Wallenius Wilhelmsen

Wallenius Wilhelmsen Q3 Report 2020

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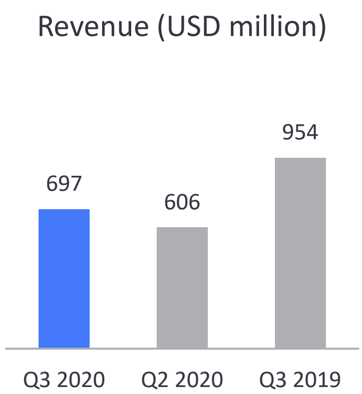
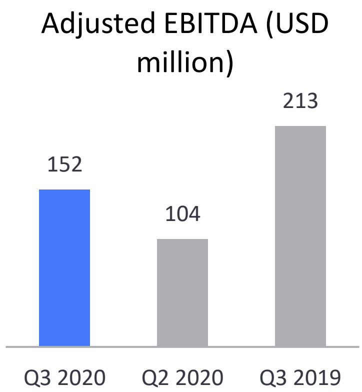
Highlights – Q3 2020

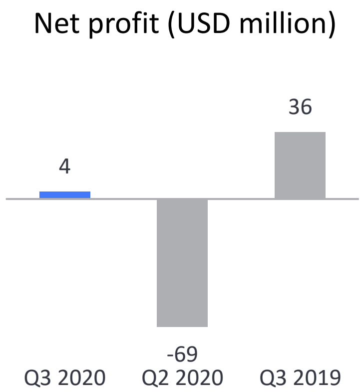
- Wallenius Wilhelmsen has taken a proactive and precautionary approach to the COVID-19 crisis, with a clear priority on the welfare of our employees and community, as well as the needs of our customers.
- EBITDA of USD 152m, 29% down YoY, as volumes and income are still impacted by the ongoing pandemic, offset by actions to adjust fleet capacity and reduce costs to support earnings.
- Ocean volume down 23% YoY, however volumes rebounding from the lows in Q2 2020.
- Landbased revenue down 21% YoY because of lower volumes, with only a marginal decline in EBITDA due to cost savings and efficiency gains.
- Cash position USD 600m, up from USD 539m in Q2, and USD 282m of undrawn credit facilities supported by measures put in place to protect and strengthen cash flow, deferred loan payments and recent bond issue.

Commenting on the Q3 results, Craig Jasienski, President and CEO of Wallenius Wilhelmsen, says:

"It is encouraging to see volumes improving from the Q2 low, and I am proud of our employees' efforts to maintain tight cash focus while also delivering a reliable and high-quality service to our customers. However, given current unpredictability we remain prudent and are prepared for volatility in volumes until markets normalise."







Consolidated results and key figures – Q3 2020

EBITDA for Q3 2020 was USD 152m. Volumes recovered in both the ocean and landbased business, led by rebounding auto volumes.

USDm	Q3 2020	Q2 2020	% change QoQ	Q3 2019	% change YoY
Total revenue	697	606	15%	954	(27%)
EBITDA	152	42	263%	213	(29%)
EBIT	40	(45)	n/a	94	(57%)
Profit for the period	4	(69)	n/a	36	(88%)
EPS 1)	0.01	(0.15)	n/a	0.08	(85%)
Net interest-bearing debt	3,436	3,437	0%	3,625	(5%)
ROCE	2.5%	(2.7%)	n/a	5.3%	n/a
Equity ratio	34.0%	34.4%	n/a	36.3%	n/a
EBITDA adjusted	152	104	46%	213	(29%)

1) After tax and non-controlling interests

Consolidated results

The COVID-19 pandemic has had a significant impact on the world economy and especially on intercontinental trade patterns in our market space. In Q3 2020, both ocean and landbased volume levels remain below last year but have recovered from the low point in Q2. The measures taken to adjust costs and adapt to changes in volume continue to have a positive impact on the results, made possible through close cooperation with customers and tireless efforts from employees across the globe. The group took early and decisive action to adjust capacity, reduce costs and preserve cash. Vessels available for redelivery at end of charter contracts were returned, 15 vessels have been put in cold lay-up, sailings have been rationalised, and vessels have slow steamed to further reduce capacity and costs. Furthermore, the company has taken steps to limit capex and reduce spending on various SG&A items.

Total revenue in Q3 2020 was USD 697m, down 27% YoY because of lower revenues in both the ocean and landbased segments. The decrease in ocean revenue was a result of lower volumes, down 23% YoY, lower net freight earned per cubic meter and lower fuel surcharge revenue. Landbased revenue experienced a YoY decrease following lower volumes. Compared to Q2 2020, total revenue for the group was up 15% as both ocean and landbased volumes recovered.

EBITDA ended at USD 152m, a decline of 29% YoY. The negative impact from lower volumes was to some extent countered by cost savings measures and efficiency improvements, in addition to lower net bunker cost YoY.

EBITDA improved by 46% versus Q2 adjusted EBITDA as a result of volume recovery and continued benefits from the cost savings, though increased net bunker cost (cost net of fuel surcharge revenue) QoQ had a negative impact on the ocean result as bunker cost was flat QoQ while surcharge revenue was down 55% because of the drop in fuel prices from earlier in the year.

During Q3 2020 the value of the net derivative arising from the put-call arrangement in the shareholder agreement for EUKOR decreased by USD 1m, recognised as a loss 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 110m at the end of the quarter.

Net financial expenses were USD 36m in Q3 2020, up from USD 30m in Q2 2020. Interest expense including realised interest derivatives was USD 41m, down by USD 9m versus Q3 2019, but up by USD 5m compared to Q2 2020. Net financial expenses were positively impacted by USD 8m on unrealised interest rate derivatives, while there was no impact from unrealised FX or bunker derivatives. There was a USD 4m loss from realised currency derivatives primarily due to the repurchase of bonds and cancellation of related basis swaps in connection with the new bond issue.

The group recorded no tax expense or income in Q3 2020, compared to an income of USD 14m the same period in 2019. The income of USD 14m in Q3 2019 was primarily due to the positive outcome of the withholding tax case in Korea. The group continues 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.

The average Return on Capital Employed (ROCE) in Q3 2020 was 2.5%, compared to -2.7% in Q2 2020 and 5.3% in Q3 2019.

Capital and financing

On 26 August Wallenius Wilhelmsen ASA successfully completed a new NOK 2.0 billion senior unsecured bond issue at 3-month NIBOR plus a margin of 5.75 % p.a. maturing on 9 September 2024. Net proceeds will be used to refinance existing debt and for other general corporate purposes.

The equity ratio was 34.0% at the end of Q3 2020, down from 34.4% at the end of Q2 2020 as total assets increased due to an increase in current assets and cash following the bond issue. Cash and cash equivalents were USD 600m, up from USD 539m at the end of Q2 2020. In addition, Wallenius Wilhelmsen had USD 282m in undrawn credit facilities. Net interest-bearing debt was USD 3,436m at the end of Q3 2020, unchanged compared to Q2 2020.

