

Q2 and First Half Year 2020 Report



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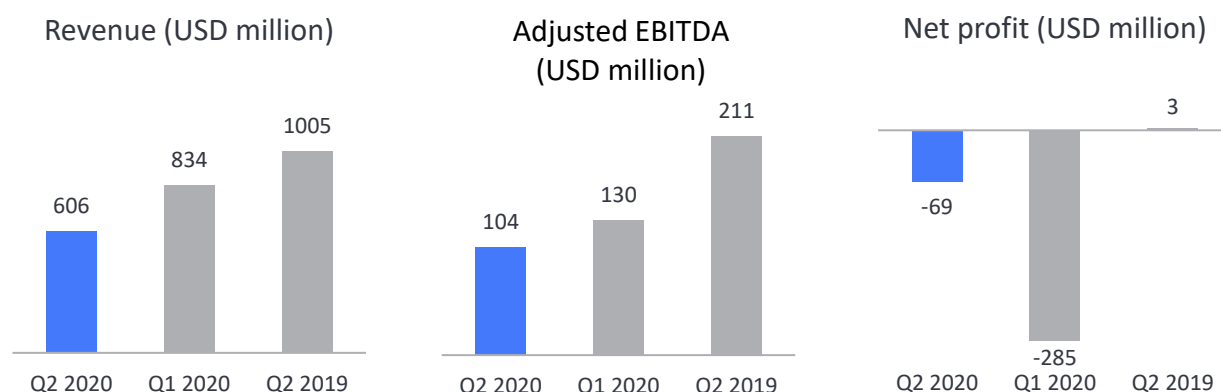
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Highlights second quarter 2020

- Wallenius Wilhelmsen is taking a preventative and proactive approach to the Covid-19 crisis, with priority on the welfare of our employees and community, as well as the needs of our customers
- Adjusted EBITDA of USD 104 million, as volumes and income for the group were highly impacted by the evolution of the Covid-19 pandemic and measures taken to try to reduce its spread. This was somewhat balanced by effective cost control, higher net freight per CBM and low net bunker costs
- Ocean volume declined 45% y-o-y, but decisive action to adjust fleet capacity and reduce costs contributed to bolster earnings
- Performance in Landbased fell as a result of lower volumes, strongly impacted by OEM plant closures and production cutbacks
- USD 539 million in cash, up from USD 451 million at end of first quarter, supported by measures put in place to protect and strengthen cash flow
- Provisions increased by USD 55 million related to updated estimates of customer claims related to the antitrust case

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

“As the pandemic and its impact on people, societies and business around the world continues to evolve, we have successfully taken a range of actions to ensure safe workplaces, adjust capacity, reduce costs and protect our cash position. Though the future remains unpredictable, we are encouraged to see volumes beginning to return and are now focused on supporting our customers through the market recovery whilst maintaining tight cost control.”



Consolidated results and key figures – second quarter 2020

Adjusted EBITDA for the second quarter was USD 104 million, a decline of 51% compared to same period last year. Results were negatively impacted by lower volumes but got a significant boost from low net bunker costs.

USD million	Q2 2020	Q1 2020	% change Q-o-Q	Q2 2019	% change Y-o-Y
Total income	606	834	-27%	1005	-40%
EBITDA	42	130	-68%	211	-80%
EBIT	(45)	(132)	n.a.	88	n.a.
Profit for the period	(69)	(285)	n.a.	3	n.a.
EPS ¹⁾	(0.15)	(0.65)	n.a.	(0.00)	n.a.
Net interest-bearing debt	3 437	3 554	-3%	3 851	-11%
ROCE	(2.7%)	(1.4%)	n.a.	4.9%	n.a.
Equity ratio	34.4%	34.6%	n.a.	35.3%	n.a.
EBITDA adjusted	104	130	-20%	211	-51%

1) After tax and non-controlling interests

Consolidated results

The Covid-19 pandemic has, since the onset of the year, had a significant impact on the world economy and especially on intercontinental trade patterns. We saw some impact already in the first quarter this year, and during the second quarter volumes and income of the group have been highly impacted by the evolution of the pandemic and measures taken to try to reduce its spread. The group took decisive action early on to adjust capacity, reduce costs and preserve cash. In particular, vessels available for redelivery at end of charter contracts were redelivered, 15 vessels have been put in cold lay-up, sailings rationalised and speed was reduced to further take out capacity. For the landbased business, it was unfortunately necessary to temporarily lay-off production workers as production was halted across a number of sites in an effort to curb the spread of Covid-19. Furthermore, the company took steps to limit capex and reduce spending on various SG&A items. These adjustments and the continued adaptation to the change in volumes has been made possible through close cooperation with customers and tireless efforts from the group's employees across the globe. Together, the actions taken have contributed to a significant reduction of costs and preservation of cash so far through this challenging period.

Total income in the second quarter was USD 606 million, down 40% compared to the same period last year as a result of lower revenues in both the ocean and landbased segments. The decrease in ocean and landbased revenues was a result of lower volumes across all trade lanes and product segments, though ocean income benefitted from a higher net freight per CBM due to favourable cargo mix with a substantial share of high and heavy cargo. Ocean volumes were down 45% y-o-y. The landbased volumes were sharply affected by OEM plant closures and production cutbacks. Compared to the first quarter, total income for the group was down 27%.

Adjusted EBITDA in the second quarter of 2020 was USD 104 million, a decline of 51% compared to the same quarter last year. Both the ocean and landbased segment declined mainly as a result of lower volumes.

EBITDA was also affected by two items not included in the adjusted EBITDA; an increase to the anti-trust provision impacted the ocean segment EBITDA negatively by USD 55 million (further explained below). Furthermore, EBITDA was negatively impacted by USD 7 million related to already paid instalments towards planned scrubber installations that have been cancelled and the instalments foregone. With these effects, EBITDA ended at USD 42 million.

Compared to the first quarter, adjusted EBITDA dropped by 20% as a result of the lower volumes in both the ocean and landbased segment.

During the second quarter the value of the net derivative arising from the put-call arrangement in the shareholder agreement for EUKOR increased by USD 26 million, recognised as a gain under Other gain/(loss) in the income statement. The gain for the quarter is mainly explained by an increase in the estimated value of the EUKOR shares driven by higher estimated cash flows. The financial derivative is recognised as an other non-current asset and has a carrying value of USD 111 million at the end of second quarter 2020.

Net financial expenses were USD 30 million in the second quarter, down from USD 153 million in the previous quarter, as negative unrealised mark-to-market movements on derivatives were significantly lower. Interest expense including realised interest derivatives was USD 36 million, down by USD 15 million from USD 51 million in the second quarter of 2019, and down by USD 12 million compared to the previous quarter. Net financial expenses were affected by USD 10 million negative impact from unrealised interest rate derivatives. On the other side, there was a USD 20 million unrealised gain on FX derivatives, as the NOK gained some strength versus the USD over the quarter, impacting the basis swaps in place for two of the outstanding bonds. Bunker derivatives had a marginally negative effect on financial expenses of USD 2 million in total, of which USD 6 million was a realised loss and USD 5 million was an unrealised gain.

The group recorded a tax income of USD 6 million for the second quarter 2020, compared with an expense of USD 3 million the same quarter last year. The tax income in second quarter is due to recognition of deferred tax assets related to tax losses in the landbased segment.

The average Return on Capital Employed (ROCE) in the second quarter was -2.7%, compared to 4.9% in the second quarter of 2019.

Capital and financing

The equity ratio was 34.4% at the end of the second quarter, unchanged from the previous quarter. Cash and cash equivalents at the end of the second quarter was USD 539 million, up from USD 451 million in the first quarter. In addition, Wallenius Wilhelmsen had USD 244 million in undrawn credit facilities. Net interest-bearing debt was USD 3 437 million at the end of the second quarter, down from USD 3 554 at the end of the first quarter of 2020.

Due to the impact of site closures in the landbased business as a result of measures to reduce the spread of COVID-19, Wallenius Wilhelmsen noted in the Q1 2020 report that there was a risk of a breach of a NIBD/EBITDA covenant in a revolving credit facility for the group's subsidiary WW Solutions per end of the second quarter of 2020. The company has reached an agreement with the relevant lenders to waive this covenant for the remainder of 2020 before it is gradually reset in 2021.

For the ocean business, to strengthen the cash position during the period of reduced activity, the company has agreed with the banks of WW Ocean to defer instalments of about USD 70 million, previously scheduled for the second half of 2020.

