Wallenius Wilhelmsen

Annual Report

2020

From sea

2020

To land

Index

Wallenius Wilhelmsen in brief

About us

We are Wallenius Wilhelmsen, a market leader in integrated vehicle logistics. We manage the distribution of cars, trucks, rolling equipment and breakbulk to customers globally.

We are 8 700 dedicated employees in 30 countries worldwide, headquartered in Oslo, Norway (OEX: WAWI). Our main brands are **Wallenius Wilhelmsen Ocean**, **Wallenius Wilhelmsen Solutions**, **EUKOR**, **ARC** and **Armacup**. Total income for 2020 was USD 2.96 billion.

We control 136 vessels servicing 15 trade routes to six continents, together with a global inland distribution network, 65 processing centres, and nine marine terminals.

Our purpose is to build sustainable supply chains, imagining new, more efficient solutions for the changing world of mobility and transport on land and sea. Our goal is a zero-emission, full-life cycle supply chain for vehicles; working in partnership with customers and business partners, we can get there!

The world will keep surprising us and we will take an active role in defining the future of sustainable logistics for a world in motion.

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Sustainable logistics for a world in motion

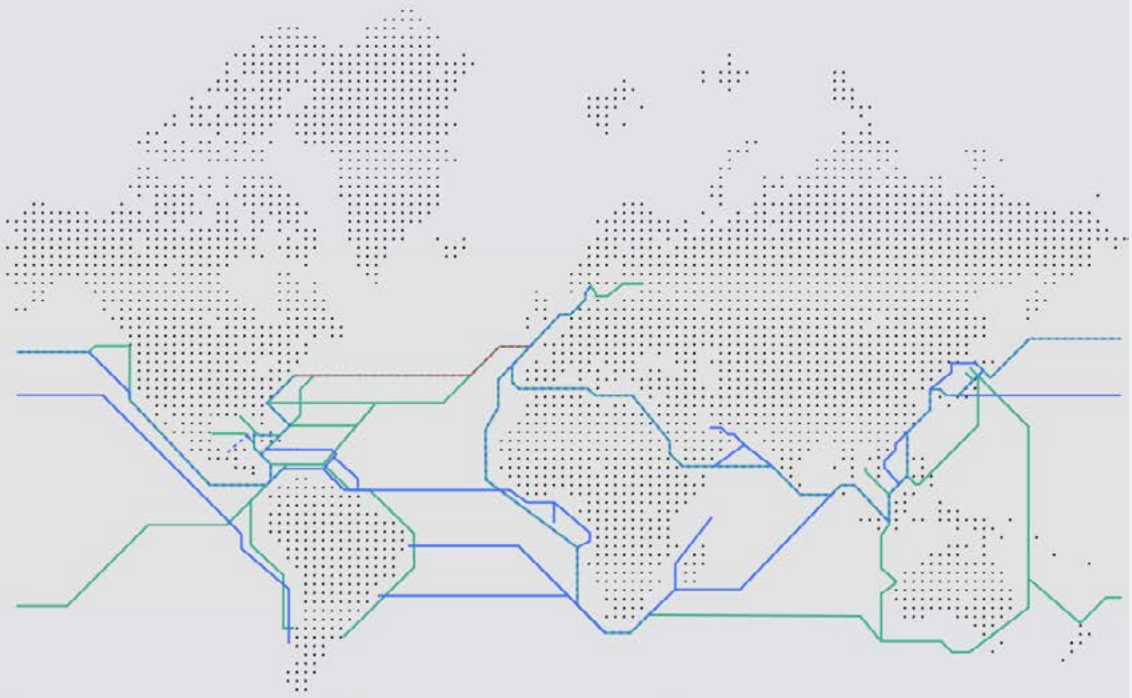
Ocean transportation

136
vessels

2.8
million units transported

1 049
sailings

6 205
port calls



Terminals

9
terminals

5.3
million units handled

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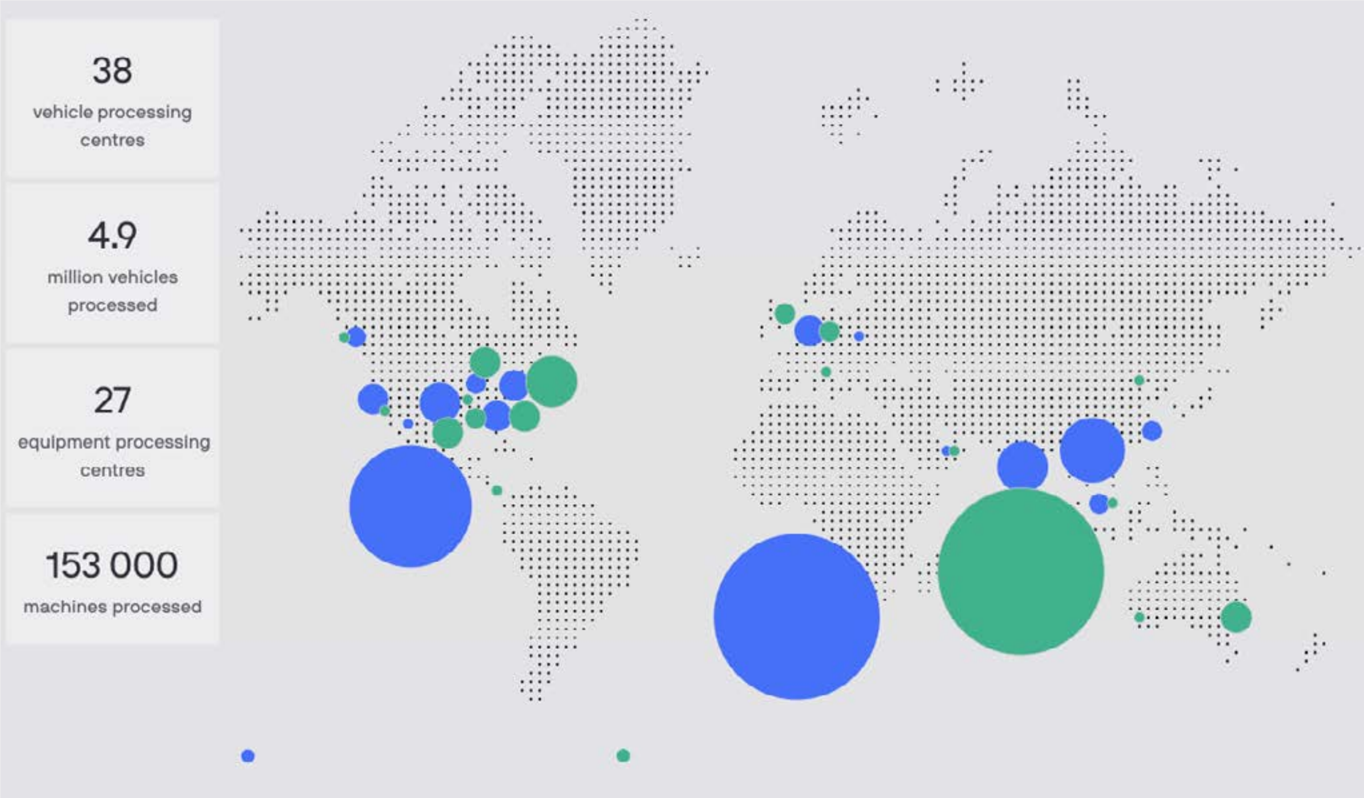
Processing centres



Inland distribution

Index:

zero emissions journey

Ocean operations

33.2%

2008 - 2020

Reduced CO_2 emissions per tonne-km

Total CO_2 emissions from landbased activities

14 488 tonnes

Total CO_2 from electrical consumption: 6 166 tonnes

Total CO_2 from liquid and gaseous fuels: 8 322 tonnes

Wallenius Wilhelmsen offers full life-cycle logistics services for vehicles, from the factory to the end of life and recycling

8 700

full time employees

30

countries

Gender distribution

Office workers

Board members

Key figures

Key figures consolidated accounts

USD million unless otherwise stated	2020	2019	2018	Restated 2017
Income statement				
Total income	2,958	3,909	4,065	3,027
Operating profit before depreciation, amortisation and impairment (EBITDA)	473	805	601	573
Operating profit (EBIT)	(84)	358	244	301
Profit before tax	(306)	112	78	148
Profit before the period	(302)	102	58	146
Balance sheet				
Non-current assets	6,391	6,747	6,204	6,376
Current assets	1,237	1,048	1,210	1,487
Total assets	7,628	7,796	7,414	7,863
Equity - parent	2,391	2,678	2,647	2,622
Equity - NCI	224	243	228	228
Interest-bearing debt	4,081	4,044	3,584	3,764
Key financial figures				
Net cash flow provided by operating activities	615	749	272	462
Liquid funds at 31 Dec	654	398	484	796
Current ratio [1]	1.1	1.0	1.1	1.0
Equity ratio [2]	34%	37%	39%	36%
Yield				
Return on equity	(11.4)%	3.5%	2.0%	5.1%
Key figures per share				
Basic and deluted earnings per share	(0.68)	0.22	0.12	0.37
EBITDA share	1.12	1.90	1.42	1.54
Average number of shares outstanding (thousand)	422,360	422,326	422,974	423,105
Market price at year end (NOK)	23.20	21.82	29.70	59.25
Market price high (NOK)	28.40	32.05	65.00	59.25
Market price low (NOK)	7.75	19.38	27.90	35.90
Dividend paid per share (USD)	–	0.12	–	–

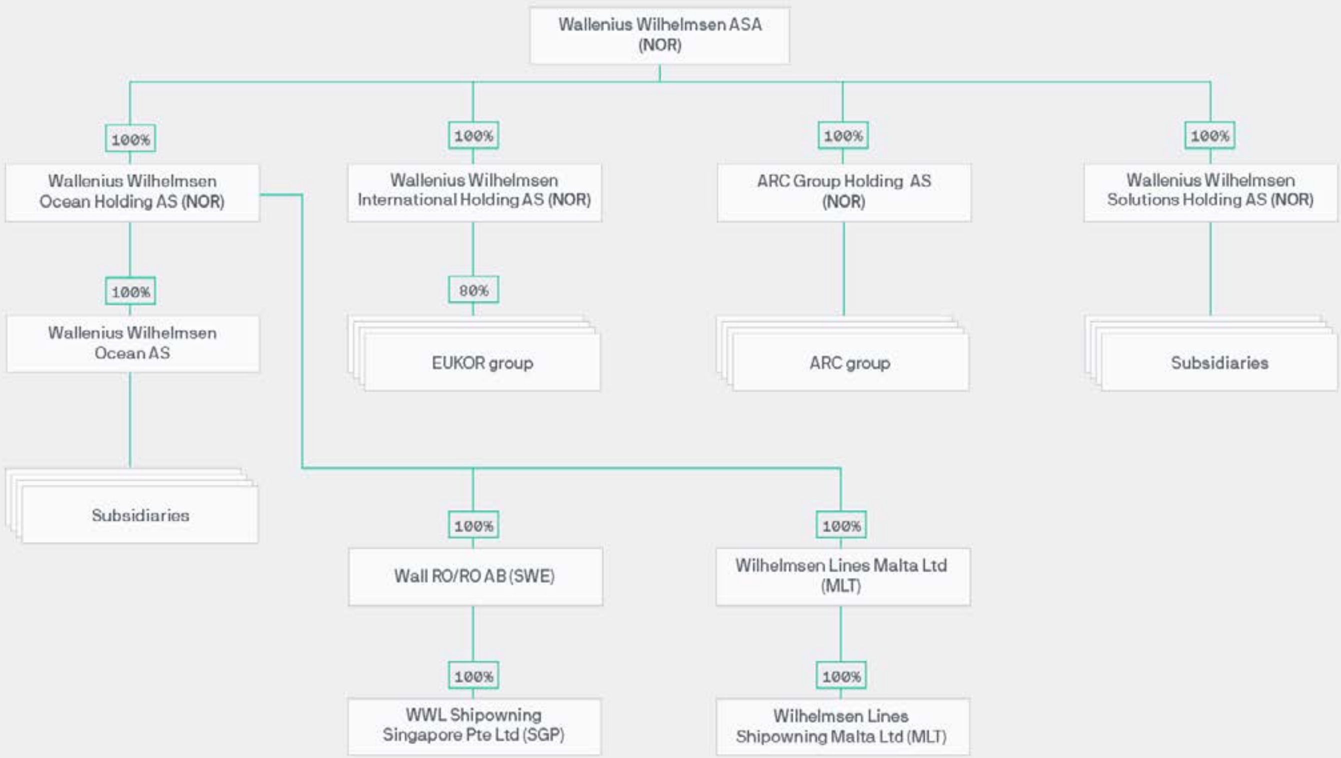
[1] Current assets divided by current liabilities

[2] Equity in percent of total assets

For 2017, earnings per share is calculated based on 220,000,000 shares for Q1 and 423,104,938 shares for the remaining part of 2017. See pages 143-145 in the annual report PDF for presentations of alternative performance measures.

Corporate structure

(Click image to zoom)



Board of Directors

Håkan Larsson

Chair of the board

Rune Bjerke

Vice chair of the board

Thomas Wilhelmsen

Board member

Jonas Kleberg

Board member

Anna Felländer

Board member

Marianne Lie

Board member

Margareta Alestig

Board member

Management

Torbjørn Wist

Acting CEO (from 8 March 2021) & Chief Financial Officer

Erik Nøklebye

Chief Operating Officer & EVP Shipping Services

Michael Hynekamp

Chief Operating Officer & EVP Logistics Services

Simon White

Chief Digital Officer

Anne Lise Hjelseth

Chief Human Resources Officer (CHRO)

Letter to Stakeholders

Despite the tumultuous year, we were able to navigate our way through successfully.

Dear Stakeholders,

Wallenius Wilhelmsen entered 2020 with a positive outlook on the market development and a strong momentum from our performance improvement program that was progressing according to plan. Several digital initiatives had been launched to drive both further internal efficiency and product improvement towards our customers, as well as work on initiatives in support of our long-term strategy with a clear purpose of Sustainable Logistics for a World in Motion – driving sustainability across vehicle value chains. In short, the company was poised for an ambitious and rewarding year. All of that was to change rapidly within the first few months of the year, when the onset of the global pandemic marked a turning point in sentiment and outlook.

Shipping volumes and processing centre throughput was strong throughout Q1, and whilst any impact was not really felt until well into Q2, the company responded with early decisions by the end of March. First and foremost was the establishment of key principles to guide us through and enable leaders at all levels to act quickly and decisively. These principles included:

- Taking social responsibility for our employees and the community
- Being financially prudent for our shareholders
- Maintaining operational stability for our customers
- Protecting long-term operational capabilities for when business returns, and to be ready to meet the future needs of our customers

Several decisions were then made in succession; to recycle four vessels, commence cold lay-up of up to twenty vessels, with immediate action for ten and re-delivery of short-term charter vessels upon expiry. Preparations and contingency plans were also initiated in case of eventual slowdown of throughput across land-based processing sites and terminals. All non-business critical expenditure was halted, a complete travel ban was put in place and running projects were either accelerated to completion, paused, or in some cases disbanded until further notice. All in all, the company developed an enterprise-wide plan of 32 cash saving initiatives that were tracked weekly initially, and thereafter monthly. Actions by various authorities around the world resulted in temporary office closures across most of the group and along with most industries, working from home became the norm. Fortunately, the company had completed the roll-out of the latest suite of MS office across the enterprise during 2019, because of which the transition to working remotely and virtually was seamless and without disruption.

With all these actions underway, volumes showed signs of falling in April and by May we had seen an aggregate 50% drop in volumes and throughput. Regrettably, the company needed to furlough thousands of workers across the land-based processing facilities and office-based workers were impacted either through furloughs, voluntary salary reductions or reduced working hours and relative pay. Social responsibility and the wellbeing of our employees was at the forefront of our minds and where government support schemes were either not sufficient or non-existent, concessions were made to support employees and their families with health care benefits, amongst others. The sacrifices and contributions made by all our employees throughout this pandemic has been nothing short of outstanding.

Very low and erratic volumes brought us even closer to our customers. The company was able to ensure sufficient vessel capacity to move volumes as required, and at the same time optimise the sailings provided by consolidating port calls and routes. Strong cooperation and understanding from our customers were paramount to ensure the operated voyages achieved historically low emissions per tonne mile and provided good returns to bolster the cost of significant idle capacity and cold layups. The same cooperation was experienced across all land-based processing sites with regular adjustments and joint decision making. Market conditions remained challenging throughout the year, with each phase of slow down, bottom, and volume recovery having their own challenges for logistics providers, placing incredible demands on the entire organisation. This resulted in an impressive effort across our group brands, where we truly operated as one, successfully adjusting throughout the year together with our customers.

Revised Long-Term Strategy

By the middle of 2020 the company had settled into well drilled crisis mode and line leadership were well equipped in handling daily operations. The management's attention moved to post-crisis planning. We re-affirmed the same foundational set of beliefs we established upon the creation of Wallenius Wilhelmsen; A continuous shift from vehicle ownership, to vehicle usership – whether automotive, construction, agricultural or mining. The world will keep surprising us, there will exist new customers we have not yet met, competitors we have never seen before, vehicle value chains that will be disrupted, and new revenue stream opportunities beyond our existing scope. Our core purpose remained as valid as it ever did – *Sustainable Logistics for a World in Motion*.

We re-affirmed our four strategic pathways established in 2019:

- Expand to full life cycle logistics
- Drive operational effectiveness
- Lead the journey to zero emissions
- Digitalise the supply chain

With a clear perspective on which trends we believe will accelerate and those that will decelerate, emerge and recover from the serious impacts of the pandemic – we saw the need to prepare and mobilise the organisation to seize the opportunities we see in the marketplace more rapidly. An adjusted structure was required and a new approach to how we could accelerate strategic initiatives across the company and increase employee engagement became key focus areas for the management towards the latter part of the year.

Adjusting to the Market

Throughout the pandemic the spirit of how we came together as one company, together with our customers, was evident. The message from the market was clear: our customers see us as one, irrespective of brand or operating entity – they expected, and received, a seamless solution to their outbound logistics needs. Decision making was faster than before, internal alignment was smooth, external engagement was strong and increasing. These were attributes we needed to retain and hone as we saw opportunities to help solve customer pain points which are only increasing, and new market entrants and business models in vehicle value chains arise.

Integrated logistics solutions and leveraging data will enable our ability to combine our array of services to our customers and allow for growth into new revenue streams throughout the full life cycle of a vehicle. Individual company brands are less important to our customers – our ability to combine our capability and their data is.

To better consolidate our interface with our customers across all brands and operating units – the new Customer Growth unit was established, combining business development, sales, and marketing activities of all brands and operating units into one team. Working and delivering using agile methodologies across the enterprise, the Customer Growth unit combines our logistics expertise on vehicle value chains, bringing the voice and needs of our customers across all operating units.

Our shipping and logistics services were also adjusted to be more in tune with the different operating modes of the two. The main shipping brands of EUKOR, Wallenius Wilhelmsen Ocean and Armacup were consolidated into one leadership team and a single division to operate all entities – *Shipping Services*. All our land-based operations, including port & terminal services for those main brands of Keen, PACRO, PIRT, Syngin, VSA, and Wallenius Wilhelmsen Solutions were consolidated into *Logistics Services*. The activities of ARC will be reported under the segment *Government Services*.

These changes represent a natural evolution of Wallenius Wilhelmsen, and we firmly believe they will enable us to increase opportunities with our customers, continue to be agile and responsive to a dynamic market, bringing our teams and capabilities closer – all to better serve our customers, help address their needs and keep us firmly on the track to drive sustainability in vehicle value chains.

Sustainability

Market and operating disruption in 2020 naturally influenced some of our sustainability initiatives during the year. However, we retained an unwavering commitment and focused our efforts on how and where we could continue to have a positive impact. Our work, together with our partner Wallenius Marine, to develop the first technically and operationally viable wind powered PCTC continued in earnest and culminated in Wallenius Marine launching the "OceanBird" concept in September. Wallenius Wilhelmsen was the first operator to secure the rights to utilise the design and the concept adopted by us is "Orcelle Wind" – a natural progression from our original "Orcelle" concept show cased in 2005 to develop a zero-emission vessel. We are incredibly proud of this development and thankful to Wallenius Marine for maintaining the imagination and tenacity to develop the technical viability. We will further assess and test the commercial and operating viability during 2021, based on which the ambition is to be yard order ready in 2022.

We continued the digitalisation of our fleet, with now 55 vessels streaming real-time performance data that we actively use to optimise energy efficiency to further reduce emissions using the same assets and fuel types as before. The digitalisation program continued throughout the year, despite our cash saving initiatives, as we saw this project and development as business critical. Our track record in emission reduction since 2008 has been solid and we are currently well ahead of the IMO targets – but more must be done with both existing and new technologies. Tannhauser entered the fleet in November and is the latest delivery of our series of eight High Efficiency Ro/Ro vessels that combine current technology with new thinking to further reduce our carbon footprint.

Lastly, we took advantage of the slower periods experienced during the year due to lower activity, to engage our organisation in a voluntary Lean:Green Works program. The program was established to develop a series of climate change action projects that looked at our business holistically both on land and sea – very much aligned with the experience we had during the year of truly coming together to solve a common problem – across brands, sites and activities. The portfolio consists of three main activities taking place across the company, led, and staffed by our teams of volunteers around the world and driven by our sustainability team.

1. Reducing electricity consumption at our offices across the world
2. Switching to renewable energy sources to power terminals and processing centres
3. Carbon compass 2.0: assessing the CO2 footprint and defining a baseline per individual customer. New version more granular and precise

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Each of these initiatives focus what we can do to make changes in our business and areas we can influence and control, that will benefit the climate, making the entire supply chain more sustainable and resilient.

Despite the tumultuous year, we were able to navigate our way through successfully. Together with the incredible efforts and resilience of our employees, and strong support from our customers, we were able to provide a seamless delivery of our services in a rapidly changing environment. Early and firm decisions resulted in significant cash saving initiatives that showed through on our cash balance and consolidated the organisations' focus around doing what we need, question what we want – and pull together as one to find solutions. The steps taken have strengthened our liquidity situation, which will help pave the way for future dividends and continued investment in our business. We are also proud that throughout the year we could continue focusing our efforts on Sustainability, maintaining our environmental programs; digitising the fleet, participating in the development of a new energy vessel, and engaging our employees in Lean:Green Works.

Exercising our social responsibility, we chose to avoid mass permanent lay-offs and instead worked with our employees to put temporary employment conditions in place alongside ensuring safe working environments in what was a challenging and constantly changing global environment. All with our clear purpose in mind – Sustainable Logistics for a World in Motion.

In March 2021, Craig Jasienski stepped down as the company's CEO following an agreement with the board. I would like to thank him for his long service to the group and wish him the best of luck in his future endeavours.

On behalf of the executive management team and employees of Wallenius Wilhelmsen ASA

Torbjørn M. Wist
Acting CEO

Board of Directors' report

Purpose and strategy

Wallenius Wilhelmsen ASA ('Wallenius Wilhelmsen'), through its operating companies, is the market leader in logistics for finished vehicles and breakbulk, offering ocean transportation and landbased vehicle logistics solutions globally. Wallenius Wilhelmsen's purpose is 'Sustainable logistics for a world in motion'. With vehicle logistics as its core business, the group will actively promote sustainability in customers' value chains.

Wallenius Wilhelmsen aims to capitalise on the opportunities linked to changing markets and take an active role in defining sustainable logistics for this world in motion. Trends in the wider auto industry, such as car-sharing, autonomous vehicles, electrification and digitalisation, will bring both challenges and opportunities. Integrated logistics solutions and leveraging data will strengthen its ability to combine a wide range of services for customers and allow for growth into new revenue streams throughout the full life cycle of a vehicle.

The group's sustainability strategy is built on the belief that there is a correlation between economic and sustainable outcomes. The goal is to lead the journey towards zero emissions by prioritising sustainable service offerings, optimising core operations to reduce the carbon footprint, and improving the efficiency and performance of our respective products and services. Through digitalising the supply chain, Wallenius Wilhelmsen aims to measure, minimise and clarify the sustainability impact across the unit life cycle for OEMs, end-users and service providers.

Sustainability is fully integrated into the group's corporate strategy, reflecting its holistic approach to managing its environmental, social and governance (ESG) performance. Wallenius Wilhelmsen has developed a sustainability value stream within its corporate strategy with ambitious new sustainability objectives:

- All new equipment at terminals and yards to be zero-emission by end of 2022
- All owned global fleet vessels equipped for zero emissions at berth by 2025
- 100% of our energy from sustainable sources by 2050

Our approach is to lead our industry towards zero emissions by bold target-setting, sophisticated ESG management, data transparency and reporting, and engaging in innovation and regulation. We set new greenhouse gas (GHG) targets to ensure we put our business on the right footing using science-based targets methodology and have begun adopting the recommendations of the Task Force on Climate-Related Financial Disclosures to help inform our climate actions and disclosures.

At the onset of the pandemic, Wallenius Wilhelmsen conducted a comprehensive review of its long-term strategy, which re-affirmed the defined pathways that set the direction for its work in the coming years. These have been rolled out across the organisation and are to:

- Expand to full life cycle
- Digitalise the supply chain
- Drive operational effectiveness
- Lead the journey to zero emissions

Organisational changes were implemented during the year to strengthen strategic alignment and to accelerate the pace of change. The establishment of the Shipping Services and Logistics Services business units bring together our capabilities in order to deliver improved services to our customers. The formation of a company-wide Customer Growth unit provides a common interface to our customers to better collaborate across markets in defining our customer's current and future needs. These changes will serve the ambition to deliver a seamless customer experience across the Wallenius Wilhelmsen group's network and grow using digital tools to cover enhanced logistics capabilities.

It is a clear objective of Wallenius Wilhelmsen to provide shareholders with a competitive return over time through a combination of an increase in share value and dividend payments.

Highlights for 2020

In 2020, Wallenius Wilhelmsen was impacted by the COVID19 pandemic as it hit the world economy and intercontinental trade. At the onset, the group took a proactive and precautionary approach to safeguard the health, safety and security of employees, crew and society at large, while maintaining services for customers and a solid financial position. While EBITDA declined more than revenue and volumes for both ocean and landbased operations, the early and decisive action taken to manage costs and capacity prevented an even greater negative impact.

Flexibility in the fleet has been a core strategic choice since the inception of Wallenius Wilhelmsen, ensuring our ability to adjust the fleet up or down with shifting market demand. Seven vessels available for redelivery at the end of charter contracts were redelivered in 2020, 15 vessels were put in cold lay-up, up to four vessels above the age of 24 years were recycled and vessel operations were optimised in Q2 and Q3. For the landbased business, temporary lay-offs of production workers became necessary as production was halted across several sites during Q2 to curb the spread of COVID19.

Measures were taken to protect and strengthen liquidity during the year. Wallenius Wilhelmsen withdrew the proposal of a USD 60m dividend for 2019, cancelled and/or postponed planned capital expenditure and entered into temporary agreements with the support of its bank group to waive certain covenants and to defer USD 70m of instalments scheduled for the second half of 2020. In August, the group successfully completed a new NOK 2.0 billion senior unsecured bond issue.

During the second half of the year, global automotive sales rebounded, fuelled by pent-up demand, incentives and improved unemployment figures. The high and heavy (H&H) segment had proved more resilient than automotive during the year and ended the final quarter with higher volumes than in Q4 2019. The increased volumes translated into a solid return of activity for Wallenius Wilhelmsen, though sales patterns remained unstable. The landbased segment ended the final quarter stronger than Q4 2019, while the ocean segment experienced margin pressure from ramped-up costs due to the rapid return of volumes in key markets as well as increasing fuel prices.

COVID19 significantly impacted global equity markets as well as the company's key markets during 2020. This led to a volatile year for the Wallenius Wilhelmsen share price, which reached a low of NOK 7.58 in March down from NOK 21.82 at year end 2019 before recovering and ending the year at NOK 23.20, representing an increase of 6% during 2020.

Financial review 2020

Consolidated financial results

Total revenue was USD 2,958m for FY 2020, a decrease of 24% compared to FY 2019, with lower revenues for both the ocean and landbased segments due to COVID19. Ocean revenues were down 26%, which was driven by lower volumes by 23%, lower net freight per CBM, reduced fuel compensation and a decline in other revenue partly due to low vessel charter out activity. The decline in volumes were due to a combination of the impact of COVID19, generally slower markets and the impact of reduced volumes related to a few contracts that were not renewed in Q4 2019 as a result of commercial priorities. Landbased revenues were down 20% as volumes dropped sharply with temporary OEM plant closures and production cutbacks as a direct effect of COVID19 during H1 2020 before gradually improving in the second half, with annual volumes down 27% compared to 2019.

EBITDA ended at USD 473m for FY 2020 compared to USD 805m in 2019. EBITDA was also negatively affected by two items not included in the adjusted EBITDA; USD 55m increase to the anti-trust provision and USD 7m of foregone instalments due to planned scrubber installations being cancelled. Excluding these effects, adjusted EBITDA ended at USD 536m, down 36% compared to adjusted EBITDA in 2019, with the ocean segment EBITDA down 36% and the landbased segment EBITDA down 34%. For an explanation of the definition of adjusted EBITDA, please refer to the section on 'Reconciliation of alternative performance measures' in the Annual Accounts.

Depreciation and amortisation amounted to USD 451m in 2020 versus USD 498m in 2019 reduced due to lower value of leased assets during the year after redeliveries of leased assets. Wallenius Wilhelmsen recognised impairment losses of USD 90m, of which USD 44m is related to four vessels: Two of the vessels were recycled during Q2 and Q3 at estimated sales price, while the remaining two vessels are still classified as assets held for sale as of 31 December 2020 to an estimated scrap value of USD 5m. The company also booked an impairment charge of USD 40m on the goodwill allocated to the landbased activities. The main reason for the impairment was the downward adjustment of the forecast for this segment as COVID19 hit, coupled with a reduction of the anticipated growth rate. Lastly, the group recognised an impairment of USD 5m related to software under development.

A put-call structure exists in the shareholder agreement with the minority shareholders for the investment in EUKOR Car Carriers (EUKOR). Any changes in the valuation of the net derivative is recognised in the profit and loss statement. During 2020, the change in the value of the derivative was USD 16m recognised as a loss (the corresponding value change in 2019 was a USD 52m gain) under Other gain/(loss) in the income statement. The movements during the year have been because of changes in the value of the EUKOR shares, which were driven by uncertainties related to the estimated cash flows due to the COVID19 pandemic.

Net financial expenses were USD 223m versus USD 247m in FY 2019. Interest expense including realised interest derivatives was USD 166m, down by USD 35m versus FY 2019. Net financial expenses were further impacted by USD 31m in unrealised derivative losses, including USD 57m loss related to interest rate derivatives, USD 1m gain related to bunker derivatives and USD 25m gain related to FX derivatives. In FY 2019, unrealised derivative losses were USD 18m.

The group recorded a tax income of USD 4m in 2020, compared with an expense of USD 10m in 2019. The tax income is partly due to the authorities in Korea cancelling a withholding tax case on dividends from EUKOR to Wallenius Logistics AB for the period 2010-2014, resulting in recognition of a tax income of USD 5m. The tax income was also due to the group's recognition of deferred tax assets related to tax losses in the landbased segment.

Net loss for the full year of 2020 ended at USD 302m.

Financial position and capital structure

Wallenius Wilhelmsen had an equity ratio of 34.3% at the end of 2020, down from 37.5% at the end of 2019. The liquidity position is solid, with cash and cash equivalents of USD 654m and USD 326m in undrawn credit facilities. The group had total interest-bearing debt and net debt of USD 4,081m and USD 3,427m respectively at the end of 2020. Outstanding bonds were about USD 476m with the remainder consisting of bank loans and leasing commitments.

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 Wallenius Wilhelmsen Solutions. An agreement is in place with the relevant lenders to waive this covenant for the remainder of 2020 before gradually being reset in 2021.

For the ocean business, the company agreed with the banks of Wallenius Wilhelmsen Ocean (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 caused by COVID19. As at the end of Q4, all agreed amounts are deferred and scheduled repayments resume in January 2021. The deferred instalments are scheduled to be repaid during the life of each facility but remain a priority to prepay in order to allow dividends from Wallenius Wilhelmsen ASA.

The group complied with all loan covenants at year-end 2020.