As a result of site closures in the landbased business due to lockdowns, 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. An agreement is in place with the relevant lenders to waive this covenant for the remainder of 2020 before it is gradually reset in 2021.

For the ocean business, the company has agreed with the banks of WW Ocean to defer instalments of about USD 70m, previously scheduled for the second half of 2020, to strengthen the cash position during the period of reduced activity. As at the end of Q3 2020, about USD 35m of instalments have been deferred.

Volume outlook

The COVID-19 pandemic is affecting demand for vehicles and equipment, impacting production output with social distancing and lockdowns, causing volatile production patterns and disrupting supply chains – all impacting the group's operations. Business volumes were initially driven down sharply by site closures and cuts in customer production with lows in April and May but have started to recover since late June. Volume recovery is expected to continue in the fourth quarter as manufacturers replenish stocks that were driven down by production output lower than the underlying drop in demand. Mid-term forecasting remains challenging, however. While demand has improved from lows earlier this year, sales patterns remain unstable. Looking into 2021, the potential impact on production from increased virus intensity in parts of the world is hard to predict. The group has taken a range of actions to adjust capacity, reduce costs and protect its 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 affect rate development. On the other hand, measures taken to recycle, lay-up, idle and slow-steam ships will go some way in countering this effect. For the fourth quarter, the group expects ocean volumes to be down around 5% versus Q4 2019.

Events after the balance sheet date

The U.S. Government Accountability Office (GAO) has sustained the protests filed against the United States Transportation Command (USTRANSCOM) award on 30 April 2020 of the new multi-year relocation services contract to American Roll-On Roll-Off Carrier Group, Inc. (ARC). Protests concerning the Global Household Goods Contract (GHC) award were filed in line with established procedures by two unsuccessful parties. This is a standard process available through GAO to ensure USTRANSCOM has followed the terms of the solicitation and applicable acquisition regulations. As a result of this process, GAO has recommended that USTRANSCOM revisits certain assessments made during the procurement process. ARC will evaluate its options after obtaining more information about the GAO process and conclusion, and any additional information received from USTRANSCOM.

Ocean operations

EBITDA for Q3 2020 was USD 129m, down 31% YoY. Prorated ocean volumes were 23% below last year.

USDm	Q3 2020	Q2 2020	% change QoQ	Q3 2019	% change YoY
Total revenue	545	495	10%	773	(29%)
EBITDA	129	42	205%	188	(31%)
EBIT	42	(19)	n/a	92	(54%)
Volume[1] ('000 CBM)	12,426	9,353	33%	16,058	(23%)
H&H share[2]	29.6%	39.9%	n/a	29.6%	n/a
EBITDA adjusted	129	104	23%	188	(31%)

1) Prorated cubic metres ("CBM")
2) Based on unprorated volumes

Ocean - Total revenue and EBITDA

Total revenue was USD 545m in Q3 2020, down 29% compared to the same period last year. The decline in ocean revenue was driven by a combination of lower volumes, which were down 23% YoY, lower net freight per cubic metre ("CBM") and lower fuel surcharge revenues. Compared to Q2 2020, total revenue was up by 10%, as the impact from higher volumes was partially offset by lower net freight per CBM, which came down from the high level of USD 44.1/CBM in Q2 2020 to USD 40.0/CBM in Q3 2020. Fuel surcharge revenue declined significantly compared to Q2 because of the decline in reference fuel prices during first half of the year.

Compared to Q3 2019, volume development diverged among the main trades, with the Atlantic trade back on par with Q3 2019, while EU – NA/OC remains far behind 2019 levels. Volumes in the Atlantic were at the same level as in Q3 2019, as a strong recovery of auto volumes both eastbound and westbound made up for weaker high and heavy cargo ("H&H") volumes. The Asia-Europe trade was down 33% compared to Q3 2019, with lower volumes for both auto and H&H, driven by a combination of COVID-19 effects and contract changes. The Europe-Asia trade was down 9% YoY but showed a strong increase compared to Q2 2020 when it was one of the hardest hit trades. The Oceania trade was down 48% YoY. While H&H and breakbulk volumes were almost at same levels, auto volumes are still far behind due to a combination of market effects and a contract which was not renewed with effect from November 2019. Volumes in the Asia-North America trade were down 17% with H&H volumes leading the decline, partially offset by strong auto volume recovery.

The H&H share, based on unprorated volumes, normalised to 29.6% in Q3 2020 as auto volumes recovered. This was the same level as in Q3 2019.

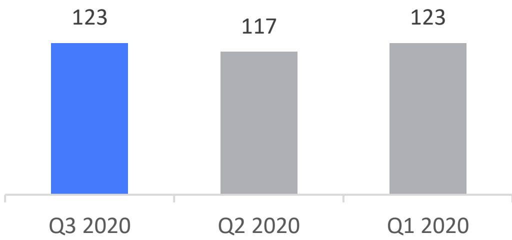
EBITDA for Q3 2020 ended at USD 129m, down 31% compared to Q3 2019. EBITDA was negatively impacted by the lower volumes and lower net freight per CBM, which was to some extent countered by significant cost savings measures. EBITDA also benefitted from a positive effect from lower net bunker cost (bunker cost less fuel surcharge revenue) compared to last year. Compared to Q3 2019, bunker cost net of fuel surcharge revenue fell by USD 41m.

Compared to Q2 2020, adjusted EBITDA grew by 23%, as a result of the recovery in volumes, though the positive volume impact was partly offset by lower net freight per CBM, and higher net bunker cost when adjusting for volume effects of about USD 30m. Slow-steaming and optimising bunkering by fuelling higher volumes at ports with lowest prices meant that the bunker consumed in Q3 2020 still benefitted from the very low bunker prices in Q2 2020. EBITDA also benefitted from cost savings initiatives such as cold lay-up and redelivery of charter vessels which had a positive impact on charter and ship operating expenses.

Wallenius Wilhelmsen fleet

At the end of Q3 2020, Wallenius Wilhelmsen controlled a fleet of 123 vessels, up from 117 at the end of Q2 2020, as the company utilised the short-term charter market to manage capacity. During the first half of the year seven charter vessels were redelivered, four charter vessels were extended, and one owned vessel was recycled. During Q3, one further owned vessel has been recycled and another two are intended for recycling in Q4. The company has the flexibility to redeliver another three vessels during 2021, and another four during 2022.

WALWIL controlled fleet (# of vessels)



Source: Wallenius Wilhelmsen

On 10 September Wallenius Wilhelmsen Ocean took delivery of Tannhauser, vessel number three (8,000 CEU) in the Post-Panamax newbuilding programme of total four vessels. The fourth and last vessel is scheduled for delivery in Q2 2021.

Landbased operations

EBITDA for Q3 2020 was USD 28m, down 5% YoY, as cost savings and efficiency gains boosted the results despite lower volumes.

