	0	-	210	252
Internal operating revenue	0	-	39	16	(39)	(16)	-	-
Gain/(loss) on sale of assets	(0)	0	0	(0)	0	(0)	0	(0)
Total income	**773**	**822**	**221**	**225**	**(39)**	**(16)**	**955**	**1,031**
Cargo expenses	(153)	(182)	-	-	24	15	(129)	(167)
Bunker	(164)	(193)	-	-	-	-	(164)	(193)
Other voyage expenses	(119)	(118)	-	-	0	0	(119)	(118)
Ship operating expenses	(57)	(59)	-	-	-	-	(57)	(59)
Charter expenses	(46)	(94)	-	-	-	-	(46)	(94)
Manufacturing cost	-	-	(53)	(65)	15	(0)	(38)	(65)
Other operating expenses	(4)	(6)	(106)	(107)	1	-	(109)	(113)
Selling, general and administrative	(41)	(37)	(33)	(30)	(4)	(3)	(78)	(70)
Total operating expenses	**(585)**	**(690)**	**(192)**	**(202)**	**35**	**13**	**(741)**	**(879)**
Operating profit before depreciation, amortisation and impairment (EBITDA)	**188**	**132**	**29**	**23**	**(4)**	**(3)**	**213**	**152**
Other gain/(loss)	2	(9)	-	-	-	-	2	(9)
Depreciation	(93)	(66)	(14)	(4)	(0)	-	(106)	(70)
Amortisation	(6)	(8)	(9)	(9)	-	-	(15)	(17)
Operating profit (EBIT)[1)]	**92**	**49**	**6**	**9**	**(4)**	**(3)**	**94**	**56**
Share of profit from joint ventures and associates	0	-	0	-	0	-	0	0
Financial income/(expenses)	(46)	(57)	(15)	(0)	(11)	23	(72)	(34)
Profit before tax	**45**	**(8)**	**(9)**	**9**	**(15)**	**20**	**22**	**22**
Tax income/(expense)	16	5	(2)	(1)	-	(5)	14	(1)
Profit for the period	**62**	**(3)**	**(11)**	**8**	**(15)**	**16**	**36**	**20**
Profit for the period attributable to:								
Owners of the parent	59	(2)	(11)	7	(15)	16	33	21
Non-controlling interests	3	(1)	0	1	0	-	3	0

[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		
	YTD 2019	YTD 2018	2018	YTD 2019	YTD 2018	2018	YTD 2019	YTD 2018	2018	YTD 2019	YTD 2018	2018
Net freight revenue	2,089	2,129	2,815	-	-	-	-	-	-	2,089	2,129	2,815
Surcharges	191	158	234	-	-	-	-	-	-	191	158	234
Other operating revenue	104	127	172	592	629	842	-	-	-	696	756	1,014
Internal operating revenue	1	-	-	96	50	69	(97)	(50)	(69)	-	-	-
Gain/(loss) on sale of assets	0	(1)	(1)	0	0	2	0	(0)	(0)	0	(0)	1
Total income	**2,385**	**2,414**	**3,220**	**688**	**679**	**914**	**(97)**	**(50)**	**(69)**	**2,977**	**3,043**	**4,065**
Cargo expenses	(514)	(533)	(697)	-	-	-	75	48	62	(440)	(485)	(635)
Bunker	(515)	(548)	(740)	-	-	-	-	-	-	(515)	(548)	(740)
Other voyage expenses	(343)	(366)	(483)	-	-	-	0	0	(1)	(343)	(366)	(484)
Ship operating expenses	(164)	(169)	(226)	-	-	-	-	-	-	(164)	(169)	(226)
Charter expenses	(153)	(276)	(362)	-	-	-	-	-	-	(153)	(276)	(362)
Manufacturing cost	-	-	-	(175)	(202)	(266)	19	(0)	6	(156)	(202)	(259)
Other operating expenses	(14)	(20)	(25)	(320)	(318)	(433)	2	-	1	(331)	(338)	(456)
Selling, general and administrative expenses	(121)	(125)	(160)	(97)	(91)	(125)	(15)	(9)	(15)	(233)	(225)	(301)
Total operating expenses	**(1,824)**	**(2,038)**	**(2,692)**	**(592)**	**(611)**	**(824)**	**81**	**39**	**53**	**(2,334)**	**(2,610)**	**(3,463)**
Operating profit before depreciation, amortisation and impairment (EBITDA)	**561**	**376**	**528**	**97**	**68**	**90**	**(15)**	**(10)**	**(16)**	**643**	**433**	**601**
Other gain/(loss)	4	(48)	(12)	(1)	-	-	-	-	-	3	(48)	(12)
Depreciation	(283)	(196)	(262)	(40)	(13)	(17)	(0)	-	-	(323)	(208)	(279)
Amortisation	(17)	(24)	(32)	(28)	(25)	(34)	-	-	-	(46)	(49)	(67)
Operating profit (EBIT)[1)]	**265**	**108**	**222**	**27**	**30**	**39**	**(15)**	**(10)**	**(16)**	**277**	**128**	**244**
Share of profit from joint ventures and associates	0	1	2	(0)	0	0	0	-	(0)	0	1	2
Financial income/(expenses)	(209)	(102)	(164)	(47)	(3)	(14)	31	19	9	(225)	(86)	(169)
Profit before tax	**56**	**7**	**60**	**(19)**	**27**	**25**	**16**	**9**	**(7)**	**52**	**44**	**78**
Tax income/(expense)	14	(19)	(20)	(5)	(9)	(3)	(0)	(2)	4	9	(31)	(20)
Profit for the period	**70**	**(12)**	**40**	**(24)**	**18**	**22**	**16**	**7**	**(4)**	**61**	**13**	**58**
Profit for the period attributable to:												
Owners of the parent	61	(14)	35	(26)	16	20	16	7	(4)	51	9	52
Non-controlling interests	9	2	5	1	3	1	-	-	(0)	10	5	6