Anti-trust update

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 2020, while the timeline for the resolution of civil claims is more uncertain. In the second quarter, USD 55 million was recognised as an operating expense in the income statement. The increase is related to updated estimates of outstanding customer claims related to the antitrust case. The provision related to customer claims is based on management's assessment of timing and amount and is by nature uncertain. At the time of publication of these interim financial statements, no further substantial customer claims are expected beyond what is currently provisioned for. In total, USD 246 million in provision remains to cover expected pay-outs related to jurisdictions with ongoing anti-trust proceedings and potential civil claims as of 30 June 2020. The ongoing investigations of WW Ocean and EUKOR are confidential, and Wallenius Wilhelmsen is therefore not able to provide more detailed comments.

Volume outlook

The COVID-19 pandemic is affecting demand for vehicles and equipment, disrupting supply chains and production patterns and affecting the group's operations. Business volumes have been driven sharply down by closures and cuts in customer production due to Covid-19 measures and impact. The group has taken a range of actions to adjust capacity, reduce costs and protect our cash position through this turbulent phase. The drop in volumes has created excess capacity in the industry, which is likely to persist for some time and delay any rate improvements. Measures taken to recycle, lay-up, idle and slow-steam ships will go some way in countering this effect. The group is expecting a reduction in ocean volumes of around 25% for third quarter of 2020 compared to third quarter of 2019.

Ocean operations

Adjusted EBITDA for the second quarter was USD 104 million, down by 43% compared to the same quarter last year. Prorated volumes fell 45%.

USD million	Q2 2020	Q1 2020	% change Q-o-Q	Q2 2019	% change Y-o-Y
Total income	495	652	-24%	800	-38%
EBITDA	42	113	-63%	184	-77%
EBIT	(19)	(85)	n.a.	84	n.a.
Volume ¹ ('000 cbm)	9 405	12 971	-27%	17 009	-45%
High & heavy share ²	40.3%	31.2%	32.2%	30.5%	29%
EBITDA adjusted	104	113	-8%	184	-43%

1) Prorated

2) Based on unprorated volumes

Total income and EBITDA

Total income was USD 495 million in the second quarter, down 38% compared to the same period last year. The decline in ocean revenues was driven by lower volumes, which were down 45% y-o-y due mostly to the impact of the Covid-19 pandemic. However, the drop in volume was partly offset by a significant increase in the net freight per CBM, as a result of the high and heavy volumes holding up better than auto volumes. Compared to the first quarter, total income was down 24%.

Volumes declined across all the main trades compared to the same period last year. The Asia-Europe trade was down 33% compared to the second quarter of 2019, with lower volumes for both auto and high-and-heavy, although activity was picking up slightly in June. The Europe-Asia trade was down by 59% y-o-y, impacted by the closure of factories in Europe from the end of March combined with a contract that was not renewed in late 2019, making it one of the hardest hit trade lanes together with the Oceania trade. The Oceania trade was down 61% compared to same period in 2019, as a result of both auto and high and heavy volumes declining, and also affected by an auto contract which was not renewed with effect from November 2019. Volumes in the Asia-North America trade declined by 35% with auto shipments leading the decline. Volumes in the Atlantic were down by 47%, with both auto and high and heavy weakening due to factory closures in Europe.

The high & heavy share, based on un-prorated volumes, was 40.3%, up from 30.5% in the second quarter last year, as high & heavy volumes held up better than auto volumes.

Adjusted EBITDA for the second quarter ended at USD 104 million, down 43% compared to second quarter last year. EBITDA was negatively impacted by the large drop in volumes, which was to some extent countered by significant cost savings measures, and furthermore benefitted from a significant positive effect from lower net bunker cost (bunker cost less surcharge revenue). Compared to the second quarter of 2019, net bunker cost fell by USD 77 million. Adjusting for volume effects (less cargo carried and less bunker consumed), the impact from net

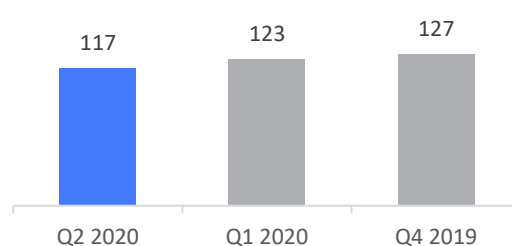
bunker cost is still high at around USD 35 - 40 million. Compared to the first quarter of 2020, adjusted EBITDA declined by merely 8%, as the drop in volume was offset by higher net freight per CBM and lower net bunker cost (when adjusting for volume effects). The large effect on the net bunker cost is mainly due to bunker prices used for surcharge calculations being based on average bunker prices in the previous period, creating a lag effect compared to the bunker price consumed in the period. When prices decline, as they did sharply during the spring of 2020, the lag effect is positive as surcharge paid is based on higher prices than those consumed. If prices increase during a period, the effect will be the opposite.

Wallenius Wilhelmsen fleet

In the second quarter, Wallenius Wilhelmsen controlled a fleet of 117 vessels at the end of the quarter, down from 123 at the beginning of it. Of the six vessels available for redelivery in 2020 per end of Q1 2020 (excluding vessels on short charter), three have been redelivered in the quarter and three have been extended. The company has the flexibility to redeliver another three vessels during 2021, and another four during 2022.

Vessel number three (8000 CEU) in the Post-Panamax newbuilding programme of total four vessels is expected to enter service Q3 2020 and the fourth is scheduled for delivery in Q1 2021. The outstanding instalments for these vessels amount to about USD 80 million. The newbuildings are financed through secured bank facilities.

WALWIL controlled fleet (# of vessels)



Source: Wallenius Wilhelmsen

Landbased operations

EBITDA for the first quarter of 2020 was USD 2 million, down 93% compared to second quarter of 2019 as a result of lower volumes.

USD million	Q2 2020	Q1 2020	% change Q-o-Q	Q2 2019	% change Y-o-Y
Total income	126	205	-39%	235	-46%
EBITDA	2	21	-88%	35	-93%
EBIT	(23)	(42)	n.a.	11	n.a.
EBITDA adjusted	2	21	-88%	35	-93%
EBITDA by segment					
Solutions Americas (auto)	(5)	10	n.a.	17	n.a.
Solutions Americas (H&H)	3	3	-1%	6	-44%
Solutions APAC/EMEA	0	2	-82%	4	-91%
Terminals	6	9	-26%	10	-39%
Other	(2)	(3)	n.a.	(3)	n.a.

Total income and EBITDA

Total income in the second quarter was USD 126 million, down 46% compared to the same period last year. Plant closures, as a direct consequence of Covid-19, have impacted volumes across all segments. Compared to the first quarter of 2020, revenue was down 39%.

EBITDA for the second quarter was USD 2 million, a decline of 93% compared to the second quarter last year, as a result of the volume drop, to some extent countered by measures to reduce costs. Compared to the first quarter, EBITDA fell 88%.

Solutions Americas – Auto was hardest hit, and EBITDA ended at negative USD 5 million this quarter. Lower volumes as a consequence of plant closures was the key driver. Syngin was less affected and continued to contribute positively.

EBITDA for Solutions Americas – H&H was USD 3 million. EBITDA came down in line with lower revenue driven by to lockdowns and supply chain disruptions.

EBITDA for Solutions – APAC/EMEA was USD 0.4 million. EBITDA declined as revenue was negatively impacted by Covid-19, but was also affected by the move of the Thailand business activities into the MCV Logistics Solutions JV launched in April.

EBITDA for the Terminals was USD 6 million. Revenues were down 35% year on year driven by a 50% drop in volumes. EBITDA reflects the reduced volumes, but also had some positive impact from cost-saving initiatives.

Consolidated results – first half of year 2020

Adjusted EBITDA for the first half of the year was USD 234 million, down by 46% compared to same period last year driven by lower volumes.

USD million	1H 2020	1H 2019	% change
Total income	1439	2022	-29%
EBITDA	172	430	-60%
EBIT	(176)	183	n.a.
Profit for the period	(353)	25	n.a.
EPS ¹⁾	(0.80)	0.04	n.a.
Net interest-bearing debt	3 437	3 851	-11%
ROCE ²⁾	(5.3%)	5.0%	n.a.
Equity ratio	34.4%	35.3%	-3%
EBITDA adjusted	234	430	-46%

1) After tax and non-controlling interests

2) ROCE calculated as annualised EBIT adjusted for non-recurring items minus restructuring costs divided by average CE in the quarter

Total income was USD 1 439 million in the first half of 2020, substantially down compared to the same period last year. The revenues have decreased in line with volumes (-33% compared to the first half of 2019) but were somewhat bolstered by higher net freight per CBM due to an increasing high & heavy share. Ocean volumes were down for all trades, especially for the auto segment.