Several financing arrangements were concluded during 2020. At the onset of global lockdowns, USD 50m was secured in extra liquidity financing, of which half is in a KRW denominated revolving credit facility. In August, Wallenius Wilhelmsen ASA completed a new senior unsecured bond issue of NOK 2 billion (USD 220m). Net proceeds from the bond issue were used for partial repurchase of USD 66m of other outstanding bonds during the third quarter. The group has entered into two sale and leaseback agreements for two vessels for a total of USD 90m. The arrangements are regarded as financing arrangements and the liabilities related to this total of USD 90m have been classified as bank loans. Three vessels were refinanced with bank debt in the second half of the year at a total amount of USD 75m. In addition, the group has drawn USD 40m on previously concluded financing in connection with scrubber installations.

Cash flow

The group generated USD 256m of positive net cash flow from operations, investing and financing activities in 2020.

The net cash flow from operations amounted to USD 615m, partly bolstered by a USD 141m decrease in working capital through the year.

Net cash flow used in investing activities was USD 130m. The most significant investing activities were the USD 41m final instalment for the third HERO newbuilding in September, USD 35m for scrubber installations and regular dry dockings of approximately USD 35m.

Net cash flow from financing activities was negative USD 229m. The main items were net proceeds from issue of debt of USD 557m, repayment of debt of USD 598m, interest and interest derivative payments of USD 166m and realised derivatives of USD 19m.

Going concern assumption

Pursuant to relevant sections of the Norwegian Accounting Act, it is confirmed that the annual accounts have been prepared under the assumption that the enterprise is a going concern and that the conditions are present.

The ocean segment

Wallenius Wilhelmsen's main objective for the ocean segment is to strengthen its position as the RoRo shipping market leader with unrivalled H&H and breakbulk capabilities, while taking a leading position in the journey to zero emissions by digitalising the supply chain and driving operational effectiveness.

Summary of 2020

Total revenue was USD 2,327m for the full year 2020, down 26% compared with 2019 due to 23% lower volumes YoY, lower net freight per CBM in part due to a negative trade mix development, reduced fuel compensation and a decline in other revenue partly due to low vessel charter out activity. Volumes declined for all trades in 2020 due to the rapid drop in the first half of the year as COVID19 halted production and economic activity across the world. Decline in volume was also impacted by a few contracts that were not renewed in Q4 2019 as a result of commercial priorities. All the main trades have seen significant improvement during the latter half of the year because of a strong rebound in auto volumes, with some trade lanes ahead or in line with Q4 2019 during Q4 2020, while others still lag significantly behind.

Asia-North America trade volume dropped rapidly and ended down 16% compared to 2019 but rebounded on strong demand and ended the year with higher volumes in Q4 2020 than Q4 2019 on solid auto and H&H volumes. Volumes in the Atlantic dropped by 17% compared to 2019, but in the fourth quarter were at the same level as in Q4 2019 as a strong recovery of auto volumes both eastbound and westbound made up for slightly weaker H&H volumes. Europe-Asia trade was down 22% YoY as volumes fell steeply in the first half of the year, but Q4 2020 ended only 6% below Q4 2019. Volumes fell by 26% in Asia-Europe trade due to COVID19 effects and contractual developments and lagged 14% behind Q4 2019. Despite significant improvements in Q4, Europe-North America-Oceania trade was among the hardest hit and volumes fell 44% compared to 2019, partly due to COVID19 impacts and a contract which was not renewed at the end of 2019, with Q4 2020 still significantly behind Q4 2019 with 24%.

The H&H share increased to 31.1%, up from 29.4% in 2019, as H&H volumes proved more resilient than automotive volumes in the trough following the pandemic.

Adjusted EBITDA for the ocean segment ended at USD 469m in 2019, down USD 264m (-36%) compared to 2019. EBITDA was negatively impacted by reduced volumes and net freight rate per CBM of USD 41.3 down 3% YoY, while cargo mix of H&H held up. Ship operating expenses were up 8% over 2019 – partly on delivery of newbuilds during 2019 and 2020, costs relating to cold lay-up and inefficiencies caused by the pandemic situation. Costs relating to cargo, fuel and voyage expenses are variable and account for approximately 70% of total costs in the ocean segment. As volumes fell these costs were managed down in line with the volume decrease and further supported by lower fuel prices in 2020 compared to 2019. The average fuel price decreased by 12% compared to 2019. Combined with efficiency measures such as lower sailing speeds and tighter fuel inventory management, this ensured a positive net fuel cost (bunker cost less surcharge) effect of USD 40m when adjusting for changes in cargo volume and bunker volume. Additionally, the company utilised the flexibility available in the fleet and redelivered seven leased vessels as well as placed 15 vessels in cold lay-up. Two vessels were recycled in 2020 and another two are classified as held for sale at the end of the year.

The fleet

At year-end 2020, the ocean business operated a core fleet of 118 vessels, excluding short-term time charters, with carrying capacity of 816,500 car equivalent units (CEU) accounting for about 20% of the global car carrier fleet. The group owned 83 vessels, had 35 vessels on long-term charter contracts and 18 vessels were on short-term time charters (contracts up to one year) as of year-end 2020. The tonnage market showed extreme fluctuation due to COVID19 and the group managed capacity with the cold lay-up of 16 vessels and short-term time charters throughout the year. During 2020, the group took delivery of one newbuild on

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WW Ocean's account, while one American Roll-on Roll-off Carrier vessel and one EUKOR vessel were recycled. Seven vessels on long-term charter were redelivered upon expiry of the charter in 2020. Twenty vessels were reclassified from leased to owned (see 'note 10 – Right of use assets'). The number of owned vessels increased from 64 at the end of 2019 to 83 vessels by the end of 2020. At year-end 2020, the group retained flexibility to redeliver up to three vessels by end of 2021 (excluding vessels on short charter).

Wallenius Wilhelmsen has an ongoing newbuild programme for a total of four Post-Panamax vessels (8 000 CEU), with one vessel remaining to be delivered. Vessel number three entered service in October 2020 and the fourth and last vessel under this programme is scheduled for delivery in Q2 2021. The outstanding instalment for the vessel is about USD 39m and the company has a USD 50m bank financing available for the vessel at delivery.

The landbased segment

Wallenius Wilhelmsen's ambition is to substantially grow the landbased segment by expanding the core offering and expanding to full life cycle logistics.

Summary of 2020

Total revenue from the landbased segment for the full year of 2020 was USD 722m, a decline of 20% compared with 2019. Volumes dropped 27% compared to 2019 on temporary OEM plant closures and production cutbacks as a direct effect of COVID19 in H1 2020 before gradually improving in the second half.

Adjusted EBITDA was USD 83m, down USD 42m (-34%) compared to 2019.

All sub-segments experienced reduction in volume in 2020 compared to 2019. The results were negatively affected by plant closures starting in mid-March and continuing well into Q2 2020. As with any significant shift in business/volume it takes time to adjust labour, even more difficult when the length of the downturn is unpredictable. In order to protect the bottom line, the company took aggressive cost-cutting initiatives, specifically in labour management and travel and expenses. Government subsidy was provided in various regions to assist during the pandemic, which positively impacted margins. As an offset, the company made the decision to cover benefit cost for furloughed employees in certain regions.

Solutions Americas (Auto) EBITDA for the full year ended at USD 27m, a 54% reduction from 2019. VSA, a part of Solutions Americas (Auto), was heavily impacted at plant sites and ports with a 26% drop in volume compared to 2019, with the heaviest impact experienced in Q2 with auto volumes lower by 71% YoY. However, Syngin, part of Solutions Americas (Auto), was sheltered by the pandemic and performed slightly better when compared to 2019.

The Solutions Americas (H&H) sub-segment experienced similar closures as VSA, reducing volume 35% compared to 2019 and EBITDA for FY 2020 was USD 11m compared to USD 20m in 2019.

Solutions APAC/EMEA had significant reductions in volume through Q3, which was partially offset with government subsidies. The FY 2020 EBITDA ended at USD 9m, a reduction of 23% since 2019.

Terminals volume fell 21% compared to 2019, with Q2 experiencing the heaviest drop of 50% YoY. However, Terminals EBITDA held up well and ended at USD 40m, only a 4% reduction since 2019, as the volume reduction was countered by an increase in storage, other high-value activities and continued focus on cost savings measures.

Market and development

The global demand for deep-sea transportation was weakened by the global COVID19 pandemic. Light vehicle (LV) exports were hardest hit in Q2 but picked up at the end of the year, while the H&H segment was not impacted to the same extent as LVs and rebounded strongly in the second half of 2020.

Light vehicle market

Global LV sales declined by 14.4% in 2020 compared to 2019 and totalled 76.8m units. The global COVID19 pandemic made its impact on all major markets. China, first in and first out of the COVID19 crisis, declined less than the US and European markets and was down 4.7% YoY. In the US, dealers kept open to a larger degree than Europe and sales ended at 14.6m units sold, equal to a decline of 14.6% YoY. Sales in Western Europe were the hardest hit as governments' attempts to stop the virus led to widespread lockdowns and low LV sales levels, particularly during Q2. For the year as a total, LV sales ended at 12.5m units, down 23.8% YoY.

Global deep-sea LV exports were down about 17.9% from 2019 to 2020, and COVID19 negatively impacted sales. As China has a lower share of deep-sea imported LV volumes compared to other major markets, the deep-sea volume was harder hit than global sales. Light vehicle exports from Europe declined 17.1%, while North American exports declined 18.3% in line with the global LV sales decline. Japanese exports declined 17.3% from 2019, while Korean vehicle exports were down 15.4% from 2019, and thus performed the best of the major export regions. Chinese exports were down 10.8%, although from a low level, and a positive factor for Chinese LV export was new battery electric models gaining attention in Europe. According to the forecast from IHS Markit, the LV sales outlook for 2021 is an increase of 10% compared to 2020. Sales in the US are predicted to increase by 11% and exceed 16m sold units.

Western Europe is expected to see a growth of 12.1% as the region fell lowest in 2020. The base case scenario expects deep-sea volumes to see a stronger rebound compared to global sales. Exports from Japan and Korea are also expected to rebound in 2021. The LV outlook for deep-sea carried volume for 2021 is positive with an expected rebound after COVID19, though continued uncertainty due to trade tensions, governments' environmental regulations and geopolitical tensions might influence sales.

High and heavy

International markets for agricultural, construction and mining machinery all experienced a tumultuous 2020. Global trade volumes contracted 13% YoY in the first 11 months of 2020, and an estimated 11% for the full year, as volumes rebounded strongly from the pandemic-induced trough in the second quarter.

Global construction machinery trade declined 15% YoY in the first 11 months of 2020. Machinery exports declined to all continents, with the steepest drop recorded in the Americas. Volumes contracted a significant 34% YoY at the height of the pandemic in the second quarter and have since steadily recovered. Activity in the construction sector is still affected by the grip of the pandemic, but there are big geographical differences in both the severity of the downturn and the path of the recovery. A key challenge ahead is the limited visibility in the non-residential segment, where dynamics continue to evolve with altered travel patterns, remote working and accelerating e-commerce. However, machinery demand is expected grow by mid-single digits again over the next couple of years – owing mainly to a low base of comparison.

The contraction in mining machinery demand accelerated in 2020, with global deliveries of surface mining machinery decreasing 32% YoY. Machinery imports declined in all regional markets except for Africa and Oceania. Among mineral groups, only gold mines recorded improving machinery demand. Nevertheless, deliveries in Q4 2020 put an end to eight consecutive quarters of sequential decline. Mined commodity prices staged a very strong comeback from the bottom of 2020 and key commodities like copper, iron ore and gold all yielded prices well within 80% of decade highs towards the end of the year. Crucially, the strengthening earnings potential among miners means that the investment outlook among miners is again improving. Supported by growing orders, machinery demand is expected to return to low double-digit growth in each of the next two years, taking sales back to pre-pandemic levels by the end of 2022.

Compared to construction and mining machinery, agriculture equipment markets enjoyed a much swifter rebound in 2020. End-user demand and export volumes turned positive again in the third quarter, but still left trade volumes down 8% YoY in the first 11 months of the year. Exports contracted to Europe and the Americas, but recorded minor gains to all other continents. The market turnaround was driven by strong commodity price development for key crops, lifting industry sentiment around the world to decade highs. The positive momentum is expected to extend to the years ahead, with machinery sales growing by low double-digit numbers in 2021, followed by mid-single-digit growth in 2022.

Global fleet

The global vehicle carrier fleet totalled 603 vessels (with more than 4 000 CEU capacity). In 2020, seven newbuilds were delivered and 24 vessels were recycled. During 2020 there was one new order above 4 000 CEU. This resulted in an order book that counted only 15 vessels at year-end, seven vessels with more than 4 000 CEU capacity and eight vessels with more than 1 000 CEU capacity – the equivalent of less than 2% of the active fleet. Most of the order book is scheduled for delivery in 2021 and the remainder in 2022.

Risk and risk management

As a global organisation, Wallenius Wilhelmsen is exposed to a variety of risks through its worldwide ocean and landbased operations, including financial, market and commercial, operational, regulatory, environmental and safety. A deliberate strategy and effective procedures for risk management and mitigation are required to keep our employees safe and our business in operation and will, over time, impact profitability in a positive way. Wallenius Wilhelmsen has established a group-wide enterprise risk management model and maps all main risks regularly. Every quarter, management presents a detailed risk assessment including mitigating actions, covering all business units and functional areas, to the Board of Directors.

Governing bodies, management and employees must be aware of the current environment in which they operate and be responsible for implementing measures to mitigate risks, acting upon unusual observations, threats or incidents, and proactively trying to reduce potential negative consequences. Risk evaluation is integrated in all business operations, both at group and business unit level. Wallenius Wilhelmsen has internal controls, systems and processes for handling financial, market and commercial, operational and regulatory risks.

Financial risks

The main financial risk exposures for Wallenius Wilhelmsen are interest and currency rates, and fuel oil price development.

Wallenius Wilhelmsen has a policy to hedge between 30-70% of the net interest rate exposure, predominantly through interest rate swaps and fixed-rate loans. The hedge ratio is currently about 60%.

The US dollar is the dominant currency for both revenues and costs across the group and is also the group's functional currency. Most of the currency exposure arises on the cost side in the ocean-operating companies where KRW, JPY, SEK, CNY and NOK are the most important currencies. As a main principle, Wallenius Wilhelmsen does not use financial instruments to hedge currency risk in the operating entities but assesses the merits of doing so in periods when the US dollar is deemed historically strong compared to other currencies.

Fuel oil price risk is primarily managed through the inclusion of bunker adjustment factors (BAF) in customer contracts. Since BAFs are typically calculated on the average price over a historical period and then fixed during an application period, a lag effect exists, which means that the group is exposed to price changes in the short term.

In addition to BAFs, the group has entered into fuel oil swaps securing around a quarter of expected fuel oil volumes in the period July to December 2021.

For a detailed assessment of financial risk, see 'note 18 – Financial risk'.

COVID19 pandemic

Through 2020, the COVID19 pandemic hit demand for vehicles and equipment, disrupting supply chains and production patterns and affected Wallenius Wilhelmsen's operations. The company has taken a precautionary approach to safeguard the health and safety of employees, crew, business partners and members of the public, while striving to avoid adverse operational impact.

At the end of 2020, the markets in which the group operate have recovered significantly since the sharp drop in volumes observed during April and May 2020. However, volumes remain below 2019 levels and sales patterns remain unstable. Looking further into 2021, it is hard to predict the potential impact on production from increased virus intensity in parts of the world.

Wallenius Wilhelmsen has taken a range of actions to adjust capacity, reduce costs and protect its cash position through this turbulent phase. Together with an efficient and adjustable cost base and starting from a strong financial situation, the company is well prepared to continue to manage its way through this unprecedented market situation.

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Market and commercial risk

Demand for ocean and land-based service offerings are cyclical and closely correlated with global economic activity in general and deep-sea transportation of LVs and H&H equipment in particular. Changes in the global economy are therefore highly decisive for the development of Wallenius Wilhelmsen's volumes and financial performance.

Trade tensions and other geopolitical tensions that may lead to heightened barriers to trade can represent a risk for Wallenius Wilhelmsen. Furthermore, illnesses or other events that may threaten the health and well-being of employees, customers and wider communities may cause disruptions to operations and demand, as seen during the COVID19 pandemic. Any short-term direct effect of reduction in volumes due to any of the above is not expected to be critical, as the group can implement measures to adjust capacity and reduce costs temporarily. On the other hand, indirect effects in case of slower global economic growth, combined with reduced deep-sea volumes across all cargo segments, would not only directly impact the results but could also lead to continued and increased overcapacity and create further pressure on rates. New emissions standards in the LV markets as well as incentives will also influence sales mix and trading patterns.

The geographical pattern of the production of LVs H&H equipment is continuously changing. A shift in the balance between locally produced and exported cargo may affect the overall demand for deep-sea ocean transportation, resulting in changed utilisation of the fleet. A shift in customers' market positions can represent both opportunities and risks for Wallenius Wilhelmsen's operating entities. However, the group's broad global coverage and client exposure contributes to reduce this risk element.

Operational risk

The main operational risks for Wallenius Wilhelmsen include tonnage imbalance, trade imbalance, vessel incidents and adverse weather conditions.

Wallenius Wilhelmsen strives to ensure sufficient fleet flexibility by combining owned tonnage with both long- and short-term charters. The owned tonnage and long-term charters represent the core fleet, while the short-term charters enable the operating entities to scale up and down capacity to meet changes in demand in a cost-efficient manner. Wallenius Wilhelmsen proactively handles trade imbalances through vessel swaps and space charter arrangements for excess volumes with other operators.

The implementation of the IMO 2020 0.5% global sulphur cap as of 1 January 2020 did not pose any major operational issues across the fleet, as the company and fleet were well prepared and continued the ongoing focus on quality suppliers of fuel.

The COVID19 pandemic has greatly impacted vessel crew change and shore leave. At an early stage, Wallenius Wilhelmsen assembled a COVID19 response team across the group to ensure that best practice, risk assessments and analytics were shared and adopted across the fleet as well as throughout landbased organisation to meet both global and local regulations. During 2020, no registered cases of COVID19 were reported on onboard vessels.

Through the increased digitalisation of the operations of Wallenius Wilhelmsen, the company will also become more vulnerable to cyber risks. The group could become a target of cyber attacks designed to exploit people's lack of security awareness, penetrate the security of its network or internal systems, misappropriate proprietary information, commit financial fraud and/or cause interruptions to its operations. Wallenius Wilhelmsen is currently investing in a transformation of its digital platforms to allow for a more digital workforce as well as taking the needed steps to reduce exposure to cyber security risks. Partnerships with leading industry players in the digital and security space is allowing Wallenius Wilhelmsen to take advantage of the protection tools and mechanisms available. Wallenius Wilhelmsen has also implemented information campaigns and awareness programmes in order to mitigate risk of security breaches related to phishing and imposter fraud.

Regulatory risk/anti-trust investigation

The operating entities WW Ocean and EUKOR have been part of anti-trust investigations in several jurisdictions since 2012. There has been a delay in several jurisdictions due to the COVID19 pandemic, but Wallenius Wilhelmsen expects the proceedings with the outstanding jurisdictions to be largely resolved in 2021, while the timeline for the resolution of civil claims is more uncertain.

In the second quarter, an increased provision of USD 55m was recognised as an operating expense in the income statement. The increase was related to updated estimates on outstanding customer claims. In the third quarter, USD 63m and USD 62m 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 year, the provisions were further reduced with USD 12m due to commercial settlements. In total, USD 110m remains classified as provisions as amounts and timing are uncertain. The provisions will cover expected pay-outs related to jurisdictions with ongoing anti-trust proceedings and potential civil claims as of 31 December 2020.

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

Environmental and safety risk

Wallenius Wilhelmsen is by the nature of its activities exposed to environmental and safety risks arising from both its ocean and landbased operations. These risks are mitigated through their respective management systems on all owned vessels and facilities. The management systems include a sharp focus on training, routines and measures designed to ensure continuous compliance with environmental and safety regulation. Environmental and safety risks associated with equipment failure or human error are minimised through frequent emergency response drills, toolbox talks and risk assessments. The group has well-implemented programmes with key performance indicator follow-up and undesired event root cause analysis to identify and prevent potential environmental and safety risks.

Forthcoming GHG regulatory changes from the International Maritime Organisation (IMO), the shipping industry's global regulator, and the European Union (EU) are another significant risk factor for Wallenius Wilhelmsen. For example, in April 2018 the IMO adopted ambitious emission reduction targets for 2030 and 2050. Regulations to ensure the targets are met are taking shape and will impact the shipping industry. Wallenius Wilhelmsen seeks to contribute to progressive yet pragmatic outcomes through active engagement in the regulatory process. For further information, please refer to the sustainability section of the Directors' Report.

Dividend for 2020

Wallenius Wilhelmsen ASA's objective is to provide shareholders with a competitive return over time through a combination of an increase in share value and dividend payments.

Wallenius Wilhelmsen ASA targets a dividend which over time shall constitute between 30-50% of the company's profit after tax. When deciding the size of the dividend, the Board will consider future capital requirements to ensure the implementation of its growth strategy as well as the need to ensure that the Group's financial standing remains warrantable at all times. Dividends will be declared in USD and paid out semi-annually.

During 2020, the company entered into a waiver agreement with banks in the WW Ocean group to build liquidity. The banks agreed to defer USD 70m in scheduled instalments and dividends are restricted while any deferred amounts are outstanding. The Board does not propose a dividend for 2020 to the Annual General Meeting in April 2021.

The Wallenius Wilhelmsen ASA share price developed positively during 2020, from NOK 21.82 on 31 December 2019 to NOK 23.20 on 31 December 2020, representing an increase of 6%.

Allocation of net profit

The Board's proposal for allocating the net loss for 2020 is as follows:

USD	
Net loss	negative USD 302 million
To other equity	negative USD 302 million
Total allocation	negative USD 302 million

Events after the balance sheet date

Wallenius Wilhelmsen decided to recycle up to four vessels above 24 years of age as part of the early action to withstand the COVID19 impact. Two of the vessels have been recycled in 2020 and a third vessel is sold for recycling in January 2021. The fourth vessel is still classified as held for sale as of 31 December 2020, and no agreement to sell the vessel for scrap has been entered into yet. In line with the group's long-standing policy, all recycling is green and is reported accordingly to the Ship Recycling Transparency Initiative.

In Q1 2021, Wallenius Wilhelmsen decided to reactivate 12 of its 16 vessels that are currently in cold lay-up. Reactivation will take place during H1 2021 and the reactivated vessels will replace capacity currently sourced through short-term charters. Reactivation of the remaining four vessels will be considered in the same period.

In February, the Federal Court of Australia issued a fine of AUD 24m to WW Ocean stemming from the Australian Competition and Consumer Commission's car carrier investigations in 2015. The company has accepted the ruling, which does not trigger any change in provisions. The legal process in Australia is the last of the investigations looking into the car carrying industry involving WW Ocean.

The Board has in dialogue with President and CEO Craig Jasienski agreed to end his employment with the company, effective 8 March 2021. The Chief Financial Officer, Torbjørn Wist, has assumed the role of acting CEO until the process of finding a permanent CEO is completed. The Board extends its gratitude to Craig Jasienski for his efforts in various positions in the group over more than 30 years.

Prospects

At the end of 2020, the markets in which the group operate have recovered significantly since the sharp drop in volumes observed during April and May 2020. However, volumes remain below 2019 levels and sales patterns remain unstable. Looking further into 2021, it is hard to predict the ongoing potential impact on production from virus intensity in parts of the world. Due to overall global fleet reduction, low order book and a rebound in volumes anticipated to come close to pre-COVID19 levels during 2021, overall industry supply-demand balance is expected to improve mid-term. Stabilisation of the market conditions will provide the group with more flexibility with regards to payment of dividends and further growth investments.

Wallenius Wilhelmsen has taken a range of actions to adjust capacity, reduce costs and protect its cash position through this turbulent phase. Together with an efficient and adjustable cost base and starting from a strong financial situation, the company is well prepared to continue to manage its way through this unprecedented market situation.

Signatures

Lysaker, 24 March 2021

The Board of Directors of Wallenius Wilhelmsen ASA

Signers:

Name	*Method*	*Date*
Lars Håkan Larsson	BANKID	2021-03-24 19:43 GMT+1
Kerstin Margareta Alestig Johnson	BANKID	2021-03-24 19:45 GMT+1
Bjerke, Rune	BANKID_MOBILE	2021-03-24 19:50 GMT+1
Wilhelmsen, Thomas	BANKID_MOBILE	2021-03-24 20:10 GMT+1
Wist, Torbjørn Mogård	BANKID_MOBILE	2021-03-24 20:13 GMT+1
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Sustainability

Our sustainability approach

At Wallenius Wilhelmsen Group, long term value creation means delivering improved financial results and a continuous reduction in our environmental footprint. This is important given that the purpose of Wallenius Wilhelmsen is sustainable logistics for a world in motion — imagining new, more efficient solutions for the changing world of mobility and logistics on land and sea in a sustainable manner. As the concept of mobility continues to evolve, we always look ahead, working with our customers and partners to find better, more sustainable supply chain solutions. Together we will take on shipping and logistics' greatest challenge – getting to a zero-emission supply chain.

Our approach is to lead our industry towards zero emissions by bold target setting, sophisticated environmental, social and governance (ESG) management, data transparency and reporting, and engaging in innovation and regulation. We set new greenhouse gas (GHG) targets to ensure we put our business on the right heading using **Science-Based Targets** methodology (see p.41, Strategy & Targets) and have begun adopting the recommendations of the **Task Force on Climate-Related Financial Disclosures** to help inform our climate actions and disclosures.

The principles of our sustainability strategy guide how we bring our sustainability vision to life. By striving for what is both economical and sustainable, we will produce the best long-term results for people, profits and the planet:

- Implement best-in-class operational and technical solutions to continuously reduce our carbon footprint
- Leverage sustainability to create substantial business value with customers, investors and (prospective) employees
- Attract innovators to shipping's decarbonisation challenge and amplify innovation to speed our transition to zero emissions
- Seek progressive yet pragmatic regulatory outcomes; those that yield the best cost-benefit results

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Sustainability is fully integrated into the company's corporate strategy, reflecting our holistic approach to managing our environmental, social and governance performance. In late 2020, management developed a sustainability value stream within our corporate strategy with ambitious new sustainability objectives:

All new equipment at terminals and yards to be zero-emission by end of 2022

All owned global fleet vessels equipped for zero-emissions at berth by 2025

100% of our energy from sustainable sources by 2050

Our reporting approach

Transparency in our sustainability efforts and performance is essential for cultivating good relationships with our stakeholders and meeting their evolving expectations. To ensure the appropriate focus and relevance of our sustainability work, we report on 52 Key Performance Indicators (KPIs) in our 2020 Sustainability Report, prepared and disclosed under the Global Reporting Initiative (GRI) Standards: Core option, and SASB Marine and Road Transport standards. In this report we also begin implementing the recommendations of the Task Force on Climate-Related Financial Disclosures, providing our shareholders and other stakeholders with information on our climate related risks and opportunities.

Our KPIs are aligned with the results of a Materiality Assessment conducted to identify and prioritise the material topics that impact our value chain. During this phase, we identified and assessed relevant environmental, social and governance related impacts along the company's value chain. We ranked the different sustainability topics in terms of importance to both Wallenius Wilhelmsen group and our stakeholders to determine their overall materiality. This sustainability report discloses topics deemed highly material (of high importance to both Wallenius Wilhelmsen group and its financial stakeholders) and reviewed regularly by top management.

Our Materiality Assessment, scheduled to be updated in 2021, is how we identify the sustainability topics that matter most to our business and our stakeholders.

To promote our vision of transparency, accountability and reporting, Wallenius Wilhelmsen serves on the Standards Advisory Group at the **Sustainability Accounting Standards Board (SASB)**. In 2020, we were active members of BSR's **Clean Cargo initiative** and participants in **Drive Sustainability,** a customer-driven sustainability reporting initiative for Original Equipment Manufacturers (OEM) and their suppliers.

Contributing to the UN Sustainable Development Goals

Our sustainability work contributes to the **UN Sustainable Development Goals** (SDGs), a set of 17 goals and 169 underlying targets to ensure a sustainable world by 2030. These goals apply to all and encourage governments and the private sector to mobilise efforts and cooperate to end extreme poverty, fight inequality, tackle environmental challenges, and ensure sustainable resource management.

At Wallenius Wilhelmsen, we are committed to doing our part and our sustainability work supports the following 7 SDGs:

- UN **SDG 3:** Ensure healthy lives and promote wellbeing for all at all ages.
- UN **SDG 8:** Promote inclusive and sustainable economic growth, employment and decent work for all.
- UN **SDG 9:** Build resilient infrastructure, promote sustainable industrialisation and foster innovation.
- UN **SDG 10:** Reduce inequality within and among countries.
- UN **SDG 13:** Take urgent action to combat climate change and its impacts.
- UN **SDG 14:** Conserve and sustainably use the oceans, seas and marine resources.
- UN **SDG 17:** Strengthen the means of implementation and revitalize the global partnership for sustainable development.

Unless otherwise noted, this report's scope includes shipping services and logistics services owned or controlled by the Wallenius Wilhelmsen group, which includes Wallenius Wilhelmsen Ocean, Wallenius Wilhelmsen Solutions, EUKOR, American Roll-on Roll-off Carrier (ARC) and Keen Transport Inc.

Environment

Managing GHG and climate risk, environmental emergency preparedness, biodiversity, waste and water and ship recycling.

As a global logistics company operating a fleet of ocean vessels and trucks, managing our operations' environmental impacts is crucial to our success. Our business's most material environmental issues are GHG and non-GHG emissions, environmental emergency preparedness of our ships, vessel recycling, biodiversity (ballast water and hull fouling), waste and water consumption on land and sea. In recent years, managing our GHG emissions and related climate risks has moved front and centre. It has become even more clear that greenhouse gases contribute to global warming and that carbon emissions are creating climate risks for our company, industry and stakeholders.

The financial community has galvanised broad support for more robust climate-related disclosures, a movement we embrace as a public company committed to transparency. Our industry, global logistics, is considered a hard to abate sector. Climate change presents us with physical risks such as changing port conditions and transition risks such as a changing regulatory landscape, customer demand for sustainable logistics, and even fuel availability. Our main climate risks are extreme weather, cost of carbon (by way of regulation), access to and cost of capital, and technology risk.

Scope 1	Scope 2
CO_2e emissions from fuels consumed	CO_2e emissions from electricity consumed
3 735 312 tonnes CO_2e in 2020	6 166 tonnes CO_2e in 2020

Climate Risk governance

The Board of Directors has a strong awareness of climate risks and opportunities and is committed to actively engaging management and business partners to find bold solutions. The entire Board of Directors reviews the company's Long Term Strategy, Annual Sustainability Report, and sustainability objectives, metrics and targets annually. In 2020, the company's leadership engaged in a high-level assessment of our Climate risk management, based on the recommendations of the *Task Force on Climate-Related Financial Disclosures* (TCFD).

Climate Risk management

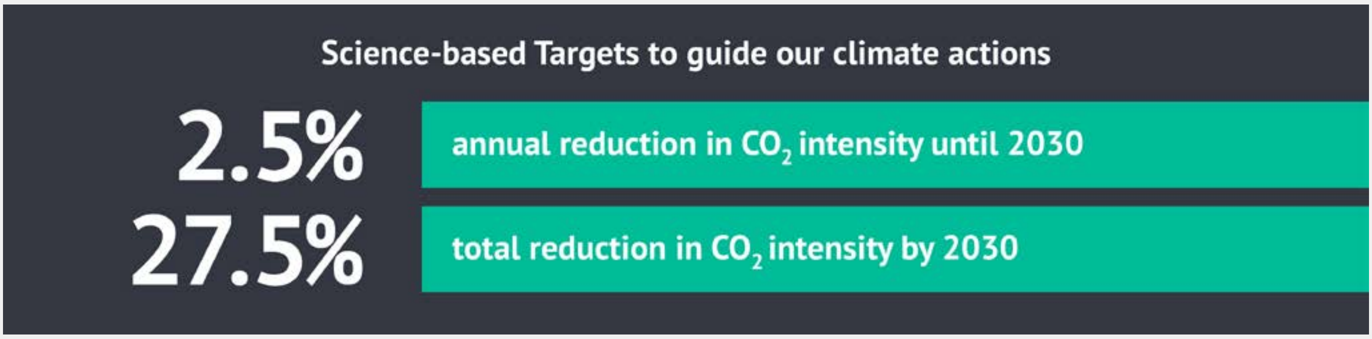
We believe that climate change creates potential risks for our business but also presents opportunities, and both climate risks and opportunities are part of the company's Long Term Strategy. Climate risks are also identified and assessed on an ongoing basis as part of our overall risk management. The company's Sustainability Management System is used to track all ESG objectives and KPIs, and data is collected and reported monthly to top management. Our ESG risk approach's foundation is a materiality assessment that management conducted to identify the most material risks and topics for our value chain, including GHG emissions from our ocean vessels and logistics operations.