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

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

USD million	Goodwill	Customer relations/contracts	Other intangible assets	Total intangible assets
2019				
Cost at 1 January	350	421	49	819
Adjustment of purchase price allocation	(3)	-	-	(3)
Additions	-	-	5	5
Disposal	-	-	(1)	(1)
Currency translation adjustment	-	-	(1)	(1)
Cost at 30 September	**346**	**421**	**51**	**818**
Accumulated amortisation and impairment losses at 1 January	-	(91)	(16)	(107)
Amortisation	-	(42)	(3)	(46)
Accumulated amortisation and impairment losses at 30 September	**-**	**(133)**	**(19)**	**(153)**
Carrying amounts at 30 September	**346**	**287**	**32**	**665**

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

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Note 6 - Vessels, other tangible and leased assets

USD million	Property & land	Other tangible assets	Vessels & docking	Newbuilding contracts	Leased assets	Total tangible assets
2019						
Cost at 1 January	114	67	5,953	95	-	6,230
Additions	7	11	20	42	21	101
Implementation IFRS 16	-	-	-	-	861	861
Reclassification	4	(6)	(2,198)	(72)	2,272	-
Disposal	(7)	(7)	(15)	-	(2)	(31)
Currency translation adjustment	(3)	(1)	-	-	(5)	(9)
Cost at 30 September	**115**	**65**	**3,760**	**65**	**3,147**	**7,152**
Accumulated depreciation and impairment losses at 1 January	(2)	(15)	(988)	-	-	(1,005)
Depreciation	(7)	(9)	(128)	-	(178)	(323)
Disposal	7	6	15	-	1	29
Reclassification	(1)	2	186	-	(187)	-
Currency translation adjustment	1	0	-	-	0	2
Accumulated depreciation and impairment losses at 30 September	**(2)**	**(16)**	**(916)**	**-**	**(364)**	**(1,297)**
Carrying amounts at 30 September	**114**	**49**	**2,844**	**65**	**2,783**	**5,854**

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

2019 material additions
In 2019 the group took delivery of the Post-Panamax vessel M/V Traviata with a capital expenditure of USD 39 million recorded in the quarter. Further, a revision of T/C contracts for one vessel, has increased the leased assets with USD 15 million in 2019.