USDm	Q3 2020	Q2 2020	% change QoQ	Q3 2019	% change YoY
Total revenue	175	126	39%	221	(21%)
EBITDA	28	2	1,015%	29	(5%)
EBIT	3	(23)	n/a	6	(57%)
EBITDA adjusted	28	2	1,015%	29	(5%)
EBITDA by segment					
Solutions Americas (Auto)	10	(5)	n/a	14	(30%)
Solutions Americas (H&H)	4	3	17%	5	(22%)
Solutions APAC/EMEA	3	0	686%	3	(8%)
Terminals	11	6	80%	9	27%
Other	(1)	(2)	(78%)	(2)	(76%)

Landbased - Total revenue and EBITDA

Total revenue in Q3 2020 was USD 175m, a decrease of 21% compared to Q3 2019. As production and transportation of particularly light vehicles resumed in June following the plant closures and site shutdowns in Q2, the landbased services benefitted from a strong recovery in volumes, though still well below previous year's levels. Compared to Q2 2020, revenue was up 39%.

EBITDA was USD 28m, only 5% down compared to Q3 2019 despite the lower volumes, because of measures taken to reduce costs and increase efficiency. Compared to Q2 2020, EBITDA increased substantially as Q2 2020 result was heavily hit by the abrupt and large fall in volumes while cost reduction measures take some time to implement.

Solutions Americas (Auto) revenue was down 17% compared to Q3 2019, in line with lower volumes. EBITDA was USD 10m in Q3 2020, 30% down YoY, but improving significantly from Q2 2020 as volumes rebounded.

Solutions Americas (H&H) revenue was down 19% driven by low transportation volume due to lockdowns and supply chain disruptions. EBITDA was USD 4m in Q3 2020, 22% down YoY, impacted by lower volumes and fixed overhead costs, though with some positive impact from strong storage volumes.

Solutions – APAC/EMEA revenue was down 30% as volumes were significantly impacted by COVID-19. However, efficiency gains and measures to reduce costs, in addition to government subsidies to counter impact from the pandemic, helped support EBITDA which was only 8% down compared to the same period last year, at USD 3m.

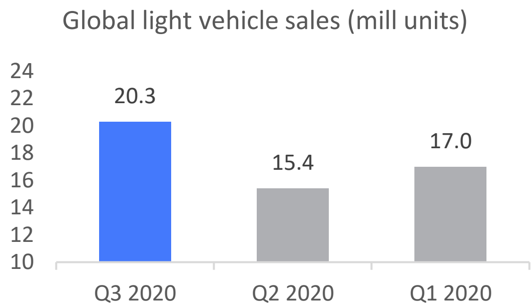
Terminals revenue was down 5% YoY, as volumes returned strongly (+69%) from Q2 2020, while still 13% below last year's level. EBITDA came in strong at USD 11m, up 27% compared to same period last year as a result of strong focus on efficiency improvements and cost savings measures, in addition to government subsidies to counter impacts from the pandemic.

Market update

Auto sales in Q3 declined 6.8% YoY as pent-up demand and incentives fuelled sales. The negative momentum in the H&H segment moderated in the quarter.

Auto markets

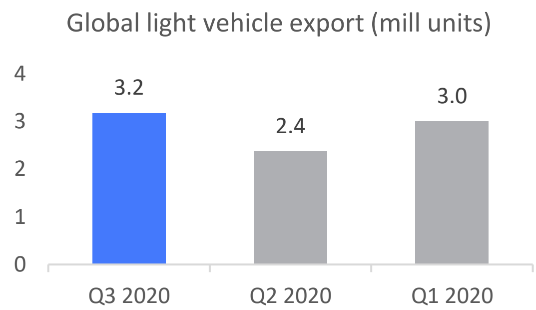
Global light vehicle ("LV") sales in Q3 2020 decreased 6.8% compared to Q3 2019 and was up 31.7% from Q2 2020. Pent-up demand, incentives and improved unemployment figures fuelled sales. While recovery is clearly continuing, a risk of decline or higher intensity of infections remains present. Further recovery in auto markets may vary by market maturity.



North American sales declined 13.6% YoY (up 30.9% QoQ). Pent-up demand, OEM initiated incentives and better unemployment figures have supported sales. LV production issues have led to shortage on some models and original equipment manufacturers ("OEMs") prioritise the most profitable models. Retail sales performed better than fleet sales in the US.

Sales in Europe declined 3.0% YoY, up 65.4% QoQ. Lockdown measures were modest in the quarter, though on the increase. Pent-up demand and government incentives support sales. Other factors not fuelling LV sales include the implementation of the EU WLTP emission test scheme, diesel woes and Brexit uncertainty. In Russia, sales were down 14.8 % YoY.

Chinese LV sales continued its positive development after the Q1 low and Q2 rebound. In Q3 2020, sales were up 8.8% YoY. Compared to Q2 2020, sales were up 5.0%. Pent-up demand and governmental stimulus fuelled sales YoY.



Global deep-sea exports in Q3 2020 were down 13.9% compared to Q3 2019, and up 33.8% from Q2 2020.

Exports out of North America were down 17.1% YoY (up 25.6% QoQ), as lower sales were seen in Europe and South America. European exports declined 13.4% YoY, up 26.7% QoQ. Largest contributor to the drop was North America, the largest export region for Europe. Japanese exports in Q3 2020 declined 14.2% YoY, up 26.4% QoQ, with volumes exported to main regions North America and Europe rebounding after Q2 low. Exports out of South Korea declined 8.1% YoY and increased 41.4% QoQ, though with Q3 volumes to US up on a YoY basis. Chinese exports were down 23.0% YoY (up 66.6% QoQ).

High and heavy markets[1]

The negative momentum in the H&H segment softened in Q3 2020. Exports of construction, mining and farm machinery declined 21% YoY in the three-month period that ended in August, as the fall in exports moderated to all major destinations.

Global construction and rolling mining equipment exports declined 25% from last year, with volumes continuing to contract to all destination regions. Construction activity[2] also recovered from the low point in Q2 2020 but remains subdued in most parts of the world. The Eurozone construction PMI has improved considerably from the all-time low of 15.1 with a September reading of 47.5. The construction sectors in Italy and the UK continued to grow throughout the quarter, while activity in Germany and France was in contraction mode. US construction spending held up well in the quarter, with three straight months of improvement. The Australian construction PCI (PMI) came in at 45.2 in September, extending the sector's lacklustre run of negative growth to 25 months.

The contraction in global mining equipment deliveries softened in the quarter, but volumes still declined 34% YoY. This is the sixth consecutive quarter of reduced demand compared to the previous year, and volumes declined another 8% QoQ. Substantial declines occurred in most regions, and only Australia and India recorded growth compared to last year among the top 15 destination countries. Momentum was negative for all major minerals, but coal mines were once again among the weakest performers. Volumes in the quarter were 73% below the peak of the super-cycle, which corresponds to a 67% drop on a 12-month rolling basis.