Adjusted EBITDA ended at USD 234 million in the first half of 2020, down by USD 196 million from the same period previous year, in line with the decrease in revenues, but was to some extent offset by lower net bunker cost (when adjusting for volume effects).

EBITDA was affected by some items not included in the adjusted EBITDA of total USD 62 million in the second quarter, as described in the quarterly review. With these effects, EBITDA ended at USD 172 million.

Furthermore, there were some items impacting the result below EBITDA. In the first quarter, Wallenius Wilhelmsen recognised impairment losses of USD 84 million, of which USD 44 million is related to four vessels that will be recycled, and USD 40 million was related to an impairment charge on the goodwill allocated to the landbased activities. The main reason for the impairment was the downward adjustment of the forecast for this segment, coupled with a reduction of the anticipated growth rate. In addition, the put-call arrangement described in the quarterly review had a change in value of USD 35 million during the first half, recognised as a loss under Other gain/(loss) in the income statement.

Net loss amounted to USD 353 million for the first half of 2020 compared to a profit of USD 25 million in 2019.

Market update

Auto sales in the second quarter declined 34.7% y-o-y as Covid-19 made its impact in North America and Europe with significant lost sales volume. High & heavy trade was also weak as the effects of the pandemic became visible.

Auto markets

Total light vehicle (LV) sales in the second quarter decreased 34.7% compared to the corresponding period last year and was down 14.2% from the previous quarter. Government efforts to curb the Covid-19 virus via “stay-home” policies contributed to significantly reduced LV sales in North America and Europe. The world slowly shifts from containment to learning how to adapt and live with the virus which lead to slower declines at the end of the quarter.

North American sales declined 38.4% y-o-y (down 20.9% q-o-q) as only partial lock-down has kept activity at a certain level.

LV production issues has led to shortage on some models. Retail sales performed better than fleet sales in the US.

Sales in Europe declined 52.0% y-o-y and 35.5% q-o-q. Measures taken to contain the Covid-19 virus reduced economic activity, which contributed to a significant drop in sales in Q2. Several automakers have been struggling to get vehicles compliant to the EU WLTP emission testing scheme and some vehicles have also been subject to increased taxes. The market was negatively impacted by continued UK Brexit downside risks and uncertainty around diesel vehicles. Q2 sales down 56.0 % y-o-y in Russia.

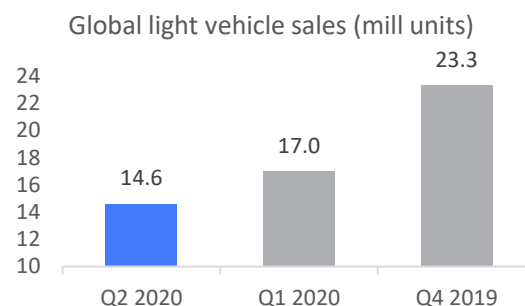
The Chinese LV sales rebound in Q2 after having been notably disrupted by Covid-19 in Q1. For Q2 sales were up 1.1% y-o-y. Compared to the previous quarter, sales were up 70.5%. Pent-up demand and governmental stimulus like continued new energy vehicle subsidies, cash subsidies and new licence plates in selected cities fuelled sales.

The Brazilian market declined 68% y-o-y during Q2.

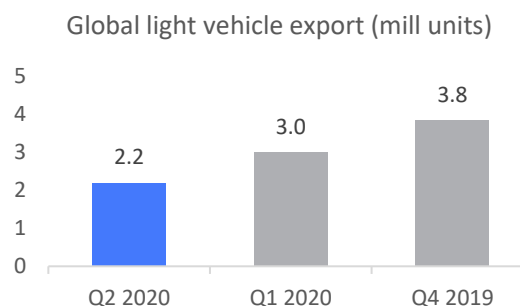
Total exports in the second quarter were down 41.8% compared to the corresponding period last year and down 27.0% from the previous quarter.

Exports out of North America were down 40.7% y-o-y (down 27.3% q-o-q), as lower sales were seen in particular in Europe.

European exports declined 36.7% y-o-y and 15.9% q-o-q. Largest contributor to the drop was North America, the largest export region for Europe.



Source: IHS Markit / LMCA



Source: IHS Markit / LMCA

Japanese exports in the second quarter declined 39.4% y-o-y (down 24.1% q-o-q), with volumes exported to main regions North America and Europe significantly down. Exports out of South Korea declined 41.7% y-o-y and 24.9% q-o-q, with notable reduced volume to all regions. Chinese exports were down 59.2% y-o-y (down 58.5% q-o-q).

High and heavy markets¹

The negative momentum in the high & heavy segment accelerated in the quarter as the effects of the pandemic were reflected in trade volumes around the globe. Exports of construction, mining and farm machinery declined 29% compared to last year as all major exporting regions experienced demand reduction.

Global construction and rolling mining equipment exports decreased 29% from last year, with export volumes contracting to all destination regions. Construction activity² suffered in most parts of the world with the increase in restrictive and protective measures imposed in the quarter. The Eurozone construction PMI fell to an all-time low of 15.1 in April but has since rebounded strongly to a June reading of 48.3. The construction sectors in France, Italy and the UK have all returned to growth per June, while data showed a sustained downturn in Germany with an ongoing weakness in new orders. US construction spending decreased 0.7% from May to June, though a more moderate decline compared to the 3.4% recorded in April. The Australian construction PCI (PMI) remained strongly negative with a reading of 35.5 in June, but the rate of contraction has eased considerably since the record low of 21.6 experienced in April.

Global mining equipment deliveries declined another 42% y-o-y, the fifth consecutive quarter of reduced demand compared to the previous year. The contraction amounted to only 8% compared to the previous quarter. The geographic picture was mixed, as all regions except Australia and Africa experienced reduced demand compared to 2019. The Australian market has now recorded 13 consecutive quarters of growth. While global deliveries remain more than 60% above the cycle bottom from the second quarter of 2016, deliveries are now assumed to be below long-term replacement requirements.

Global exports of farm machinery declined 31% compared to last year as volumes to all destination regions except Asia contracted strongly. Most key markets experienced reduced end-market demand for agriculture equipment in the second quarter³. UK and German tractor registrations declined 38% and 25% y-o-y respectively, as the full effects of the pandemic were felt across Europe. US large tractor sales declined 9% y-o-y in the quarter despite market stabilization in June, but farmer sentiment continued to rebound from the April low. Brazilian sales declined in the months of April and June, giving a combined contraction a 9% y-o-y in the period. Australian sales of high-horsepower tractors lifted a very significant 43% compared to last year as instant asset write-off measures and a very strong harvest outlook supported farmer optimism.

Global machinery and equipment manufacturing contracted again in June, with a Global Machinery & Equipment PMI⁴ reading of 45.4. This is an improvement over the May trough of 41.8, and activity levels in the sector are now only moderately below the average of 46.7 recorded over the last twelve months.

¹IHS Markit | All import/export data refer to the three-month rolling period ending in May 2020 and is limited to countries that have reported customs data as per 03.08.2020

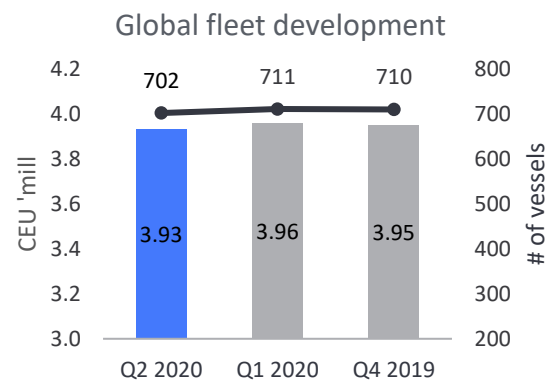
²IHS Markit, U.S. Bureau of Census, Ai Group

³AEM, TMA, ANFAVEVA, AEA, VDMA | US Large Tractors (2WD 100+HP & 4WD), Australia Large tractor (100+HP), Brazil (All), UK (50+HP), Germany (+70kW)

⁴IHS Markit

Global fleet

The global car carrier fleet (>1 000 CEU) totalled 702 vessels with a capacity of 3.93 million CEU at the end of the second quarter. During the quarter one vessel was delivered, while nine vessels were recycled. No new order was confirmed in the period (for vessels >4000 CEU). The orderbook for deep-sea vehicle carriers (>4000 CEU) counts 14 vessels, which amounts to about 3% of the global fleet capacity.