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Cont. Note 6 - Vessels, other tangible and leased assets

Specification of leased assets

USD million	Property & land	Vessels	Vehicles	Other assets	Total leased assets
2019					
IFRS 16 implementation at 1 January	419	440	1	0	861
Existing financial leases under IAS 17[1)]	-	2,302	2	-	2,304
Total leases assets at 1 January	**419**	**2,742**	**3**	**0**	**3,165**
Additions	5	15	0	-	20
Change in lease payments	0	0	-	-	1
Disposal	(2)	-	(0)	-	(2)
Reclassification to tangible assets		(32)	-	-	(32)
Currency translation adjustment	(5)	-	(0)	(0)	(5)
Cost at 30 September	**417**	**2,725**	**3**	**0**	**3,147**
Accumulated depreciation and impairment losses at 1 January	-	-	-	-	-
Existing financial leases under IAS 17	-	(188)	(1)	-	(189)
Depreciation	(32)	(146)	(0)	(0)	(178)
Disposal	0	-	0	-	1
Reclassification to tangible assets	-	2	-	-	2
Currency translation adjustment	0		0	0	0
Accumulated depreciation and impairment losses at 30 September	**(31)**	**(331)**	**(2)**	**(0)**	**(364)**
Carrying amounts at 30 September	**386**	**2,394**	**2**	**0**	**2,783**

[1)] During third quarter, the group has reclassified some assets defined earlier as lease, to fixed assets.

During the year, an option to purchase a vessel was exercised, resulting in increased leased vessels and leasing commitments with USD 15 million. During the third quarter the transfer of ownership was effective, the vessel was reclassified from leased asset to tangible asset, resulting in a net decrease of USD 30 million in leased assets.

Note 7 - Financial income and expenses

USD million	Q3 2019	Q3 2018	YTD 2019	YTD 2018	2018
Financial income					
Interest income	2	2	7	7	9
Other financial items	0	2	1	4	4
Net financial income	**2**	**4**	**8**	**10**	**13**
Financial expenses					
Interest expenses	(48)	(41)	(147)	(118)	(161)
Interest rate derivatives - realised	(2)	(5)	(7)	(14)	(17)
Interest rate derivatives - unrealised	(19)	14	(71)	57	32
Other financial items	(1)	(1)	(4)	(3)	(8)
Net financial expenses	**(70)**	**(33)**	**(229)**	**(79)**	**(154)**
Currency					
Net currency gain/(loss)	4	(5)	1	(23)	(8)
Derivatives for hedging of foreign currency risk - realised	(1)	(1)	(30)	(28)	(30)
Derivatives for hedging of foreign currency risk - unrealised	(18)	1	13	34	16
Net currency	**(16)**	**(6)**	**(16)**	**(18)**	**(21)**
Financial derivatives bunker					
Unrealised bunker derivatives	11	-	12	-	(7)
Net bunker derivatives	**11**	**-**	**12**	**-**	**(7)**
Financial income/(expenses)	**(72)**	**(34)**	**(225)**	**(86)**	**(169)**

Note 8 - Shares

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

The annual general meeting on 25 April 2018, authorised the company to acquire up to 10% of own shares. In 2018, Wallenius Wilhelmsen purchased a total of 800,000 shares in the market to cover for management's share incentive program and for an employee share purchase program financially supported by "The Foundation for WW Group employees". In September 2019, 21,855 of own shares were used in the employee share purchase program.

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 third quarter was USD 0.08 compared with a USD 0.05 in the same quarter last year.

The company's share capital is as follows:	Number of shares	NOK million	USD million
Share capital 30 September 2019	423,104,938	220	28
Own shares 30 September 2019	764,009		

Note 9 - Dividend

Ordinary dividend of 6 cent per share, total of USD 25 million, was paid to the shareholders in May 2019. The Annual General Meeting also gave the board authority to pay a second dividend payment of up to USD 6 cents per share for a period limited in time up to the annual general meeting in 2020, but no longer than to 30 June 2020.

The board has decided to approve an additional dividend of 6 cent per share, totalling approximately USD 25 million. The dividend will have effect on retained earnings and other reserves in fourth quarter of 2019. In total, the dividend for financial year 2018 will total approximately USD 50 million.

Note 10 - Tax

The effective tax rate for the group will, from period to period, change dependent on the group gains and losses from investments inside the exemption method and tax exempt revenues from tonnage tax regimes. Tonnage tax is considered as operating expense in the accounts.