Global exports of farm machinery declined 9% in the three-month period ending in August. Except for the Americas, machinery traded higher than last year to all destination regions. The positive development was also seen in most end markets[3]. U.S. high-horsepower tractor sales lifted 2% YoY, a strong recovery from the 9% decline of Q2 2020. German tractor registrations increased 25% YoY, while U.K. registrations slipped 17% YoY despite buoyant September volumes. The Australian market extended the strong tax-fuelled run that started in April, with sales growing 4% YoY. Brazilian sales increased 7% YoY despite a soft conclusion to the quarter.

Global manufacturing recovered with the Global Manufacturing PMI[4] rising to a 25-month high of 52.3 in September. 21 out of the 29 nations for which PMI data were available registered growth. New orders (53.6) and New export orders (51.7) advanced and concluded the quarter in expansionary mode.

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[1] Source: IHS Markit - All import/export data refer to the three-month rolling period ending in August 2020 unless otherwise specified, and is limited to countries that have reported customs data as per 03.11.2020

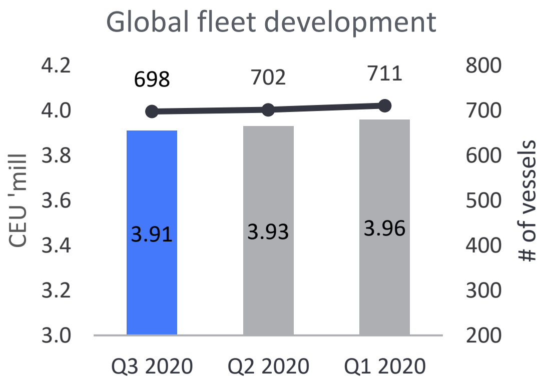
[2] Sources: IHS Markit, U.S. Bureau of Census, Ai Group

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

[4] Source: IHS Markit

Global fleet

The global car carrier fleet (with size >1,000 car equivalent units, “CEU”) totalled 698 vessels with a capacity of 3.91m CEU at the end of Q3 2020. During the quarter one vessel was delivered, while five vessels were recycled/declared loss. No new order was confirmed in the period (for vessels >4,000 CEU). The orderbook for deep-sea vehicle carriers (>4,000 CEU) counts 13 vessels, which amounts to about 3% of the global fleet capacity.



Source: Clarksons

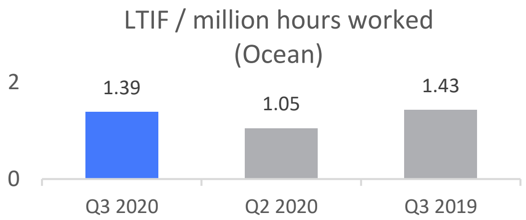
Health, safety and environment

Ocean Lost Time Incident Frequency ("LTIF") in Q3 2020 was at same levels as Q3 2019, while WW Solutions LTIF continues its positive trend driven by preventative safety measures. Fleet CO_2 emissions relative to cargo work decreased with about 2% relative to Q3 2019, due to better utilisation.

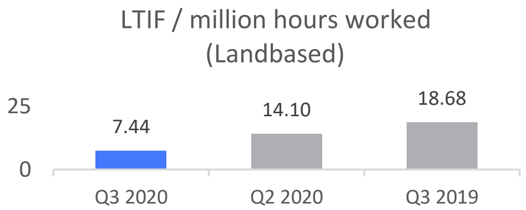
Health & safety

From the start of the COVID-19 outbreak, Wallenius Wilhelmsen 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 rate has fluctuated continuously over the last years, with an increasing trend last four quarters. In absolute terms Q3 2020 was at the same level as Q3 2019. There is no systematic cause observed, but particularly considering the current crew situation, has close attention.

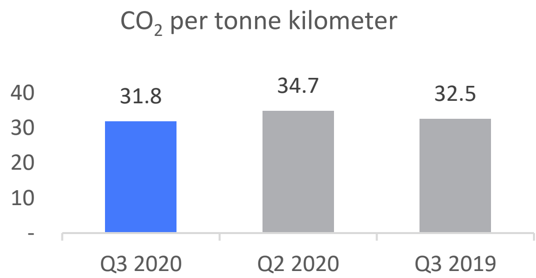


Landbased LTIF continues to show a positive development compared to both the previous quarter and last year. Management measures being taken to address key safety hazards are observed to lead to direct results in the LTIF results.



Environment

The total CO_2 emitted for Q3 2020 was about 16% lower than the same quarter of 2019, while the corresponding total cargo work done decreased by about 14% measured in tonne kilometres. In total this resulted in a decrease of about 2% in the grams of CO_2 emitted per tonne kilometre compared to same period last year. This was mainly driven by better utilization.



Prospects

The markets in which the group operate have recovered somewhat since the sharp drop in volumes observed during April and May. However, volumes remain below 2019 levels and are expected to depend on changes in underlying demand and manufacturing output driven by ongoing impacts from the COVID-19 pandemic. Despite measures taken, the drop in volumes has resulted in excess capacity in the industry which is likely to persist for some time, delaying market improvements and affecting rates.

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

Lysaker, 10 November 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.

Wallenius Wilhelmsen

Consolidated statement of profit or loss

USD million	Notes	Q3 2020	Q3 2019	YTD 2020	YTD 2019	2019
Total revenue	3	**697**	**954**	**2,136**	**2,977**	**3,909**
Operating expenses	3	(545)	(741)	(1,812)	(2,334)	(3,104)
Operating profit before depreciation, amortisation and impairment (EBITDA)		**152**	**213**	**323**	**643**	**805**
Other gain/(loss)	2	(1)	2	(36)	3	51
Depreciation and amortisation	4, 5	(110)	(121)	(339)	(369)	(498)
Impairment	4, 5, 6	-	0	(84)		-
Operating profit/(loss) (EBIT)		**40**	**94**	**(136)**	**277**	**358**
Share of profit/(loss) from joint ventures and associates		**0**	**0**	**0**	**0**	**1**
Interest income and other financial items		13	17	29	34	51
Interest expenses and other financial expenses		(50)	(89)	(249)	(259)	(297)
Financial items - net	7	**(36)**	**(72)**	**(220)**	**(225)**	**(247)**
Profit/(loss) before tax		**4**	**22**	**(355)**	**52**	**112**
Tax income/(expenses)	9	0	14	7	9	(10)
Profit/(loss) for the period		**4**	**36**	**(349)**	**61**	**102**
Profit/(loss) for the period attributable to:						
Owners of the parent		5	33	(334)	51	93
Non-controlling interests		(1)	3	(15)	10	10
Basic earnings per share (USD)	8	0.01	0.08	(0.79)	0.12	0.22