Climate Risk strategy and targets

We have taken several strategic steps to diversify services, reduce emissions and invest in innovation and technology. Our Long-Term Strategy prioritises innovationas we recognise a pressing need for significant innovation in the industry to reduce emissions and meet global emission goals.

After achieving a CO2 intensity target reduction 12 months ahead of schedule in 2019, we developed Science-Based Targets to guide our zero-emissions journey with emission reduction targets in line with current climate science and the Paris Climate Agreement.

To track progress, the company measures Scope 1 and Scope 2 emissions and discloses them annually in this report, according to the GHG Protocol. Emissions are also part of the company's KPI Dashboard, visible to all company managers.



**) 2019 is the base year.*

Environmental Emergency Preparedness of Ships, Ship Recycling, Biodiversity, Air Quality, Water and Waste

While operating a large fleet of ocean vessels in near-continuous operations, environmental emergencies may arise within and outside the company's control. Our approach to managing this risk is to prepare to ensure an optimal emergency response. The Marine Operations Management team has the overall responsibility for ensuring the fleet's emergency preparedness. In practice, this is done indirectly through close collaboration with the fleet's various ship management companies responsible for the spill response readiness of the individual vessels.

The focus of preparation for all vessels owned by Wallenius Wilhelmsen is on IMO Shipboard Oil Pollution Emergency Plans and Oil Pollution Act 90 drills. The regulations stipulate that drills are conducted at least biannually. They are organised by the ship managers, who are also responsible for providing adequate response tools and materials.

If an environmental emergency does occur, the company's Emergency Response Reporting Routines Policy is enacted so it can respond quickly and effectively to minimise environmental impact. The policy includes immediate notification from the vessel to the Marine Operations Management team, who are responsible for the company's emergency response.

Ballast water from vessels and hull fouling on vessels are known to contribute to invasive species' spread. Invasive species are not merely a reputational risk for ocean carriers. They can wreak havoc on biodiversity, killing off native species and harming local ecosystems and economies. Protection of marine ecosystems is essential for environmental and economic reasons and remaining compliant with such regulations is critical to our success.

We manage our potential impacts on biodiversity by deploying Ballast Water Treatment Systems (BWTS) on our vessels and enrolling our entire fleet in an innovative anti-fouling programme. Both efforts are designed to minimise the danger of invasive species being introduced into port and harbour communities by our operations. As well as lowering the threat of transferring invasive species, hull-fouling also provides a vessel with significant fuel efficiencies.

Wallenius Wilhelmsen's Marine Operations Management team oversees vessel retrofitting of BWTS according to the regulatory schedule, and external ship management companies are responsible for ongoing compliance with ballast water management regulations. The Marine Operations Management team also oversees Wallenius Wilhelmsen's hull fouling management and policy. The ship management companies are charged with continual compliance with regulations and implementing our vessel and fleet policies.

Wallenius Wilhelmsen actively searches for new ways of working that will reduce waste and unwanted cost associated with undesirable environmental impacts. The Marine Operations Management team is responsible for overall policies, processes and procedures for water and waste management and recycling practices on the fleet. At the same time, ship managers ensure that the policies and requirements set by the company are followed on individual vessels.

To improve our environmental performance continuously and help us navigate to zero emissions, we measure, manage and report on our performance in the following material areas: emissions, environmental emergency preparedness, ship recycling, ballast water, hull fouling, bio-security, water and waste management.

Relevant internal governance documents

Wallenius Wilhelmsen Environmental Policy, Vessel Recycling Policy, Biofouling Management Policy, Ballast Water Management Policy, Ship Operation and Maintenance Policy.

Review of progress in 2020

Our annual Scope 1 emissions were 20% lower in 2020 (3,772,582 tonnes CO2e from 4,695,394 tonnes CO2e in 2019), mainly due to the COVID19 pandemic and related economic shutdowns. Reductions in emissions from the ocean fleet account for nearly all the group's CO2e reduction. Scope 2 emissions (from electricity consumed in 2020) were roughly equal to 2019, at just over 6,000 tonnes CO2e.

While CO2e emissions from Shipping services were 20% lower than in 2019, CO2e from Logistics services remained nearly constant with 2019 levels, even though overall production volumes were lower in 2020. Many processing facilities continued to operate even with lower volumes due to a growth in the customer base from 2019 to 2020.

In 2020, total SOx emissions of the Ocean shipping fleet were 8,945 tonnes, a significant reduction from 60,989 tonnes in 2019. The average sulphur content of fuel for the ocean fleet was about 80% lower than in 2019 (.38% vs 2% in 2019), accounting for the dramatic reduction of SOx emissions. This was due to the successful implementation of IMO new global sulphur cap on 1 January 2020, mandating a limit of 0.50% sulphur for all areas that are not already at 0.10%.

Guided by a commitment to continuous improvement, we published a revised Environmental Policy, updated to include new topics important in our industry, including raw materials, conflict minerals, and the responsible management of chemicals.

We continued to manage our impacts on biodiversity by installing nine company-owned vessels with Ballast Water Treatment Systems (BWTS) in compliance with the regulatory schedule. By the end of 2020, 48% of the company-owned fleet of 86 vessels has a BWTS installed. The remainder of the fleet complies with requirements through ballast water exchange. 100% of the owned fleet was also enrolled in hull biofouling management programmes.

Garbage sent for recycling from Ocean vessels slightly increased due to special provisions for preparing 16 vessels for a cold layup, among other lesser factors. Garbage generated by Logistics services was down by 22% compared to 2019.

Environmental KPIs, performance data & targets

KPI description	Unit of measurement	2020	2021 target	2030 target
CO_2e intensity from Shipping	grams CO_2/ tonne km	33.51	-2.5%[1]	-27.5%[1]
Scope 1 CO_2e emissions from Shipping	Tonnes CO_2e	3,764,260	n/a	n/a
Scope 1 CO_2e emissions from Logistics	Tonnes CO_2e	8,322	n/a	n/a
Scope 2 emissions (from electric consumptions), Logistics	Tonnes CO_2e	6,166		
Average sulphur content of fuel, Shipping	Percentage	0.38%	n/a	n/a
Total SOx emissions, Shipping	Tonnes	8,945	n/a	n/a
Total number of significant spills (>20 litres), Shipping	Number of incidents	0	0	0
Non-compliant enviromental breeches (releases, spill or discharge) reported to the authorities, Logistics services	Number of incidents	2	2	0
Percentage of owned fleet enrolled in hull fouling management programmes	Percentage	100%	100%	100%
Number of Ballast Water Treatment Systems installed on own vessels;	Number of installations	9	20[2]	n/a
Percentage of fleet implementing ballast water exchange; and	Percentage	52%	n/a	n/a
Percentage of fleet implementing ballast water treatment	Percentage	48%	n/a	100%

Performance data for all KPIS we measure available on pages 62-65.

[1] Baseline for CO_2 targets in 2019.

[2] Annual Target is set every year according to the fleet's annual Regulatory Schedule of installations.

Social

Managing diversity, equity and inclusion, safety, human rights, working conditions and welfare.

As a global logistics provider with customers and operations worldwide, we believe diversity is a critical asset in meeting all our stakeholders' needs. People are fundamental for us to create value, and a diverse workforce is essential for our long-term success. Developing diversity is the responsibility of the Global Human Resources and the Top Executive Team. The company's Diversity, Equity and Inclusion (DEI) project coordinator manages, monitors and reports from the diversity and inclusion initiatives and projects.

The purpose of our diversity approach is to cultivate a supportive and inclusive work environment for all our employees, promoting a workplace with equal opportunities to all candidates and employees regardless of their protected characteristics.
To attract and retain a diverse workforce able to meet our purpose, we have developed and invested in seven strategic initiatives to be launched between 2021-2022. They are designed to promote seven different facets of diversity. Management developed and used a set of five diversity metrics (Recruitment, Retention, Pay, Representation, Advancement) to assess the impacts of those initiatives on our people and our organisation.

Top management meets quarterly to review our sustainability performance and ESG management processes, including Diversity, Equity and Inclusion.

Safety for all our workers across all our operations is crucial to our success as an employer and a supplier. Therefore, the ultimate responsibility for safety rests with the company CEO. Safety at sea is the primary responsibility of the Marine Operations Management team. External ship management companies employ the crew of Wallenius Wilhelmsen's owned vessels. Our Marine Operations Management team is responsible for ensuring these management companies comply with our working conditions and safety policies and our Ship Operations and Maintenance Policy.

Logistics services employs both direct employees and outsourced labour for logistics activities and operations at terminals and processing centres, and respective site managers are responsible for safety and wellbeing at terminal and processing sites.

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Driver safety is the bedrock of our trucking and transport operations. Driver safety is managed and promoted by providing:

- Extensive onboard training-safety techniques and securement of machines; ingress/egress tractors
- Continual/remedial training
- Boot allowance provided for drivers (steel-toe, over ankle, etc.)
- Hi-vis apparel requirements (multiple apparel options)
- Structured safety protocols at all our facilities
- Continued safety communication updates to the fleet monthly
- Continuous review to improve ways for drivers to load, unload and secure cargo

Training and development are central to how we learn as individual contributors and as an organisation, and we prioritise the development of all employees globally. When employees are well supported, they enjoy a better employee experience, are more engaged in our purpose and perform at their best. This positively impacts our workforce retention, while ensuring we have the skills needed to deliver innovative, sustainable logistics solutions. 'Go, Grow, Succeed' is the company-wide platform for co-workers to manage their professional development objectives and facilitate their performance and development dialogues.

We believe there is a direct link between the working conditions and welfare we provide and the quality of service we deliver. This is material to our ocean services, as vessel crew spend working hours and recreation and resting hours onboard company vessels. The Marine Operations Management team is responsible for the ocean crew's working conditions. They work in close collaboration with ship management companies to ensure daily operational compliance with the many regulations governing this area.

For a company operating approximately 83 owned vessels, vessel recyclers' working conditions are essential to our sustainability. When ocean vessels reach the end of their lifecycle, they are often recycled without regard for worker safety and rights. To protect the safety and human rights of men and women working in ship recycling, we have adopted a Responsible Vessel Recycling policy, applicable to all owned vessels.

Our aim in adopting this policy is to positively impact the working conditions of the men and women earning their income in recycling yards, helping ensure their human rights are protected and respected. The Marine Operations Management team is responsible for implementing our vessel recycling policy, and through membership in the Ship Recycling Transparency Initiative, we are driving meaningful industry change.

To foster an environment where our people can thrive and succeed, we measure, manage and report on our performance in the following material social areas: Diversity, safe operations, training and development, working conditions and welfare, and human and labour rights in ship recycling.

Relevant internal governance documents

Wallenius Wilhelmsen Code of Conduct, Ocean Employees Handbook, Solutions Employee Handbook, Safety Policy, Responsible Vessel Recycling Policy, Solutions ESHQC Policy.

Review of progress in 2020

Throughout 2020, the COVID19 pandemic had a crippling effect on supply chains worldwide as the need to protect the health of our workers took precedence over most economic activity.

Our Diversity, Inclusion & Equity project engaged co-workers globally through a Peakon survey on a range of diversity-related topics. Several demographic assessments of our workforce were conducted to create baselines and analyse the data to understand the current diversity of our employees better and make action plans. To continue to drive progress and expand diversity to new areas, the company created and filled a new role, diversity and inclusion coordinator, who reports directly to the CEO and the chief HR officer.

To systematically improve employee experience at Wallenius Wilhelmsen, we have implemented a process for measuring metrics related to engagement, health and wellbeing. The data and insights from this process guide the development of action plans on a team, site, country, and global level.

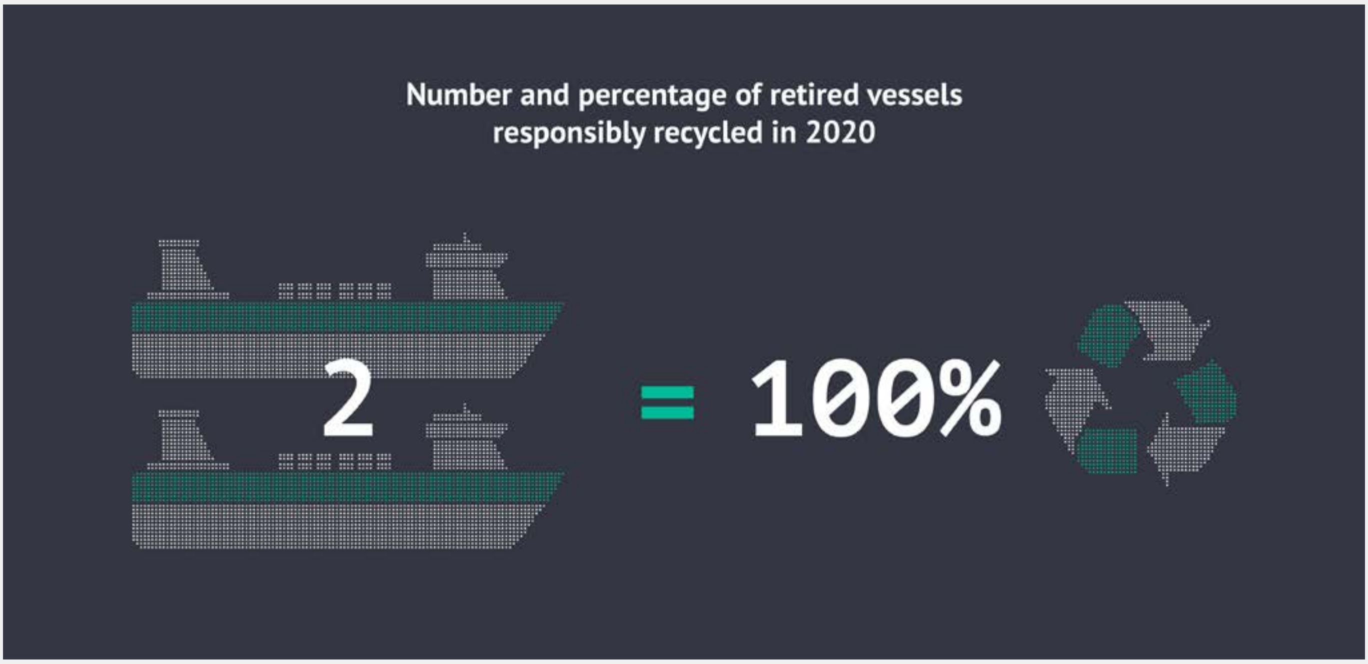
The fleet had no marine casualties and no work-related fatalities, and Lost Time Incident Frequency for Ocean services slightly skewed upward in 2020 by fewer crew hours due to vessels put into layup during the pandemic. Lost Time Incident Frequency for Logistics services improved to 13.94, mainly due to a continued global push on a safety mindset.

The ocean crew’s annual retention rate improved from the previous year to 97%, and satisfaction survey results remained consistent with 2019.

Absenteeism for Logistics services improved from 3% in 2019 to 2.5% in 2020, resulting from a continued global push for human resource improvement in workplace performance.

In 2020, we integrated Keen Transportation's operations into our sustainability management system, and KPIs for the transportation sector were incorporated into our reporting. We developed extensive support for our drivers throughout the ongoing COVID19 pandemic, often jointly between Wallenius Wilhelmsen management and our customers, including:

- Masks and hand sanitisers at all facilities
- Applying 'PermaSafe' (disinfectant fogger application) to tractor interiors when the driver enters
- Reduced face-to-face interactions for trip paperwork by using electronic vs signed Bills of Lading
- Real-time information updates from industry organisations, national, state, and regional levels, OEMs on COVID19 prevention strategies



Social KPIs, performance data & targets

KPI description	Unit of measurement	2020	2021 target	2030 target
Gender balance of office workers in senior roles, M:F [1]	Ratio	81:19	+10% women	65:35
Diversity Score from Employee Survey	Score (scale 1-8)	7.6	7.7	8
Lost Time Incident Frequency, Shipping	Rate	0.99	1	1
Lost Time Incident Frequency, Logistics	Rate	13.94	13	8
Work-related fatalities, Shipping	Number of incidents	0	0	0
a) Number of port state control detentions; and b) average number of deficiencies per vessel inspection, Shipping	a) number b) ratio	a)0 b)1.0	a) 0 b) 0.5	a)0 b)0.5
a) Number and b) percentage of retired vessels responsibly recycled	a) number b) percentage	a)2 b)100%	a)n/a b)100%	a)n/a b)100%
Annual retention rate of ocean crew	Percentage	97%	>90&	>90%

Performance data for all KPIS we measure available on pages 62-64.

[1] This KPI was modified from 2019 to capture more of our workforce, and will be used for reporting in 2020 and after.

Governance

Anti-corruption and ethics, quality, ESG customer management, taxes, security (land, sea, bio and IT) and ESG supplier management.

More than 150 years of experience has shown us that trust is essential for long term value creation and critical to our sustainability. We believe trust is built through acting responsibly and ethically. Our Code of Conduct defines our expectations for ethical, trustworthy business conduct from all of us at Wallenius Wilhelmsen, as well as our suppliers and business partners.

Our Ethics Alert Line allows stakeholders to report any concerns anonymously about how we operate and do business. The Alert line, hosted by an independent third party, is a confidential service that can be accessed from any location. Reports may be made on either an anonymous or named basis, and concerns can be a broad range of matters, such as Health, Environment and Safety breaches to fraud, corrupt activities, conflicts of interest, working environment issues, bullying and harassment. The Legal and Compliance team is responsible for anti-corruption and ethics measures.

As a global logistics provider, our customers trust us to move billions of dollars of manufactured goods worldwide. This means quality and security (which encompasses cargo and data) are at the centre of our workday, every day. This focus protects and contributes to the integrity and efficiency of our customers' outbound supply chains. We have a zero-tolerance policy for security infractions and theft. The COO of Ocean services has overall responsibility for quality and security related to vessels. The COO of Logistics services is responsible for quality and security at terminals and processing centres. The security of the Ocean fleet is managed by the Marine Operations Management team, who set targets, define initiatives, and assess the security performance for all vessels in the fleet. All company-owned or controlled vessels must follow the Wallenius Wilhelmsen Security Policy.

Security for land-based Logistics sites is material to our business for various reasons, but mostly because of the vital role security plays in lowering damages and associated costs and delivering cargo on time. The group has a zero-tolerance policy for theft and security breaches at any of our facilities. Compliance with group security policies and local regulatory requirements is the responsibility of the respective facility managers. At port facilities and customers' facilities, we partner with the owners and, if relevant, security contractors to ensure yards' security within the company's responsibility.

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Privacy and data security is another critical component of building and maintaining trust. Our stakeholders must know they can trust us to protect the security and confidentiality of the electronic records we store. We comply with the EU General Data Protection Regulation (GDPR), and Group IT is responsible for related company-wide policies and procedures.

Increased awareness of cargo as a vector for invasive species transfer has risen over the past several years. Our operations' main biosecurity threat has long been the Brown Marmorated Stink Bug (BMSB or stink bug). Biosecurity is of great significance to Wallenius Wilhelmsen due to its threat to Australian and New Zealand economies, and the potential to interfere with vessel schedules and operations and harm the company's reputation. For similar reasons, the issue could impact customers and cargo heavily.

The company's response has evolved in line with changes in requirements and as a result of experience gained. It is the cargo owner's responsibility to ensure that any product to be imported to Australia or New Zealand is free from any biosecurity threats. The point of origin, which is not necessarily the load port, determines whether the cargo must be treated to exterminate any hibernating bugs. The treatment process prescribed by authorities uses either chemical means or elevated temperatures.

Wallenius Wilhelmsen only accepts certified treated cargo from regulated countries and thoroughly inspects each vessel before departure. At the last port of load, the cargo on board is `fogged' to wake any hibernating bugs, which will then perish. Regular inspections occur, and before arrival in Australian and New Zealand waters, vessels report any live bug activity to biosecurity regulators.

Management of customer compliance with the regulation, treatment procedures and response to incidents lies with several of the organisation's functional groups.

Our ESG customer management approach is to ensure that the services we provide to our customers always comply with international sanctions, laws, and regulations. Compliance is essential since the price is lost access to markets for the company and our customers. The company's management has an established internal procedure to ensure compliance with the rules associated with international sanctions laws and regulations. The group's Customer Growth teams, along with Legal and Compliance, carry responsibility for ensuring our compliance.

Regulators and society continue to show much interest in the tax practices of global companies. The company is committed to complying with all tax laws and being a responsible taxpayer. We commit to ensuring compliance with local requirements and practices, and transparency with tax authorities. The company is also committed to adopting a justifiable and defendable tax position where tax regulations are open to interpretation or choices. The tax position taken in all significant transactions is supported by obtaining an external opinion. Corporate tax affairs are the chief financial officer's responsibility and extend to all jurisdictions where the company operates.

To provide our customers with genuinely sustainable services, we strive to instil sustainable ESG supplier management practices in our supply chain. Our Code of Conduct applies to all our suppliers. For our most visible and financially valuable assets – ocean vessels – we select recyclers using ESG supplier evaluation criteria according to our Responsible Vessel Recycling policy. We also include sustainability requirements in contracts with strategic suppliers.

To cultivate and maintain trust in our people and our services, we measure, manage and report on our performance in the following material areas: Compliance, quality of service, tax practices, security at land-based facilities, security of vessels, privacy and data security, bio-security, ESG supplier management, and taxes.

Relevant internal governance documents

Wallenius Wilhelmsen Code of Conduct – Global Environmental Policy – Health, Safety, Environment, Quality & Cost Policy for Logistics services – Responsible Vessel Recycling Policy.

Review of progress in 2020

Our Code of Conduct is a vital part of how we manage our business. In late 2020, management developed an updated version covering several important new topics, including drugs and alcohol, purchase of sexual services, political donations, and public and social media.

Management initiated a project to develop a robust supplier management approach with sustainability requirements and ensure sustainable procurement practices. We intend to complete and launch the new approach with suppliers in 2021, and new KPIs will be implemented for future reporting.

As part of the company's One Operation digital transformation, all owned vessels were connected with data streaming capabilities, reaching our target for 2020. The complete streaming system and the platform are continually being developed, and during 2020 the company identified and realised significant savings as a result. Vessel data liberation will significantly enhance fleet optimisation decisions and enable our continued transformation towards a data-driven logistics provider.

Logistics operations continued to digitise processes, and security incidents were added to the global KPI register, replacing a manual process with a digital registration solution.

The company did not have any substantiated breaches of privacy and data security in 2020. While we experienced no breaches, the company had four serious incidents (including one direct cyber-attack on WalWil and three indirect attacks on suppliers/partners) necessitating a formalised response. None of these incidents resulted in any substantiated direct data or financial loss.

During the past year, no vessels were rejected due to biosecurity matters. We developed a refreshed Biosecurity Management Plan for the whole fleet to reflect new requirements and overall biosecurity awareness, including the new VSPS (voluntary Vessel Seasonal Pest Scheme) regulations in Australia to facilitate understanding among vessels operating from targeted countries to Oceania. The online BMSB reporting tool for vessels has been simplified to reduce the workload on board and enhance the visibility of findings on board the vessels during the sea passage to Oceania.

Governance KPIs, performance data & targets

KPI description	Unit of measurement	2020	2021 target	2030 target
Average unplanned off-hire, owned fleet, shipping	Number of incidents	33	<24	<24
Number of cases in which group companies were found in breach of international sanction laws and regulations	Number of incidents	0	0	0
Total amount of monetary losses as a result of legal proceedings associated with bribery and corruption	Dollars	0	0	0
Number of substantiated breaches of privacy and data security	Number of incidents	0	0	0
Number of Cargo related biosecurity incidents	Number of incidents	0	0	0

Performance data for all KPIS we measure available on pages 62-64.

GRI index

Wallenius Wilhelmsen GRI Index - 2020

Global Reporting Initiative (GRI) is a independent international standards organisation which has developed the world's most widely used framework for sustainability reporting. The GRI guidelines consist of reporting principles, aspects and indicators that organizations can use to disclose information related to economic, environmental and social performance.

This report has been prepared in accordance with the GRI Standards: Core option.

The table below shows Wallenius Wilhelmsen reporting relative to the GRI Standards guidelines.

GENERAL DISCLOSURES

GRI §	Description	Source (page no.)
Organisational profile		
102-1	Name of the organization	Wallenius Wilhelmsen ASA
102-2	Activities, brands, products, and services	Wallenius Wilhelmsen in brief (p.1)
102-3	Location of headquarters	Strandveien 20, 1366 Lysaker, Norway
102-4	Location of operations	Wallenius Wilhelmsen in brief (p.2-5)
102-5	Ownership and legal form	Wallenius Wilhelmsen in brief (p.10-12) Corporate governance (p.69-83)
102-6	Markets served	Wallenius Wilhelmsen in brief (p.3-5)
102-7	Scale of the organization	Wallenius Wilhelmsen in brief (p.1-10)
102-8	Information on employees and other workers	Sustainability Performance Data, p.67
102-9	Supply chain	About us (p. 1-5)
102-10	Significant changes to the organization and its supply chain	Highlights for 2020 (p.22-31)
102-11	Precautionary Principle or approach	Please see Wallenius Wilhelsen's environmental policy where we discuss our approach to tackling environmental challenges and how we take a preacutionary approach
102-12	External initiatives	Clean Cargo initiative, LEO Coalition, Getting to Zero Coalition, Ship Recycling Transparency Initiative, Trident Alliance
102-13	Membership of associations	In addition ot the above: The Ocean Exchange, Norwegian Shipping Association, World Shipping Council, Maritime Anti Corruption Network (MACN), National Association of Waterfront Employers, Norwegian Ship owners Association, Norwegian Sea Law Association, The Association of European Vehicle Logistics (ECG), American Association of Port Authorities, National Freight Transportation Association
Strategy		
102-14	Statement from senior decision-maker	Words from the CEO (p.14-19)
Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	Purpose and strategy (p.20-21)
Governance		
102-18	Governance structure	Wallenius Wilhelmsen in brief (p.11-13) Corporate governance (p.69-83)
Stakeholder engagement		
102-40	List of stakeholder groups	Employees, customers, shareholders, investors & financial community, industry peers, ports and port communities

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102-41	Collective bargaining agreements	Pension obligations (p.100) Note 16, Employee retirement plans (p.128-129)
102-42	Identifying and selecting stakeholders	Our Reporting Approach (p. 43-45)
102-43	Approach to stakeholder engagement	We carry out regular stakeholder engagement through multiple means including sector specific initiatives and working groups. In 2020, we engaged with customers on sustainability topics through Clean Cargo (a BSR initiative) and Drive Sustainability, as well as one-on-one engagements with targeted customers on vessel recycling and supply chains. We also engaged several shareholders on climate change and ESG topics. However, no specific stakeholder engagement was carried out in 2020 related to our report preparation process.
102-44	Key topics and concerns raised	No specific new topics or concerns were identified related to the sustainability reporting in 2020.
Reporting practice		
102-45	Entities included in the consolidated financial statements	Wallenius Wilhelmsen in brief (p.9-10) Corporate governance (p.69-83)
102-46	Defining report content and topic Boundaries	Our Reporting Approach (p. 43-45)
102-47	List of material topics	Diversity, Safe operations, Safety on sea and land, Human and labour rights in ship recycling, Training and development, and Working conditions and welfare. Compliance, Quality of service, ESG customer management, Tax practices, Security at land-based facilities, Security of vessels, ESG supplier management, Privacy and data security, Green innovation, and Biosecurity Environmental emergency preparedness on land and sea, Environmental issues in ship recycling, Ballast water, Hull fouling, Bio-security and Ship-generated waste. GHG emissions from ships, Non-GHG air emissions from ships, GHG emissions in land-based operations, and Non-GHG emissions in land-based operations.
102-48	Restatements of information	Scope 1 emissions for shipping in 2018 is beeing restated by adding 1% to account for CO2e coming from other gasses than CO2. LTIF for logistics in 2018 needed to be restated from 5.77 to 17.99.
102-49	Changes in reporting	We have consolidated material topics down to the key 4 themes for text with more focus on data based on investor feedback. KPIs and reporting Scope are unchanged
102-50	Reporting period	01.01.20-31.12.20
102-51	Date of most recent report	Annual Report 2019
102-52	Reporting cycle	Yearly
102-53	Contact point for questions regarding the report	Roger Strevens Roger.Strevens@walleniuswilhelmsen.com
102-54	Claims of reporting in accordance with the GRI Standards	GRI Standards Core
102-55	GRI content index	Wallenius Wilhelmsen GRI Index 2020 (this document)

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MATERIAL TOPICS

WWL topic / § no.	Description	Source (page number)	Omission	Reason for omission	Explanation for omission
Valuing Diversity & Well-being					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	Our reporting approach (p.43-45), Social (p.54-57)			
103-2	The management approach and its components	Social (p.54-57)			
103-3	Evaluation of the management approach	Social (p.56-57)			
GRI 403 - Occupational health and safety (2016)					
403-1			Health & safety management approach dislcosures will be provided in an update shortly		
403-2					
403-3					
403-4					
403-5					
403-6					
403-7					
GRI 403-9	Work-related injuries	Social (p.67)	We do not report on work related fatalities for the entire group, the injury rate, the types of work related injury or the total number of hours worked. We currently do not have a breakdown by emplyees and contractors . We do not report on work related hazards at this point either.	Data not available	We will be updating our sustainability reporting next year such that we may transition to the new version of this disclosure
GRI 404 - Training and education					
404-3	Percentage of employees receiving regular performance and career development reviews	Social (p55)	We do not currently track the % of employees who take a career development review and we do not have a breakdown by gender and employee category.	Data not available	The Company's performance management process are currently beeing revised
Wallenius Wilhelmsen own disclosure- Crew satisfaction					
WALWIL-2	Crew retention rate	Social (p.58)			
WALWIL-3	Crew satisfaction results	Social (p67)			
Being your trusted business partner					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	Our reporting approach (p.43-45)			
103-2	The management approach and its components	Our reporting approach (p.43-45), Environment (47-49), Governance (59-62)			
103-3	Evaluation of the management approach	Environment (p.50-51), Social (p.56-57), Governance (61-62)			
GRI 306 - Effluents and waste					
306-3	Significant spills	Environment (p.53)			
Wallenius Wilhelmsen own disclosure- Quality of Service					
WALWIL-4	Unplanned off-hire	Governance (p.63)			
GRI 419 - Socioeconomic compliance					
419-1	Non-compliance with laws and regulations in the social and economic area (sanction laws and regulations)	Governance (p.63)			
Wallenius Wilhelmsen own disclosure- Tax transparency					
WALWIL-5	Number of tax incentives or special tax agreements with authorities	Governance (p.67)			
Wallenius Wilhelmsen own disclosure-security on land					
WALWIL-6	Security at landbased facilities (theft of units)	Governance (p.67)			
Wallenius Wilhelmsen own disclosure- security at sea					
WALWIL-7	Number of security breaches on vessels owned by WWL	Governance (p.67)			
Wallenius Wilhelmsen own disclosure- data security					
WALWIL-8	Number of substantiated breaches of privacy and data security	Governance (p.63)			
Protecting life below water					