Source: Clarksons

Health, safety and environment

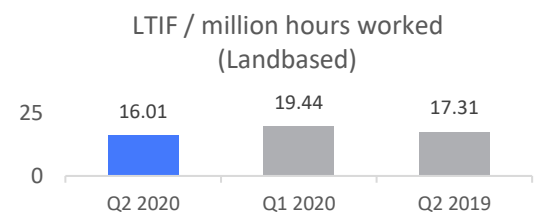
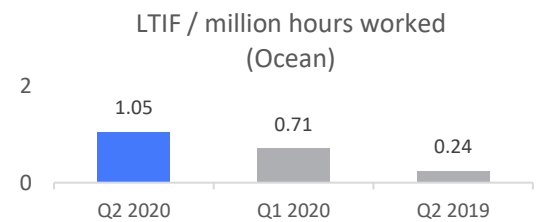
Ocean LTIF increased compared to the previous quarter, while the landbased LTIF developed positively. Fleet CO₂ emissions relative to cargo work increased with about 10% relative to the same quarter last year, impacted by lower volumes and increased idling.

Health & safety

From the start of the Covid-19 outbreak, the group has adopted a precautionary approach, putting in place policies, processes and tools to protect employees, customers and business partners and help limit any spread in the community.

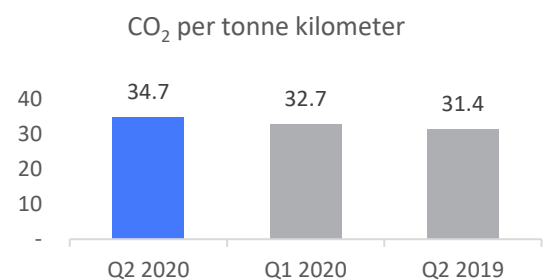
The Ocean LTIF has fluctuated continuously over the past 12 months, with no clear trend or systematic background to the events observed. LTIF for this quarter increased compared to the previous quarter and the same period last year.

Landbased LTIF showed a positive development in the second quarter, compared to both previous quarter and the second quarter of 2019, a result of management measures being taken to address key safety hazards. The majority of issues in this quarter were related to a specific site, where identified hazards are being addressed with a high & heavy lashing academy to retrain staff and a driver re-education initiative.



Environment

The total CO₂ emitted for the quarter was about 36% lower than the same period last year. However, since the corresponding total cargo work done decreased by about 42% measured in tonne kilometres, the decrease in both factors when combined resulted in an increase of about 10% of grams of CO₂ emitted per tonne kilometre. The increase was mainly a result of less cargo and increased idling across the fleet.



In June Wallenius Wilhelmsen launched the 'Lean:Green Works' programme, a collection of sustainability projects and campaigns that all employees were encouraged to volunteer for. This offers employees an opportunity to apply their professional skills in an area that many feel passionate about, giving a good sense of purpose and personal growth. It also enables the company to advance its sustainability agenda and create business value on a broader range of issues than would otherwise be the case.

Risk update

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

Main risk factors

Wallenius Wilhelmsen is exposed to a variety of risks through its worldwide ocean and landbased operations and a global organisation, including financial risk, market and commercial risk, operational risk, environmental and safety risk and regulatory risk. For a thorough explanation of the risk factors, please refer to pages 31 - 34 and note 23, page 145 - 153 in the Wallenius Wilhelmsen Annual report 2019.

The ongoing COVID-19 pandemic represents a specific, substantial risk affecting a range of aspects of the group's business, and has caused increased risks and uncertainties both short term and long term. Examples of risks that could materialise include disruptions to operations and lower demand for ocean transportation and landbased services, which in turn may impact the group's financial results and cash flow. Preventive and contingency measures have been put in place across the company to safeguard employees while ensuring continuity of operations. Furthermore, the group has taken a range of actions to adjust capacity, reduce costs and protect its cash position, and continues to manage and monitor financial effects of the pandemic.

Demand for the ocean and landbased service offerings are cyclical and closely correlated with global economic activity in general and deep-sea transportation of automotive and high and heavy equipment in particular. Changes in the global economy are therefore highly decisive for the development of Wallenius Wilhelmsen's volumes and financial performance. Risks may include trade tensions and other geopolitical tensions, and events such as spread of illnesses or other events that cause a threat to the health and well-being of our employees, customers and wider communities that may cause disruptions to operations, supply chains or customer demand. Furthermore, changes in the geographical pattern of the production of automotive and high and heavy equipment may affect the overall demand for deep-sea ocean transportation

The main operational risks for Wallenius Wilhelmsen include tonnage imbalance, trade imbalance, vessel incidents, and adverse weather conditions. Through the increased digitalisation of the operations of Wallenius Wilhelmsen, the company will also become more vulnerable to cyber risks. Furthermore, Wallenius Wilhelmsen is, by the nature of its activities, exposed to environmental and safety risks arising from both its ocean and landbased operations.

The main financial risk exposures for Wallenius Wilhelmsen are interest rate risks, currency risks, and fuel oil price development. These risks are described in detail in the Annual Report, note 23 to the accounts on page 145 – 153.

Prospects

In the very near term the company is impacted by a sharp drop in volumes driven by measures taken globally to fight the Covid-19 pandemic. The drop in volumes has created excess capacity in the industry, which is likely to persist for some time, delaying market improvements. Measures taken to recycle, lay-up, idle and slow-steam ships will go some way in countering this effect.

Wallenius Wilhelmsen is undertaking significant measures to reduce costs and strengthen liquidity. Together with an efficient and flexible cost base and starting from a strong financial situation going into this, the company is well prepared to manage through this unprecedented market situation.

Responsibility statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2020 have been prepared in accordance with IAS 34 – Interim Financial Reporting and gives a true and fair view of the group's assets, liabilities, financial position and profit as a whole.

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

Lysaker, 18 August 2020

The board of directors of Wallenius Wilhelmsen ASA

Håkan Larsson – Chair

Rune Bjerke – Vice Chair

Margareta Alestig

Anna Felländer

Jonas Kleberg

Marianne Lie

Thomas Wilhelmsen

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.

Consolidated statement of profit or loss

USD million	Notes	Q2 2020	Q2 2019	1H 2020	1H 2019	2019
Total income	3	606	1,005	1,439	2,022	3,909
Operating expenses	3	(564)	(793)	(1,267)	(1,592)	(3,104)
Operating profit before depreciation, amortisation and impairment (EBITDA)		42	211	172	430	805
Other gain/(loss)	2	26	1	(35)	1	51
Depreciation and amortisation	4, 5	(112)	(124)	(229)	(247)	(498)
Impairment	4, 5, 6	-	(0)	(84)	(0)	-
Operating profit/(loss) (EBIT)		(45)	88	(176)	183	358
Share of profit/(loss) from joint ventures and associates		0	0	0	0	1
Interest income and other financial items		26	30	24	38	51
Interest expenses and other financial expenses		(56)	(113)	(207)	(191)	(297)
Financial items - net	7	(30)	(83)	(183)	(153)	(247)
Profit/(loss) before tax		(75)	6	(360)	30	112
Tax income/(expenses)	9	6	(3)	7	(5)	(10)
Profit/(loss) for the period		(69)	3	(353)	25	102
Profit/(loss) for the period attributable to:						
Owners of the parent		(63)	(1)	(339)	18	93
Non-controlling interests		(6)	4	(14)	7	10
Basic earnings per share (USD)	8	(0.15)	(0.00)	(0.80)	0.04	0.22