Consolidated statement of comprehensive income

USD million	Q3 2020	Q3 2019	YTD 2020	YTD 2019	2019
Profit/(loss) for the period	4	36	(349)	61	102
Other comprehensive income:					
Items that may subsequently be reclassified to the income statement					
Changes in fair value of cash flow hedge instruments	-	0	-	2	2
Hedging gains reclassified to the income statement related to cash flow hedges	-	-	-	-	2
Currency translation adjustment	4	(5)	(2)	(5)	(0)
Items that will not be reclassified to the income statement					
Remeasurement pension liabilities, net of tax	(4)	-	(4)	-	(7)
Other comprehensive income/(loss) for the period	**(0)**	**(5)**	**(7)**	**(3)**	**(4)**
Total comprehensive income/(loss) for the period	**4**	**31**	**(355)**	**58**	**99**
Total comprehensive income attributable to:					
Owners of the parent	5	28	(340)	47	87
Non-controlling interests	(0)	3	(15)	11	11
Total comprehensive income for the period	**4**	**31**	**(355)**	**58**	**99**

Wallenius Wilhelmsen

Balance sheet

USD million	Notes	30 Sep 2020	30 Sep 2019	31 Dec 2019
ASSETS				
Non-current assets				
Deferred tax assets		87	105	92
Goodwill and other intangible assets	4, 6	582	665	652
Vessels, other tangible and leased assets	5, 6	5,586	5,854	5,806
Investments in joint ventures and associates		10	2	1
Other non-current assets	2	167	153	196
Total non-current assets		**6,432**	**6,779**	**6,747**
Current assets				
Bunkers/luboil		49	83	108
Trade receivables		314	482	420
Other current assets		137	160	123
Cash and cash equivalents		600	513	398
Assets held for sale	6	5	-	-
Total current assets		**1,106**	**1,237**	**1,048**
Total assets		**7,537**	**8,015**	**7,796**
EQUITY and LIABILITIES				
Equity				
Share capital	8	28	28	28
Retained earnings and other reserves		2,310	2,639	2,650
Total equity attributable to owners of the parent		**2,338**	**2,667**	**2,678**
Non-controlling interests		226	239	243
Total equity		**2,564**	**2,906**	**2,921**
Non-current liabilities				
Pension liabilities	12	67	61	61
Deferred tax liabilities		89	104	96
Non-current interest-bearing debt	10	3,468	3,644	3,549
Non-current provisions	11	74	123	140
Other non-current liabilities	11	242	23	6
Total non-current liabilities		**3,939**	**3,956**	**3,852**
Current liabilities				
Trade payables		113	235	148
Current interest-bearing debt	10	569	493	495
Current income tax liabilities		5	12	14
Current provisions	11	34	42	54
Other current liabilities	11	313	371	312
Total current liabilities		**1,034**	**1,154**	**1,023**
Total equity and liabilities		**7,537**	**8,015**	**7,796**

Cash flow statement

USD million	Notes	Q3 2020	Q3 2019	YTD 2020	YTD 2019	2019
Cash flow from operating activities						
Profit/(loss) before tax		4	22	(355)	52	112
Financial (income)/expenses		36	72	220	225	247
Share of net income from joint ventures and associates		(0)	(0)	(0)	(0)	(1)
Depreciation, amortisation and impairments	6	110	121	424	369	498
(Gain)/loss on sale of tangible assets		(1)	(0)	7	(0)	0
Change in net pension assets/liabilities		1	(3)	(0)	(4)	(10)
Change in derivative financial assets	2	1	(2)	36	(4)	(52)
Other change in working capital		(1)	38	154	(27)	(38)
Tax (paid)/received		(6)	(4)	(7)	(14)	(7)
Net cash flow provided by operating activities [1)]		**145**	**243**	**477**	**596**	**749**
Cash flow from investing activities						
Proceeds from sale of tangible assets		5	1	9	2	1
Investments in vessels, other tangible and intangible assets		(73)	(19)	(108)	(84)	(145)
Investments in joint ventures		(0)	-	(8)	-	-
Proceeds from sale of joint venture		-	-	-	-	1
Interest received		1	2	3	7	10
Net cash flow provided by/(used in) investing activities		**(67)**	**(16)**	**(104)**	**(75)**	**(133)**
Cash flow from financing activities						
Proceeds from issue of debt		260	70	440	637	687
Repayment of debt		(230)	(220)	(465)	(917)	(1,102)
Interest paid including interest derivatives		(41)	(50)	(126)	(154)	(202)
Realised other derivatives		(5)	(1)	(19)	(30)	(31)
Dividend to non-controlling interests		(1)	(1)	(1)	(3)	(4)
Dividend to shareholders		-	-	-	(25)	(51)
Net cash flow used in financing activities		**(17)**	**(202)**	**(171)**	**(492)**	**(701)**
Net increase in cash and cash equivalents		**62**	**26**	**202**	**29**	**(86)**
Cash and cash equivalents, excluding restricted cash, at beginning of period		539	487	398	484	484
Cash and cash equivalents at end of period[1)]		**600**	**513**	**600**	**513**	**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.

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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	-	-	-	(334)	(334)	(15)	(349)
Other comprehensive income	-	-	-	(7)	(7)	(0)	(7)
Total comprehensive income	**-**	**-**	**-**	**(340)**	**(340)**	**(15)**	**(355)**
Sale of own shares	-	0	0	0	0	-	0
Dividend to non-controlling interests	-	-	-	-	-	(1)	(1)
Balance 30 September 2020	**28**	**(0)**	**28**	**2,310**	**2,338**	**226**	**2,564**

	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	-	-	-	(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	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**

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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 third quarter 2020, the change in the value of the derivative was USD 1 million recognised as a loss under Other gain/(loss) in the income statement. The year-to date change in value of the derivative is a loss of USD 36 million recognised under Other gain/(loss) in the income statement. The loss comes from a USD 61 million loss recognised in the first quarter and a gain of USD 26 million recognised in second quarter. One of the most important elements to calculate the gain/loss is the estimated value of the 20% non-controlling interest related to EUKOR. In the first quarter a loss was recognised due to an estimated decrease in the value of the EUKOR shares driven by lower estimated cash flows. In the second quarter the value was adjusted upward due to higher estimated cash flows.

The change in value during third quarter 2019 was USD 2 million recognised as a positive effect under Other gain/(loss) in the income statement. The year-to -date change in 2019 was positive USD 4 million.

The financial derivative is recognised as an Other non-current asset and has a carrying value of USD 110 million at the end of third quarter 2020, compared to USD 98 million in third quarter last year.