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GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	Our reporting approach (p.43-45)			
103-2	The management approach and its components	Our reporting approach (p.43-45), Environment (47-49)			
103-3	Evaluation of the management approach	Environment (p.50-51)			
GRI 306 - Effluents and waste					
306-2	Waste by type and disposal method	Environment (p.67)	We do not currently report a breakdown by hazardous versus non-hazardous waste nor waste treatmenet method	Data not available	This is challenging due to the global nature of our operations and variable local waste and recycling practice. We will be reviewing our waste reporting in 2021 and will see if it is possible to report this breakdown in future
306-3	Significant spills	Environment (p.53)			
Wallenius Wilhelmsen own indicator- ship recycling					
WALWIL-1	Number of ships recycled & percent recycled	Social (p.58)			
Wallenius Wilhelmsen own indicator- biosecurity & hull fouling					
WALWIL-10	Number of vessels ballast water systems installed on company owned vessels, new and/or retrofitted	Environment (p.53)			
WALWIL-11	Number of vessels registered in online hull fouling management platform	Environment (p.53)			
WALWIL-13	Number of biosecurity incidents (BMSB and other invasive species)	Governance (p.63)			
Wallenius Wilhelmsen own indicator- emergency preparedness					
WALWIL-14	Average number of safety drills per vessel	Social (p.67)			
GRI 307 - Environmental compliance					
307-1	Non-compliance with environmental laws and regulations	Environment (p.53)	Currently we do not report total value of fines, total number of non-monetary sanctions or the cases brought through dispute resolution mechanism	Data not available	Currently we do not collect individual data releated to environmnetal laws and regulations. We will explore the feasibility of doing this in 2021.
Wallenius Wilhelmsen own indicator- responsible use of resources					
WALWIL-14	Total amount of garbage landed to shore reception facilities from owned fleet, in cubic metres Average amount of waste per vessel, in cubic metres Food waste discharged to sea, in cubic metres Average amount of food waste discharged to sea, per vessel, in cubic metres	Environment (p.67)			
WALWIL-16	Waste sent to landfills, generated from land-based services, in tonnes	Environment (p.67)			
Navigating towards zero emissions					
GRI 103 - Management approach					
103-1	Explanation of the material topic and its boundary	Our reporting approach (p.43-45)			
103-2	The management approach and its components	Our reporting approach (p.43-45)			
103-3	Evaluation of the management approach	Environment (p.50-51)			
GRI 305 - Emissions					
305-1	Direct (Scope 1) GHG emissions	Environment (p.53)			
305-2	Energy indirect (Scope 2) GHG emissions	Environment (p.53)	We do not report market based emissions. Not all of our offices are currently included in our reporting	Have not established a system to track purchases of renewable electricity and are still developing our land based greenhouse gas reporting following recent aquisitions	In 2021 we will work to establish a system to collect data on renewable electricity purchases and caluclate market based electricity emissions and widen the scope of our reporting to include offices where relevant
305-4	Greenhouse gas emission intensity				
305-7	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	Environment (p.53)	We do not report total NOx emissions	Have not established a system to calculate total NOx emissions	It is technicaly not possible to report on this, because we cannot measure it.
Wallenius Wilhelmsen - emissions of other air pollutants					
WALWIL-17	Average sulphur content of fuel, in %	Environment (p.53)			

SASB index

17TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	DATA 2020	SASB CODE
Greenhouse Gas Emissions	**CO_2 Emissions**			
	Gross global Scope 1 emissions: Financial control approach	Metric tonnes CO_2-e	**Ocean: 3,764,260 Land: 8,322**	TR-MT-110a.1
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Qualitative description	**See page 41**	TR-MT-110a.2
	Energy consumed			
	Total energy consumed	Gigajoules (GJ)	**176081.4**	TR-MT-110a.3
		Percentage of energy from heavy fuel (%)	**10.7**	
		Percentage of energy from renewable/low-carbon sources (%)	**0**	
	EEDI			
	Average Energy Efficiency Design Index (EEDI) for new ships	Grams of CO_2 per tonne-nautical mile	**12,771**	TR-MT-110a.4
Air Quality	**Other emissions to air**			
	(1) NO_x (excluding N2O)	Metric tons	**Not available**	TR-MT-120a.1
	(2) SO_x	Metric tons	**8,945**	
	(3) particulate matter	Metric tons	**Not available**	
Ecological Impacts	**Marine protected areas**			
	Shipping duration in marine protected areas or areas of protected conservation status	Number of travel days	**Not available**	TR-MT-160a.1
	Implemented ballast water			
	(1) exchange	Percentage (%)	**48**	TR-MT-160a.2
	(2) treatment	Percentage (%)	**52**	
	Spills and releases to the environment			
	(1) number	Number	**0**	TR-MT-160a.3
	(2) aggregate volume	Cubic meters (m^3)	**0**	

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	DATA	SASB CODE
Employee Health & Safety	**Lost time incident rate**			
	Lost time incident rate (LTIR)	Rate	**Ocean: 0.99** **Land: 13.94**	TR-MT-320a.1
Business Ethics	**Corruption index**			
	Number of calls at ports in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	Number	**11**	TR-MT-510a.1
	Corruption			
	Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	Reporting currency	**0**	TR-MT-510a.2
Accident & Safety Management	**Marine casualties**			
	Incidents	Number	**0**	TR-MT-540a.1
	Very serious marine casualties	Percentage (%)	**0**	
	Conditions of Class			
	Number of Conditions of Class or Recommendations	Num9ber	**N/A**	TR-MT-540a.2
	Port State Control			
	(1) deficiencies	Rate	**1**	TR-MT-540a.3
	(2) detentions	Number	**0**	

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ACTIVITY METRIC	*UNIT OF MEASURE*	*DATA*	*CODE*
Number of shipboard personnel	Number	Approximately **1,720**	TR-MT-000.A
Total distance travelled by vessels	Nautical miles (nm)	Not available	TR-MT-000.B
Operating days	Days	**Approximately 25,000** (excluding ARC)	TR-MT-000.C
Deadweight tonnage	Thousand deadweight tons	**2,280,501**	TR-MT-000.D
Number of vessels in fleet	Number	**136 vessels controlled**	TR-MT-000.E
Number of vessel port calls	Number	**6, 205**	TR-MT-000.F
Twenty-foot equivalent unit (TEU) capacity	TEU	Not applicable	TR-MT-000.G

Sustainability Performance Data 2017-2020

KPI & Description	2017	2018	2019	2020
Environmental				
CO_2e intensity from Shipping services, grams / tonne km	36.26[1)]	35.88[1)]	33.33[1)]	33.51
Scope 1 emissions from Shipping services, in tonnes of CO_2e	5,223,028[1)]	5,240,419[1)]	4,687,389[1)]	3,764,260
Scope 1 emissions from Logistics services, in tonnes of CO_2e	–	6,902	8,005	8,322
Scope 2 emissions in tonnes of CO_2e from Logistics	–	–	6,611	6,166
Scope 2 emissions in tonnes of CO_2e from Shipping	0	0	0	0
Total electrical consumption, Logistics services, in megawatt hours	–	17,350	16,094.63	15,209.33
Average sulphur content of fuel, Shipping services, percentage	2.18	2.06	2.06	0.38
Total SOx emissions of fleet under group control, in tonnes	72,194	68,480	60,989	8,945
Relative NOx emissions from owned fleet (as an average of International Air Pollution Prevention certification values)	13.68	13.66	13.64	13.63
1) Total energy consumed in terajoule (TJ) 2) percentage heavy fuel oil 3) percentage renewable, Shipping services	–	–	–	1)4,8911.5 2)10.7% 3)0%
Total number of significant spills (>20 litres), Shipping services	1	0	1	0
Number of non-compliant environmental breeches (release, spill or discharge) reported to authorities, Logistics services	–	–	1	2
Number, percentage of retired vessels recycled responsibly	0	0	0	2;100%
Number of ballast water treatment systems installed on own vessels in 2020;	–	2	13	9
- percentage of owned fleet complying with ballast water exchange; and	–	–	–	52
- percentage of owned fleet complying with ballast water treatment	–	–	–	48
Percentage of owned fleet enrolled in hull fouling management programme	75	100	100	100
Average fouling-factor score for the owned fleet, score range 1 to 10. (A lower score indicates better condition.)	4	4	3	2.3
Shipping duration in marine protected areas or areas of protected conservation status	–	–	–	n/a
Total waste landed to shore reception facilities (owned fleet) in cbm's	4,915	6,362	4,931.1	6,532

KPI & Description	2017	2018	2019	2020
Average amount of waste landed to shore reception per vessel, in cbm's	59.2	76.7	64.8	82
Food waste discharged to sea, in cbm's	210	440	388.3	472
Average amount of food waste discharged to sea, per vessel, in cbm's	3.7	5.3	5.1	5.5
Water consumption from Logistics services, in litres	–	–	53,817,587	38,856,368
Waste sent to landfills, generated from Logistics services, in tonnes	–	–	5,843	4,538
Social				
Number of employees, by region				
- Asia Pacific	1,345	1,452	1,405	916
- EMEA	973	1,636	2,044	1,815
- America	5,179	6,363	5,948	5,934
Total	7,497	9,451	9,397	8,665
Gender balance, office workers, M: F	58:42	58:42	60:40	59:41
Gender balance of office workers in *senior roles*, M: F ratio [2)]	–	–	–	81:19
Number of females in senior roles	–	–	–	50
Diversity score from employee engagement survey (score 1-8)	–	–	–	7.6
Lost Time Incident Frequency, Shipping services	0.62	0.73	0.73	0.99
Lost Time Incident Frequency, Logistics services	21.7	17.99[3)]	15.79	13.99
Fatalities related to Shipping services	1	1	1	0
Office workers invited to take a performance dialogue	–	100%	100%	100%
Annual retention rate of Shipping crew	98%	98%	95%	97%
Shipping Crew Satisfaction Survey (score of 1-5 and 5 = most satisfied)	4.4	4.4	4.5	4.5
Absenteeism, Logistics services (days away due to illness per hours worked)	–	–	3%	2.55%
Number and percentage of retired vessels recycled according to responsible recycling policy [4)]	0	0	0	2;100%
Number of marine casualties, percentage classified as very serious [5)]	–	–	–	0
Average fouling-factor score for the owned fleet, score range 1 to 10. (A lower score indicates better condition.)	–	–	–	1)0 2)1
a) number of port state control detentions; and b) average number of deficiencies per vessel inspection, Shipping	–	–	–	13.69% (voluntary) 0% (involuntary)
Voluntary and involuntary turnover rate of drivers, road transport, in percentage	–	–	–	3

KPI & Description	2017	2018	2019	2020
Number of road accidents and incidents, road transport [6]	–	–	–	3
Safety Measurement System BASIC percentiles for 1) unsafe driving, 2) hours of service compliance; 3) Driver fitness; 4) Controlled substances/alcohol; 5) vehicle maintenance; and 6) Hazardous Materials Compliance; road transport. 6	–	–	–	1) 0 2) 0 3) 0 4) 0 5) 24 6) n/a
Governance				
Average unplanned off-hire across the entire owned fleet, in hours	16	21.2	20.70	33
Total number of significant spills from Shipping services	1	0	1	0
Number of cases which group companies were found in breach of international sanction laws and regulations	0	0	0	0
Number of tax incentives or special tax agreements with authorities	–	0	1	1
Number of incidents of theft, Logistics services	–	1	1	0
Number of security breaches on board company owned vessels	5	6	3	2
Number of substantiated breaches of privacy and data security [7]	0	1	4	0
Number of Orcelle Award finalists	5	12	12	Due to the Covid Pandemic, the annual Orcelle Award Competition was not held in 2020.
Number of cargo related biosecurity incidents	–	Several	Several	0
Number of calls at ports in countries that have the 20 lowest rankings in Transparency International Corruption Perception Index	–	–	–	11
Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	–	–	–	0

[1] This data, originally disclosed as CO_2, has been recalculated as CO_2e according to the GLEC framework and is being restated in this report.

[2] This KPI was implemented in 2020 to focus on diversity progress in leadership roles.

[3] This data is restated from the original disclosure, due to a correction to the original calculation.

[4] A vessel is considered recycled for this KPI, when the vessel recycling project begins.

[5] This KPI uses the IMO definition of marine casualty.

[6] Please see SASB Road Transport standards for more details on this KPI.

[7] The definition of breach for this KPI is “a security violation in which sensitive, protected or confidential data is copied, transmitted, viewed, stolen or used by an individual unauthorized to do so.” (Source: US DHHS)

Corporate governance

Implementation and reporting on corporate governance

Wallenius Wilhelmsen ASA ('Wallenius Wilhelmsen' or 'the Company') is a public limited company which complies with Norwegian law. Listed on the Oslo Stock Exchange, the Company is subject to Norwegian securities legislation and stock exchange regulations.

This report is based on the requirements covered in the Norwegian Code of Practice for Corporate Governance ('**the Code**'), dated 17 October 2018 , the Public Limited Companies Act and the Norwegian Accounting Act, approved by the board and published as part of the Company's annual report. The report is also available on the **Company's website**.

Comply or explain principle

The Code covers provisions and guidance that in part elaborate on company, accounting, stock exchange and securities legislations, as well as the Stock Exchange Rules (from 30 November 2005 with later amendments). It also covers areas not addressed by legislation. Built on a 'comply or explain' principle, the Code requires the Company to justify deviations, if any, from its 15 provisions and to describe alternative solutions where and if applicable.

Sustainable business model

A responsible business model is necessary to be sustainable. Acknowledging that the Company's activities affect its surroundings, Wallenius Wilhelmsen issues a report consistent with the requirements of the Global Reporting Initiative (GRI) Standard. The report for 2020 can be found under chapter four in this report. The report describes how Wallenius Wilhelmsen manages its business in relation to environmental, social and governance issues that are important to its performance and activities.

Governing elements

Employees and others working for and on behalf of the Company should carry out their business in a sustainable, ethical and responsible manner, and in accordance with current legislation and the Company's standards.

To ensure that the right results are achieved in the correct way, the Company has a set of governing elements, including its values, basic philosophy, leadership expectations, code of conduct, compliance policies and company principles. A corporate social responsibility statement is part of Wallenius Wilhelmsen's governing principles. Making up the core of the Company's governance framework, the governing elements guide the employees in making the right decisions and navigating safely in a rapidly changing environment.

A summary of the governing elements is available electronically on the Company's intranet, as written and e-learning documentation. In 2020, as in 2019, anti-corruption, competition law, data privacy (e.g. General Data Protection Regulation), and fraud and theft received particular attention, with there being continual focus on anti-corruption, competition law and other legal aspects in 2021.

Deviations from the Code: None

The business

Articles of Association

Wallenius Wilhelmsen's business activities and the scope of the board's authority are restricted to the business specified in article three of the Company's Articles of Association which read as follows:

'The objective of the Company is to engage in shipping, maritime services, aviation, industry, commerce, finance business, brokerage, agencies and forwarding, to own or manage real estate, and to run business related thereto or associated therewith. This may take place in a direct manner, or in an indirect manner by way of guarantee, share subscription, or in other ways.'

The full articles of association are presented on the **Company's website**.

Strategy

Wallenius Wilhelmsen group's strategy is to create value for its shareholders by further developing its ocean and landbased business. The group will leverage its market positions, global network, and collective competence to continue to grow a sustainable and profitable business.

Our purpose as a company is Sustainable logistics for a world in motion. With vehicle logistics as our core competence area we will drive sustainability in our customers' value chains, expanding our reach to include operations and involvement in the entire value chain through the whole lifecycle and usership of vehicles.

The Board of Directors has defined a set of strategic pathways to support the overarching strategy:

- **Drive operational effectiveness** by applying technology to digitalise and automate our core operations, achieving agility and sustainability in daily business through harnessing data, reinventing processes, and introducing adaptive decision-making and collaborative execution across the group
- **Expand to full lifecycle** by offering services and products that build on and expand beyond today's activities. Also, by innovating new products and improving customer experiences through the provision of industrialised scaled service offerings throughout the lifecycle and usership of vehicles with focus on the fleet providers and end-users of the future
- **Digitalise the supply chain** by providing a fully digital, transparent, predictable and dynamic value chain solution, measuring, optimising and making transparent the sustainability impact across the unit lifecycle for OEMs, end-users, service providers and anyone in between
- **Lead the journey to zero emissions** by prioritising lean:green service offerings, optimising core operations to reduce carbon footprint and increase sustainability for each service line.

Considering the risk profiles that our business is exposed to, the strategy is formulated to capitalise on our current market position, balance our risk profile, and maximise value creation for our shareholders.

The Board of Directors evaluates Wallenius Wilhelmsen's objectives, strategies, and risk profiles at least annually.

Guidelines regarding social responsibility

The Company has a strong focus on social responsibility, which includes our charity activities, as well as keeping a constant focus on developing new technologies and solutions to strengthen our social responsibilities in our value creation. The Company has implemented guidelines for how it integrates corporate social responsibility into its activities. These guidelines are further described in the Company's sustainability report.

Deviations from the Code: None

Equity and dividend

Capital structure

The Wallenius Wilhelmsen group has a sound level of equity tailored to its objectives, strategy, and risk profile. As of 31 December 2020, the total equity amounted to USD 2,615 million, corresponding to 34.3%, down from 37.5% at the end of 2019. The liquidity position is good, with cash and cash equivalents of USD 654 million and USD 326 million in undrawn credit facilities at year end. The group had net interest-bearing debt of USD 3,427 million at the end of 2020. Outstanding bonds were USD 476 million with the remainder consisting of bank loans, export credit facilities and leasing commitments. The group was in compliance with all loan covenants at year-end 2020.

The Board of Directors believes the capital structure of the Wallenius Wilhelmsen group is appropriate to the Company's objectives, strategies, and risk profile.

Dividend policy

The Board of Directors has adopted the following dividend policy:

Wallenius Wilhelmsen ASA's objective is to provide shareholders with a competitive return over time through a combination of rising value for the WALWIL ASA shares and dividend payments to the shareholders. The board targets a dividend which over time shall constitute between 30% and 50% of the Company's profit after tax. When deciding the size of the dividend, the board will consider future capital requirements to ensure the implementation of its growth strategy as well as the need to ensure the group's financial standing remains warrantable at all times. Dividends will be declared in USD and paid out semi-annually.

Dividend for the financial year 2018

Ordinary dividend for 2018 of USD 6 cent per share, in total USD 25 million, was paid to the shareholders in May 2019. The Annual General Meeting also gave the board authority to pay a second dividend payment of up to USD 6 cents per share for a period limited in time up to the Annual General Meeting in 2020, but no longer than to 30 June 2020. In November 2019, the board approved an additional dividend of USD 6 cent per share, in total USD 25 million. In total, the dividend for financial year 2018 amounted to USD 51 million.

Dividend for the financial year 2019

The board initially proposed dividend of up to USD 60 million for 2019, but the proposal was withdrawn in March 2020 due to the onset of COVID19, prior to the Annual General Meeting held in April 2020. The original proposal included an ordinary dividend of USD 7 cents per share and to give the board authority to approve a second dividend payment of up to USD 7 cents per share.

Dividend for the financial year 2020

The board has decided to not propose distribution of a dividend to the Annual General Meeting to be held in April 2021.

Authorisations to the Board of Directors

At the AGM in 2020, the Board of Directors was granted an authorisation to acquire own shares, with a total nominal value of up to NOK 22 001 456, which equals 10% of the current share capital. The authorisation can only be used in connection with the Company's long-term incentive scheme for the executive management. The authorisation is valid until the AGM in 2021 but will last no longer than 30 June 2021.

Furthermore, at the AGM in 2020, the Board of Directors was also granted an authorisation to increase the share capital by up to NOK 22 001 456, representing 10% of the issued share capital. The authorisation can be used in connection with acquisitions in return for shares and for general corporate purposes. The authorisation is valid until the AGM in 2021, but no longer than 30 June 2021.

Deviations from the Code: The authorisation to the Board of Directors to increase the share capital covers more than one purpose. The Board of Directors believes this gives it flexibility to increase the share capital by up to 10% for several reasons – either in connection with acquisitions, for general corporate purposes, or a combination of the two, depending on the specific needs of the Company.

Equal treatment of shareholders and transactions with close associates

Shareholders

As of 31 December 2020, the Company had 5 375 shareholders, of which 348 were foreign, and the remaining were Norwegian. This indicates an increase of 22% in the number of shareholders at the turn of the year. The Norwegian shareholders account for 225 626 516 of the Company's shares, or 53% of the total number of shares.

Pre-emptive rights

The Board of Directors has not made any resolutions to increase the share capital based on the authorisations granted in 2020.

If the board resolves to carry out an increase in share capital and waive the pre-emption rights of existing shareholders on the basis of a mandate granted to the board, the board intends to publicly disclose the justification in a Stock Exchange announcement to be issued in connection with the increase in share capital.

Transaction in own shares

The Company has not purchased any own shares pursuant to the authorisation granted to the Board of Directors granted in 2020, but has previously purchased own shares of which 706,856 is outstanding as of year-end 2020.

Transactions with close associates

Any transactions taking place between a principal shareholder or close associates and the Company will be conducted on arm's length terms. In the event of non-immaterial transactions, the Company will seek independent valuation. Relevant transactions will be publicly disclosed to seek transparency. Pursuant to the instructions issued by, and for the board, Directors are required to inform the board if they have interests and/or relations, directly or indirectly, with other companies within the Wilh. Wilhelmsen group or the Wallenius group.

Deviations from the Code: None

Freely negotiable shares

All shares in the Company are freely negotiable and listed on the Oslo Stock Exchange under the ticker 'WAWI'. There are no restrictions on any party's ability to own, trade, or vote for shares in the Company.

Deviations from the Code: None

General meeting

The general meeting will normally be held in the middle of the second quarter. The Board of Directors will ensure that as many of the Company's shareholders as possible can participate in the general meeting.

The Board of Directors will further ensure that:

- The resolutions and any supporting documentation are sufficiently detailed, comprehensive and specific, allowing shareholders to understand and form a view on all matters to be considered at the general meeting
- Members of the Board of Directors and the Chair of the nomination committee are present at the general meeting.

Pursuant to the articles of association of the Company, the Chair of the Board will chair the general meeting and the board will accordingly not arrange for an independent chairperson for the general meeting.

Shareholders wishing to attend the general meeting must notify the Company at least two working days before the meeting takes place.

Shareholders who are unable to be present at the general meeting will be given the opportunity to vote by proxy, or through written voting in a period prior to the general meeting. The Company will in this respect provide information on the procedure and prepare a proxy, or written voting form, which will indicate that it is possible to vote on each of the items on the agenda and for candidates that are nominated for election.

Shareholders with known addresses are notified by mail no later than 21 days before the meeting, and all relevant documents are published on Wallenius Wilhelmsen's website no later than 21 days before the meeting. Shareholders may, upon request, receive hard copies of the material. The minutes from the AGM are available on the **Company's website** immediately after the meeting and may be inspected by shareholders at the Company's office. In accordance with Norwegian legislation, the general meeting of 2020 was held digitally due to the COVID19 outbreak and Chair of the meeting was the Companys external counsel as appointed by the General Meeting.

Deviations from the Code: The articles of association provide that the Chair of the Board will chair the general meeting. Due to COVID19 restrictions, the board did however arrange for an independent chairperson for the general meeting in 2020.

Nomination committee

In accordance with section eight of the Company's articles of association, the general meeting has appointed the Nomination Committee, approved the guidelines for the committee's work, and agreed the remuneration to be paid for participating in the committee.

The Nomination Committee currently consists of Anders Ryssdal (Chair), Carl Erik Steen and Jonas Kleberg.

Jonas Kleberg is a member of the Board of Directors. None of the committee members are executives in the Company.

The committee nominates candidates to the board and proposes board members' remuneration. As part of its nomination process, the committee will have contact with major shareholders, the board and the Company's executives to ensure the process takes the board's and Company's interests into consideration. A justification for a candidate will include information on each candidate's competence, capacity, and independence.

The Nomination Committee will justify its proposal on each candidate separately. Information for how to propose candidates is available on the **Company's website**.

In 2020, the Nomination Committee held three meetings.

Deviations from the Code: Jonas Kleberg is a member of the Board and offered himself for re-election to the Board in 2019 as the other members of the Nomination Committee had identified him as a suitable candidate.

Board of Directors – composition and independence

The Company does not have a corporate assembly, and therefore the general meeting elects the board. The board shall consist of between three and nine members and up to three deputy members. The Board of Directors currently comprises seven members. The Board of Directors elects its own chair, and Wallenius Wilhelmsen is therefore in deviation from section eight of the Code.

The composition of the Board of Directors adresses the common interests of all shareholders and meets the Company's need for expertise, capacity, and diversity. The Board of Directors is also formed so that it can act independently of any special interests. Three of the directors are women and five of the directors, Håkan Larsson, Rune Bjerke, Marianne Lie, Margareta Alestig and Anna Felländer, are independent of the majority owners, the executive management, and significant business relations. The board does not include executive personnel.

Information on the background and experience of the directors is available on the **Company's website**, which also lists the number of shares in the Company held by each Director. Members of the Board of Directors are encouraged to own shares in the Company, although they know not to let this encourage a short-term approach, which is not in the best interests of the Company and its shareholders over the longer term.

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All board members have attended a seminar hosted by the Law Firm Thommessen on behalf of Oslo Stock Ecxhange. The objective of the course was to provide information on legislation, rules, regulations, and best practice that are relevant for board members of listed Norwegian companies.

Board member	Elected	Period	Up for election
Håkan Larsson	April 2019	2	2021
Thomas Wilhelmsen	April 2019	2	2021
Jonas Kleberg	April 2019	2	2021
Marianne Lie	April 2019	2	2021
Margareta Alestig	April 2019	2	2021
Rune Bjerke	April 2020	2	2022

Deviations from the Code: The board elects its own Chair as stated in the Company's Articles of Association as the members of the Board have in-depth knowledge of the Company's underlying business and are best placed to nominate their own Chair.

Board responsibility and work

The Board of Directors

The Board of Directors has adopted instructions for the work of the board. This includes rules on the work of the Board and its administrative procedures, which determine what matters the board should consider. The board has the ultimate responsibility for the management of the Company and must ensure the business is run in a sustainable and responsible way. The Board of Directors has also adopted instructions for the executive management in order to clarify internal allocation of responsibilities and duties.

The board heads the Company's strategic planning and makes decisions that form the basis for the administration's execution of the strategy. The Chair of the Board has an extended duty to ensure that the Board operates well and carries out its duties.

The Board of Directors has also implemented procedures to ensure that members of the Board of Directors and Executive personnel make the Company aware of any material conflicting interests that they may have regarding items being considered by the Board of Directors. The Board of Directors will also be chaired by some other member of the board if the board is to consider matters of a material character in which the Chair of the Board is, or has been, personally involved.

The board establishes an annual plan for its work and evaluates its performance and expertise annually.

In 2020, the Company arranged eleven meetings. In addition, the board regularly visits business-related locations to ensure they have a solid understanding of the business, market, and outlook for the shipping and logistics industry. Such updates may also be given through a variety of communication channels, including a board portal containing timely and relevant information.

Audit Committee

The Company's Audit Committee currently consist of two members: Marianne Lie (Chair) and Margareta Alestig. Both members of the Audit Committee are independent of the Company, and at least one member of the Audit Committee is competent in respect of finance and audit. The Committee's objective is to act as a preparatory working committee and support the board's supervisory roles with respect to financial reporting and the effectiveness of the Company's internal control and risk management systems. The Committee also monitors that the external auditor is independent in relation to services rendered and relationships that may impact objectivity and independence between the external auditor and the Company, including review and pre-approval of non-audit services provided by the external auditor.

Remuneration Committee

The Board of Directors has established a remuneration committee consisting of Thomas Wilhelmsen and Håkan Larsson. The members are independent of the Company's executive personnel. The board sets guidelines for remuneration of the Executive personnel, including long and short-term bonus schemes and pension plans. The Remuneration Committee also proposes the general remuneration principles for other employees in the Company.

Management team

In 2020, the executive management team at Wallenius Wilhelmsen consists of a Chief Executive Officer (CEO) and five other team members:

- Chief Financial Officer (CFO)
- EVP, Chief Operating Officer (COO) Shipping Services
- EVP, Chief Operating Officer (COO) Logistics Services
- EVP, Chief Human Resources Officer (CHRO)
- EVP, Chief Digital Officer (CDO)

The executive management team discusses and coordinates all main business and management issues relevant for the Company. An overview of the background and expertise of the executive management team is available on the **Company's website**.

CEO

The board's instruction to the CEO includes a statement of duties, responsibilities and delegated authorities. The CEO has overall responsibility for the Company's results and for conducting the businesses and affairs of the Company and its businesses in a proper and efficient manner, and in the best interests of the Company and its shareholders.

The CEO has a particular responsibility to ensure that the board receives accurate, relevant and timely information that allows it to carry out its duties. The Company's operations, financial results, projections, financial status, or other topics specified by the board are regularly shared with the board between board meetings.

The CEO has delegated the responsibility of the different business areas to other members of the executive management team.

CFO

The CFO heads up finance, legal, compliance and strategy for Wallenius Wilhelmsen. The CFO is responsible for providing the CEO and the board with reliable, relevant and sufficient financial information related to Wallenius Wilhelmsen's business activities and ensuring that such information is based on requirements for listed companies.

Governance in partly owned companies

Wallenius Wilhelmsen holds a controlling ownership interest in EUKOR Car Carriers, Armacup Limited, and Syngin Technologies, LLC. Each entity has its own board responsible for issues related to the specific operating entity.

Wallenius Wilhelmsen's ambition is to be a demanding and reliable owner, taking the long-term interests of the companies, as well as its own interests, into consideration when developing its future strategy. This includes how ownership will be exercised, financial prospects and expectations towards code of conduct, and environmental and sustainable standards and aspirations.

Deviations from the Code: None

Risk management and internal control

Board responsibility

The board is responsible for the Company's internal control and risk management and believes that the Company's systems are appropriate given the extent and nature of the Company's activities. The system contributes to control characterised by integrity and ethical attitudes throughout the organisation. It is based on the Company's guidelines for business standards and corporate social responsibility.

The board reviews the Company's risk matrix four times a year and the internal control arrangements at least once a year, preferably together with the Company's auditor.

About the system

Governing documents, code of conduct, company principles (including corporate social responsibility), policies, guidelines, and process descriptions are documented and electronically available to the Company's employees through the Company's global integrated management system. Various internal control activities give management assurance that the internal control of financial systems is working adequately and according to management's expectations.

The Company's internal control is a process designed to provide reasonable assurance of:

- Effective and efficient operations
- Risk management
- Reliable financial reporting
- Compliance with laws and regulations
- Necessary resources provided and used in cost-efficient ways.

Internal control includes:

- Activities established to evaluate and confirm the quality of internal control regarding financial reporting (per segment)
- Procedure for year-end financial statements and the Wallenius Wilhelmsen board's responsibility statement semi-annually and annually
- Enterprise risk assessment – including reporting of the segment's internal control
- Quarterly reporting on risk assessment to the board
- Risk factors are described and made public to the market in the Company's second quarter and annual reports.

Wallenius Wilhelmsen's governing documents are in line with the Group's financial strategy.

External reassurance

The Company's auditors conduct the audit in accordance with the laws, regulations, and auditing standards and practices generally accepted in Norway. These give reasonable assurance as to whether the consolidated financial statements are free from material misstatements, and whether internal control over financial reporting was appropriate in the circumstances relevant to the audit. The audit includes examining on test basis evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluation of the overall financial statement presentation including the disclosures.

Whistleblowing

Wallenius Wilhelmsen has a global whistleblowing system including procedures and channels for giving notice about potential non-compliance, e.g. corruption, theft, fraud, sexual harassment, or other breaches to the Company's business standards. The procedures strengthen transparency and ensure the business standards are applied the way they are intended. They also ensure that the group has a professional way of handling potential breaches to laws and regulations, self-imposed business standards or other serious irregularities. The procedures also include guidelines to safeguard the whistle-blower.

Deviations from the Code: None

Remuneration of the Board of Directors

Remuneration of Directors is determined by the AGM and is not dependent upon the Company's results. The fee reflects the responsibilities of the board, its expertise, the amount of time devoted to board-related work, and the complexity of the Company's businesses. The remuneration of the Board of Directors is not linked to the Company's performance and the Company does not grant share options to members of the Board of Directors.

None of the Directors perform other assignments for the Company in addition to their appointment as member of the Board of Directors.

Deviations from the Code: None

Remuneration of executive personnel

Remuneration policy

Wallenius Wilhelmsen's remuneration policy covers all employees and is developed to ensure the Company attracts and retains competent employees. The remuneration principles are communicated to all employees to ensure a common understanding of expectations and rewards, both linked to the Company's strategic ambitions, financial targets, and business standards.

The board determines the Group CEO's remuneration and establishes the framework for adjustments for other employees. Salary adjustment for each employee is settled administratively within the limits set. For these purposes, the administration carries out a comparison with salary conditions in other companies and looks to the general level of pay adjustments in the relevant markets.