Consolidated statement of comprehensive income

USD million	Q2 2020	Q2 2019	1H 2020	1H 2019	2019
Profit for the period	(69)	3	(353)	25	102
Other comprehensive income:					
Items that may subsequently be reclassified to the income statement					
Changes in fair value of cash flow hedge instruments	-	(1)	-	2	2
Hedging gains reclassified to the income statement related to cash flow hedges	-	-	-	-	2
Currency translation adjustment	3	(1)	(6)	(1)	(0)
Items that will not be reclassified to the income statement					
Remeasurement pension liabilities, net of tax	-	-	-	-	(7)
Other comprehensive income for the period	3	(1)	(6)	1	(4)
Total comprehensive income for the period	(66)	1	(360)	26	99
Total comprehensive income attributable to:					
Owners of the parent	(60)	(4)	(345)	18	87
Non-controlling interests	(6)	5	(15)	8	11
Total comprehensive income for the period	(66)	1	(360)	26	99

Balance sheet

USD million	Notes	30 Jun 2020	30 Jun 2019	31 Dec 2019
ASSETS				
Non-current assets				
Deferred tax assets		85	114	92
Goodwill and other intangible assets	4, 6	593	679	652
Vessels, other tangible and leased assets	5, 6	5,600	5,955	5,806
Investments in joint ventures and associates		10	2	1
Other non-current assets	2	162	150	196
Total non-current assets		6,450	6,900	6,747
Current assets				
Bunkers/luboil		33	93	108
Trade receivables		280	534	420
Other current assets		132	129	123
Cash and cash equivalents		539	487	398
Assets held for sale	6	7	-	-
Total current assets		991	1,242	1,048
Total assets		7,441	8,142	7,796
EQUITY and LIABILITIES				
Equity				
Share capital	8	28	28	28
Retained earnings and other reserves		2,306	2,610	2,650
Total equity attributable to owners of the parent		2,334	2,639	2,678
Non-controlling interests		227	237	243
Total equity		2,561	2,876	2,921
Non-current liabilities				
Pension liabilities		60	64	61
Deferred tax liabilities		91	110	96
Non-current interest-bearing debt	10	3,426	3,853	3,549
Non-current provisions		154	133	140
Other non-current liabilities		129	43	6
Total non-current liabilities		3,860	4,203	3,852
Current liabilities				
Trade payables		101	221	148
Current interest-bearing debt	10	550	485	495
Current income tax liabilities		9	14	14
Current provisions		93	44	54
Other current liabilities		268	299	312
Total current liabilities		1,020	1,063	1,023
Total equity and liabilities		7,441	8,142	7,796

Cash flow statement

USD million	Notes	Q2 2020	Q2 2019	1H 2020	1H 2018	2019
Cash flow from operating activities						
Profit/(loss) before tax		(75)	6	(360)	30	112
Financial (income)/expenses		30	83	183	153	247
Share of net income from joint ventures and associates		(0)	0	(0)	0	(1)
Depreciation, amortisation and impairments	6	112	124	313	247	498
(Gain)/loss on sale of tangible assets		5	(0)	8	(0)	0
Change in net pension assets/liabilities		3	0	(1)	(1)	(10)
Change in derivative financial assets	2	(26)	(2)	35	(2)	(52)
Other change in working capital		180	5	155	(65)	(38)
Tax (paid)/received		(1)	(7)	(1)	(9)	(7)
Net cash flow provided by operating activities¹⁾		229	209	332	353	749
Cash flow from investing activities						
Proceeds from sale of tangible assets		3	0	3	1	1
Investments in vessels, other tangible and intangible assets		(17)	(56)	(35)	(65)	(145)
Investments in joint ventures		(2)	-	(8)	-	-
Proceeds from sale of joint venture		-	-	-	-	1
Interest received		1	2	2	5	10
Net cash flow provided by/(used in) investing activities		(15)	(54)	(37)	(60)	(133)
Cash flow from financing activities						
Proceeds from issue of debt		39	343	180	568	687
Repayment of debt		(122)	(462)	(235)	(698)	(1,102)
Interest paid including interest derivatives		(37)	(51)	(84)	(104)	(202)
Realised other derivatives		(7)	(27)	(14)	(29)	(31)
Dividend to non-controlling interests		(0)	(1)	(1)	(2)	(4)
Dividend to shareholders		-	(25)	-	(25)	(51)
Net cash flow used in financing activities		(127)	(223)	(154)	(290)	(701)
Net increase in cash and cash equivalents		88	(68)	141	3	(86)
Cash and cash equivalents, excluding restricted cash, at beginning of period		451	555	398	484	484
Cash and cash equivalents at end of period¹⁾		539	487	539	487	398

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

Statement of changes in equity

USD million

	Share capital	Own shares	Total paid-in capital	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
2020							
Balance at 31 December 2019	28	(0)	28	2,650	2,678	243	2,921
Profit/(loss) for the period	-	-	-	(339)	(339)	(14)	(353)
Other comprehensive income	-	-	-	(6)	(6)	(0)	(6)
Total comprehensive income	-	-	-	(345)	(345)	(15)	(360)
Dividend to non-controlling interests	-	-	-	-	-	(1)	(1)
Balance 30 June 2020	28	(0)	28	2,306	2,334	227	2,561

	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	-	-	-	18	18	7	25
Other comprehensive income	-	-	-	(0)	(0)	2	1
Total comprehensive income	-	-	-	18	18	8	26
Transactions with non-controlling interests	-	-	-	(2)	(2)	3	1
Dividend to owners of the parent	-	-	-	(25)	(25)	-	(25)
Dividend to non-controlling interests	-	-	-	-	-	(2)	(2)
Balance 30 June 2019	28	(0)	28	2,610	2,638	237	2,876

USD million

	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	-	-	-	93	93	10	102
Other comprehensive income	-	-	-	(5)	(5)	2	(4)
Total comprehensive income	-	-	-	87	87	11	99
Sale of own shares	-	0	0	0	0	-	0
Transactions with non-controlling interests	-	-	-	(6)	(6)	7	1
Dividend to owners of the parent	-	-	-	(51)	(51)	-	(51)
Dividend to non-controlling interests	-	-	-	-	-	(4)	(4)
Balance 31 December 2019	28	(0)	28	2,650	2,678	243	2,921

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 2019 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 2019.

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.

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 - 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 second quarter 2020, the change in the value of the derivative was USD 26 million recognised as a gain under Other gain/(loss) in the income statement. In the first quarter the group recognized a loss on this derivative of USD 61 million.

One of the most important elements to calculate the gain/loss is the estimated value of the 20% non-controlling interest related to Eukor. The loss in the first quarter was due to an estimated decrease in the value of the Eukor shares driven by lower estimated cash flows. In the second quarter the value has been adjusted upward due to higher estimated cash flows. The year-to date change in value of the derivative was a loss of USD 35 million recognised under Other gain/(loss) in the income statement.

The change in value during second quarter 2019 was USD 1.9 million recognised as a positive effect under Other gain/(loss) in the income statement.

The financial derivative is recognised as an other non-current asset and has a carrying value of USD 111 million at the end of second quarter 2020.

Note 3 - Segment reporting

USD million	Ocean		Landbased		Holding & Eliminations		Total	
	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019
Net freight revenue	413	705	-	-	-	-	413	705
Surcharges	57	62	-	-	-	-	57	62
Operating revenue	25	33	111	205	-	(0)	136	238
Internal operating revenue	1	0	15	30	(16)	(30)	-	-
Total revenue	495	800	126	235	(16)	(30)	606	1,005
Cargo expenses	(92)	(178)	-	-	15	27	(78)	(151)
Bunker	(92)	(175)	-	-	-	-	(92)	(175)
Other voyage expenses	(72)	(113)	-	-	-	3	(72)	(110)
Ship operating expenses	(64)	(54)	-	-	-	-	(64)	(54)
Charter expenses	(35)	(51)	-	-	-	-	(35)	(51)
Manufacturing cost	-	-	(45)	(61)	1	(0)	(44)	(61)
Other operating expenses	(64)	(5)	(51)	(106)	(0)	1	(115)	(110)
Selling, general and administrative expenses	(34)	(42)	(27)	(33)	(3)	(7)	(64)	(82)
Total operating expenses	(453)	(617)	(123)	(200)	13	24	(564)	(793)
Operating profit before depreciation, amortisation and impairment (EBITDA)	42	184	2	35	(3)	(7)	42	211
Other gain/(loss)	26	2	-	(1)	-	-	26	1
Depreciation	(85)	(96)	(16)	(13)	-	(0)	(101)	(109)
Amortisation	(2)	(6)	(10)	(9)	-	0	(11)	(15)
Impairment	-	(0)	-	-	-	-	-	(0)
Operating profit (EBIT)¹⁾	(19)	84	(23)	11	(3)	(7)	(45)	88
Share of profit/(loss) from joint ventures and associates	-	0	0	0	-	0	0	0
Financial income/(expenses)	(26)	(80)	(4)	(17)	(0)	14	(30)	(83)
Profit/(loss) before tax	(45)	4	(27)	(6)	(3)	7	(75)	6
Tax income/(expense)	(0)	(1)	5	(2)	2	-	6	(3)
Profit/(loss) for the period	(45)	3	(22)	(8)	(1)	7	(69)	3
Profit/(loss) for the period attributable to:								
Owners of the parent	(40)	(0)	(22)	(8)	(1)	7	(63)	(1)
Non-controlling interests	(5)	4	(0)	1	-	(0)	(6)	4