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Note 3 - Segment reporting - QTD

USD million	Ocean		Landbased		Holding & Eliminations		Total	
	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019
Net freight revenue	498	686	-	-	-	-	498	686
Surcharges	26	59	-	-	-	-	26	59
Operating revenue	22	28	151	182	-	0	174	210
Internal operating revenue	(0)	0	24	39	(23)	(39)	-	-
Total revenue	**545**	**773**	**175**	**221**	**(23)**	**(39)**	**697**	**954**
Cargo expenses	(110)	(153)	-	-	24	24	(86)	(129)
Bunker	(90)	(164)	-	-	-	-	(90)	(164)
Other voyage expenses	(92)	(119)	-	-	-	15	(92)	(104)
Ship operating expenses	(62)	(57)	-	-	-	-	(62)	(57)
Charter expenses	(30)	(46)	-	-	-	-	(30)	(46)
Manufacturing cost	-	-	(53)	(53)	0	(0)	(53)	(53)
Other operating expenses	(1)	(4)	(63)	(106)	(1)	1	(64)	(109)
Selling, general and administrative expenses	(33)	(41)	(32)	(33)	(5)	(4)	(69)	(78)
Total operating expenses	**(416)**	**(585)**	**(148)**	**(192)**	**19**	**35**	**(545)**	**(741)**
Operating profit/(loss) before depreciation, amortisation and impairment (EBITDA)	**129**	**188**	**28**	**29**	**(5)**	**(4)**	**152**	**213**
Other gain/(loss)	(1)	2	-	-	-	-	(1)	2
Depreciation	(83)	(93)	(15)	(14)	-	(0)	(99)	(106)
Amortisation	(2)	(6)	(10)	(9)	-	-	(11)	(15)
Impairment	-	0	-	-	-	-	-	0
Operating profit/(loss) (EBIT)[1)]	**42**	**92**	**3**	**6**	**(5)**	**(4)**	**40**	**94**
Share of profit/(loss) from joint ventures and associates	-	0	0	0	-	0	0	0
Financial income/(expenses)	(27)	(46)	(6)	(15)	(4)	(11)	(36)	(72)
Profit/(loss) before tax	**16**	**45**	**(3)**	**(9)**	**(8)**	**(15)**	**4**	**22**
Tax income/(expense)	(1)	16	1	(2)	0	-	0	14
Profit/(loss) for the period	**15**	**62**	**(3)**	**(11)**	**(8)**	**(15)**	**4**	**36**
Profit/(loss) for the period attributable to:								
Owners of the parent	16	59	(3)	(11)	(8)	(15)	5	33
Non-controlling interests	(1)	3	0	0	-	0	(1)	3

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

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Note 3 - Segment reporting - YTD

USD million	Ocean			Landbased			Holding & Eliminations			Total		
	YTD 2020	YTD 2019	2019	YTD 2020	YTD 2019	2019	YTD 2020	YTD 2019	2019	YTD 2020	YTD 2019	2019
Net freight revenue	1,458	2,089	2,754	-	-	-	-	-	-	1,458	2,089	2,754
Surcharges	153	191	244	-	-	-	-	-	-	153	191	244
Operating revenue	79	104	142	445	592	769	-	-	-	524	696	911
Internal operating revenue	2	1	1	61	96	131	(63)	(97)	(133)	-	-	-
Total revenue	**1,693**	**2,385**	**3,142**	**506**	**688**	**900**	**(63)**	**(97)**	**(133)**	**2,136**	**2,977**	**3,909**
Cargo expenses	(331)	(514)	(675)	-	-	-	60	75	103	(270)	(440)	(572)
Bunker	(361)	(515)	(675)	-	-	-	-	-	-	(361)	(515)	(675)
Other voyage expenses	(261)	(343)	(456)	-	-	-	-	20	27	(261)	(323)	(429)
Ship operating expenses	(184)	(164)	(228)	-	-	-	-	-	-	(184)	(164)	(228)
Charter expenses	(102)	(153)	(198)	-	-	-	-	-	-	(102)	(153)	(198)
Manufacturing cost	-	-	-	(163)	(175)	(220)	2	(0)	0	(161)	(175)	(220)
Other operating expenses	(66)	(14)	(49)	(202)	(319)	(424)	-	2	3	(268)	(331)	(470)
Selling, general and administrative expenses	(105)	(121)	(160)	(90)	(97)	(133)	(11)	(15)	(21)	(206)	(233)	(313)
Total operating expenses	**(1,409)**	**(1,824)**	**(2,440)**	**(455)**	**(591)**	**(777)**	**51**	**81**	**112**	**(1,812)**	**(2,334)**	**(3,104)**
Operating profit/(loss) before depreciation, amortisation and impairment (EBITDA)	**284**	**561**	**702**	**51**	**97**	**123**	**(11)**	**(15)**	**(21)**	**323**	**643**	**805**
Other gain/(loss)	(36)	4	52	-	(1)	(1)	-	-	-	(36)	3	51
Depreciation	(260)	(283)	(383)	(45)	(40)	(54)	-	(0)	-	(305)	(323)	(436)
Amortisation	(5)	(17)	(24)	(29)	(28)	(38)	-	-	(0)	(34)	(46)	(62)
Impairment	(44)	-	-	(40)	-	-	-	-	-	(84)	-	-
Operating profit/(loss) (EBIT)[1)]	**(62)**	**265**	**348**	**(63)**	**27**	**30**	**(11)**	**(15)**	**(21)**	**(136)**	**277**	**358**
Share of profit/(loss) from joint ventures and associates	-	0	1	0	(0)	0	-	0	0	0	0	1
Financial income/(expenses)	(156)	(209)	(233)	(44)	(47)	(49)	(19)	31	36	(220)	(225)	(247)
Profit/(loss) before tax	**(218)**	**56**	**116**	**(106)**	**(19)**	**(19)**	**(31)**	**16**	**15**	**(355)**	**52**	**112**
Tax income/(expense)	(2)	14	29	8	(5)	(11)	1	(0)	(28)	7	9	(10)
Profit/(loss) for the period	**(220)**	**70**	**145**	**(99)**	**(24)**	**(29)**	**(30)**	**16**	**(13)**	**(349)**	**61**	**102**
Profit/(loss) for the period attributable to:												
Owners of the parent	(205)	61	136	(99)	(26)	(30)	(30)	16	(13)	(334)	51	93
Non-controlling interests	(15)	9	9	(0)	1	1	-	-	-	(15)	10	10

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

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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	-	-	5	5
Disposal	-	-	(0)	(0)
Currency translation adjustment	-	-	-	-
Cost at 30 September	**346**	**421**	**55**	**821**
Accumulated amortisation and impairment losses at 1 January	-	(148)	(17)	(165)
Amortisation	-	(31)	(3)	(34)
Impairment 1)	(40)	-	-	(40)
Disposal	-	-	(0)	(0)
Accumulated amortisation and impairment losses at 30 September	**(40)**	**(178)**	**(21)**	**(239)**
Carrying amounts at 30 September	**306**	**242**	**34**	**582**

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	3	12	22	76	26	138
Change in lease payments	-	-	-	-	7	7
Disposal	(0)	(4)	(11)	(8)	(60)	(83)
Reclassification	(1)	2	91	(83)	(84)	(76)
Currency translation adjustment	1	(1)	-	-	5	5
Cost at 30 September	**121**	**85**	**3,887**	**51**	**3,075**	**7,219**
Accumulated depreciation and impairment losses at 1 January	(5)	(21)	(971)	-	(424)	(1,421)
Depreciation	(7)	(10)	(132)	-	(156)	(305)
Impairment	-	-	(44)		-	(44)
Disposal	0	2	11	-	50	64
Reclassification	(0)	(1)	66	-	9	74
Currency translation adjustment	(0)	1	-	-	(1)	(0)
Accumulated depreciation and impairment losses at 30 September	**(12)**	**(28)**	**(1,071)**	**-**	**(522)**	**(1,633)**
Carrying amounts at 30 September	**108**	**57**	**2,816**	**51**	**2,554**	**5,586**

*Newbuilding contracts include instalments on scrubber installations.