The group recorded a tax income of USD 14 million for the third quarter 2019, compared with an expense of USD 1 million the same quarter last year. The significant change is due to the withholding tax case in Korea. The Supreme Court in Korea rejected the 2010 withholding tax on dividends from EUKOR to Wilhelmsen Ships Holding Malta Ltd, which means that the win in Seoul High Court is final. Based on the 2010 court decision, the group will get a refund also for the similar case for period 2011-2015. The financial impact in the third quarter of the entire 2010-2015 withholding tax case is a tax payable income of USD 12.7 million. In addition, a reversal of USD 6.7 million in accrued withholding tax on dividends from EUKOR to Wilhelmsen Ships Holding Malta Ltd for the years 2016-2018 has been made. Total effect of this case in the third quarter is a tax payable income of USD 19.4 million.

Non-recognition of new deferred tax asset in the balance sheet related to tax losses in the Norwegian entities has on the other hand a negative effect. Future utilisation of such tax losses are uncertain and hence not recognised in the accounts.

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Note 11 - Interest-bearing debt

USD million	30 Sep 2019	30 Sep 2018	31 Dec 2018
Non-current interest-bearing debt	3,644	3,140	3,054
Current interest-bearing debt	493	564	530
Total interest-bearing debt	**4,138**	**3,704**	**3,584**
Cash and cash equivalents	513	545	484
Net interest-bearing debt	**3,625**	**3,159**	**3,100**

Repayment schedule for interest-bearing debt	Bank loans	Leasing	Bonds	Other	30 Sep 2019
Due in 2019	39	105	-	24	**168**
Due in 2020	157	303	9	2	**471**
Due in 2021	191	249	83	-	**522**
Due in 2022	171	246	211	-	**628**
Due in 2023 and later	1,059	1,275	-	14	**2,348**
Total interest-bearing debt	**1,617**	**2,177**	**302**	**41**	**4,138**

Reconciliation of liabilities arising from financing activities	31 Dec 2018	Cash flow	Debt assumed as part of acquisition	Foreign exchange movement	Amorti-sation	Other [1]	Reclass-ification	30 Sep 2019
Bank loans	1,409	235			1		(184)	1,461
Leasing commitments	1,274	125		(7)		722	(240)	1,874
Bonds	309	-		(8)	0	3	(10)	294
Bank overdraft / other interest-bearing debt	63	3					(50)	16
Total non-current interest-bearing liabilities	**3,055**	**363**	**-**	**(16)**	**1**	**725**	**(484)**	**3,645**
Current portion of interest-bearing liabilities	530	(643)	-	(1)	-	124	484	493
Total liabilities from financing activities	**3,584**	**(280)**	**-**	**(16)**	**1**	**849**	**-**	**4,138**

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

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

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

Wallenius Wilhelmsen

Note 12 - IFRS 16 - Leases

The new IFRS 16 Leasing standard was effective from 1 January 2019. The standard significantly changes how the group accounted for its lease contracts for vessels, land, buildings and equipment previously accounted for as operating leases. Virtually all leases are brought into the balance sheet increasing the groups assets and liabilities, in addition to affecting income statement figures. This note summarises the impact on the financial reporting of Wallenius Wilhelmsen group from implementing the new standard. The new standard has no impact on the covenant requirements of the group.

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 are 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 are not restated, but the cumulative effect of initially applying this standard is reflected as an adjustment to the opening balance. At the time of transition, leases entered under IAS 17 are not reassessed.

Since 1 January 2019, the lease liabilities are measured at the present value of remaining lease payments, discounted using the incremental borrowing rate at such date. The right-of-use assets are 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 are not applied to leases of intangible assets and these will continue to be recognised in accordance with IAS 38 Intangible assets.
- All leases deemed short-term (<12 months) by the standard are exempt from reporting.
- All leases deemed to be of low value by the standard, or considered insignificant to the group, are exempt from reporting, which are mainly office equipment and company cars.
- Non-lease components are separated from the lease component in all vessel leases. For other lease agreements, the group will apply a materiality threshold when evaluating separation.

USD million

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

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

Reconciliation of lease commitment and lease liability

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

[1)] Mainly related to current vessel leases.