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

Note 3 - Segment reporting

USD million	Ocean			Landbased			Holding & Eliminations			Total		
	1H 2020	1H 2019	2019	1H 2020	1H 2019	2019	1H 2020	1H 2019	2019	1H 2020	1H 2019	2019
Net freight revenue	961	1,403	2,754	-	-	-	-	-	-	961	1,403	2,754
Surcharges	128	133	244	-	-	-	-	-	-	128	133	244
Operating revenue	57	76	142	293	410	769	-	(0)	-	350	487	911
Internal operating revenue	2	1	1	37	57	131	(39)	(57)	(133)	-	-	-
Total revenue	1,148	1,612	3,142	330	467	900	(39)	(57)	(133)	1,439	2,022	3,909
Cargo expenses	(221)	(361)	(675)	-	-	-	37	51	103	(184)	(310)	(572)
Bunker	(271)	(351)	(675)	-	-	-	-	-	-	(271)	(351)	(675)
Other voyage expenses	(169)	(224)	(456)	-	-	-	-	5	27	(169)	(219)	(429)
Ship operating expenses	(122)	(107)	(228)	-	-	-	-	-	-	(122)	(107)	(228)
Charter expenses	(73)	(106)	(198)	-	-	-	-	-	-	(73)	(106)	(198)
Manufacturing cost	-	-	-	(110)	(122)	(220)	2	(0)	0	(108)	(122)	(220)
Other operating expenses	(65)	(10)	(49)	(139)	(214)	(424)	1	1	3	(204)	(222)	(470)
Selling, general and administrative expenses	(72)	(79)	(160)	(58)	(63)	(133)	(6)	(11)	(21)	(136)	(154)	(313)
Total operating expenses	(993)	(1,239)	(2,440)	(307)	(399)	(777)	32	46	112	(1,267)	(1,592)	(3,104)
Operating profit before depreciation, amortisation and impairment (EBITDA)	155	374	702	23	68	123	(7)	(11)	(21)	172	430	805
Other gain/(loss)	(35)	2	52	-	(1)	(1)	-	-	-	(35)	1	51
Depreciation	(177)	(190)	(383)	(30)	(26)	(54)	-	-	-	(206)	(216)	(436)
Amortisation	(4)	(12)	(24)	(19)	(19)	(38)	-	-	(0)	(23)	(31)	(62)
Impairment	(44)	(0)	-	(40)	-	-	-	-	-	(84)	(0)	-
Operating profit (EBIT)¹⁾	(104)	174	348	(65)	21	30	(7)	(11)	(21)	(176)	183	358
Share of profit/(loss) from joint ventures and associates	-	0	1	0	(0)	0	-	0	0	0	0	1
Financial income/(expenses)	(130)	(163)	(233)	(38)	(32)	(49)	(16)	42	36	(183)	(153)	(247)
Profit/(loss) before tax	(234)	11	116	(103)	(11)	(19)	(22)	30	15	(360)	30	112
Tax income/(expense)	(1)	(3)	29	7	(2)	(11)	1	0	(28)	7	(5)	(10)
Profit/(loss) for the period	(236)	8	145	(96)	(13)	(29)	(22)	30	(13)	(353)	25	102
Profit/(loss) for the period attributable to:												
Owners of the parent	(221)	2	136	(96)	(14)	(30)	(22)	30	(13)	(339)	18	93
Non-controlling interests	(14)	6	9	(0)	1	1	-	(0)	-	(14)	7	10

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

Note 4 - Goodwill, customer relations/contracts and other intangible assets

USD million				
	Goodwill	Customer relations/contracts	Other intangible assets	Total intangible assets
2020				
Cost at 1 January	346	421	50	817
Additions	-	-	4	4
Disposal	-	-	(0)	(0)
Currency translation adjustment	-	-	(0)	(0)
Cost at 30 June	346	421	54	820
Accumulated amortisation and impairment losses at 1 January	-	(148)	(17)	(165)
Amortisation	-	(20)	(2)	(23)
Impairment ¹⁾	(40)	-	-	(40)
Disposal	-	-	0	0
Accumulated amortisation and impairment losses at 30 June	(40)	(168)	(20)	(228)
Carrying amounts at 30 June	306	253	34	593

1) As of 31 March 2020, a portion of the goodwill in the Landbased segment was impaired. See note 6 for further information.

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	-	-	7	7
Disposal	-	-	(29)	(29)
Currency translation adjustment	-	-	(1)	(1)
Cost at 31 December	346	421	26	793
Accumulated amortisation and impairment losses at 1 January	-	(91)	(16)	(107)
Amortisation	-	(57)	(5)	(62)
Disposal	-	-	28	28
Accumulated amortisation and impairment losses at 31 December	-	(148)	7	(141)
Carrying amounts at 31 December	346	273	33	652

Note 5 - Vessels, other tangible and leased assets

USD million	Property & land	Other tangible assets	Vessels & docking	Newbuilding contracts*	Leased assets	Total tangible assets
2020						
Cost at 1 January	118	76	3,786	66	3,181	7,227
Additions	1	14	10	29	12	65
Change in lease payments	-	-	-	-	7	7
Disposal	(0)	(3)	(11)	(2)	(60)	(77)
Reclassification	(1)	1	(76)	(1)	0	(78)
Currency translation adjustment	(2)	(2)	-	-	(6)	(10)
Cost at 30 June	116	85	3,708	91	3,135	7,135
Accumulated depreciation and impairment losses at 1 January	(5)	(21)	(971)	-	(424)	(1,421)
Depreciation	(5)	(7)	(87)	-	(107)	(206)
Impairment	-	-	(44)	-	-	(44)
Disposal	0	3	7	-	50	60
Reclassification	-	0	75	-	(0)	75
Currency translation adjustment	0	1	-	-	0	2
Accumulated depreciation and impairment losses at 30 June	(9)	(23)	(1,021)	-	(481)	(1,535)
Carrying amounts at 30 June	107	62	2,686	91	2,653	5,600

*Newbuilding contracts include instalments on scrubber installations.

In second quarter one of the four vessels classified as assets held for sale was recycled. The three other vessels that were impaired in first quarter, have not yet been recycled and are still classified as held for sale. Total estimated scrap value for these is USD 7 million.

In addition, three leased vessels were redelivered during the

quarter giving a total of seven redelivered leased vessels year-to-date.

USD 7 million related to already paid instalments made towards planned scrubber installations that have been cancelled and the instalments foregone was recognised as a disposal during the quarter, included in Other operating expenses.