During the third quarter, a new vessel was delivered resulting in a reclass from newbuilding contracts to vessels of USD 74 million.

In the third quarter another one of the four vessels classified as assets held for sale was recycled. Year-to-date, two vessels have been recyled. The two last 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 5 million.

The group has redelivered a total of seven leased vessels year-to-date.

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**

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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	13	12	1	26
Change in lease agreements	7	0	0	7
Disposal	(7)	(53)	(0)	(60)
Reclassification	(0)	(84)	(0)	(84)
Currency translation adjustment	5	-	0	5
Cost at 30 September	**457**	**2,614**	**4**	**3,075**
Accumulated depreciation and impairment losses at 1 January	(42)	(381)	(1)	(424)
Depreciation	(36)	(119)	(1)	(156)
Disposal	2	48	0	50
Reclassification	(0)	9	(0)	9
Currency translation adjustment	(1)	-	(0)	(1)
Accumulated depreciation and impairment losses at 30 September	**(77)**	**(443)**	**(2)**	**(522)**
Carrying amounts at 30 September	**380**	**2,171**	**2**	**2,554**

During the third quarter, a leased vessel was reclassified from leased assets to tangible assets, resulting in a net decrease of USD 71 million in leased assets. In accordance with the intial lease agreement, the vessel is now owned by the group.

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 agreements	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.

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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, while a second vessel was sold for recycling in the third quarter, to net sales price of USD 3 million each. The remaining two vessels are still classified as assets held for sale as of 30 September 2020 to an estimated scrap value of USD 5 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 third 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 third quarter.
An update of the impairment assessment for the other cash generating units with goodwill has been done in third 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 experiences an immediate and large impact on volumes and earnings in our business so far the first nine months of 2020. As societies has started to reopen and lift restrictions, we expect a gradual recovery to take place, but the timing and speed of such recovery is highly dependent 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 September 2020 compared with main assumptions used as of 31 December 2019.

USD million unless otherwise stated	Goodwill		Discount rate post tax		Growth rate terminal value	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
Wallenius Wilhelmsen Ocean	119	119	7.0%	8.0%	0.0%	0.0%
ARC	11	11	7.0%	8.0%	0.0%	0.0%
Total Ocean	**130**	**130**				
Wallenius Wilhelmsen Solutions	176	216	7.5%	8.5%	1.0%	2.0%
Total	**306**	**346**				

Note 7 - Financial income and expenses

USD million	Q3 2020	Q3 2019	YTD 2020	YTD 2019	2019
Financial income					
Interest income	1	2	3	7	10
Other financial items	1	0	1	1	5
Net financial income	**2**	**2**	**5**	**8**	**15**
Financial expenses					
Interest expenses	(34)	(48)	(112)	(147)	(194)
Interest rate derivatives - realised	(7)	(2)	(13)	(7)	(8)
Interest rate derivatives - unrealised	8	(19)	(72)	(71)	(53)
Other financial items	(3)	(1)	(7)	(4)	(6)
Loss on sale investments	0	-	0	-	-
Net financial expenses	**(37)**	**(70)**	**(204)**	**(229)**	**(261)**
Currency					
Net currency gain/(loss)	3	4	24	1	(5)
Derivatives for hedging of foreign currency risk - realised	(4)	(1)	(6)	(30)	(31)
Derivatives for hedging of foreign currency risk - unrealised	0	(18)	(21)	13	25
Net currency	**(1)**	**(16)**	**(3)**	**(16)**	**(11)**
Financial derivatives bunker					
Unrealised bunker derivatives	(0)	11	(4)	12	10
Realised bunker derivatives	(0)	-	(13)	-	1
Net bunker derivatives	**(1)**	**11**	**(17)**	**12**	**11**
Financial income/(expenses)	**(36)**	**(72)**	**(220)**	**(225)**	**(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 third quarter was positive USD 0.01 compared with USD 0.08 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 2020	423,104,938	220	28
Own shares 30 September 2020	706,856		

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 expense of USD 0 million for the third quarter 2020, compared with an income of USD 14 million the same quarter last year. The income of USD 14 million in the third quarter of 2019 was primarily due to the withholding tax case in Korea were Wilhelmsen Ships Holding Malta Ltd recorded a tax income of USD 19.4 million.

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.

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Note 10 - Interest-bearing debt and financial risk

USD million	30 Sep 2020	30 Sep 2019	31 Dec 2019
Non-current interest-bearing debt	3,468	3,644	3,549
Current interest-bearing debt	569	493	495
Total interest-bearing debt	**4,037**	**4,138**	**4,044**
Cash and cash equivalents	600	513	398
Net interest-bearing debt	**3,436**	**3,625**	**3,646**

Repayment schedule for interest-bearing debt	Bank loans	Leasing	Bonds	Other	30 Sep 2020
Due in 2020	11	108	-	1	**106**
Due in 2021	248	247	51	3	**569**
Due in 2022	223	244	175	3	**647**
Due in 2023	669	239	-	18	**928**
Due in 2024 and later	466	1,101	212	19	**1,786**
Total interest-bearing debt	**1,617**	**1,938**	**438**	**44**	**4,037**

Reconciliation of liabilities arising from financing activities	31 Dec 2019	Cash flow	Non cash changes: Net change leasing commitments	Foreign exchange movement	Amorti-sation	Other	Reclass-ification	30 Sep 2020
2020								
Bank loans	1,409	19	-	-	3	-	(28)	1,402
Leasing commitments	1,819	(2)	24	4	-	-	(207)	1,638
Bonds	304	154	-	(11)	(2)	3	(60)	387
Bank overdraft / other interest-bearing debt	16	27	-	(0)	-	-	(3)	41
Total non-current interest-bearing liabilities	**3,549**	**198**	**24**	**(8)**	**1**	**3**	**(298)**	**3,468**
Current portion of interest-bearing liabilities	495	(223)	9	(11)	0	-	298	569
Total liabilities from financing activities	**4,044**	**(25)**	**33**	**(18)**	**1**	**3**	**(0)**	**4,037**

During third quarter, Wallenius Wilhelmsen ASA completed a new senior unsecured bond issue of USD 220 million. Net proceeds from the bond issue was used for partial repurchased of other outstanding bonds and during third quarter, USD 73 million of outstanding bonds was repurchased.