An overview of employee benefits, including salary and other components of the CEO's, CFO's, and COO's remuneration packages are detailed in note two to Wallenius Wilhelmsen's accounts. The guidelines for salary and other remuneration to leading personnel in the company is also a separate appendix to the agenda for the AGM and the guidelines are subject to approval by the AGM.

Short-term variable remuneration

As a key component of the total remuneration package, the annual, variable pay scheme emphasises the link between performance and pay and aims to be motivational. It aligns the senior executives with relevant, clear targets derived from the overall strategic goals. The variable pay scheme takes into consideration both key financial targets and individual targets (derived from the annual operating plan).

Long-term variable remuneration

In addition to short-term variable remuneration, a long-term incentive plan for senior and other executives was introduced in 2018 and approved by AGM also in 2020, to promote and reward a long-term strategic perspective, while helping senior and other executives build a meaningful personal share ownership in the Company. The plan, which is a bonus scheme resulting in a monetary amount, will make awards over Wallenius Wilhelmsen ASA's common shares to the equivalent amount. The bonus is assessed over and becomes payable after three years, subject to continued employment and the achievement of financial and strategic long-term performance targets including return on capital, market capitalisation and a discretionary element.

The maximum annual payments can be 50% of base salary for the CEO, 40% of base salary for the remaining senior executives and 30% of base salary for other executives.

Deviations from the Code: None

Information and communication

Communication principles and standards

Transparency, accountability, and timeliness guide the group's communication activities. In its reporting, the Company follows applicable securities and accounting legislation, and the guidelines set out by the Oslo Stock Exchange. Further to this, the Norwegian Investor Relations Association, and its opinion of best practice related to financial reporting and Investor Relations information, is also followed.

Communication channels and activities

The quarterly, interim, and annual results are presented to the financial markets and business journalists. All presentations are transmitted directly by webcast. Results are also posted on the **Company's investor relations pages**. The market is regularly informed about the Company's activities and results through stock exchange notices, annual and interim reports, press releases and updates on the Company's website.

Extensive information about the activities of the group is provided on the group's website. A separate section named '**Investors relations**' includes relevant information to shareholders, including reports and presentations, financial calendars, share information, contact information, and news and media. The Company has a dedicated investor relations team, and the main point of contact is Anette Orsten.

The Company is present on social media but has strict rules on who can use social media for Company purposes and has clear guidelines stating that stock-sensitive information must be published through the Stock Exchange before it is made available on social media.

Silent period

For a period of four weeks before the planned release of quarterly financial reports – the silent period – the Company will not comment on matters related to its general financial results or expectations, and contact with external analysts, investors, and journalists will be minimised. This is to reduce the risk of information leaks and ensure the market has access to different information.

Deviations from the Code: Wallenius Wilhelmsen ASA is in deviation of section 13 of the Code, which recommends guidelines covering the Company's contact with its shareholders outside of the General Meeting. Although the Board of Directors has not determined such guidelines, shareholders are invited to four quarterly presentations a year, as well as a capital markets day. A financial calendar is also updated and made public for the shareholders annually. Wallenius Wilhelmsen ASA's website is also regularly updated with relevant information.

Takeovers

The board has not established a policy for its response to possible takeover bids. The board and management will seek to treat any takeover bids for the Company's activities or shares in a professional way and in the best interest of the Company's shareholders. If such circumstances arise, the board and the Company's management will seek to treat all shareholders equally, take action to ensure shareholders receive sufficient and timely information to consider the offer and otherwise abide by the principles of the Corporate Governance Code.

Deviations from the Code: No policy developed, but intention described above.

Auditor

The Board of Directors is responsible for ensuring that the board and the Audit Committee is provided with sufficient insight into the work of the auditor. In this regard, the Board of Directors ensures that the auditor submits the main features of the plan for the audit of the Company to the Audit Committee annually.

The Company's auditor – PricewaterhouseCoopers AS (PwC) – attends all Board Audit Committee meetings and is always present when the annual accounts are dealt with. At these meetings, the auditor (i) reports on any material changes in the Company's accounting principles and key aspects of the audit, (ii) comments on any material estimated accounting figures, and (iii) reports all material matters on which there has been disagreement between the auditor and the executive management of the Company. There were no disagreements between management and PwC during 2020. Once a year, the Board of Directors reviews the Company's internal control procedures with the auditor, including weaknesses identified by the auditor and proposals for improvement.

It is important to the board that the auditor is independent of management. The board therefore has at least one meeting with PwC without senior management being present.

To ensure the auditor's independence of the Company's executive management, the Board of Directors has established guidelines regarding the use of the auditor by the management for services other than the audit. The auditor provides the board with confirmation of independence in relation to non-audit services provided.

For the financial year 2020, Bjørn Lund was the Company's engagement partner from PwC.

Deviations from the Code: None

Wallenius Wilhelmsen

Annual Accounts & Notes

2020

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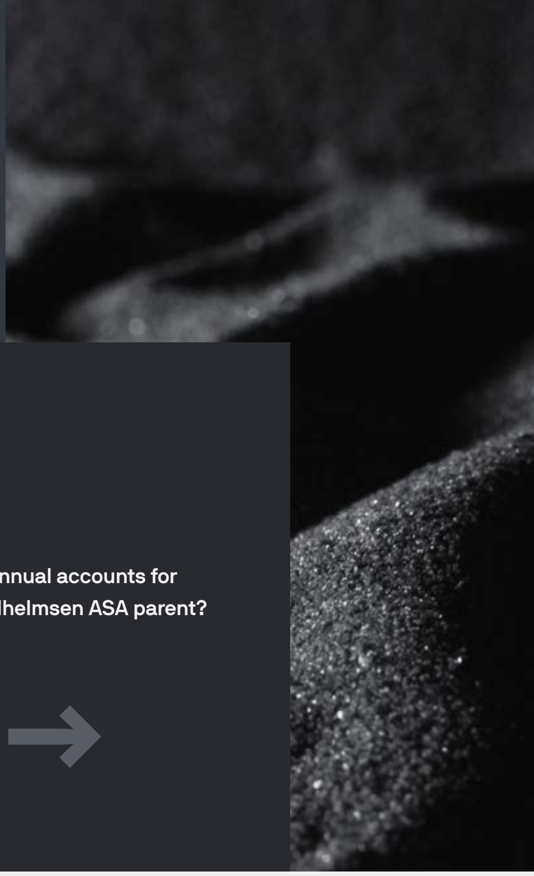

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Notes:

Income statement

USD million	Notes	2020	2019
Total Revenue	3	**2,958**	**3,909**
Operating expenses	3	(2,484)	(3,104)
Operating profit before depreciation, amortisation and impairment (EBITDA)		**473**	**805**
Other gain/(loss)	5	(16)	51
Depreciation and amortisation	8, 9, 10	(451)	(498)
Impairment	11	(90)	-
Operating profit/(loss) (EBIT)		**(84)**	**358**
Share of profit/(loss) from joint ventures and associates		**1**	**1**
Interest income and other financial items		34	51
Interest expenses and other financial expenses		(257)	(297)
Financial items - net	6	**(223)**	**(247)**
Profit/(loss) before tax		**(306)**	**112**
Tax income/(expense)	7	4	(10)
Profit/(loss) for the period		**(302)**	**102**
Profit/(loss) for the period attributable to:			
Owners of the parent		(286)	93
Non-controlling interests	13	(16)	10
Basic and diluted earnings per share (USD)	15	(0.68)	0.22

Statement of comprehensive income

USD million	Notes	2020	2019
Profit/(loss) for the period		(302)	102
Other comprehensive income:			
Items that may be subsequently reclassified to the income statement			
Changes in fair value of cash flow hedge instruments		-	2
Hedging gains reclassified to the income statement related to cash flow hedges		-	2
Currency translation adjustment and recycling of currency translation adjustment related to previous equity investment		6	(0)
Items that will not be reclassified to the income statement			
Remeasurement pension liabilities, net of tax	16	(8)	(7)
Other comprehensive income, net of tax		**(1)**	**(4)**
Total comprehensive income for the period		**(303)**	**99**
Total comprehensive income attributable to:			
Owners of the parent		(288)	87
Non-controlling interests		(15)	11
Total comprehensive income for the period		**(303)**	**99**

Balance sheet

USD million	Notes	31 Dec 2020	31 Dec 2019
Assets			
Non-current assets			
Deferred tax assets	7	87	92
Goodwill and other intangible assets	8	571	652
Vessels and other tangible assets	9	4,175	3,049
Right-of-use assets	10	1,365	2,757
Other non-current assets	20	194	198
Total non-current assets		**6,391**	**6,747**
Current assets			
Bunkers/luboil		79	108
Trade receivables	21	363	420
Other current assets	20	135	123
Cash and cash equivalents		654	398
Assets held for sale	9	5	-
Total current assets		**1,237**	**1,048**
Total assets		**7,628**	**7,796**
Equity and liabilities			
Equity			
Share capital		28	28
Retained earnings and other reserves		2,363	2,650
Total equity attributable to owners of the parent		**2,391**	**2,678**
Non-controlling interests	13	224	243
Total equity		**2,615**	**2,921**
Non-current liabilities			
Pension liabilities	16	68	61
Deferred tax liabilities	7	84	96
Non-current interest-bearing debt	17	2,353	1,729
Non-current lease liabilities	17	1,176	1,820
Non-current provisions	19	59	140
Other non-current liabilities	20	179	6
Total non-current liabilities		**3,919**	**3,852**
Current liabilities			
Trade payables	21	142	148
Current interest-bearing debt	17	378	175
Current lease liabilities	17	174	320
Current income tax liabilities		6	14
Current provisions	19	51	54
Other current liabilities	20	343	312
Total current liabilities		**1,094**	**1,023**
Total equity and liabilities		**7,628**	**7,796**

Signatures

Lysaker, 24 March 2021

The Board of Directors of Wallenius Wilhelmsen ASA

Signers:

Name	*Method*	*Date*
Lars Håkan Larsson	BANKID	2021-03-24 19:43 GMT+1
Kerstin Margareta Alestig Johnson	BANKID	2021-03-24 19:45 GMT+1
Bjerke, Rune	BANKID_MOBILE	2021-03-24 19:50 GMT+1
Wilhelmsen, Thomas	BANKID_MOBILE	2021-03-24 20:10 GMT+1
Wist, Torbjørn Mogård	BANKID_MOBILE	2021-03-24 20:13 GMT+1
Anna Elsa Felländer	BANKID	2021-03-24 20:23 GMT+1
Lie, Marianne	BANKID_MOBILE	2021-03-24 20:24 GMT+1
JONAS KLEBERG	BANKID	2021-03-24 21:14 GMT+1

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Cash flow statement

USD million	Notes	2020	2019
Cash flow from operating activities			
Profit/(loss) before tax		(306)	112
Financial (income)/expenses	6	223	247
Share of net income from joint ventures and associates		(1)	(1)
Depreciation and amortisation	8, 9, 10	541	498
(Gain)/loss on sale of tangible assets		7	0
Change in net pension assets/liabilities		2	(10)
Change in derivative financial asset	5	16	(52)
Other change in working capital		141	(38)
Tax paid (company income tax, witholding tax)		(9)	(7)
Net cash flow provided by operating activities [1]		**615**	**749**
Cash flow from investing activities			
Proceeds from sale of tangible assets		8	1
Investments in vessels, other tangible and intangible assets	8, 9	(135)	(145)
Investments in joint ventures		(8)	-
Proceeds from sale of financial investments		-	1
Interest received	6	4	10
Net cash flow provided by/(used in) investing activities		**(130)**	**(133)**
Cash flow from financing activities			
Proceeds from issue of debt	17	557	687
Repayment of bank loans and bonds	17	(417)	(684)
Repayment of lease liabilities	17	(181)	(418)
Interest paid including interest derivatives		(166)	(202)
Realised other derivatives		(19)	(31)
Dividend to non-controlling interests		(3)	(4)
Dividend to shareholders		-	(51)
Net cash flow used in financing activities		**(229)**	**(701)**
Net increase in cash and cash equivalents		**256**	**(86)**
Cash and cash equivalents at beginning of period		398	484
Cash and cash equivalents at end of period [1]		**654**	**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
Balance at 31 December 2019	28	(0)	**28**	2,650	**2,678**	243	**2,921**
Profit/(loss) for the period	-	-	**-**	(286)	**(286)**	(16)	**(302)**
Other comprehensive income	-	-	**-**	(2)	**(2)**	0	**(1)**
Total comprehensive income	**-**	**-**	**-**	**(288)**	**(288)**	**(15)**	**(303)**
Sale of own shares	-	0	**0**	0	**0**	-	**0**
Dividend to non-controlling interests	-	-	**-**	-	**-**	(3)	**(3)**
Balance 31 December 2020	**28**	**(0)**	**28**	**2,363**	**2,391**	**224**	**2,615**
Balance at 31 December 2018	28	(0)	**28**	2,619	**2,647**	228	**2876**
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**

As of 31 December 2020, own shares represented 0.2% of the share capital in nominal value.
As of 31 December 2019, own shares represented 0.2% of the share capital in nominal value.

Dividend

To strengthen the cash position during the period of reduced activity, the group agreed earlier this year with the banks of WW Ocean to defer instalments of about USD 70 million, previously scheduled for the second half of 2020. While deferred amounts are outstanding, the group is restricted from paying out dividends. The deferred instalments are scheduled to be repaid during the life of each facility, but remain a priority to prepay in order to allow future dividends from Wallenius Wilhelmsen ASA. In the light of the above dividend restrictions, the company's dividend policy and negative profit after tax in FY2020, the board of directors has resolved not to propose distribution of a dividend for FY2020 to the Annual General Meeting in April 2021.

Accounting policies

General information and background

Wallenius Wilhelmsen (the group) consists of Wallenius Wilhelmsen ASA and its subsidiaries. Wallenius Wilhelmsen ASA is a public limited company incorporated in Norway. The Company's registered office is at Strandveien 20, Lysaker, Norway.

The consolidated financial statements consist of the group and the group's interests in associated companies and jointly controlled entities. The group is mainly made up of ocean and landbased operations. The principal activities of the group are described in note 2 Segment information.

Basis of preparation

Statement of compliance

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union. The financial statements for the parent company have been prepared and presented in accordance with simplified IFRS as stated by § 3-9 of the Accounting Act and the Regulations on the Simplified Application of International Accounting Standards established by the Norwegian Ministry of Finance on 10 December 2019. In the parent company, the company has elected to apply the exception from IFRS for dividends and group contributions. Otherwise, the accounting policies for the group also applies to the parent company to the extent applicable.

Wallenius Wilhelmsen also provides additional disclosures in accordance with requirements in the Norwegian Accounting Act related to remuneration to the board and the management.

The annual accounts for the group and the parent company were issued by the board of directors on 23 March 2021.

The parent company is a public limited liability company which is listed on the Oslo Stock Exchange.

The group accounts are presented in US dollars (USD), rounded off to the nearest whole million. Most entities in the group have USD as functional currency. The parent company is presented in its functional currency USD.

Historical cost convention

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities (including financial derivatives) at fair value through the income statement.

Preparing financial statements in conformity with IFRS and simplified IFRS requires the management to make use of estimates and assumptions which affect the application of the accounting policies and the reported amounts of assets and liabilities, revenues and expenses. Estimates and associated assumptions are based on historical experience and other factors regarded as reasonable in the circumstances. The actual result can vary from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are described in more detail in note 1.

New and revised standards – adopted and not yet effective

There are no IFRS' or IFRIC interpretations that are adopted or not yet effective that have or would be expected to have a material impact on the group or the parent company.

Principles of consolidation and equity accounting

The consolidated financial statements comprise the financial statements of Wallenius Wilhelmsen ASA and its subsidiaries as at 31 December 2020.

Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet, respectively.

Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Wallenius Wilhelmsen only has joint ventures currently.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

Accounting policies. Continued

Equity method
Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

Shares in subsidiaries, joint ventures and associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed the recoverable amount of the investment. An impairment loss is reversed if the impairment situation is deemed to no longer exist.

Changes in ownership interests
The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Shares in subsidiaries, joint ventures and associates (Parent company)
Shares in subsidiaries, joint ventures and associates are presented according to the cost method. Group relief received is included in dividends from subsidiaries. Group contributions and dividends from subsidiaries are recognised in the year for which it is proposed by the subsidiary to the extent the parent company can control the decision of the subsidiary.

Segment reporting
The operating segments are reported in a manner consistent with the internal financial reporting provided to the chief operating decision-maker which is the group's Chief Executive Officer (CEO). Financial and operational information are prepared for each segment, and the information disclosed is basically the same as used by the CEO to assess performance and allocate resources.

The chief operating decision-maker is responsible for coordinating business and management issues to optimise use of knowhow, resources and align decision making related to the implementation of the company's strategy.

Related party transactions
See note 23 to the group accounts for related party transactions. See note 4 to the group accounts concerning remuneration of senior executives in the group and note 2 to the parent company accounts for information concerning loans and guarantees for employees in the parent company.

Foreign currency transaction and translation
Transactions
In individual companies, transactions in foreign currencies are initially recorded in the functional currency by applying the rate of exchange as of the transaction date. Monetary assets and liabilities denominated in foreign currencies are subsequently translated into the respective functional currency by using the rate of the exchange at the balance sheet date. The realised and unrealised currency gains or losses are included in financial income or expense.

For qualified cash flow hedging derivatives and, qualifying net investment hedges, gains and losses are recognised in other comprehensive income, and reclassified when the hedged object affects profit or loss.

Translations
In the consolidated financial statements, the assets and liabilities of non-USD functional currency subsidiaries, joint ventures and associates, including the related goodwill, are translated into USD using the rate of exchange as of the balance sheet date. The results and cash flow of non-USD functional currency subsidiaries, joint ventures and associates are translated into USD using average exchange rate for the period reported (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).

Accounting policies. Continued

Exchange adjustments arising when the opening net assets and the net income for the year retained by non-USD operations are translated into USD, are recognised in other comprehensive income. On disposals of a non-USD functional currency subsidiary, joint venture or associate, the deferred cumulative amount recognised in equity relating to that particular entity is recognised in the income statement.

Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the

- fair value of the asset transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any assets or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit and loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit and loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value. Any gains or losses arising from such remeasurement are recognised in profit and loss.

Revenue recognition

The group recognises revenue from the following major sources:

- Time charter revenue
- Voyage charter revenue
- Landbased service revenue

Revenue is measured based on the consideration to which the group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it transfers control of a product or service to a customer.

The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The specific accounting policies for the group's main types of revenue are explained below:

Time charter revenue

Revenues from time charters are accounted for in accordance with lessor accounting in IFRS 16. Time charter agreements are recognised in the balance sheet, with the exception of lease agreements with lessor lease term of less than 70% of either economic life of the asset (owned) or initial lease-in lease term. When time charters are accounted for in the balance sheet with a lease receivable, the group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the group's net investment in the lease. The service component implicit in the agreement is recognised separately as operating revenue. When the time charter is recognised as an exemption due to less than 70% lessor lease term, the revenue is recognised on straight-line basis over the lease term as the service is performed.

Agreements with duration of less than 12 months are recognised applying the exemption in IFRS 16.5a. When applying the exemption, the revenue is recognised on straight-line basis over the lease term as the service is performed.

Revenues are adjusted for off-hire days as applicable.

Voyage charter revenue

Voyage charter revenue are recognised by estimating the total income for a vessel on a round trip. The voyage charter revenues are recognised on the basis of progress on fulfilment. The measure of progress is the number of days incurred compared to estimated total days for applicable voyage. When recognising revenue from voyage charters the group applies the practical expedient defined by the standard enabling the group to account for several contracts with similar characteristics as a portfolio, since combining the contracts does not materially differ from accounting for the contracts individually.

Landbased service revenue

Landbased services are recognised in the accounting period in which the services have been rendered.

Employee compensation

Cash-settled payments/ bonus plans

For cash-settled payments, a liability equal to the portion of services received is recognised at the current fair value determined at each balance sheet date.

Accounting policies. Continued

Share-based compensation

The group has a long-term incentive plan which is a bonus scheme where monetary awards are delivered in an equivalent number of listed Wallenius Wilhelmsen shares to the extent performance conditions have been met over a defined time period. The bonus is assessed over and become payable after three years, subject to continued employment and the achievement of financial and strategic long-term performance targets including, return on capital, market capitalisation and a discretionary element.

The group may also offer employees an opportunity to purchase shares in Wallenius Wilhelmsen ASA at a reduced price. The related cost is recognised when the employee exercises this option.

Tangible assets

Vessels and other tangible assets acquired by group companies are stated at historical cost. Depreciation is calculated on a straight-line basis. A residual value, which reduces the depreciation base, is estimated for vessels. The estimate is based on a 10 years' average rolling demolition price for general cargo vessels. In addition, a charge for environmentally friendly recycling is deducted. The calculation is done on an annual basis.

The carrying value of tangible assets equals the historical cost less accumulated depreciation and any impairment charges.

The group capitalises loan costs related to the construction of new vessels, on the basis of the group's average borrowing rate on interest-bearing debt. Shipbuilder instalments paid, other direct vessel costs and the group's interest costs related to financing the acquisition cost of vessels are capitalised as they are paid.

Tangible assets are depreciated over the following expected useful lives:

Vessels	27-30 years
Property	30-50 years
Land	no depreciation
Other tangible assets	3-10 years

Each component of a tangible asset which is significant for the total cost of the item for which useful life is different will be depreciated separately. Components with similar useful lives will be included in a single component.

An analysis of the group's fleet concluded that vessels based on a pure car truck carrier/roll-on roll-off design do not need to be separated into different components since there is no significant difference in the expected useful life for the various components of these vessels over and above docking costs. Costs related to docking and periodic maintenance will normally be depreciated over the period until the next docking.

The estimated residual value and expected useful life of long-lived assets are reviewed at each balance sheet date, and where they differ significantly from previous estimates, depreciation charges will be changed accordingly.

Goodwill and other intangible assets

Amortisation of intangible assets is based on the following expected useful lives:

Goodwill	Indefinite life
Customer relations/contracts	3-10 years
Other intangible assets	3-10 years

Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previous equity interests in the acquiree over the fair value of the group's share of the identifiable net assets of the acquired subsidiary, joint venture or associate. Goodwill arising from the acquisition of subsidiaries is classified as an intangible asset. Goodwill arising from the acquisition of an interest in a joint venture or an associate company is included under investment in associated companies and tested for impairment as part of the carried amount of the investment.

Goodwill from acquisition of subsidiaries is tested annually for impairment and carried at cost less impairment losses. Impairment losses on goodwill are not reversed. Gain or loss on the sale of a business includes the carrying amount of goodwill related to the sold business.

Goodwill is allocated to relevant cash-generating units ("CGU"). The allocation is made to those CGUs or groups of CGUs which are expected to benefit from the acquisition.

Customer relations and contracts

Identifiable customer relationships and other contractual arrangements as part of business combinations are capitalised when

- the asset arises from contractual or other legal rights or the relationships are separable, and
- it is probable that the future economic benefits that are attributable to the asset will flow to the entity

Customer relations and contracts are amortised over the expected useful lives in accordance with the straight-line method.

Other intangible assets

The port use rights that has been acquired through the merger transaction is recognised as an intangible asset. The amount recognised is estimated based on the discounted value of differential cash flow for the future port right period.

The differential cash flow is calculated based on the difference between

- the estimated rental payments based on market terms vs.
- the rental payments under the contractual port use right arrangement. The port use right intangible asset is amortized by using the unit of production method.

Accounting policies. Continued

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:
- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Capitalised expenses related to software assets are amortised over the expected useful lives in accordance with the straight-line method.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Impairment of goodwill and other non-financial assets

Non-financial assets

At each reporting date an assessment is made whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, estimates of the asset's recoverable amount is made. The recoverable amount is the highest of the fair market value of the asset, less cost to sell, and the net present value (NPV) of future estimated cash flow from the employment of the asset ("value in use"). The NPV is based on a discount rate according to a weighted average cost of capital ("WACC") reflecting the company's required rate of return. If the recoverable amount is lower than the book value, impairment has occurred, and the asset shall be revalued. Impairment losses are recognised in the profit and loss statement. Assets are grouped at the lowest level where there are separately identifiable independent cash flows.

Vessels and newbuilding contracts

Future cash flow is based on an assessment of the group's expected time charter earnings and estimated level of operating expenses for each type of vessel over the remaining useful life of the vessel. Vessels are organised and operated as a fleet and evaluated for impairment on the basis that the whole fleet is the lowest CGU. The vessels are trading in global network as part of a fleet, where the income of a specific vessel is dependent upon the total fleet's earnings and not the individual vessel's earnings. Further the group's vessels are interchangeable among the operating companies which are seen through the ongoing operational co-operation (long term chartering activities, vessel swaps, space chartering, combined schedules etc.).

Goodwill

Goodwill acquired through business combinations has been allocated to the relevant CGU. An assessment is made as to whether the carrying amount of the goodwill can be justified by future earnings from the CGU to which the goodwill relates. If the "value in use" of the CGU is less than the carrying amount of the CGU, including goodwill, goodwill will be written down first. Thereafter the carrying amount of the CGU will be written down. Impairment losses related to goodwill cannot be reversed.

Leases

The group's leased assets primarily consist of vessels and land. In addition, the group leases office space and various equipment.

Identifying a lease

At the inception of a contract, the group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To determine whether a contract conveys the right to control the use of an identified asset, the group assesses whether:
- The agreement creates enforceable rights of payment and obligations
- The identified asset is physically distinct
- It has the right to obtain substantially all of the economic benefits from use of the asset
- It has the right to direct he use of the asset
- The supplier does not have a substantive right to substitute the asset throughout the period of use

Lessee

SEPARATING COMPONENTS IN THE LEASE CONTRACT

For contracts that constitutes, or contains a lease, the group separates lease components if it benefits from the use of each underlying asset either on its own or together with other resources that are readily available, and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract. The group then accounts for each lease component within the contract as a lease separately from non-lease components of the contract. The group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. If an observable stand-alone price is not readily available, the group estimates this price by maximising the use of observable information.

Recognition of leases and exemptions

At the lease commencement date, the group recognizes a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee. The standard has provided options on scope and exemptions, the following policy choices have been applied by the group:
- The standard will not be applied to leases of intangible assets and these will continue to be recognised in accordance with IAS 38 Intangible assets.
- All leases deemed short-term (<12 months) by the standard are exempt from reporting.
- All leases deemed to be of low value by the standard are exempt from reporting, which are mainly office equipment and company cars.

Accounting policies. Continued

- Non-lease components shall be separated from the lease component in all vessel leases. For other lease agreements, the group will apply a materiality threshold when evaluating separation.

MEASURING THE LEASE LIABILITY

The lease liability is initially measured at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The lease term represents the non-cancellable period of the lease, together with periods covered by an option to extend the lease when the group is reasonably certain to exercise this option, and periods covered by an option to terminate the lease if the group is reasonably certain not to exercise that option.

The lease payments included in the measurement comprise of:
- Fixed lease payments less any lease incentives receivable
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amount expected to be payable by the group under residual value guarantees
- The exercise price of a purchase option, if the group is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the group exercising an option to terminate the lease.

The group do not include variable lease payments in the lease liability arising from contracted index regulations subject to future events, such as inflation. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate. The group presents its lease liabilities as separate line items in the statement of financial position.

MEASURING THE RIGHT-OF-USE ASSET

The right-of-use asset is initially measured at cost. The cost of the right-of-use asset comprise:
- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs incurred by the group
- An estimate of costs to be incurred by the group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses. The group applies the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset, except that the right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset.

The group has not applied the revaluation model for its right of use asset for leased buildings.

The group applies IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Financial assets

The group classifies financial assets based on the business model in which they are managed and their contractual cash flows. The principal categories of financial assets are amortized cost and fair value through either profit or loss (FVPL) or other comprehensive income (FVOCI).

Management determines the classification of financial assets at their initial recognition.

Financial assets carried at fair value through profit or loss are initially recognised at fair value, transaction costs are expensed in income statement.

Loans and receivables

Loans and receivables (except trade receivables) are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivable are classified as other current assets or other non-current assets in the balance sheet.

Loans and receivables are recognised initially at their fair value plus transaction costs. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred, and the group has transferred by and large all risk and return from the financial asset.

Realised gains and losses are recognised in the income statement in the period they arise.

Financial derivatives

Derivatives are included in current assets or current liabilities, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets or other non-current liabilities as they form part of the group's long-term economic hedging strategy and are not classified as held for trading.

Derivatives are recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured on a continuous basis at their fair value.

Derivatives which do not qualify for hedge accounting

Derivative instruments are entered into for hedging purposes, but the company has selected not to document the hedge relationship and can therefore not apply hedge accounting. Changes in the fair value of any derivative instruments which do not qualify for hedge accounting are recognised in the income statement under financial income/expense.

Accounting policies. Continued

Derivatives which do qualify for hedge accounting
Changes in the fair value of cash flow hedges and hedges of net investment in a foreign operation which do qualify for hedge accounting are recognised in other comprehensive income.

PUT AND CALL OPTIONS FOR NON-CONTROLLING SHAREHOLDER INTEREST

Non-controlling interests containing a symmetrical put and call option held by the non-controlling interest shareholder and the group, respectively, is 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. Changes in fair value of the derivative financial instrument is recognised as other gain/(loss) in the income statement.

Put options held by non-controlling interest shareholder is recognised as a financial liability reflecting the present value of the redemption amount as other non-current (interest-bearing) debt with a corresponding entry reducing equity through retained earnings and other reserve. All subsequent changes to the liability are recognised in profit and loss. In the event that the option expires unexercised, the liability will be derecognised with a corresponding adjustment to equity.

Deferred tax assets and liabilities

Deferred tax is calculated using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws which have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available, and that the temporary differences can be deducted from this profit.

Deferred income tax is calculated on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group.

For group companies subject to tonnage tax regimes, the tonnage tax is recognised as an operating cost.

Pension obligations

Group companies have various pension schemes, and the employees are covered by pension plans which comply with local laws and regulations. These schemes are generally funded through payments to insurance companies or pension funds on the basis of periodic actuarial calculations. The group and the parent company have both defined contribution and defined benefit plans.

The group has a contribution plan for all Norwegian employees with salaries exceeding 12 times the Norwegian National Insurance base amount (G). This plan was closed for new members in 2018. The group has obligations for some employees related to salaries in excess of 12 times the Norwegian National Insurance base amount (G) mainly financed from operations.

A defined contribution plan is one under which the group and the parent company pay fixed contributions to a separate legal entity. The group and the parent company have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the group and the parent company pay contributions to publicly or privately administered pension insurance plans on an obligatory, contractual or voluntary basis. The group and the parent company have no further payment obligations once the contributions have been paid. The contributions are recognised as a payroll expense when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is one which is not a defined contribution plan. This type of plan typically defines an amount of pension benefit an employee will receive on retirement, normally dependent on one or more factors such as age, years of service and pay.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurements of the pension liability arising from experience adjustments and changes in the actuarial assumptions are recognised in other comprehensive income. Past service costs are recognised immediately in the statement of income.

Receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Accounting policies. Continued

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, and other current highly liquid investments with original maturities of three months or less, or bank overdrafts. Bank overdrafts are shown under borrowings in current liabilities on the balance sheet. Bank overdrafts are only included in cash and cash equivalents when it is payable on demand.

Dividend in the group accounts
Dividend payments to the parent company's shareholders are recognised as a liability in the group's financial statements from the date when the dividend is approved by the general meeting.

Dividend and group contribution in the parent accounts
Proposed dividend for the parent company's shareholders is shown in the parent company accounts as a liability at 31 December current year. Group contribution received from subsidiaries are recognised as financial income and current assets in the financial statement at 31 December current year.

Interest-bearing liabilities
Interest-bearing liabilities are recognised at fair value when the proceeds are received, net of transaction costs. In subsequent periods, loans are stated at amortised cost using the effective interest method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the term of the loan.

Interest-bearing liabilities are classified as current liabilities unless the group or the parent company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Bunkers/ luboil
Bunkers is valued at the lower of cost and net realisable value. Bunkers represents the lubrication oil held on board the vessels.

Provisions
The group and the parent company make provisions for legal claims when a legal or constructive obligation exists as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be estimated with a sufficient degree of reliability. Provisions are not made for future operating losses.