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	11	17	37	43	47	155
Implementation IFRS 16	-	-	-	-	861	861
Reclassification	1	(2)	(2,199)	(72)	2,272	-
Disposal	(12)	(38)	(6)	-	(2)	(57)
Currency translation adjustment	(0)	1	-	-	4	4
Disposal	114	45	3,786	66	3,181	7,192
Accumulated depreciation and impairment losses at 1 January	(2)	(15)	(988)	-	-	(1,005)
Depreciation	(10)	(12)	(177)	-	(236)	(436)
Disposal	12	37	6	-	1	56
Reclassification	(1)	1	189	-	(189)	-
Currency translation adjustment	0	(1)	-	-	0	0
Accumulated depreciation and impairment losses at 31 December	(0)	10	(971)	-	(424)	(1,386)
Carrying amounts at 31 December	114	55	2,815	66	2,757	5,806

Cont. Note 5 - Vessels, other tangible and leased assets

Specification of leased assets

USD million	Property & land	Vessels	Other assets	Total leased assets
2020				
Total leased assets at 1 January	439	2,739	3	3,181
Additions	11	0	0	12
Change in lease payments	7	(0)	(0)	7
Disposal	(7)	(53)	(0)	(60)
Reclassification	0	(0)	-	0
Currency translation adjustment	(6)	-	(0)	(6)
Cost at 30 June	445	2,686	3	3,135
Accumulated depreciation and impairment losses at 1 January	(42)	(381)	(1)	(424)
Depreciation	(24)	(84)	(0)	(107)
Disposal	2	48	0	50
Reclassification	(0)	-	(0)	(0)
Currency translation adjustment	0	-	0	0
Accumulated depreciation and impairment losses at 30 June	(63)	(416)	(2)	(481)
Carrying amounts at 30 June	382	2,270	1	2,653

USD million	Property & land	Vessels	Other assets	Total leased assets
2019				
IFRS 16 implementation at 1 January	419	440	1	861
Existing financial leases under IAS 17 ¹⁾	-	2,302	2	2,304
Total leased assets at 1 January	419	2,742	4	3,165
Additions	7	-	0	8
Change in lease payments	10	30	-	40
Disposal	(2)	-	(0)	(2)
Reclassification to tangible assets	-	(32)	-	(32)
Currency translation adjustment	5	-	(1)	3
Total leased assets at 31 December	439	2,739	3	3,181
Accumulated depreciation and impairment losses at 1 January	-	-	-	-
Existing financial leases under IAS 17	-	(190)	(1)	(191)
Depreciation	(43)	(193)	(1)	(236)
Disposal	1	-	0	1
Reclassification to tangible assets	-	2	-	2
Currency translation adjustment	(0)	-	1	0
Accumulated depreciation and impairment losses at 31 December	(42)	(381)	(1)	(424)
Carrying amounts at 31 December	397	2,359	1	2,757

¹⁾ During the year, the group has reclassified some assets defined earlier as lease, to fixed assets.

In 2019, an option to purchase a vessel was exercised, resulting in increased leased vessels and leasing commitments with USD 15 million. Transfer of ownership was effective in 2019 and the

vessel was reclassified from leased asset to tangible asset, resulting in a net decrease of USD 30 million in leased assets.

Note 6 - Impairment of non-current assets

In the first quarter 2020, Wallenius Wilhelmsen recognised impairment losses of USD 84 million. Of this amount, USD 44 million was related to four vessels that will be recycled. The expected sale price for the four vessels was USD 11 million. One of these vessels was recycled in the second quarter to estimated sales price, while the remaining three vessels are still classified as assets held for sale as of 30 June 2020 to an estimated scrap value of USD 7 million.

In first quarter, the group adjusted down the short- and long - term forecasted results for all cash generating units with goodwill due to the Covid-19 impact on our business operations. The forecast is a key input in the impairment assessment and for our landbased activities (Wallenius Wilhelmsen Solutions) the group recorded an impairment charge of USD 40 million in the first quarter 2020 on the goodwill allocated to these activities. The main reason being the adjusted forecast coupled with a reduction of the anticipated growth rate. An updated impairment assessment has been done in second quarter, but since there were no significant change to the forecast or other assumptions used, no further impairments were required. The carrying value of goodwill for the landbased segment is USD 176 million at the end of the second quarter.

An update of the impairment assessment for the other cash generating units with goodwill has been done in second quarter with no further impairments required.

As countries and societies closed down and implemented strict measures to deal with the spread of the virus, we experienced an immediate and large impact on volumes and earnings in our business in the first half of 2020. As societies start to reopen and lift restrictions, we expect a gradual recovery to take place, but the timing and speed of such recovery is highly dependant on the future development of the pandemic and measures taken to deal with it. The timing of the recovery will have an impact on the group's impairment assessment going forward.

In the table below an overview of cash generating units that includes goodwill are presented together with the main assumptions used for the impairment test as of 30 June 2020 compared with main assumptions used as of 31 December 2019.

USD million unless otherwise stated	Goodwill	2019	Discount rate post tax		Growth rate terminal value	
	2Q 2020		2Q 2020	2019	2Q 2020	2019
Wallenius Wilhelmsen Ocean	119	119	7.0%	7.0%	0.0%	0.0%
ARC	11	11	7.0%	7.0%	0.0%	0.0%
Total Ocean	130	130				
Wallenius Wilhelmsen Solutions	176	216	7.5%	7.5%	1.0%	2.0%
Total	306	346				

Note 7 - Financial income and expenses

USD million	Q2 2020	Q2 2019	1H 2020	1H 2019	2019
Financial income					
Interest income	1	2	2	5	10
Other financial items	0	0	0	1	5
Net financial income	1	2	3	6	15
Financial expenses					
Interest expenses	(34)	(51)	(78)	(100)	(194)
Interest rate derivatives - realised	(2)	(0)	(6)	(4)	(8)
Interest rate derivatives - unrealised	(10)	(31)	(80)	(53)	(53)
Other financial items	(2)	(2)	(4)	(3)	(6)
Loss on sale investments	0	-	0	-	-
Net financial expenses	(48)	(84)	(168)	(160)	(261)
Currency					
Net currency gain/(loss)	(1)	(1)	21	(3)	(5)
Derivatives for hedging of foreign currency risk - realised	(0)	(27)	(2)	(29)	(31)
Derivatives for hedging of foreign currency risk - unrealised	20	28	(22)	32	25
Net currency	19	(0)	(2)	(0)	(11)
Financial derivatives bunker					
Unrealised bunker derivatives	5	(1)	(4)	1	10
Realised bunker derivatives	(6)	-	(12)	-	1
Net bunker derivatives	(2)	(1)	(16)	1	11
Financial income/(expenses)	(30)	(83)	(183)	(153)	(247)

Note 8 - Shares

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

The annual general meeting on 28 April 2020, granted an authorisation to the board of directors to, on behalf of the company, acquire own shares with a total nominal value of up to NOK 22,001,456 which equals 10% of the current share capital.

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 second quarter was negative USD 0.15 compared with USD 0.00 in the same quarter last year.

The company's share capital is as follows:

Share capital 30 June 2020

Own shares 30 June 2020

Number of shares	NOK million	USD million
423,104,938	220	28
764,009		

Note 9 - Tax

The effective tax rate for the group will, from period to period, change dependent on the group's 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 6 million for the second quarter 2020, compared with an expense of USD 3 million the same

quarter last year. The tax income in second quarter is due to recognition of deferred tax assets related to tax losses in the landbased segment.

The group continue the non-recognition of net deferred tax asset in the balance sheet related to tax losses in the Norwegian entities, due to uncertain future utilisation.

Note 10 - Interest-bearing debt and financial risk

USD million

	30 Jun 2020	30 Jun 2019	31 Dec 2019
Non-current interest-bearing debt	3,426	3,853	3,549
Current interest-bearing debt	550	485	495
Total interest-bearing debt	3,975	4,338	4,044
Cash and cash equivalents	539	487	398
Net interest-bearing debt	3,437	3,851	3,646

Repayment schedule for interest-bearing debt

	Bank loans	Leasing	Bonds	Other	30 Jun 2020
Due in 2020	15	191	-	1	207
Due in 2021	276	259	78	4	617
Due in 2022	218	241	210	3	672
Due in 2023	663	236	-	18	917
Due in 2024 and later	459	1,086	-	18	1,563
Total interest-bearing debt	1,630	2,014	287	44	3,975

Reconciliation of liabilities arising from financing activities	31 Dec 2019	Cash flow	Non cash changes					30 Jun 2020
			Net change leasing commitments	Foreign exchange movement	Amortisation	Other	Reclassification	
Bank loans	1,409	52	-	-	1	-	(29)	1,432
Leasing commitments	1,819	-	7	(5)	-	-	(156)	1,665
Bonds	304	-	-	(20)	0	3	-	287
Bank overdraft / other interest-bearing debt	16	29	-	(0)	-	(2)	(3)	42
Total non-current interest-bearing liabilities	3,549	81	7	(25)	1	1	(188)	3,426
Current portion of interest-bearing liabilities	495	(136)	2	(0)	0	-	188	550
Total liabilities from financing activities	4,044	(55)	9	(25)	1	1	-	3,975

The group has entered into a sale and leaseback agreement for one vessel. The arrangement is regarded as a financing arrangement and

the liability related to this of USD 30 million was classified as other interest-bearing debt in the first quarter 2020.