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: Net change leasing commitments	Foreign exchange movement	Amorti-sation	Other [1]	Reclass-ification	31 Dec 2019
2019								
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 was related to updated estimates on outstanding customer claims.

In third quarter, USD 63 million and USD 62 million were reclassified from Non-current provisions and Current provisions to Other non-current liabilities and Other current liabilities, respectively, due to amounts no longer being uncertain in amount or timing. During the quarter, the provisions were further reduced with USD 12 million due to commercial settlements. In total, USD 109 million remains classified as provisions as amounts and timing are uncertain. The provisions shall cover expected pay outs related to jurisdictions with ongoing anti-trust proceedings and potential civil claims as of 30 September 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 - Employee Benefits

The net defined benefit obligations have been remeasured for the main pension plans at the end of third quarter due to a significant decrease in yield on high quality corporate bonds in 2020. The remeasurement was done for the Norwegian and the UK pension plans as the discount rate for Norway decreased by 0.7 percentage point and 0.4 percentage points for UK. Other financial assumptions have been revised where necessary. The net remeasurement loss is recognised as an increase in net liability of USD 7 million in the third quarter. The negative effect in other comprehensive income is USD 4 million (after tax).

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Note 13 - Events after the balance sheet date

Impact of Covid 19-pandemic
The Covid-19 pandemic is affecting demand for vehicles and equipment, impacting production output with social distancing and lockdowns, causing volatile production patterns and disrupting supply chains – all impacting the group's operations. Business volumes were initially driven down sharply by site closures and cuts in customer production with lows in April and May but have started to recover since late June. Volume recovery is expected to continue in the fourth quarter as manufacturers replenish stocks that were driven down by production output lower than the underlying drop in demand. Mid-term forecasting remains challenging, however. While demand has improved from lows earlier this year, sales patterns remain unstable. Looking into 2021, the potential impact on production from increased virus intensity in parts of the world is hard to predict. The group has taken a range of actions to adjust capacity, reduce costs and protect its 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 affect rate development. On the other hand, measures taken to recycle, lay-up, idle and slow-steam ships will go some way in countering this effect. For the fourth quarter, the group expects ocean volumes to be down around 5% versus the fourth quarter of 2019.

The COVID-19 breakout has affected impairment assessments of 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 and third quarter with no further impairments required.

Protests against ARC contract award sustained
The U.S. Government Accountability Office (GAO) has sustained the protests filed against the United States Transportation Command (USTRANSCOM) award on 30 April 2020 of the new multi-year relocation services contract to American Roll-On Roll-Off Carrier Group, Inc. (ARC). Protests concerning the Global Household Goods Contract (GHC) award were filed by two unsuccessful parties in line with established procedures. This is a standard process available through GAO to ensure USTRANSCOM has followed the terms of the solicitation and applicable acquisition regulations. As a result of this process, GAO has recommended that USTRANSCOM revisits certain assessments made during the procurement process. ARC will evaluate its options after obtaining more information about the GAO process and conclusion, and any additional information received from USTRANSCOM.

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 revene less Operating expenses. 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 less Total liabilities pluss total interest-bearing debt. For the full year CE is calculated based on yearly average of Total assets less Total liabilities pluss 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 Sep 2020	30 Sep 2019	31 Dec 2019
Net interest-bearing debt			
Cash and cash equivalents	600	513	398
Non-current interest bearing debt	3,468	3,644	3,549
Current interest-bearing debt	569	493	495
Net interest-bearing debt	**3,436**	**3,625**	**3,646**

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Reconciliation of alternative performance measures

USD million

	Q3 2020	Q3 2019	YTD 2020	YTD 2019	2019
Reconciliation of Total revenue to EBITDA and EBITDA adjusted					
Total revenue	697	954	2,136	2,977	3,909
Operating expenses excluding other gain/(loss)	(545)	(741)	(1,812)	(2,334)	(3,104)
EBITDA	**152**	**213**	**323**	**643**	**805**
EBITDA Ocean	129	188	284	561	702
Anti-trust expense	-	-	55	-	30
Scrapping of scrubber installations	-	-	7	-	-
EBITDA adjusted Ocean	**129**	**188**	**346**	**561**	**732**
EBITDA Landbased	28	29	51	97	123
Pension cost following plan amendment	-	-	-	-	3
EBITDA adjusted Landbased	**28**	**29**	**51**	**97**	**125**
EBITDA Holding/Eliminations	(5)	(4)	(11)	(15)	(21)
EBITDA adjusted Holding/Eliminations	**(5)**	**(4)**	**(11)**	**(15)**	**(21)**
EBITDA adjusted	**152**	**213**	**386**	**643**	**837**
Reconciliation of Total revenue to EBIT and EBIT adjusted					
EBITDA	152	213	323	643	805
Other gain/loss	(1)	2	(36)	3	51
Depreciation and amortisation	(110)	(121)	(339)	(369)	(498)
Impairment	-	0	(84)	-	-
EBIT	**40**	**94**	**(136)**	**277**	**358**
Pension cost following plan amendment	-	-	-	-	3
Anti-trust expense	-	-	55	-	30
Scrapping of scrubber installations	-	-	7	-	-
Change in fair value of derivative financial asset	1	(2)	36	(4)	(52)
Impairment recycling vessels and Landbased goodwill	-	-	84	-	-
Total adjustments	**1**	**(2)**	**183**	**(4)**	**(20)**
EBIT adjusted	**41**	**92**	**47**	**273**	**338**
Profit/(loss) for the period	**4**	**36**	**(349)**	**61**	**102**
Total adjustments	1	(2)	183	(4)	(20)
Profit/(loss) for the period adjusted	**6**	**34**	**(166)**	**57**	**82**

	Quarter average		Yearly average		Yearly average
Reconciliation of total assets to capital employed and ROCE calculation and return on equity calculation	Q3 2020	Q3 2019	Oct 2019-Sep 2020	Oct 2018-Sep 2019	31 Dec 2019
Total assets	7,489	8,084	7,666	7,928	8,033
Total liabilities	4,913	5,200	4,945	5,052	5,139
Total equity	2,576	2,884	2,721	2,876	**2,894**
Total interest-bearing debt	4,005	4,239	4,028	4,377	4,271
Capital employed	**6,581**	**7,123**	**6,749**	**7,253**	**7,165**
EBIT annualised	161	375	(182)	369	358
EBIT annualised adjusted	166	367	62	364	338
ROCE	**2.5%**	**5.3%**	**-2.7%**	**5.1%**	**5.0%**
ROCE adjusted	**2.5%**	**5.1%**	**0.9%**	**5.0%**	**4.7%**
Profit for the period annualised	18	143	(465)	81	102
Profit for the period annualised and adjusted	22	135	(221)	76	82
Return on equity	**0.7%**	**5.0%**	**-17.1%**	**2.8%**	**3.5%**
Return on equity adjusted	**0.9%**	**4.7%**	**-8.1%**	**2.7%**	**2.8%**