Note 1. Significant accounting judgements, estimates and assumptions

The preparation of the group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The assumptions, estimates and judgements are based on historical experience, current trends and other factors that management believes to be relevant at the time the consolidated financial statements are prepared. Actual results may differ from these estimates. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Key sources of estimation uncertainty and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Vessels and other tangible assets

The group has significant carrying amounts related to vessels and other tangible assets recognised in the consolidated balance sheet. The value in use of some of these assets could be influenced by changes in market conditions. Vessels are the main asset group in the balance sheet and any changes to the value in use of these vessels may give significant impairment losses that are recognised in the income statement. A reduction to the expected useful life of the assets can also lead to periods with higher depreciation expense going forward. The group has carried out impairment tests for the vessels as of December 2020, mainly due to continued oversupply and depressed rates in the market. The group decided to recycle up to four vessels above 24 years of age to withstand the COVID19 impact which led to an impairment of USD 44 million on these down to expected sales price. Two out of the four vessels have currently been recycled. The carrying amount on vessels, other tangible assets and leased assets at 31 December 2020 is USD 5,539 million. See notes 9 and 10 for further details.

Goodwill and other intangible assets

Determining whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the cash generating units to which goodwill and other intangible assets have been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. The carrying value of goodwill, customer relations/contracts and other intangible assets at 31 December 2020 is USD 306 million, USD 232 million, and USD 33 million, respectively. In 2020, USD 40 million goodwill impairments were recognized in the landbased segment as a result of adjusted forecasts coupled with a reduction of the anticipated growth rate. In the beginning of the year, the group adjusted down the short- and long- term forecasted results for all cash generating units with goodwill due to the COVID19 impact on our business operations. The forecasts have been adjusted upwards at year end as we have seen a recovery in the market. In total, 2020 saw an impairment charge related to goodwill and other intangible assets of USD 45 million. Further information on recognised goodwill and intangible assets are provided in note 8. The impairment information and sensitivities are provided in note 11.

Anti-trust provision

In arriving at the estimated costs for anti-trust proceedings taking into consideration outstanding jurisdictions and the possibility for civil claims, management makes a number of critical assumptions affecting the estimates. The judgements are made in conjunction with external legal counsel based on amongst other status of the outstanding proceedings as well as the possibility for civil claims. USD 110 million is the remaining provision as of 31 December 2020. Further details on the anti-trust provision is provided in note 19.

Tax assets

The group recognises deferred tax assets if it is probable that taxable income will be available in the future against which the unused tax losses can be utilised. At 31 December 2020, the group has estimated that sufficient future taxable income in the Norwegian entities would not be generated to recognise deferred tax asset related to tax loss carry forward. As a result of this estimate, the group has conducted a valuation allowance of additional USD 36 million related to the deferred tax asset arising from tax loss carry forward in the Norwegian entities, giving a total valuation allowance in the balance sheet of USD 73 million related to the same. The estimate of future taxable income is based on significant judgement related to future development in taxable income for Norwegian entities. The carrying amount of deferred tax assets at 31 December 2020 is USD 87 million of which only USD 2 million relates to tax losses carried forward. See note 7 for more information.

Critical judgments in applying accounting policies

Financial instruments

A non-controlling shareholder holds a put option for their 20% shareholding in EUKOR through a shareholder agreement entered into in 2002. The shareholder agreement also contains a symmetrical call option held by the group. The management has evaluated this to be a symmetrical put and call option held by the non-controlling interest shareholder and the group, respectively, and 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. Changes in fair value of the derivative financial instrument is recognised as Other gain/(loss) in the income statement. In 2020 a loss of USD 16 million was recognized related to this derivative. As of 31 December 2020, the estimated fair value of the derivative financial instrument is USD 130 million. See note 5 for more information.

Note 1. Significant accounting judgements, estimates and assumptions. Continued

Leases

The group cannot always determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate reflects what the group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when the rates need to be adjusted to reflect the term and currency of the lease. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. The carrying amount of leased assets at 31 December 2020 is USD 1,365 million. See note 10 for more information.

Note 2. Segment reporting

The chief operating decision-maker monitors the business by combining operations having similar operational characteristics such as product services, market and underlying asset base, into operating segments. For management purposes, the group is organised into business units based on the type of activities and has two reportable operating segments as follows:

The ocean segment is engaged in ocean transport of cars, roll-on roll-off (ro-ro) cargo and project cargo. Its main customers are global car manufacturers and manufacturers of agriculture and other high and heavy equipment. The customers' cargo is carried in a worldwide transport network. This is the group's most capital-intensive segment. The revenue is generated from transporting these products and varies with voyage routes. The tonnage is balanced by time charter, both in and out. The ocean segment's margin is highly influenced by bunker prices. BAF (bunker adjustment factor) is a main mechanism to manage bunker oil price risk in the segment and the main contributor to surcharges revenue. However, the segment has a short-term exposure to the bunker prices since BAF is calculated based on the average price over a historical period and then fixed during an application period, creating a lag effect. In the ocean segment, contract duration is usually within one to five years with annual renewal of approximately 20-30%. Fixed prices are usually applied, with review for CPI development or other applicable index for contracts exceeding three years. BAF adjustments are reflected in most contracts and represent a variable pricing element. In some contracts, the group is guaranteed a fixed percentage of a customer's volume, but mostly there is not a defined minimum volume.

The landbased segment has mainly the same customer groups as ocean. Customers operating globally are offered sophisticated landbased services, such as vehicle processing centres, equipment processing centres, inland distribution networks and terminals. The segment's primary assets are human capital (expertise and systems) and customer contacts reflected in long-term relationship. In the landbased segment, contract duration is usually within one to five years, with annual renewal of approximately 20- 30%. Pricing is usually fixed, and volumes may vary depending on customer output.

The remaining of the group's activities is shown in the “holding/eliminations” column. The holding segment includes the parent company, and other minor activities (including corporate group activities like operational management, tax and finance) which fail to meet the definition for other core activities. Eliminations are transactions between the group's three segments mentioned above.

Note 2. Segment reporting. Continued

	Ocean		Landbased		Holding/Eliminations		Total	
USD million	2020	2019	2020	2019	2020	2019	2020	2019
Net freight revenue	2,053	2,754	-	-	-	-	**2,053**	**2,754**
Surcharges	178	244	-	-	-	-	**178**	**244**
Operating revenue	94	142	633	769	-	-	**727**	**911**
Internal operating revenue	3	1	89	131	(92)	(133)	**-**	**-**
Total revenue	**2,327**	**3,141**	**722**	**900**	**(92)**	**(133)**	**2,958**	**3,909**
Cargo expenses	(478)	(675)	-	-	88	103	**(390)**	**(572)**
Bunker	(474)	(675)	-	-	-	-	**(474)**	**(675)**
Other voyage expenses	(360)	(456)	-	-	-	27	**(360)**	**(429)**
Ship operating expenses	(246)	(228)	-	-	-	-	**(246)**	**(228)**
Charter expenses	(150)	(198)	-	-	-	-	**(150)**	**(198)**
Manufacturing cost	-	-	(231)	(220)	3	-	**(228)**	**(220)**
Other operating expenses	(68)	(48)	(284)	(425)	-	3	**(352)**	**(469)**
Selling, general and administrative expenses	(146)	(160)	(123)	(133)	(15)	(21)	**(285)**	**(313)**
Total operating expenses	**(1,921)**	**(2,439)**	**(639)**	**(777)**	**76**	**112**	**(2,484)**	**(3,104)**
Operating profit before depreciation, amortisation and impairment (EBITDA)	**406**	**702**	**83**	**123**	**(16)**	**(21)**	**473**	**805**
Other gain/(loss)	(16)	52	-	(1)	-	-	**(16)**	**51**
Depreciation	(344)	(383)	(61)	(54)	-	-	**(404)**	**(436)**
Amortisation	(8)	(24)	(38)	(38)	-	(0)	**(47)**	**(62)**
Impairment	(50)	-	(40)	-	-	-	**(90)**	**-**
Operating profit (EBIT)[1]	**(12)**	**348**	**(56)**	**30**	**(16)**	**(21)**	**(84)**	**358**
Share of profits from joint ventures and associates	-	1	1	0	-	0	**1**	**1**
Financial income/(expense)	(169)	(233)	(42)	(49)	(11)	36	**(223)**	**(247)**
Profit before tax	**(181)**	**116**	**(97)**	**(19)**	**(27)**	**15**	**(306)**	**112**
Tax income/(expense)	(7)	29	15	(11)	3	(28)	**4**	**(10)**
Profit for the period	**(188)**	**145**	**(83)**	**(29)**	**(31)**	**(13)**	**(302)**	**102**
Profit for the period attributable to:								
Owners of the parent	(172)	136	(83)	(30)	(31)	(13)	**(286)**	**93**
Non-controlling interests	(16)	9	0	1	-	-	**(16)**	**10**

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

In 2020, income of approximately USD 194 million and USD 153 million (2019: USD 233 million and USD 195 million respectively) are from two external customers belonging to the group's ocean segment.

In 2020, income of approximately USD 113 million (2019: USD 147 million respectively) is from one external customers belonging to the group's landbased segment.

Note 2. Segment reporting. Continued

The amounts provided to the chief operating decision-maker with respect to total assets, liabilities and equity are measured in a manner consistent with that of the balance sheet.

	Ocean		Landbased		Holding/Eliminations		Total	
USD million	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Deferred tax asset	43	53	33	24	12	15	**87**	**92**
Goodwill and other intangible assets	183	187	388	464	-	-	**571**	**652**
Vessels and other tangible assets	4,032	2,908	143	141	-	-	**4,175**	**3,049**
Right-of-use assets	993	2,378	372	379	-	-	**1,365**	**2,757**
Other non-current assets	194	202	25	113	(25)	(118)	**194**	**198**
Other current assets	448	516	177	219	(46)	(85)	**578**	**650**
Cash and cash equivalents	444	267	130	117	80	14	**654**	**398**
Assets held for sale	5	-	-	-	-	-	**5**	**-**
Total assets	**6,341**	**6,511**	**1,267**	**1,458**	**20**	**(173)**	**7,628**	**7,796**
Equity controlling interests	2,317	2,379	278	496	(204)	(197)	**2,391**	**2,678**
Equity non-controlling interests	202	218	22	24	-	-	**224**	**243**
Deferred tax	34	36	51	60	-	-	**84**	**96**
Interest-bearing debt	2,173	1,285	328	307	230	312	**2,731**	**1,904**
Lease liabilities	953	1,747	398	393	-	-	**1,351**	**2,140**
Other non-current liabilities	215	377	45	10	45	(179)	**305**	**207**
Other current liabilities	448	470	144	168	(50)	(110)	**542**	**528**
Total equity and liabilities	**6,341**	**6,511**	**1,267**	**1,458**	**20**	**(173)**	**7,628**	**7,796**
Investments in tangible assets	120	142	17	23	-	-	**137**	**165**

Investments related to business combination see note 14.

Geographical segments

	Europe [1]		Americas		Asia & Africa [2]		Elimination		Total landbased & holding		Ocean		Elimination		Total	
USD million	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Total revenue	164	196	467	584	91	127	(0)	(8)	**722**	**900**	2,327	3,141	(92)	(133)	**2,958**	**3,909**
Total assets	747	590	557	784	310	302	-	-	**1,614**	**1,676**	6,341	6,511	(327)	(391)	**7,628**	**7,796**
Investment in tangible assets	5	5	11	18	1	1	-	-	**17**	**23**	120	142	-	-	**137**	**165**

[1] Europe includes Russia and the holding segment.
[2] Asia & Africa includes Oceania.

The ocean segment
Assets in the ocean segment, which comprise mainly of vessels, operate internationally, with individual vessels calling at various ports across the globe. The group does not consider the domicile of its customers as a relevant decision making guideline and hence does not consider it meaningful to allocate vessels and income to specific geographical locations. This is therefore allocated under the "ocean" geographical area.

Total revenue
Area revenue is based on the geographical location of the company.

Total assets
Area assets are based on the geographical location of the assets.

Investments in tangible assets
Area capital expenditure is based on the geographical location of the assets.

Note 3. Combined items income statement

USD million	Notes	2020	2019
Operating revenue			
Freight revenue		2,231	2,998
Landbased (external)		633	769
Other revenue (external) [1]		94	142
Total operating revenue	5	**2,958**	**3,909**

[1] See note 10 for information regarding other revenue recognised in accordance with IFRS 16.

USD million	Notes	2020	2019
Voyage expenses			
Stevedoring - loading/discharging		(276)	(333)
Other cargo expenses		(113)	(239)
Total cargo expenses		(390)	(572)
Port & canal expenses		(337)	(411)
Additional voyage expenses		(22)	(17)
Total other voyage expenses		(360)	(429)
Bunker		(474)	(675)
Total voyage expenses		**(1,223)**	**(1,676)**
Charter expenses		**(150)**	**(198)**
Ship operating expenses			
Crew expenses [2]		(120)	(111)
Maintenance of vessels		(33)	(27)
Ship management fee		(13)	(13)
Other ocean expenses		(79)	(76)
Total ship operating expenses		**(246)**	**(228)**

[2] Crew/ seagoing personnel are hired and not employed by the group.

USD million	Notes	2020	2019
Manufacturing cost		**(228)**	**(220)**
Other operating expenses and SG&A			
Employee benefits	4	(421)	(465)
Hired personnel		(44)	(50)
Rent (office/buildings/terminals/land etc)		-	(3)
External services		(23)	(28)
Provision related to anti-thrust investigations	19	(55)	(30)
Other administration expenses		(95)	(206)
Total operating expenses and SG&A		**(637)**	**(782)**
Total operating expenses		**(2,484)**	**(3,104)**

Expensed audit fee

USD million	2020	2019
Statutory audit	2	2
Other assurance services	0	1
Tax and legal advisory services fee	0	0
Total expensed audit fee	**2**	**3**

Note 4. Employee benefits

USD million	Notes	2020	2019
Salary		362	403
Payroll tax		31	29
Pension cost	16	21	22
Other remuneration		6	10
Total employee benefits		**421**	**465**

Number of employees	2020	2019
Group companies in Norway	82	83
Group companies in Europe (incl. Russia, excl. Norway)	1,059	1,203
Group companies in South Africa	635	722
Group companies in Asia & Africa (incl. Oceania, excl. South Africa)	955	1,439
Group companies in United States	3,476	3,512
Group companies in Mexico	2,012	1,965
Group companies in Americas (excl. US and Mexico)	446	472
Total employees	**8,665**	**9,397**
Average number of employees	9,031	9,424

Remuneration of senior executives

USD thousand	Salary	Bonus	Pension premium	Other remuneration	Total
2020					
President and CEO - Craig Jasienski [1]	588	282	167	170	1,208
Chief Financial Officer - Torbjørn Wist [2] (from 1 October)	99	-	6	10	115
Chief Financial Officer - Rebekka Glasser Herlofsen [3] (until 8 May)	210	109	13	18	350
Executive Vice President (EVP) and Chief Operating Officer (COO) WW Ocean & Solutions - Michael Hynekamp	612	211	17	129	969
Executive Vice President (EVP) and Chief Operating Officer (COO) Shipping Services - Erik Nøklebye [4]	384	156	65	296	901

[1] Including gross up of pension expense USD 145 thousand.
[2] Including gross up of pension expense USD 5 thousand.
[3] Including gross up of pension expense USD 11 thousand.
[4] Including expat expenses, home, education and travel expenses USD 278 thousand.

Note 4. Employee benefits. Continued

USD thousand	Salary	Bonus	Pension premium	Other remuneration	Total
2019					
President and CEO - Craig Jasienski [5)]	711	-	454	418	1,583
Chief Financial Officer - Rebekka Glasser Herlofsen [6)]	417	151	35	52	656
Executive Vice President (EVP) and Chief Operating Officer (COO) WW Ocean & Solutions - Michael Hynekamp [7)]	571	137	17	561	1,286
Chief Operating Officer (COO) WW Solutions - Raymond Fitzgerald (until end of May)	335	526	352	21	1,233
Chief Executive Officer (CEO) EUKOR - Erik Nøklebye [8)]	418	152	69	231	870

[5)] Including gross up of pension expense USD 395 thousand.
[6)] Including gross up of pension expense USD 31 thousand.
[7)] Including expat expenses, home, education and travel expenses USD 84 thousand.
[8)] Including expat expenses, home, education and travel expenses USD 213 thousand.

Remuneration paid in other currencies than USD will not be comparable year to year due to changes in exchange rates.

Remuneration of the board of directors and nomination committee

USD thousand	2020	2019
Board of directors		
Håkan Larsson (chair)	166	172
Thomas Wilhelmsen	55	57
Marianne Lie	61	63
Jonas Kleberg	55	57
Margareta Alestig	59	61
Nomination committee		
Anders Ryssdal (chair)	9	9
Jonas Kleberg	4	5
Carl Erik Steen	4	-
Thomas Wilhelmsen	-	5

The board's remuneration for the fiscal year 2020 will be approved by the general meeting 21 April 2021 and paid/expensed in 2021.

At the AGM in 2020, two additional board members got elected - Rune Bjerke (vice chair) and Anna Felländer. They did not receive any remuneration in 2020.

See also note 23 Related party transactions, and note 2 Employee benefits in the parent company accounts.

Long-term incentive scheme

Long-term variable remuneration

In addition to short-term variable remuneration, a long-term incentive plan for senior and other executives was introduced in 2018 to promote and reward a long-term strategic perspective whilst helping senior and other executives build a meaningful personal share ownership in the company. The plan is a bonus scheme where monetary awards are delivered in an equivalent number of listed Wallenius Wilhelmsen shares to the extent performance conditions have been met over a defined time period. The bonus, is assessed over and become payable after three years, subject to continued employment and the achievement of financial and strategic long-term performance targets including, return on capital, market capitalisation and a discretionary element.

The maximum annual payments can be 50% of base salary for the CEO, 40% of base salary for the remaining senior executives and 30% of base salary for other executives.

For 2020, the change in provision gave an income statement effect of USD 0.5 million.

Note 5. Other gain/loss

Non-controlling shareholders hold a put option for their 20% shareholding in EUKOR through a shareholder agreement entered into in 2002. The shareholder agreement also contains a symmetrical call option held by the group. The exercise price for the put and call option is calculated based on a formula consistent with valuation guidance used in “The Inheritance Tax and Gift Tax Act” applicable in South Korea. The carrying value of the non-controlling interest is expected to exceed the exercise price for the put and call option since these values are calculated based on tax values. The put and call options became exercisable in 2017 when the Hyundai Motor Group volumes carried by the group fell below 40%. The put and call option have no expiry date and can be exercised at any point in time. The group does not have any plan to exercise the call option.

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.

In 2020, the change in the value of the derivative was USD 16 million recognised as a loss under Other gain/(loss) in the income statement. 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 2020 came due to changes in the value of the EUKOR shares driven by uncertainties related to the estimated cash flows due to the COVID19 pandemic.

The full year change in 2019 was positive USD 52 million.

The financial derivative is recognised as an Other non-current asset and has a carrying value of USD 130 million at 31 December 2020 compared to USD 146 million at the same time last year.

Note 6. Combined financial items

USD million	Notes	2020	2019
Financial income			
Interest income		4	10
Other financial items		4	5
Net financial income		**8**	**15**
Financial expenses			
Interest expenses		(147)	(194)
Interest rate derivatives - realised		(19)	(8)
Interest rate derivatives - unrealised		(57)	(53)
Other financial items		(9)	(6)
Loss on sale of investments		(0)	-
Net financial expenses		**(233)**	**(261)**
Currency			
Net currency gain/(loss)		(6)	(5)
Derivatives for hedging of foreign currency risk - realised		(6)	(31)
Derivatives for hedging of foreign currency risk - unrealised		25	25
Net currency		**13**	**(11)**
Financial derivatives bunker			
Unrealised bunker derivatives		1	10
Realised bunker derivatives		(13)	1
Net bunker derivatives		**(12)**	**11**
Financial income/(expenses)		**(223)**	**(247)**

See note 18 on financial risk and the section of the accounting policies concerning financial instruments.

Note 7. Tax

Tonnage tax
Companies subject to tonnage tax regimes are exempt from ordinary tax on their shipping income. In lieu of ordinary taxation, tonnage taxed companies are taxed on a notional basis based on the net tonnage of the companies' vessels. Income not derived from the operation of vessels in international waters, such as financial income, is usually taxed according the ordinary taxation rules applicable in the resident country of each respective company. The group had three wholly owned companies resident in Malta, Singapore and Sweden which were taxed under a tonnage tax regime in 2020. Further, the group have an ownership of 80 % in EUKOR which is a tonnage taxed company resident in the Republic of Korea.

The tonnage tax is considered as an operating expense in the accounts.

Ordinary taxation
The ordinary rate of corporation tax in Norway is 22% for 2020. Norwegian limited liability companies are encompassed by the participation exemption method for share income. Thus, share dividends and gains are tax free for the receiving company. Corresponding losses on shares are not deductible. The participation exemption method does not apply to share income from companies considered low taxed and that are located outside the European Economic Area (EEA), and on share income from companies owned by less than 10% resident outside the EEA.

For group companies owned more than 90%, and located in Norway and within the same tax regime, taxable profits in one company can be offset against tax losses and tax loss carry forwards in other group companies. Deferred tax/deferred tax asset has been calculated on temporary differences to the extent that it is likely that these can be utilised and for Norwegian entities the group has applied a rate of 22%.

The group's landbased entities are ordinary taxed in the country of operation. Exceptions are some US Limited Liability Corporations (LLC's) which are disregarded for US tax purpose. These LLC's are taxed on owner level.

Deferred tax
The group's deferred tax asset/liability is calculated based on the relevant tax rate in each country. 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. The deferred tax assets not recognised per year-end 2020 amounts to USD 73 million.

Foreign taxes
The tax authorities in Korea have cancelled a withholding tax case on dividends from EUKOR to Wallenius Logistics AB for the period 2010-2014, resulting in recognition of a tax income of USD 5 million i 2020.

USD million	2020	2019
Specification of tax expense for the year		
Current income tax (including withholding tax)	0	7
Change in deferred tax	(5)	2
Total tax expense	**(4)**	**10**

Reconciliation of actual tax expense against expected tax expense in accordance with the income tax rate of 22%

USD million	2020	2019
Profit before tax	(306)	112
22% tax	(67)	25
Tax effect from		
Non-taxable income	22	(47)
Share of profits from joint ventures and associates	(0)	(0)
Other permanent differences	1	14
Withholding tax refund from the Republic of Korea	(5)	(19)
Corporate income tax different tax rate than 22%	(0)	(2)
Currency transition from USD to local currency for tax purpose	13	3
Valuation allowance deferred tax assets in Norway	36	37
Prior year adjustments	(3)	-
Withholding tax	0	1
Calculated tax expense for the group	**(4)**	**10**
Effective tax rate for the group	1%	9%

Note 7. Tax. Continued

The effective tax rate for the group will, from period to period, change dependent on the group gains and losses from investments inside the exemption method and tax exempt revenues from tonnage tax regimes. Change in local tax rate will impact the effective tax rate too.

USD to NOK currency transition for Norwegian tax purpose will have a positive effect if the USD/ NOK increase during the period, related to corporate and shipowning entities in Norway.

USD million	2020	2019
Net deferred tax liabilities at 1 January	(4)	(10)
Currency translation differences	(0)	3
Acquisition[1]	-	7
Tax charged to equity	2	(2)
Income statement charge	5	(2)
Net deferred tax assets/(liabilities) at 31 December	**3**	**(4)**
Deferred tax assets in balance sheet	87	92
Deferred tax liabilities in balance sheet	(84)	(96)
Net deferred tax assets/(liabilities) at 31 December	**3**	**(4)**

[1] See note 14 for information regarding business combinations.

The movement in deferred income tax assets and liabilties during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

USD million	Tangible/ intangible assets	Deferred capital gains	Other	Total
Deferred tax liabilities				
At 31 December 2019	(70)	-	(27)	**(99)**
Through income statement	16	-	17	**33**
Deferred tax liabilities at 31 December 2020	**(54)**	**-**	**(11)**	**(66)**
Reclassification of deferred tax items				**(18)**
Net deferred tax liability at 31 December 2020				**(84)**
At 31 December 2018	(89)	(31)	(20)	**(142)**
Through income statement	19	31	(7)	**43**
Deferred tax liabilities at 31 December 2019	**(70)**	**0**	**(27)**	**(99)**
Reclassification of deferred tax items				**3**
Net deferred tax liability at 31 December 2019				**(96)**

Note 7. Tax. Continued

USD million	Non-current assets and liabilities	Current assets and liabilities	Tax losses carried forward	Total
Deferred tax assets				
At 31 December 2019	84	7	3	**95**
Through income statement	(29)	2	(1)	**(28)**
Charged directly to equity	2	-	-	**2**
Currency translations	(0)	-	-	**(0)**
Deferred tax assets at 31 December 2020	**56**	**9**	**2**	**69**
Reclassification of deferred tax items				**18**
Net deferred tax asset at 31 December 2020				**87**
At 31 December 2018	40	5	85	**131**
Through income statement	35	2	(82)	**(45)**
Charged directly to equity	(2)	-	-	**(2)**
Acquisition	7	-	-	**7**
Currency translations	3	-	-	**3**
Deferred tax assets at 31 December 2019	**84**	**7**	**3**	**95**
Netting of deferred tax Norwegian entities				**(3)**
Net deferred tax asset at 31 December 2019				**92**

The net currency gain and losses are recognised on entities level due to different functional currency than local currency.

Note 8. Goodwill, customer relations/contracts and other intangible assets

USD million	Notes	Goodwill	Customer relations/ contracts	Other intangible assets	Total goodwill and other intangible assets
Cost at 1 January 2020		346	421	50	**817**
Additions		-	-	11	**11**
Disposal		-	-	(7)	**(7)**
Currency translation adjustment		-	-	0	**0**
Cost at 31 December 2020		**346**	**421**	**54**	**820**
Accumulated amortisation and impairment losses at 1 January 2020		-	(148)	(17)	**(165)**
Amortisation		-	(41)	(6)	**(47)**
Impairment [1]	11	(40)	-	(5)	**(45)**
Disposal		-	-	7	**7**
Accumulated amortisation and impairment losses at 31 December 2020		**(40)**	**(188)**	**(21)**	**(249)**
Carrying amounts at 31 December 2020		**306**	**232**	**33**	**571**

[1] As of 31 March 2020, a portion of the goodwill in the landbased segment was impaired. As of 31 December 2020, capitalised development cost in the ocean segment was impaired. See note 11 for more information.

USD million	Notes	Goodwill	Customer relations/ contracts	Other intangible assets	Total goodwill and other intangible assets
Cost at 1 January 2019		350	421	49	**819**
Adjustment of purchase price allocation	6	(3)	-	-	**(3)**
Additions		-	-	7	**7**
Disposal		-	-	(5)	**(5)**
Currency translation adjustment		-	-	-	**(1)**
Cost at 31 December 2019		**346**	**421**	**50**	**817**
Accumulated amortisation and impairment losses at 1 January 2019		-	(91)	(16)	**(107)**
Amortisation		-	(57)	(5)	**(62)**
Disposal		-	-	4	**4**
Accumulated amortisation and impairment losses at 31 December 2019		**-**	**(148)**	**(17)**	**(165)**
Carrying amounts at 31 December 2019		**346**	**273**	**33**	**652**

“Other” includes port use right and software. The useful life of software is 3 to 7 years.

See note 11 for further information regarding impairment on goodwill and other intangible assets.

Segment-level summary of the goodwill allocation

USD million	2020	2019
Ocean	130	130
Landbased	176	216
Total goodwill allocation	**306**	**346**

Note 9. Vessels and other tangible assets

USD million	Property & land	Other tangible assets	Vessels & docking [1]	Newbuilding contracts	Total tangible assets
Cost at 1 January 2020	118	76	5,268	66	**5,527**
Additions	3	15	43	76	**137**
Disposal	(0)	(5)	(13)	(8)	**(26)**
Reclassification	(1)	1	8	(89)	**(80)**
Currency translation adjustment	7	1	-	-	**8**
Cost at 31 December 2020	**127**	**89**	**5,307**	**45**	**5,567**
Accumulated depreciation and impairment losses at 1 January 2020	(5)	(21)	(1,158)	-	**(1,184)**
Depreciation	(10)	(13)	(228)	-	**(251)**
Impairment	-	-	(44)	-	**(44)**
Disposal	0	3	12	-	**15**
Reclassification	(0)	(1)	75	-	**74**
Currency translation adjustment	(2)	(1)	-	-	**(2)**
Accumulated depreciation and impairment losses at 31 December 2020	**(16)**	**(33)**	**(1,343)**	**-**	**(1,392)**
Carrying amounts at 31 December 2020	**111**	**56**	**3,964**	**45**	**4,175**

[1] The group has reclassified 20 vessels from right-of-use assets to tangible assets effective from 1 January 2020 due to contracts being considered financing arrangements rather than lease contracts. The corresponding lease liabilities have been reclassified to bank loans.

USD million	Property & land	Other tangible assets	Vessels & docking	Newbuilding contracts	Total tangible assets
Cost at 1 January 2019	114	67	5,953	95	**6,230**
Additions	11	17	37	43	**108**
Reclassification	1	(2)	(2,199)	(72)	**(2,272)**
Disposal	(8)	(7)	(6)	-	**(21)**
Currency translation adjustment	(0)	1	-	-	**0**
Cost at 31 December 2019	**118**	**76**	**3,786**	**66**	**4,046**
Accumulated depreciation and impairment losses at 1 January 2019	(2)	(15)	(988)	-	**(1,005)**
Depreciation	(10)	(12)	(177)	-	**(200)**
Disposal	8	6	6	-	**20**
Reclassification	(1)	1	189	-	**189**
Currency translation adjustment	0	(1)	-	-	**(0)**
Accumulated depreciation and impairment losses at 31 December 2019	**(5)**	**(21)**	**(971)**	**-**	**(997)**
Carrying amounts at 31 December 2019	**114**	**55**	**2,815**	**66**	**3,049**

Economic lifetime	30-50 years	3-10 years	27-30 years
Depreciation schedule	Straight-line	Straight-line	Straight-line

Vessels include dry-docking, of which carrying amounts at year end was USD 54 million (2019: USD 60 million).

Newbuilding contracts include instalments on scrubber installations.

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

In 2020, two of the four vessels classified as assets held for sale have been recycled. The two last vessels that were earlier this year, have not yet been recycled and are still classified as held for sale as of year end. Total estimated scrap value for these is USD 5 million.

See note 11 for further information regarding impairment vessels and docking.

Note 9. Vessels and other tangible assets. Continued

Commitments related to the newbuilding program
During 2020, one new vessel was delivered (2019: one new delivery). The group has one new vessel due for delivery in 2021. The vessels have been financed through regular bank facilities.

The commitments related to the newbuilding program are set out below:

USD million	2020	2019
Due in year 1	39	78
Nominal amount of newbuilding commitments	**39**	**78**

Note 10. Right-of-use assets

USD million	Property & land	Vessels [1]	Other assets	Total right-of-use assets
Total right-of-use assets at 1 January 2020	439	1,258	3	**1,700**
Additions	14	20	1	**36**
Change in lease payment	8	1	0	**9**
Disposal	(8)	(53)	(0)	**(61)**
Reclassification to tangible assets	(0)	(0)	(0)	**(0)**
Currency translation adjustment	24	-	0	**25**
Cost at 31 December 2020	**478**	**1,226**	**4**	**1,708**
Accumulated depreciation and impairment losses at 1 January 2020	(42)	(194)	(1)	**(237)**
Depreciation	(49)	(104)	(1)	**(154)**
Disposal	3	48	0	**52**
Reclassification to tangible assets	(0)	(0)	(0)	**(0)**
Currency translation adjustment	(4)	-	(0)	**(4)**
Accumulated depreciation and impairment losses at 31 December 2020	**(91)**	**(250)**	**(2)**	**(344)**
Carrying amounts at 31 December 2020	**387**	**976**	**2**	**1,365**

[1] The group has reclassified 20 vessels from right-of-use assets to tangible assets effective from 1 January 2020 due to contracts being considered financing arrangements rather than lease contracts. The corresponding lease liabilities have been reclassified to bank loans.