Reconciliation of liabilities arising from financing activities	31 Dec 2018	Cash flow	Non cash changes					31 Mar 2020
			Net change leasing commitments	Foreign exchange movement	Amortisation	Other ¹⁾	Reclassification	
Bank loans	1,409	176	-	(0)	2	-	(177)	1,409
Leasing commitments	1,274	118	47	2	-	701	(322)	1,819
Bonds	309	-	-	(1)	0	5	(10)	304
Bank overdraft / other interest-bearing debt	63	-	-	(0)	-	3	(50)	16
Total non-current interest-bearing liabilities	3,055	293	47	1	2	710	(559)	3,549
Current portion of non-current debt	530	(708)	4	0	0	110	559	495
Total liabilities from financing activities	3,584	(414)	51	1	2	820	-	4,044

¹⁾ Mainly effects from implementation of IFRS 16 Leases.

Due to the impact of site closures as a result of measures to reduce the spread of COVID-19 on the activities in WW Solutions, there was a risk for breach of the NIBD/EBITDA covenant in WW Solutions per end of the second quarter. Wallenius Wilhelmsen reached an agreement with the relevant lenders to waive this covenant for the remainder of 2020 before it is gradually reset in 2021.

Furthermore, to strengthen the cash position during the period of reduced activity, the company has agreed with the banks of WW Ocean to defer instalments of about USD 70 million, previously scheduled for the second half of 2020.

Note 11 - Provisions

The operating entities WW Ocean and EUKOR have been part of anti-trust investigations in several jurisdictions since 2012. Wallenius Wilhelmsen expects the proceedings with the outstanding jurisdictions to be largely resolved in 2020, while the timeline for the resolution of civil claims is more uncertain. In the second quarter, USD 55 million was recognised as an operating expense in the income statement. The increase is related to updated estimates on outstanding customer claims. In total, USD 246 million in provision remains to cover expected pay outs related to jurisdictions with ongoing anti-trust proceedings and potential civil claims as of 30 June 2020. The

ongoing investigations of WW Ocean and EUKOR are confidential, and Wallenius Wilhelmsen is therefore not able to provide more detailed comments.

Contingencies

The group is party to lawsuits related to laws and regulations in various jurisdictions arising out of the conduct of its business. The potential civil claims related to the anti-trust investigations are uncertain and as such there is a contingency related to the provision made.

Note 12 - Events after the balance sheet date

Impact of Covid 19-pandemic

The COVID-19 pandemic is affecting demand for vehicles and equipment, disrupting supply chains and production patterns and is affecting the group's operations. Business volumes are driven sharply down by closures and cuts in customer production due to Covid-19 measures and impact. The group has taken a range of actions to adjust capacity, reduce costs and protect our cash position through this turbulent phase. The current drop in volumes has created excess capacity in the industry, which is likely to persist for some time and delay any rate improvements. Measures taken to recycle, lay-up, idle and slow-steam ships will go some way in countering this effect. The group is expecting a reduction in ocean volumes in the 25% range for third quarter 2020 compared to third quarter 2019.

The COVID-19 breakout is an indicator of impairment for assets such as goodwill, other intangible assets, vessels and right of use assets. The value in use impairment assessment for these types of assets were impacted by the COVID-19 breakout in the first quarter 2020 and impairments of USD 84 million were recognised. An update of the impairment assessment for cash generating units with goodwill has been done in second quarter with no further impairments required.

Per end of the quarter, the group had a solid liquidity situation, with cash and cash equivalents of USD 539 million, up from USD 451 million in the first quarter, and around USD 244 million in undrawn credit facilities.

The only covenant on group level, related to the group's bond debt, is limitation on the ability to pledge assets. All financing at the level of the different business units have covenants measured on the level of the business unit. The bank and lease financing of vessels have financial covenant clauses relating to one or several of the following minimum liquidity, current assets/current liabilities, loan to value clauses, and in some cases fixed charge/ interest coverage. The financing for the landbased segment has covenants related to net interest-bearing debt/EBITDA, equity ratio and minimum liquidity. Due to the impact of site closures as a result of measures to reduce the spread of COVID-19 on the activities in WW Solutions, there was a risk for breach of the NIBD/EBITDA covenant in WW Solutions per end of the second quarter. Wallenius Wilhelmsen reached an agreement with the relevant lenders to waive this covenant or the remainder of 2020 before it is gradually reset in 2021.

Reconciliation of alternative performance

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 items in the result which are not regarded as part of the underlying business. Example of such items are restructuring costs, anti-trust, gain/loss on sale of vessels and other tangible assets and other income and expenses which are not primarily related to the period in which they are recognised.

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 and Profit/(loss) for the period adjusted is defined as EBIT/Profit/(loss) for the period adjusted excluding items in the result which are not regarded as part of the underlying business. Example of such items are restructuring costs, anti-trust, gain/loss on sale of vessels and other tangible assets, impairment, other gain/loss and other income and expenses which are not primarily related to the period in which they are recognised.

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 annualised EBIT/EBIT adjusted divided by capital employed. For the annual reporting the EBIT in the ROCE calculation is the actual EBIT for the full year/EBIT adjusted 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

	30 Jun 2020	30 Jun 2019	31 Dec 2019
Net interest-bearing debt			
Cash and cash equivalents	539	487	398
Non-current interest bearing debt	3,426	3,853	3,549
Current interest-bearing debt	550	485	495
Net interest-bearing debt	3,437	3,851	3,646

Reconciliation of alternative performance measures

USD million

	Q2 2020	Q2 2019	1H 2020	1H 2019	2019
Reconciliation of Total income to EBITDA and EBITDA adjusted					
Total income	606	1,005	1,439	2,022	3,909
Operating expenses excluding other gain/(loss)	(564)	(793)	(1,267)	(1,592)	(3,104)
EBITDA	42	211	172	430	805
EBITDA Ocean	42	184	155	374	702
Anti-trust expense	55	-	55	-	30
Scrapping of scrubber installations	7	-	7	-	-
EBITDA adjusted Ocean	104	184	218	374	732
EBITDA Landbased	2	35	23	68	123
Pension cost following plan amendment	-	-	-	-	3
EBITDA adjusted Landbased	2	35	23	68	125
EBITDA Holding/Eliminations	(3)	(7)	(7)	(11)	(21)
EBITDA adjusted Holding/Eliminations	(3)	(7)	(7)	(11)	(21)
EBITDA adjusted	104	211	234	430	837
Reconciliation of Total income to EBIT and EBIT adjusted					
EBITDA	42	211	172	430	805
Other gain/loss	26	1	(35)	1	51
Depreciation and amortisation	(112)	(124)	(229)	(247)	(498)
Impairment	-	(0)	(84)	(0)	-
EBIT	(45)	88	(176)	183	358
Pension cost following plan amendment	-	-	-	-	3
Anti-trust expense	55	-	55	-	30
Scrapping of scrubber installations	7	-	7	-	-
Change in fair value of derivative financial asset	(26)	(2)	35	(2)	(52)
Impairment recycling vessels and Landbased goodwill	-	-	84	-	-
Total adjustments	37	(2)	182	(2)	(20)
EBIT adjusted	(8)	86	5	181	338
Profit/(loss) for the period	(69)	3	(353)	25	102
Total adjustments	37	(2)	182	(2)	(20)
Profit/(loss) for the period adjusted	(32)	1	(171)	23	82

	Quarter average Q2 2020	Quarter average Q2 2019	1H average 1H 2020	1H average 1H 2019	Yearly average 31 Dec 2019
Reconciliation of total assets to capital employed and ROCE calculation and return on equity calculation					
Total assets	7,506	8,156	7,588	8,072	8,033
Total liabilities	4,903	5,272	4,896	5,189	5,139
Total equity	2,603	2,883	2,692	2,884	2,894
Total interest-bearing debt	3,992	4,346	3,996	4,384	4,271
Capital employed	6,595	7,229	6,688	7,267	7,165
EBIT annualised	(179)	352	(353)	367	358
EBIT annualised adjusted	(33)	345	10	363	338
ROCE	-2.7%	4.9%	-5.3%	5.0%	5.0%
ROCE adjusted	-0.5%	4.8%	0.2%	5.0%	4.7%
Profit for the period annualised	(274)	12	(706)	50	102
Profit for the period annualised and adjusted	(128)	4	(343)	47	82
Return on equity	-10.5%	0.4%	-26.2%	1.7%	3.5%
Return on equity adjusted	-4.9%	0.1%	-12.7%	1.6%	2.8%