Note 12 - IFRS 16 - Leases

IFRS 16 effect income statement

	Ocean		Landbased		Total[1]	
USD million	Q3 2019	YTD 2019	Q3 2019	YTD 2019	Q3 2019	YTD 2019
Operating expenses	31	93	11	32	41	125
Operating profit before depreciation, amortisation and impairment (EBITDA)	**31**	**93**	**11**	**32**	**41**	**125**
Depreciation and amortisation	(27)	(83)	(9)	(28)	(36)	(111)
EBIT	**4**	**9**	**2**	**4**	**5**	**14**
Interest expense	(5)	(16)	(5)	(15)	(10)	(31)
Profit for the period	**(2)**	**(7)**	**(3)**	**(10)**	**(5)**	**(17)**

[1] There are no leases in the Holding segment

Expected future impact on the income and cash flow statement

IFRS 16 Leasing has a significant impact on the income statement in 2019. The estimated reduction of annual lease expense gives an improvement of EBITDA of approximately USD 166 million. Annual depreciation expense of leased assets will increase approximately USD 148 million. Annual net interest expense will increase approximately USD 40 million. IFRS 16 has been implemented in the reporting from the operating segments.

Reconciliation of alternative performance measures

Definitions of Alternative Performance Measures (APMs)
This section describes the non-GAAP financial alternative performance measures (APM) that are used in the quarterly and annual reports.

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

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

EBITDA adjusted is defined as EBITDA excluding 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 amortisation. EBIT is used as a measure of operational profitability excluding the effects of how the operations were financed, taxed and excluding foreign exchange gains & losses.

EBIT adjusted is defined as EBIT excluding 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.

Wallenius Wilhelmsen

Reconciliation of alternative performance measures

USD million

	Q3 2019	Q3 2018	YTD 2019	YTD 2018	2018
Reconciliation of Total income to EBITDA and EBITDA adjusted					
Total income	955	1,031	2,977	3,043	4,065
Operating expenses excluding other gain/(loss)	(741)	(879)	(2,334)	(2,610)	(3,463)
EBITDA	**213**	**152**	**643**	**433**	**601**
EBITDA Ocean	188	132	561	376	528
Restructuring costs	-	-	-	3	3
Loss on sale of tangible assets	-	-	-	1	1
EBITDA adjusted Ocean	**188**	**132**	**561**	**379**	**532**
EBITDA Landbased	29	23	97	68	90
Gain on sale of tangible assets	-	-	-	(0)	(0)
EBITDA adjusted Landbased	**29**	**23**	**97**	**67**	**89**
EBITDA Holding/Eliminations	(4)	(3)	(15)	(10)	(16)
Restructuring costs	-	-	-	2	2
EBITDA adjusted Holding/Eliminations	**(4)**	**(3)**	**(15)**	**(8)**	**(15)**
EBITDA adjusted	**213**	**152**	**643**	**438**	**606**
Reconciliation of Total income to EBIT and EBIT adjusted					
EBITDA	213	152	643	433	601
Other gain/loss	2	(9)	3	(48)	(12)
Depreciation and amortisation	(121)	(87)	(369)	(257)	(345)
EBIT	**94**	**56**	**277**	**128**	**244**
Restructuring costs	-	-	-	5	5
Gain on sale of other tangible assets	-	-	-	0	0
Derivative financial asset	(2)	9	(4)	48	12
EBIT adjusted	**92**	**65**	**273**	**181**	**261**

	Quarter average		Yearly average		
Reconciliation of total assets to capital employed and ROCE calculation and return on equity calculation	Q3 2019	Q3 2018	Oct 2018-Sep 2019	Oct 2017-Sep 2018	31 Dec 2018
Total assets	8,084	7,503	7,928	7,655	7,638
Total liabilities	5,199	4,671	5,052	4,843	4,776
Total equity	**2,885**	**2,832**	**2,876**	**2,812**	**2,863**
Total interest-bearing debt	4,239	3,714	4,377	3,708	3,674
Capital employed	**7,124**	**6,546**	**7,253**	**6,520**	**6,537**
EBIT annualised	369	237	393	221	244
ROCE	**5.2%**	**3.6%**	**5.4%**	**3.4%**	**3.7%**
Profit for the period annualised	143	83	106	99	58
Return on equity	**5.0%**	**2.9%**	**3.7%**	**3.5%**	**2.0%**

	30 Sep 2019	30 Sep 2018	31 Dec 2018
Net interest-bearing debt			
Cash and cash equivalents	513	545	484
Non-current interest bearing debt	3,644	3,140	3,054
Current interest-bearing debt	493	564	530
Net interest-bearing debt	**3,625**	**3,159**	**3,100**