USD million	Property & land	Vessels	Other assets	Total right-of-use assets
IFRS 16 implementation at 1 january 2019	419	440	1	**861**
Existing financial leases under IAS 17	-	2,302	2	**2,304**
Total right-of-use assets at 1 january 2019	**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**
Cost at 31 December 2019	**439**	**2,739**	**3**	**3,181**
Accumulated depreciation and impairment losses at 1 January 2019	-	-	-	**-**
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 2019	**(42)**	**(381)**	**(1)**	**(424)**
Carrying amounts at 31 December 2019	**397**	**2,359**	**1**	**2,757**

Note 10. Right-of-use assets. Continued

Right-of-use vessels
Per year-end 2020, the group has a total of 36 vessels recognised as right-of-use assets with remaining lease terms from 0.5 to 15 years. Of the 36 right-of-use vessels, 18 have a purchase option and 4 have an option to extend. During the year, 8 vessels were redelivered. Per year-end 2019, the group had a total of 64 vessels recognised as leased assets.

Right-of-use property and land
In addition to vessels, the groups right-of-use assets primarily consists of land and property arising from lease of land related to different terminal sites around the globe, in addition to office space at various locations. Per year-end 2020, the recognised land and property leases have remaining lease terms from one to 31 years.

Other right-of-use assets
The group also has minor agreements related to vehicles and other equipment applied in the groups day-to-day operations.

Specification of lease liabilities

USD million	31 Dec 2020	31 Dec 2019
Current lease liabilities	174	320
Non-current lease liabilities	1,176	1,819
Total leased liabilities	**1,351**	**2,140**
Interest expense on lease liability booked in the income statement	69	107

See note 17 for specification of lease liability maturiy and note 18 for specification of undiscounted lease commitments.

Of the groups total lease commitments, option periods represent USD 151 million (2019: USD 197 million). The option periods recognised are primarily related to leases of vessels and land. Per year-end 2020, commitments related to short term lease agremmenets amounts to USD 6 million (2019: USD 11 million).

Lease expenses related to lease agreements not recognised in the balance sheet

USD million	31 Dec 2020	31 Dec 2019
Short term lease expenses (<12 months)	79	267
Low value lease expenses	2	2
Variable lease expenses	18	11
Total lease expenses	**99**	**280**

Short term lease expenses
Short term lease expenses primarily comprise lease expenses related to lease of vessels. Short term lease of vessels enhances the group's tonnage flexibility and the lease terms are primarily up to three months. In addition to lease of vessels on short term basis, the group occasionally enter short term lease of land area when site operations require additional area for shorter periods of time.

Low value lease expenses
Low value lease expenses comprise the lease expenses related to lease agreements deemed out of group scope due to evaluation of materiality at the implementation of IFRS 16. The assets are company cars, office- and IT-equipment.

Variable lease expenses
Variable lease expenses comprise expenses related to lease agreements were the payment will fluctuate during the lease term. The fluctuations are primarily due to the use of assets being variable with the invoiced amount reflecting the actual usage, instead of a pre-defined contractual amount. derived from a fixed number of assets leased.

Note 10. Right-of-use assets. Continued

Operating lease revenue

Wallenius Wilhelmsen's operating lease revenue is generated through short-term fixed time charter agreements. The agreements are entered based on the group's tonnage surplus at any given time and enables flexibility in tonnage planning for the operations.

Fixed time charter revenue is accounted for as other operating revenue in the ocean segment.

USD million	2020	2019
Fixed Time Charter	35	64
Total operating revenue from fixed Time Charter	**35**	**64**

Note 11. Impairment on non-current assets

USD million	Ocean	Landbased	2020 Group	Ocean	Landbased	2019 Group
Goodwill	130	176	**306**	130	216	**346**
Intangible assets	53	212	**265**	57	248	**306**

Impairment – Goodwill

The group is reviewing goodwill for impairment on a yearly basis, or more frequently, if circumstances indicate an impairment.

In the first quarter 2020, the group adjusted down the short- and long - term forecasted results for all cash generating units with goodwill due to the COVID19 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. Growth rate terminal value was reduced from 2% to 1%, while discount rate unchanged at 7.5%.

The mandatory impairment testing of cash generating units (CGUs) with allocated goodwill was carried out during fourth quarter. An impairment loss is recognized if the estimated recoverable amount is lower than the carrying amount of the cash generating unit. The main objective for the group in making impairment calculations is to ensure consistency in the assumptions being used. The recoverable amounts for units with allocated goodwill have been determined based on value in use (ViU). ViU is the net present value of future cash flows arising from the CGU.

Main assumptions

DISCOUNT RATE

Discount rates used in the calculation of ViU reflect the current market assessment of the risks specific to each cash generating unit. The discount rates were estimated based on the weighted average cost of capital for the industry.

FUTURE CASH FLOW

Future cash flow is based on an assessment of what is the CGU's expected earnings indefinitely which is best represented by group management's latest long-term forecast reflecting both experience as well as external sources of information concerning expected future market development. Current estimated cash flows include expected positive impact from committed and announced improvement initiatives, with moderate growth assumptions for the remaining useful life (terminal value).

The valuation of Wallenius Wilhelmsen's operations are based on the long-term profitability of its business activities. The supply and demand market balance closely correlated to ocean segment profitability. The long-term forecasts reflect the assessment of the supply/demand balance (volume, tonnage supply and utilization) in the short to medium term.

Cash generating units with goodwill

Goodwill acquired through business combinations have been allocated to these CGUs, presented together with applicable discount rates used for impairment testing:

Company	Goodwill		Discount rate post tax		Growth rate terminal value	
USD million	2020	2019	2020	2019	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 11. Impairment on non-current assets. Continued

Sensitivities for main CGUs with allocated goodwill

Wallenius Wilhelmsen Ocean

This CGU owns or charter (long term time-charter or bare-boat in) a fleet of 51 vessels through its shipowning subsidiaries, WWL Shipowning Singapore Pte Ltd, Wall RO/RO AB and Wilhelmsen Lines Shipowning Malta Ltd, which are used in its global ocean operations for transportation of autos, high and heavy or break-bulk cargo for OEMs or other customers or chartered (T/C out) to other carriers with variable durations. In addition, one vessel is under construction and expected to commence service in 2021. The key assumptions for the testing are the expected average earnings per day (T/C less vessel running costs and selling, general & administration expenses per day) for the fleet operated by Wallenius Wilhelmsen Ocean. A reduction in average earnings per day of USD 3,900 would reduce the headroom to nil.

ARC

ARC owns 10 US flagged vessels at end of year, of which six vessels are operated by ARC, two vessels are chartered to affiliates in the ocean segment and two are classified as Assest Held for Sale. The market value of the vessels and other net assets (cash & net receivables) is sufficient to support the limited goodwill allocated to this CGU.

Wallenius Wilhelmsen Solutions

This CGU contains a variety of different landbased operations, a global landbased services network, within the full life cycle vehicle logistics (plant and port based technical services, marine terminal services and inland distribution service). The key assumptions for the testing are the throughput and average margins obtained in the network operated by Wallenius Wilhelmsen Solutions. A reduction in average EBITDA margin of 0.3% or a 2% reduction in throughput, assuming stable margins, would reduce the headroom to nil.

An updated impairment assessment was done in fourth quarter, but since there were no significant adverse changes to the forecast or other assumptions used, no further impairments were required. The impairment made in the first quarter 2020 cannot be reversed despite that the updated impairment test indicate positive headroom.
The carrying value of goodwill for the landbased segment is USD 176 million as of 31 December 2020.

Impairment assessment – Intangible assets with a definite useful life

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

Evaluating whether an asset is impaired or if an impairment should be reversed, requires a high degree of judgment and may to a large extent depend upon the selection of key future assumptions.

Factors that indicate impairment of intangible assets (specifically customer relations or contracts) which trigger impairment testing may be significant decline in volumes and or prices, significant deterioration of a customer relationship, significant underperformance compared to projected operating results, significant negative industry or global economic trends, significant unfavourable regulatory decisions. In addition, market capitalisation below the book value of equity and increased interest rates would be indicators of impairment. Although the market capitalisation of the company as per 31 December 2020 is lower than the book value of equity as per 31 December 2020 and weaker than projected results following the COVID19 pandemic, which could be indications of impairment, the customer relations have not deteriorated for any of the customers in which the group has capitalised intangible assets other than goodwill in form of customer relations or contracts. And as goodwill has been tested for impairment with sufficient headroom it has been concluded that as per 31 December 2020 (analogous for 2019) there are no indications of impairment of the group's intangible assets with a definite useful life.

The ARC group has developed technology and software related to the USTRANSCOM Global Households Goods previously awarded contract for which expenses have been capitalised as an intangible asset. As a result of the U.S. Government Accountability Office' (GAO) decision to sustain the protests filed against USTRANSCOM award of the new multi-year relocation services contract to ARC, the group decided to take an impairment of USD 5 million related to this intangible asset in the fourth quarter 2020.

Impairment assessment – Tangible assets

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

Evaluating whether an asset is impaired or if an impairment should be reversed, requires a high degree of judgment and may to a large extent depend upon the selection of key future assumptions.

Factors that indicate impairment of the vessels which trigger impairment testing may be significant decline in freight rates, significant decline in market value of vessels, significant underperformance compared to projected operating results, significant negative industry or global economic trends, significant loss of market share, significant unfavourable regulatory decisions. In addition, market capitalization below the book value of equity and increased interest rates would be indicators of impairment. As per December 2020 there are indications that might imply impairment for the group’s vessels. Vessels have therefore been tested for impairment at year-end.

The market capitalisation of the company is lower than the book value of equity as per 31 December 2020. There are two main factors that can explain why the Value in Use (ViU) are higher than the market capitalisation. Firstly, the liquidity in the Wallenius Wilhelmsen ASA share is relatively low. A limited portion of the shares is freely traded since 37.8% is owned by Walleniusrederierna AB and 37.8% is owned by Wilh. Wilhelmsen Holding ASA. Secondly, the current pricing of the

Note 11. Impairment on non-current assets. Continued

share emphasises on the current earnings and market sentiment, compared to the long-term expectations used in ViU calculations.

Vessels are organised and operated as a fleet and evaluated for impairment on the basis that the whole fleet is the lowest cash generating unit (CGU). The recoverable amount is the higher of estimated market value (third party quotations) and value in use calculations. As a consequence, vessels will only be impaired if the recoverable value of the fleet is lower than the total book value.

In the first quarter 2020, Wallenius Wilhelmsen recognised impairment losses of USD 44 million related to four vessels for recycling. The expected sale price for the four vessels was USD 11 million. In 2020, two vessels have been recycled to a total sales price of USD 6 million, while the remaining two vessels are still classified as assets held for sale as of 31 December 2020 to an estimated scrap value of USD 5 million.

Main assumptions vessels

DISCOUNT RATE

Discount rates used in the calculation of ViU reflect the current market assessment of the risks specific to each cash generating unit. The discount rates were estimated based on the weighted average cost of capital for the industry.

FUTURE CASH FLOW

Future cash flow is based on an assessment of what is the group's expected time charter earnings and estimated level of operating expenses, as well as capitalised maintenance costs and other required investments for each type of vessels over the remaining useful life of the vessel. The vessels are organised and operated as a fleet within each business operation, but also to some extent across business operations, and evaluated for impairment on the basis that the fleet of each business operations the lowest CGU. The vessels are trading in a global network as part of a fleet, where the income of a specific vessel is dependent upon the total fleet's earnings and not the individual vessel earning's due to actual deployment of the vessel. Further the groups vessels are interchangeable among the operating companies which are seen through the ongoing co-operation (long-term chartering activities, vessel swaps, space chartering, combined schedules etc.).

Current estimated cash flows include expected positive impact from committed and announced improvement initiatives, with moderate growth assumptions for the remaining useful life (terminal value).

The valuation of Wallenius Wilhelmsen's operations are based on the long-term profitability of its business activities. The supply and demand market balance closely correlated to ocean segment profitability. The long-term forecasts reflect the assessment of the supply/demand balance (volume, tonnage supply and utilization) in the short to medium term.

Sensitivities for main CGUs with vessels

Wallenius Wilhelmsen Ocean

This CGU owns or charter (long term time-charter or bare-boat in) a fleet of 51 vessels through its shipowning subsidiaries, WWL Shipowning Singapore Pte Ltd, Wall RO/RO AB and Wilhelmsen Lines Shipowning Malta Ltd, which are used in its global ocean operations, transportation of autos, high and heavy or break-bulk cargo for OEMs or other customers or chartered to (T/C out) other carriers on variable durations. In addition, one vessel is under construction and expected to commence service in 2021. In response of the challenging market conditions brought on by COVID19, seven vessels were put into cold lay-up during 2020. Entering 2021 the group has initiated plans to reactivate up to four of these vessels in first quarter 2021.

The key assumptions for the testing are the expected average earnings per day (T/C less vessel running costs and selling, general & administration expenses per day) for the fleet operated by Wallenius Wilhelmsen Ocean. A reduction in average earnings per day of USD 1,350 would reduce the headroom to nil.

EUKOR

This CGU owns or charter (long term time-charter or bare-boat in) a fleet of 43 vessels which is used in its global ocean operations, transportation of autos, high and heavy or break-bulk cargo for OEMs or other customers or chartered to (T/C out) other carriers on variable durations. In response of the challenging market conditions brought on by COVID19, nine vessels were put into cold lay-up during 2020. Entering 2021 the group has initiated plans to reactivate up to five of these vessels in first quarter 2021.

The key assumptions for the testing are the expected average earnings per day (T/C less vessel running costs and selling, general & administration expenses per day) for the fleet operated by EUKOR Car Carriers. A reduction in average earnings per day of USD 750 would reduce the headroom to nil.

ARC

ARC owns 10 US flagged vessels at end of year, of which six vessels are operated by ARC, two vessels are chartered to affiliates in the ocean segment and two are classified as Assets Held for Sale. The market value of the vessels and other net assets (cash & net receivables) is sufficient to support the assets in this CGU.

Based on the value in use estimates, management has concluded that no impairment exits as per 31 December 2020.

Lease expenses related to lease agreements not recognised in the balance sheet

USD million	Goodwill	Other intangible assets	Vessels	Total
Solution	40	-	-	**40**
Ocean	-	5	44	**50**
Total	**40**	**5**	**44**	**90**

Note 12. Principal subsidiaries

Company	Business office, country	Nature of business	Ownership interest held by the group 2020	2019
Wallenius Wilhelmsen Ocean Holding AS	Lysaker, Norway	Intermediate holding company	100%	100%
Wall RO/RO AB	Stockholm, Sweden	Shipowner	100%	100%
WWL Shipowning Singapore Pte Ltd	Singapore	Shipowner	100%	100%
Wilhelmsen Lines Shipowning Malta Ltd	Floriana, Malta	Shipowner	100%	100%
Wallenius Wilhelmsen Ocean AS	Lysaker, Norway	Vessel operator	100%	100%
Armacup Maritime Services Ltd	Auckland, New Zealand	Vessel operator	65%	65%
Wallenius Wilhelmsen International Holding AS	Lysaker, Norway	Intermediate holding company	100%	100%
EUKOR Car Carriers Inc	Seoul, Republic of Korea	Shipowner and operator	80%	80%
ARC Group Holding AS	Lysaker, Norway	Intermediate holding company	100%	100%
American Roll-On Roll-Off Carrier Holdings LLC	New Jersey, USA	Shipowner and operator	100%	100%
American Roll On Roll Off Carrier Group Inc	New Jersey, USA	Vessel operator	100%	100%
Fidelio Limited Partnership	New Jersey, USA	Shipowner	100%	100%
Wallenius Wilhelmsen Solutions Holding AS	Lysaker, Norway	Intermediate holding company	100%	100%
Wallenius Wilhelmsen Terminals Holding AS	Lysaker, Norway	Intermediate holding company	100%	100%
Melbourne International RoRo and Auto Terminal Pty Ltd	Melbourne, Australia	Terminal operations	100%	100%
Mid-Atlantic Terminal LLC	Maryland, USA	Terminal operations	100%	100%
Pacific Ro-Ro Stevedoring LLC	California, USA	Terminal operations	100%	100%
Wallenius Wilhelmsen Terminals UK Branch	Southampton, United Kingdom	Terminal operations	100%	100%
Pyeongtaek International Ro-Ro Terminal	Pyeongtaek, Republic of Korea	Terminal operations	100%	100%
Wallenius Wilhelmsen Logistics Zeebrügge NV	Zeebrügge, Belgium	Terminal operations	100%	100%
Wallenius Wilhelmsen Inland Services Holding AS	Lysaker, Norway	Intermediate holding company	100%	100%
2W Americas Holdings, LLC	New Jersey, USA	Intermediate holding company	100%	100%
WWL Vehicle Service Americas	New Jersey, USA	Landbased Solutions	100%	100%
Keen Transport Inc Holding	Pennsylvania, USA	Landbased Solutions	100%	100%
Syngin Technologies LLC	Florida, USA	Landbased Solutions	70%	70%

The four holding companies and their principal subsidiaries at 31 December 2020 are set out above. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Liabilities related to non-controlling interest

The group owns 70% of the shares in the subsidiary Syngin Technology LLC which is consolidated in the group accounts based upon ownership with a corresponding non-controlling interest. The non-controlling interest is provided with a put option as part of the transaction for their remaining 30% shareholding. The price is based on certain performance related measures and can be exercised five years (2023) after the transaction date. At 31 December 2020, a financial liability of USD 16 million has been recognised reflecting the present value of the redemption amount as a other non-current interest-bearing debt with a corresponding entry reducing equity through retained earnings and other reserve. All subsequent changes to the liability are recognised in profit and loss. In the event that the option expires unexercised, the liability will be derecognised with a corresponding adjustment to equity.

The group owns 65% of the shares in the subsidiary Armacup Maritime Services Ltd which is consolidated in the group accounts based upon ownership with a corresponding non-controlling interest. According to a shareholder agreement, the group shall purchase the remaining 35% of the shares on 31 December 2022. The fair value at 31 December 2020 is USD 16 million and is recognised as a other non-current liability. All subsequent changes to the liability are recognised in profit and loss.

Note 13. Subsidiaries with material non-controlling interest

Company	Business office/country	Voting/control share		Non-controlling interest	
Ocean		2020	2019	2020	2019
EUKOR Car Carriers Inc	Seoul, Republic of Korea	80%	80%	20%	20%

Set out below is the summarised financial information for the subsidiary that has non-controlling interests (NCI) material to the group. The amounts disclosed are 100%.

Summarised balance sheet

USD million	2020	2019
Non-current assets	2,293	2,442
Current assets	306	291
Total assets	**2,600**	**2,733**
Non-current liabilities	1,171	1,233
Current liabilities	463	439
Total liabilities	**1,634**	**1,672**
Net assets	**966**	**1,060**
Accumulated non-controlling interests (NCI)	193	212

Summarised income statement/OCI

USD million	2020	2019
Total revenue	1,075	1,484
Profit/(loss) for the year	(93)	37
Other comprehensive income	(0)	3
Total comprehensive income	**(93)**	**40**
Profit/(loss) allocated to material NCI	(19)	7
Dividends paid to material NCI	-	-

USD million	2020	2019
Summarised cash flows		
Net cash flow provided by/(used in) operating activities	203	275
Net cash flow provided by/(used in) investing activities	(149)	(26)
Net cash flow provided by/(used in) financing activities	(101)	(224)
Net increase/(decrease) in cash and cash equivalents	**(47)**	**26**
Accumulated NCI - EUKOR Car Carrieres Inc	193	212
Accumulated NCI - immaterial subsidiaries	31	31
Accumulated non-controlling interests (NCI)	**224**	**243**
Profit/(loss) for the period attributable to NCIs - EUKOR Car Carriers Inc	(19)	7
Profit for the period attributable to NCIs - immaterial subsidiaries	3	2
Profit/(loss) for the period to NCIs	**(16)**	**10**

Note 14. Business combinations

Business combinations 2020

No material business combination was conducted in 2020.

Business combinations 2019

Syngin Technology LLC -Deferred consideration

During the year the group conducted an update to the purchase price of Syngin Technology LLC ("Syngin") acquired in July 2018. The update related to a tax payment saving that will be paid to the seller. The benefit is estimated to USD 4.7 million (nominal value USD 7.2 million). Of this, 50% shall be paid to the sellers according to the share purchase agreement. A deferred tax asset of USD 7.2 million has been recognised with corresponding reduction in goodwill of USD 4.2 million, increase in deferred consideration of USD 2.3 million and an increase of USD 0.7 million related to the non-controlling interest. Further, the group recognised a loss of USD 1.1 million related to the deferred consideration arising on the Syngin acquisition. The deferred consideration was related to achieved results for 2018 and ended at USD 7.2 million.

Note 15. Share information and earnings per share

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

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.

The company's number of shares is as follows:	2020	2019
Total number of shares 31 December	423,104,938	423,104,938
Own shares 31 December	706,856	764,009

Earnings per share	31 Dec 2020	31 Dec 2019
Number of shares	422,398,082	422,340,929
Profit/(loss) for the period attributable to owners of the parent (USD million)	(286)	93
Basic and diluted earnings per share (USD) [1]	(0.68)	0.22

[1] For the share based compensation program there is no dilutive effect for the periods presented.

Note 16. Employee retirement plans

The group companies provide various retirement plans in accordance with local regulations and practices in the countries in which they operate.

The pension plans are for the material part defined contribution plans in which the companies are required to make agreed contributions to a separate fund when employees have rendered services entitling them to the contributions. For the defined contribution plans the companies legal or constructive obligations are limited to the amount that they have agreed to contribute to the fund.

The defined benefit plans for the group are based on years of service and salary levels and normally guarantees a specified return or agreed benefit. For these plans the group has investment and actuarial risks. If the actuarial or investment experience are worse than expected, the group's obligation may be increased. In order to reduce the group's exposure to certain risks associated with defined benefit plans, such as longevity, inflation, effects of compensation increases, the group regularly reviews and continuously improves the design of its post-employment defined benefit plans. The defined benefit plans are for the main part related to subsidiaries in Norway, US and Korea and are closed plans or only applicable for senior executives.

The group also have agreements on early retirement. These obligations are mainly financed from operations.

The liability recognised in the balance sheet in respect of the remaining defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Note 16. Employee retirement plans. Continued

Number of people covered by pension schemes at 31 December	2020	2019
In employment	2,658	2,447
In retirement (inclusive disability pensions)	743	753
Total number of people covered by pension schemes	**3,401**	**3,200**

USD million	Notes	2020	2019
Expenses for employee retirement plans recognised in the statement of income			
Defined benefit plans		9	7
Defined contribution plans		12	14
Net pension expenses	4	**21**	**22**
Remeasurements - Other comprehensive income			
Remeasurements recognised in other comprehensive income		(10)	(9)
Tax effect of pension other comprehensive income		2	2
Net remeasurements in other comprehensive income		**(8)**	**(7)**

USD million	2020	2019
Pension obligations		
Defined benefit obligation at end of prior year	100	92
Current/past service cost and interest cost	5	8
Benefit payments from employer	(6)	(10)
Transfer of obligation in/(out)	5	-
Remeasurements	11	10
Effect of changes in foreign exchange rates	4	(1)
Defined benefit obligations at 31 December	**120**	**100**
Gross pension assets		
Fair value of plan assets at end of prior year	38	31
Interest income	1	1
Employer contributions	3	4
Benefit payments from plan assets	(1)	(4)
Transfer of assets in/(out)	5	-
Return on plan assets (excluding interest income)	1	1
Reclassifications from other non-current assets	2	5
Effect of changes in foreign exchange rates	3	(0)
Gross pension assets at 31 December	**52**	**38**
Total pension obligations		
Defined benefit obligations	120	100
Fair value of plan assets	52	38
Net pension liabilities	**68**	**61**

Note 17. Interest-bearing liabilities

Reconciliation of liabilities arising from financing activities

USD million	31 Dec 2019	Cash flows	Non-cash changes: Net change leasing commitments	Foreign exchange movement	Amortisation	Other	Re-classification	31 Dec 2020
Bank loans [1]	1,959	199	-	-	1	-	(242)	**1,917**
Lease liabilities [1]	1,269	(1)	34	21	-	-	(148)	**1,176**
Bonds	304	152	-	19	1	6	(60)	**420**
Bank overdraft and other interest-bearing debt	17	(1)	-	0	-	-	(0)	**16**
Total non-current interest-bearing liabilities	**3,549**	**349**	**34**	**40**	**1**	**6**	**(450)**	**3,529**
Bank loans [1]	281	(202)	-	-	(0)	-	242	**322**
Lease liabilities [1]	203	(180)	2	1	-	-	148	**174**
Bonds	9	(7)	-	(6)	-	-	60	**56**
Bank overdraft and other interest-bearing debt	1	(1)	-	(0)	-	-	0	**0**
Total current interest-bearing liabilities	**495**	**(390)**	**2**	**(5)**	**(0)**	**-**	**450**	**552**
Total liabilities from financing activities	**4,044**	**(41)**	**36**	**35**	**1**	**6**	**0**	**4,081**

[1] The group has reclassified 20 vessels from right-of-use assets to tangible assets effective from 1 January 2020 due to contracts being considered financing arrangements rather than lease contracts. The corresponding lease liabilities have been reclassified to bank loans.

USD million	31 Dec 2018	Cash flows	Non-cash changes: Net change leasing commitments	Foreign exchange movement	Amortisation	Other [2]	Re-classification	31 Dec 2019
Bank loans	1,409	176	-	(0)	2	-	(177)	**1,409**
Leasing liabilities	1,274	118	47	2	-	701	(322)	**1,819**
Bonds	309	-	-	(1)	0	5	(10)	**304**
Bank overdraft and 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**
Bank loans	186	(199)	-	-	0	-	177	**165**
Lease liabilities	254	(370)	4	0	-	110	322	**320**
Bonds	68	(68)	-	-	-	-	10	**9**
Bank overdraft and other interest-bearing debt	23	(71)	-	-	-	-	50	**1**
Total current interest-bearing liabilities	**530**	**(708)**	**4**	**0**	**0**	**110**	**559**	**495**
Total liabilities from financing activities	**3,584**	**(414)**	**51**	**1**	**2**	**820**	**-**	**4,044**

[2] Mainly effects from implementation of IFRS 16 Leases. See note 10 for more information.

Note 17. Interest-bearing liabilities. Continued

Due to the impact of site closures as a result of measures to reduce the spread of COVID19 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. While deferred amounts are outstanding, the group is restricted from paying out dividends.

Earlier this year, 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 of USD 66 million.

The group has entered into sale and leaseback agreements for two vessels. The arrangements are regarded as financing arrangements and the liabilities related to these of total USD 90 million have been classified as bank loans.

Most financing is subject to certain financial and non-financial covenants or restrictions. The main covenant related to the group's bond debt is limitation on the ability to pledge assets. The main bank and lease financing of the group have financial covenant clauses relating to one or several of the following minimum liquidity, current assets/current liabilities, net interest-bearing debt/ EBITDA and loan to value clauses.

The minimum ratios are adjusted to reflect the financial situation of the relevant borrowing company or group of companies. Certain subsidiary loan agreements also have change of control clauses. As of 31 December 2020 (analogous for 2019), the group is in compliance with all financial and non-financial covenants. Covenants can be adjusted in the event of material changes in accounting principles.

Repayment schedule for interest-bearing liabilities

USD million	Bank loans	Leasing liabilities	Bonds	Other	31 Dec 2020
Due in 2021	322	174	56	0	**552**
Due in 2022	328	170	187	2	**686**
Due in 2023	755	165	-	14	**934**
Due in 2024	421	124	234	0	**779**
Due in 2025 and later	412	718	-	0	**1,130**
Total interest-bearing liabilities	**2,238**	**1,351**	**476**	**16**	**4,081**

Repayment schedule for interest-bearing liabilities

USD million	Bank loans	Leasing liabilities	Bonds	Other	31 Dec 2019
Due in 2020	165	320	9	1	**495**
Due in 2021	168	240	85	2	**495**
Due in 2022	178	260	218	0	**657**
Due in 2023	632	255	-	14	**901**
Due in 2024 and later	432	1,065	-	-	**1,496**
Total interest-bearing liabilities	**1,574**	**2,140**	**312**	**18**	**4,044**

Note 17. Interest-bearing liabilties. Continued

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

USD million	2020	2019
Gross debt – fixed interest rates	1,510	1,653
Gross debt – variable interest rates	2,571	2,390
Less Cash and liquid investments	654	398
Net debt	**3,427**	**3,646**

A key part of the liquidity reserve takes the form of undrawn committed drawing rights, which amounted to USD 326 million at 31 December 2020 (2019: USD 337 million). See note 22.

Book value of mortgaged and leased assets

USD million	2020	2019
Vessels	4,939	4,992
Property & land	387	397
Total book value of mortgaged and leased assets	**5,326**	**5,389**

The carrying amounts of the group’s borrowings are denominated in the following currencies

USD million	2020	2019
USD	3,677	3,824
NOK	378	220
KRW	26	-
Total carrying amounts of group’s borrowings	**4,081**	**4,044**

See otherwise note 18 for information on financial derivatives (interest rate and currency hedges) relating to interest-bearing liabilities.

Note 18. Financial risk

The group has exposure to the following financial risks from its operations:
- Market risk
  - Foreign exchange rate risk
  - Interest rate risk
  - Fuel oil price risk
- Credit risk
- Liquidity risk

Market risk

Economic hedging strategies have been established in order to reduce market risks in line with the financial strategy approved by the board of directors. Hedge accounting has not been applied for any economic hedges. At end 2019, both EUKOR and WW Ocean had entered into fuel oil hedging contracts to reduce the risk in connection with the IMO 2020 regulations. As at end 2020, EUKOR had entered into fuel oil hedging contracts to reduce the risk connected to rising fuel oil prices. For the mentioned economic fuel oil hedges, the profit/loss was taken through income statement.

Any change in market value of other economic hedge derivatives is recognised in the income statement.

Foreign exchange rate risk

The group is exposed to currency risk on revenues and costs in non-functional currencies (transaction (cash flow) risk) and balance sheet items denominated in currencies other than USD (translation risk). The group's largest foreign exchange exposure is EUR against USD, but the group also has exposure towards a number of other currencies whereof KRW, JPY, SEK, CNY and NOK are most important.

ECONOMIC HEDGING OF TRANSACTION RISK

As a main principle, the group does not use financial instruments to economically hedge cash flow risk in the operating entities but will make an assessment of the merits to do so in periods when the USD is historically strong vs. other currencies. In order to capitalise on the strong USD, the group has an economic hedging program for CNY, NOK and SEK exposures in place as of both year-ends 2020 and 2019.

The portfolio of derivatives used to economically hedge the group's transaction risk exhibit the following income statement sensitivity:

USD million

Income statement sensitivities of economic hedge program

Change in exchange rate's levels	(20%)	(10%)	0%	10%	20%
Transaction risk					
USD/NOK spot rate	6.85	7.70	8.56	9.42	10.27
Income statement effect (post tax)	**23**	**12**	**0**	**(11)**	**(22)**
USD/SEK spot rate	6.54	7.35	8.17	8.99	9.80
Income statement effect (post tax)	**23**	**11**	**0**	**(10)**	**(20)**
USD/CNY spot rate	5.22	5.87	6.52	7.18	7.83
Income statement effect (post tax)	**6**	**3**	**0**	**(2)**	**(3)**

(Tax rate used is 22% which equals the Norwegian tax rate)

Note 18. Financial risk. Continued

ECONOMIC HEDGING OF TRANSLATION RISK

For balance sheet items denominated in other currencies than USD, the group will in each case consider whether to economic hedge the exposure. The group has outstanding NOK-denominated bonds of about NOK 3.3 billion (USD 381 million). The corresponding amount was NOK 1.9 billion (USD 220 million) for 2019. A large part of this debt (NOK 3.2 billion) has been economically hedged against USD with basis swaps.

FX SENSITIVITIES

On 31 December 2020, material foreign currency balance sheet exposure subject to translation risk was in NOK, EUR, AUD and SEK. Income statement sensitivities (post tax) for the net exposure booked were as follows:

USD million

Income statement sensitivities of economic hedge program

Change in exchange rate's levels	(20%)	(10%)	0%	10%	20%
Translation risk					
USD/NOK	6.85	7.70	8.56	9.42	10.27
Income statement effect (post tax)	**4**	**3**	**0**	**(2)**	**(2)**
EUR/USD	0.98	1.11	1.23	1.35	1.48
Income statement effect (post tax)	**(1)**	**(1)**	**0**	**1**	**1**
USD/SEK	6.5	7.4	8.2	9.0	9.8
Income statement effect (post tax)	**0.4**	**0.3**	**0.0**	**(0.2)**	**(0.2)**
AUD/USD	0.61	0.69	0.77	0.84	0.92
Income statement effect (post tax)	**(1)**	**(1)**	**0**	**1**	**1**

(Tax rate used is 22% which equals the Norwegian tax rate)

For the period ending 31 December 2020, the net impact from translation differences had a very limited impact on other comprehensive income (2019: negative USD 0 million). All fair value changes of the financial derivatives, except fuel oils derivatives in EUKOR, are booked against the income statement. Equity sensitivities will therefore equal sensitivities in the income statement.

USD million	Notes	2020	2019
Through income statement			
Financial currency			
Net currency gain/(loss) - operating currency		6	55
Net currency gain/(loss) - financial currency		(11)	(60)
Derivatives for economic hedging of cash flow risk - realised		(6)	-
Derivatives for economic hedging of cash flow risk - unrealised		5	(1)
Derivatives for economic hedging of translation risk - realised		0	(31)
Derivatives for economic hedging of translation risk - unrealised		20	26
Net financial currency	**6**	**13**	**(11)**
Through other comprehensive income			
Currency translation differences through other comprehensive income		6	(0)
Total net currency effect		**20**	**(11)**

Note 18. Financial risk. Continued

Interest rate risk

The group seeks to economically hedge between 30-70% of the net interest rate exposure, predominantly through interest rate swaps and fixed rate loans.

Interest rate contracts held by the group corresponded to about 50% (2019: about 50%) of its outstanding long-term interest exposure at 31 December. However, when fixed rate debt is included, the economic hedge ratio is about 65% (2019: about 65%) as at 31 December. Leases are considered fixed rate debt for this calculation.

USD million	2020	2019
Maturity schedule economic interest rate hedges (nominal amounts)		
Due in year 1	266	431
Due in year 2	11	266
Due in year 3	11	11
Due in year 4	285	11
Due in year 5 and later*	750	1,035
Total economic interest rate hedges	**1,322**	**1,753**
*of which forward starting	100	535

As of end 2020 the group held forward starting swaps with nominal value of USD 100 million (2019: USD 535 million).

The average remaining term of the existing loan portfolio is about 3.4 years, while the average remaining term of the running interest rate derivatives and fixed interest loans is approximately 3 years.

INTEREST RATE SENSITIVITIES

The group's interest rate risk originates from differences in duration and amounts between interest-bearing assets and interest-bearing liabilities. On the asset side, bank deposits are subject to risk from changes in the general level of interest rates, primarily in USD. On the liability side, the mix of debt and issued bonds with attached fixed or floating coupons – in combination with financial derivatives on interest rates (plain vanilla interest rates swaps) – are exposed to changes in the level and curvature of interest rates. The group uses the weighted average duration of interest-bearing assets, liabilities and financial interest rate derivatives to compute the group's sensitivity towards changes in interest rates.

The below table summarises the interest rate sensitivity towards the fair value of interest-bearing assets and liabilities:

USD million Change in interest rates' level	(2%)	(1%)	0%	1%	2%
Fair value sensitivities of interest rate risk					
Estimated change in fair value (post tax)	(16)	(8)	0	8	16

(Tax rate used is 22% which equals the Norwegian tax rate)

Apart from the fair value sensitivity calculation based on the group's net duration, the group has cash flow risk exposure stemming from the risk of increased future interest payments on the unhedged part of the group's interest-bearing debt.

All financial derivatives are booked against the income statement in accordance with the fair value accounting principle. Equity sensitivities will therefore equal sensitivities in the income statement.

Note 18. Financial risk. Continued

The market value of capitalised financial derivatives are included under Other non-current assets, Other non-current liabilities and Other current liabilities in the balance sheet.

		2020		2019	
USD million	Notes	Assets	Liabilites	Assets	Liabilites
Interest rate derivatives					
Holding segment		-	14	-	9
Ocean segment		-	79	-	41
Landbased segment		-	28	-	10
Total interest rate derivatives		**-**	**122**	**-**	**60**
Derivatives used for economic cash flow hedging					
Holding segment		4	-	-	2
Ocean segment		2	-	0	-
Total currency cash flow derivatives		**5**	**-**	**0**	**2**
Derivatives used for economic translation risk hedging (basis swaps)					
Holding segment		1	1	-	20
Ocean segment		1	-	-	-
Total cross currency derivatives (basis swaps)		**1**	**1**	**-**	**20**
Derivatives used for economic bunker hedging					
Ocean segment		5	-	4	-
Total bunker derivatives		**5**	**-**	**4**	**-**
Other derivatives - non-controlling shareholder net derivative					
Ocean segment	5	130	-	146	-
Total non-controlling shareholder net derivative		**130**	**-**	**146**	**-**
Total market value of derivatives		**141**	**123**	**150**	**83**

Book value equals fair value.

Note 18. Financial risk. Continued

Fuel oil price risk

The group is exposed to fuel oil price fluctuations through its operations in Wallenius Wilhelmsen Ocean, American Roll-On Roll-Off Carrier and EUKOR Car Carriers.

As a general principle, bunker adjustment factors (BAF) in customer contracts are the main mechanism to manage fuel oil price risk in the group. In the short term, the group is exposed to changes in the fuel oil price since BAF is calculated based on the average price over a historical period, and then fixed during an application period, creating a lag effect.

To mitigate potential adverse effects from rising fuel oil prices, EUKOR has in 2020 entered into fuel oil swaps for around a quarter of expected fuel oil volumes for the last half of 2021.

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and originates primarily from the group's customer receivables, financial derivatives used to economically hedge interest rate risk or foreign exchange risk, as well as bank deposits.

Trade receivables

The group's exposure to credit risk through its operating entities is influenced mainly by individual characteristics of each customer. The demographics of the group's customer base, including the default risk of the industry and country, in which the customers operate, has less of an influence on credit risk.

The group's shipping segment has historically been considered to have low credit risk as the customers tend to be large and well-reputed. In addition, cargo can be held back.

Cash and cash equivalents

The group's exposure to credit risk on cash and cash equivalents is considered to be very limited as the group maintains banking relationships with well reputed and familiar banks and where the group - in most instances - has a net debt position towards these banks.

Financial derivatives

The group's exposure to credit risk on its financial derivatives is considered to be limited as the group's counterparties are well reputed and familiar banks.

Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

USD million	Notes	2020	2019
Exposure to credit risk			
Long-term investments	20	18	17
Financial derivatives - asset	20	4	-
Other non-current assets	20	33	33
Trade receivable	21	363	420
Other current assets	20	135	123
Cash and cash equivalents		654	398
Total exposure to credit risk		**1,207**	**990**

Book value equals market value.

Note 18. Financial risk. Continued

Liquidity risk

The group's approach to managing liquidity is to secure that it will always have sufficient liquidity to meet its liabilities, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group's liquidity risk is considered low in that it holds significant liquid assets in addition to credit facilities with the banks.

At 31 December, the group had USD 654 million (2019: USD 398 million) in liquid assets which can be realised over a three-day period in addition to USD 326 million (2019: USD 377 million) in undrawn capacity under its bank facilities. In addition, USD 50 million is available through banking partners to finance the delivery of the newbuilding currently under construction.

Undiscounted cash flows financial liabilities

USD million	Less than 1 year	Year 2	Between 3 and 5 year	Later than 5 years
2020				
Bank loans	353	383	1,412	234
Leasing liabilities	215	196	534	739
Financial derivatives	15	26	65	16
Bonds	75	109	371	-
Total interest-bearing debt	**659**	**713**	**2,382**	**989**
Current liabilities (excluding next year's instalment on interest-bearing debt and financial derivatives)	534	-	-	-
Total gross undiscounted cash flows financial liabilities 31 December 2020	**1,193**	**713**	**2,382**	**989**
2019				
Bank loans	220	217	1,183	155
Leasing liabilities	332	306	763	912
Financial derivatives	9	5	23	10
Bonds	18	93	224	-
Total interest-bearing debt	**579**	**621**	**2,193**	**1,076**
Current liabilities (excluding next year's instalment on interest-bearing debt and financial derivatives)	450	-	-	-
Total gross undiscounted cash flows financial liabilities 31 December 2019	**1,029**	**621**	**2,193**	**1,076**

Interest expenses on floating interest-bearing debt included above have been computed using interest rate curves as of year-end.

Note 18. Financial risk. Continued

Covenants

Most financing is subject to certain financial and non-financial covenants or restrictions. The main covenant related to the group's bond debt is limitation on the ability to pledge assets.

The main bank and lease financing of the group have financial covenant clauses relating to one or several of the following:

- Minimum liquidity
- Current assets/current liabilities
- Net interest-bearing liabilities/EBITDA
- Loan to value clauses

The minimum ratios are adjusted to reflect the financial situation of the relevant borrowing company or group of companies. Certain subsidiary loan agreements also have change of control clauses. As of the balance date, the group is in compliance with all financial and non-financial covenants. Covenants can be adjusted in the event of material changes in accounting principles.

Capital risk management

The group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors return on capital employed, which the group defines as operating profit divided by capital employed (shareholders equity and interest-bearing liabilties). The board also monitors the level of dividends to shareholders. Wallenius Wilhelmsen ASA targets a dividend which over time shall constitute between 30-50% of the company's profit after tax. When deciding the size of the dividend, the board will consider future capital requirements to ensure the implementation of its growth strategy as well as the need to ensure that the group's financial standing remains warrantable at all times.

The group seeks to maintain a balance between the potentially higher returns that can be achieved with a higher level of debt and the advantages of maintaining a solid capital position. The group's target is to achieve a return on capital employed over time that exceeds 8%. In 2020 the return on capital employed was negative 1.3%. See reconciliation of alternative performance measures on pages 143-145 for calculation.

Fair value estimation

The fair value of financial instruments traded in an active market is based on quoted market prices at the balance sheet date. The fair value of financial instruments not traded in an active market (over-the-counter contracts) are based on third party quotes.

These quotes use the maximum number of observable market rates for price discovery. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value and
- The fair value of foreign exchange option contracts is determined using observable forward exchange rates, volatility, yield curve and time-to-maturity parameters at the balance sheet date, resulting in an option premium.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Interest-bearing liabilties

USD million	Fair value	Book value
2020		
Bank loans	2,168	2,237
Leasing liabilities	1,369	1,352
Bonds	486	476
Other	16	16
Total interest-bearing liabilties 31 December 2020	**4,039**	**4,081**
2019		
Bank loans	1,565	1,574
Leasing liabilities	2,073	2,140
Bonds	314	312
Bank overdraft	1	1
Other	17	17
Total interest-bearing liabilties 31 December 2019	**3,970**	**4,044**

Note 18. Financial risk. Continued

Fair value hierarchy

USD million	Notes	Level 1	Level 2	Level 3	Total balance
2020					
Financial assets at fair value through income statement					
- Financial derivatives		-	11	-	**11**
- Non-controlling shareholder net derivative	5	-	-	130	**130**
Total assets 31 December 2020		**-**	**11**	**130**	**141**
Financial liabilities at fair value through income statement					
- Financial derivatives		-	123	-	**123**
Total liabilities 31 December 2020		**-**	**123**	**-**	**123**
2019					
Financial assets at fair value through income statement					
- Financial derivatives		-	4	-	**4**
- Non-controlling shareholder net derivative	5	-	-	146	**146**
Total assets 31 December 2019		**-**	**4**	**146**	**150**
Financial liabilities at fair value through income statement					
- Financial derivatives		-	83	-	**83**
Total liabilities 31 December 2019		**-**	**83**	**-**	**83**

The quoted market price used for financial assets held by the group is the current close price. The group held no instruments qualifying for inclusion in level 1 at year end.

The fair value of financial instruments not traded in an active market are based on third-party quotes (Mark-to-Market). These quotes use the maximum number of observable market rates for price discovery. The different valuation techniques typically applied by financial counterparties (banks) were described above. These instruments - currency and interest rate derivatives - are included in level 2.

Note 18. Financial risk. Continued

Financial instruments by category

2020

USD million	Asset at amortised cost	Assets at fair value through the income statement	Other	Total
Assets				
Other non-current assets	-	130	54	**184**
Bunkers/ luboil	-	-	79	**79**
Trade receivables	363	-	-	**363**
Other current assets	-	-	135	**135**
Cash and cash equivalent	654	-	-	**654**
Assets at 31 December 2020	**1,018**	**130**	**268**	**1,416**

USD million	Liabilities at fair value through the income statement	Other financial liabilities at amortised cost	Total
Liabilities			
Non-current interest-bearing debt	-	2,353	**2,353**
Non-current lease liabilities	-	1,176	**1,176**
Non-current provision	-	59	**59**
Other non-current liabilities	115	63	**179**
Trade payables	-	142	**142**
Current provisions	-	51	**51**
Current interest-bearing debt	-	378	**378**
Current lease liabilities	-	174	**174**
Other current liabilities	8	336	**343**
Liabilities 31 December 2020	**123**	**4,732**	**4,855**

2019

USD million	Asset at amortised cost	Assets at fair value through the income statement	Other	Total
Assets				
Other non-current assets	-	146	50	**196**
Bunkers/ luboil	-	-	108	**108**
Trade receivables	420	-	-	**420**
Other current assets	-	-	123	**123**
Cash and cash equivalent	398	-	-	**398**
Assets at 31 December 2019	**818**	**146**	**280**	**1,245**

USD million	Liabilities at fair value through the income statement	Other financial liabilities at amortised cost	Total
Liabilities			
Non-current interest-bearing liabilities	-	3,549	**3,549**
Non-current provision	-	140	**140**
Other non-current liabilities	4	2	**6**
Trade payables	-	148	**148**
Current provisions	-	54	**54**
Current interest-bearing liabilities	-	495	**495**
Other current liabilities	78	234	**312**
Liabilities 31 December 2019	**82**	**4,621**	**4,703**

Note 19. Provisions and contingencies

USD million	2020	2019
Current provisions	51	54
Non-current provisions	59	140
Total provisions presented in the consolidated balance sheet	**110**	**194**

From time to time, the group will be involved in disputes and legal actions.

The operating entities WW Ocean and EUKOR have been part of anti-trust investigations in several jurisdictions since 2012. There has been a delay in several jurisdictions due to the COVID19 pandemic, but Wallenius Wilhelmsen expects the proceedings with the outstanding jurisdictions to be largely resolved in 2021 while the timeline for the resolution of civil claims is more uncertain. Earlier this year, 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 2020, 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 year, the provisions were further reduced with USD 12 million due to commercial settlements.

In total, USD 110 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 31 December 2020. The ongoing investigations of WW Ocean and EUKOR are confidential, and Wallenius Wilhelmsen is therefore not able to provide more detailed comments.

During 2019, the main change in the provision was an addition of USD 30 million related to expected higher legal costs in disputed cases. The amount was recognised as an expense under operating expenses in the income statement. The provision was further reduced with USD 15 million due to commercial settlements in 2019.

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 20. Combined items balance sheet

USD million	Notes	2020	2019
Other non-current assets			
Long-term investments		18	17
Financial derivatives		4	-
Pension assets		0	0
Derivative financial asset	5	130	146
Investments in joint ventures and associates		10	1
Other non-current assets		33	33
Total other non-current assets		**194**	**198**
Other current assets			
Financial derivatives		8	3
Payroll tax withholding account	22	1	1
Prepaid expenses		126	118
Total other current assets		**135**	**123**
Other non-current liabilities			
Financial derivatives		115	4
Other non-current liabilities		63	2
Total other non-current liabilities		**179**	**6**
Other current liabilities			
Financial derivatives		8	78
Accrued operating expenses		324	208
Other current liabilities		12	26
Total other current liabilities		**343**	**312**

Note 21. Aging trade receivables and payables

Trade receivables

At 31 December 2020, USD 95 million (2019: USD 127 million) in trade receivables had fallen due, but not been subject to impairment. These receivables are related to a number of customers. Historically, the percentage of impairment loss on trade receivables has been low and the group expects the customers to settle outstanding receivables.

At 31 December 2020, the group's impairment on receivables amounts to approximately USD 3 million (2019: USD 3 million).

Receivables fallen due but not subject to impairment have the following age composition:

USD million	2020	2019
Aging of trade receivables fallen due		
Up to 90 days	81	87
90-180 days	8	34
Over 180 days	5	6
Trade receivables per segment		
Ocean	262	275
Landbased	101	146
Total trade receivables	**363**	**420**

Trade payables

At 31 December 2020, USD 6 million in trade payables had fallen due (2019: USD 10 million). These payables refer to a number of separate suppliers and are related to general business. The group expects to settle outstanding payables

USD million	2020	2019
Trade payables per segment		
Ocean	94	97
Landbased	48	51
Holding	0	0
Total trade payables	**142**	**148**

See note 18 on credit risk.

Note 22. Restricted bank deposits and undrawn committed drawing rights

USD million	2020	2019
Payroll tax withholding account	1	1

USD million	2020	2019
Undrawn committed drawing rights	326	377
– Of which backstop for outstanding certificates and bonds with a remaining term of less than 12 months to maturity	56	9
Undrawn committed loans	50	100

Note 23. Related party transactions

Transactions with related parties

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

Remuneration to Mr Wilhelm Wilhelmsen was ordinary paid pension of USD 47 thousand and car allowance of USD 3 thousand. For participation in the board of directors, Thomas Wilhelmsen and Jonas Kleberg were each paid USD 55 thousand. In addition, Jonas Kleberg received USD 4 thousand for participation in the nomination committee.

The group has undertaken several transactions with related parties within Wilh. Wilhelmsen Holding ASA (WWH), Wilservice AS, Wilhelmsen Maritime Services group (WMS group) and Soya group. All transactions are entered into in the ordinary course of business of the company and the agreements pertaining to the transactions are all entered into on commercial market terms.

Wilh. Wilhelmsen Holding ASA (WWH) delivers services to the Wallenius Wilhelmsen ASA group related to to inter alia human resources ("Shared Services") and in-house services such as canteen, post, switchboard and rent of office facilities. Generally, Shared Services are priced using a cost plus 5% margin calculation, in accordance with the principles set out in the OECD Transfer Pricing Guidelines and are delivered according to agreements that are renewed annually. In addition, the Soya group delivers accounting services and rent of office facilities to the group.

Historically and currently the majority shareholders, WWH and Soya, further deliver several services to the group, based on the principles set out in the OECD's transfer pricing guidelines for group services, including, inter alia, cost plus basis or based on independent broker estimates, as the case may be. In the event services are provided to both external and internal parties, the prices set forth in the contracts regarding such services, are on same level for both the external and the internal customers. The services cover:

- Ship management including crewing, technical and management service
- Insurance brokerage
- Agency services
- Freight and liner services
- Marine products to vessels

As a part of the merger between Wilh. Wilhelmsen ASA and WallRoll AB, Walleniusrederierna AB received a corporate bond, with nominal value of USD 80 million. Interest is 6% annually payable-in-kind and maturity is in 2022. It is based on standard bond agreement and trustee is Nordic Trustee. The corporate bond is fully tradeable.

USD million	2020	2019
Income statment		
Operating revenue from related parties related parties within WWH group	1	1
Operating revenue from related parties related parties within Soya group	-	1
Operating expenses to related parties within WWH group	20	20
Operating expenses to related parties within Soya group	4	15

In addition, Wallenius Marine (part of Soya Group) had the supervision of the two newbuildings. Their fee adds up to approximately USD 2 million (2019: USD 2 million) and is capitalised with the vessels.

USD million	2020	2918
Balance sheet		
Current receivables from related parties within Soya group	1	2
Current loan/payables to related parties within Soya group	-	0
Non-current receivables from related parties within WWH group	0	0
Current receivables from related parties within WWH group	0	0
Non-current loan/payables to related parties within WWH group	2	-
Current loan/payables to related parties within WWH group	1	1

Note 24. Events after the balance sheet date

Clarification anti-trust investigation in Australia

In February, the Federal Court of Australia issued a fine of AUD 24 million to Wallenius Wilhelmsen Ocean stemming from the Australian Competition and Consumer Commission's car carrier investigations in 2015. The company has accepted the ruling, which does not trigger any change in provisions. The legal process in Australia is the last of the investigations looking into the car carrying industry involving Wallenius Wilhelmsen Ocean.

Assets held for sale

Wallenius Wilhelmsen decided to recycle up to four vessels above 24 years of age as part of the early action to withstand the COVID19 impact. Two of the vessels have been recycled in 2020 and a third vessel is sold for recycling in January 2021. The fourth vessel is still classified as held for sale as of 31 December 2020, and no agreement to sell the vessel for scrap has been entered into yet. In line with the group's long-standing policy, all recycling is green and is reported accordingly to the Ship Recycling Transparency Initiative.

Laid up vessels

In first quarter 2021, Wallenius Wilhelmsen decided to reactivate 12 of its 16 vessels that are currently in cold layup. Reactivation will take place during first half of 2021, and the reactivated vessels will replace capacity currently sourced through short term charters. Reactivation of the remaining four vessels will be considered in the same period.

Change of CEO

The Board has in dialog with President and CEO Craig Jasienski agreed to end his employment with the company effective, 8 March 2021. The current Chief Financial Officer, Torbjørn Wist, has assumed the role of acting CEO until the process of finding a permanent CEO is completed.

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 revenue 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 revenue (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.

Capital Employed (CE) is calculated based on yearly average of Total assets less Total liabilities plus 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.

Return on Capital Employed (ROCE) is based on yearly EBIT/EBIT adjusted divided by capital employed. 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.

Return on equity is based on yearly profit/(loss) after tax divided by yearly average of equity. The group considers this ratio as appropriate to measure the return of the period.

Reconciliation of alternative performance measures. Continued

Reconciliation of Total income to EBITDA and EBITDA adjusted

USD million	2020	2019
Total revenue	2,958	3,909
Operating expenses excluding other gain/(loss)	(2,484)	(3,104)
EBITDA	**473**	**805**
EBITDA Ocean	406	702
Anti-trust expenses	55	30
Scrapping of scrubber installations	7	-
EBITDA adjusted Ocean	**469**	**732**
EBITDA Landbased	83	123
Pension cost following plan amendment	-	3
EBITDA adjusted Landbased	**83**	**125**
EBITDA Holding/Eliminations	(16)	(21)
EBITDA adjusted Holding/Eliminations	**(16)**	**(21)**
EBITDA adjusted	**536**	**837**

Reconciliation of Total revenue to EBIT and EBIT adjusted

USD million	Notes	2020	2019
EBITDA		473	805
Other gain/loss	5	(16)	51
Depreciation and amortisation	8, 9, 10	(451)	(498)
Impairment	11	(90)	-
EBIT		**(84)**	**358**
Pension cost following plan amendment		-	3
Anti-trust expenses		55	30
Scrapping of scrubber installations		7	-
Change in fair value of derivative financial asset		16	(52)
Impairment recycling vessels and Landbased goodwill		84	-
Impairment other intangible assets		5	-
Total adjustments		**168**	**(20)**
EBIT adjusted		**85**	**338**
Profit/(loss) for the period		(302)	102
Total adjustments		168	(20)
Profit/(loss) for the period adjusted		**(133)**	**82**

Reconciliation of alternative performance measures. Continued

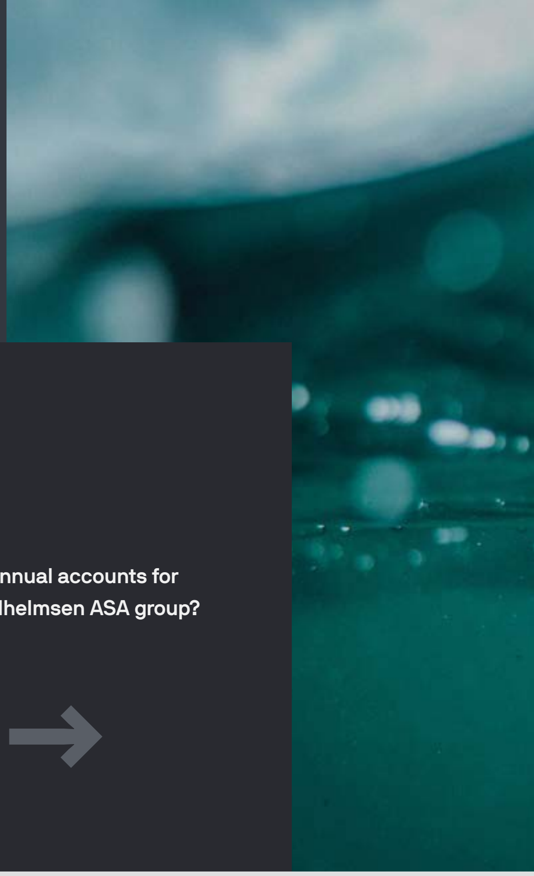
Reconciliation of total assets to capital employed and ROCE calculation and return on equity calculation

	Yearly average	
USD million	31 Dec 2020	31 Dec 2019
Total assets	7,575	8,033
Less Total liabilities	4,935	5,139
Total equity	**2,640**	**2,894**
Total interest-bearing liabilities	4,036	4,271
Capital employed	**6,676**	**7,165**
EBIT	(84)	358
EBIT adjusted	85	338
ROCE	**(1.3)%**	**5.0%**
ROCE adjusted	**1.3%**	**4.7%**
Profit/(loss) for the period	(302)	102
Profit/(loss) for the period adjusted	(133)	82
Return on equity	**(11.4)%**	**3.5%**
Return on equity adjusted	**(5.0)%**	**2.8%**

Net interest-bearing liabilities

USD million	31 Dec 2020	31 Dec 2019
Non-current interest-bearing debt	2,353	1,729
Non-current leasing liabilities	1,176	1,820
Current interest-bearing debt	378	175
Current leasing liabilities	174	320
Less Cash and cash equivalents	654	398
Net interest-bearing liabilties	**3,427**	**3,646**

Index: **Wallenius Wilhelmsen ASA Parent**



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Notes:

Income statement

USD million	Notes	2020	2019
Operating expenses			
Employee benefits	2	(1)	(2)
Impairment of investment in subsidiaries	4	(150)	(625)
Other operating expenses	1	(15)	(19)
Total operating expenses		**(166)**	**(646)**
Net operating profit/(loss)		**(166)**	**(646)**
Financial income and expenses			
Financial income	1	22	999
Financial expenses	1	(39)	(25)
Financial derivatives	1	(10)	(11)
Financial income/(expense)		**(7)**	**962**
Profit/(loss) before tax		**(173)**	**317**
Tax income/(expense)	3	(4)	(48)
Profit/(loss) for the year		**(178)**	**269**
Transfers and allocations			
(To)/from equity	5	178	(269)
Total transfers and allocations		**178**	**(269)**

Statement of comprehensive income

USD million	Notes	2020	2019
Profit for the year		(178)	269
Other comprehensive income:			
Items that will not be reclassified to the income statement			
Remeasurement postemployment benefits, net of tax	6	(1)	(1)
Other comprehensive income, net of tax		**(1)**	**(1)**
Total comprehensive income		**(179)**	**268**
Total comprehensive income attributable to			
Owners of the parent		(179)	268
Total comprehensive income for the year		**(179)**	**268**

Balance sheet

USD million	Notes	31 Dec 2020	31 Dec 2019
Assets			
Non-current assets			
Deferred tax assets	3	12	15
Investments in subsidiaries	4	2,926	3,056
Other non-current assets	9	231	111
Total non-current assets		**3,169**	**3,183**
Current assets			
Other current assets	9	25	118
Cash and bank deposits		80	14
Total current assets		**105**	**133**
Total assets		**3,274**	**3,315**
Equity and liabilities			
Equity			
Share capital	5	28	28
Retained earnings	5	2,693	2,872
Total equity		**2,721**	**2,900**
Non-current liabilities			
Pension liabilities	6	32	31
Non-current interest-bearing debt	7	420	304
Financial derivatives	8	14	2
Other non-current liabilities to group companies	10	17	16
Total non-current liabilities		**484**	**353**
Current liabilities			
Public duties payable		0	0
Other current liabilities	9	68	62
Total current liabilities		**69**	**62**
Total equity and liabilities		**3,274**	**3,315**

Signatures

Lysaker, 24 March 2021

The Board of Directors of Wallenius Wilhelmsen ASA

Signers:

Name	Method	Date
Lars Håkan Larsson	BANKID	2021-03-24 19:43 GMT+1
Kerstin Margareta Alestig Johnson	BANKID	2021-03-24 19:45 GMT+1
Bjerke, Rune	BANKID_MOBILE	2021-03-24 19:50 GMT+1
Wilhelmsen, Thomas	BANKID_MOBILE	2021-03-24 20:10 GMT+1
Wist, Torbjørn Mogård	BANKID_MOBILE	2021-03-24 20:13 GMT+1
Anna Elsa Felländer	BANKID	2021-03-24 20:23 GMT+1
Lie, Marianne	BANKID_MOBILE	2021-03-24 20:24 GMT+1
JONAS KLEBERG	BANKID	2021-03-24 21:14 GMT+1

Cash flow statement

USD million	Notes	2020	2019
Cash flow from operating activities			
Profit before tax		(173)	317
Financial (income)/expense		7	(962)
(Gain)/loss from liquidation of subsidiary		0	-
(Gain)/loss from sale of associates and joint ventures		-	1
Impairment of investment in subsidiaries		150	625
Change in net pension assets/liabilities		(1)	(2)
Change in current assets from group companies		(34)	(92)
Other change in working capital		(2)	225
Net cash provided by/(used in) operating activities		**(53)**	**111**
Cash flow from investing activities			
Investments in subsidiaries, associates and joint ventures		(20)	-
Interest received		12	15
Net cash flow provided by/(used in) investing activities		**(8)**	**15**
Cash flow from financing activities			
Proceeds from issuance of debt		218	-
Repayment of debt		(73)	(68)
Purchase of own shares		0	0
Dividends paid		-	(51)
Cash from financial derivatives		(2)	-
Interest paid including interest rate derivatives		(15)	(54)
Net cash flow provided by/(used in) financing activities		**127**	**(173)**
Net increase/(decrease) in cash and cash equivalents		**66**	**(47)**
Cash and cash equivalents at 1 January*		14	62
Cash and cash equivalents at 31 December		**80**	**14**

*The company has several banks accounts in different currencies. The cash flow effect from revaluation of cash and cash equivalents is included in net cash flow provided by/(used in) operating activities.

The company has restricted bank deposits of USD 0.2 million booked as other current assets.

Note 1. Combined items income statement

USD million	Note	2020	2019
Other operating expenses			
Intercompany expenses	10	(12)	(14)
Other administration expenses		(2)	(5)
Total other operating expenses		**(15)**	**(19)**
Financial income/(expenses)			
Financial income			
Dividend from subsidiaries and group contribution	10	4	938
Interest income		16	1
Net currency gain		1	46
Other financial income		0	13
Total financial income		**22**	**999**
Financial expenses			
Interest expenses		(18)	(16)
Net currency loss		(21)	(5)
Loss on sale of investments		-	(1)
Other financial expenses		(1)	(3)
Total financial expenses		**(39)**	**(25)**
Financial derivatives			
Realised gain/(loss) related to currency derivatives		(7)	(31)
Realised gain/(loss) related to interest rate derivatives		(4)	(1)
Unrealised gain/(loss) related to currency derivatives		26	26
Unrealised gain/(loss) related to interest rate derivatives		(5)	(6)
Total financial derivatives		**10**	**(11)**
Financial income/(expenses)		**(7)**	**962**

Expensed audit fee

USD thousand	2020	2019
Statutory audit	64	176
Other assurance services	103	449
Total expensed audit fee	**168**	**625**

Note 2. Employee benefits

USD million	2020	2019
Salary/Remuneration board of directors	1	1
Payroll tax	0	0
Pension cost	0	1
Other remuneration	0	0
Total employee benefits	**1**	**2**

Both the President and CEO and Chief Financial Officer are employed by group company Wallenius Wilhelmsen Ocean AS until end of 2020. From 1 January 2021, they will be employed by Wallenius Wilhelmsen ASA together with the Chief Human Resources Officer (CHRO).

Remuneration of senior executives

USD thousand	Salary	Bonus	Pension premium	Other remuneration	Total
2020					
President and CEO - Craig Jasienski	588	282	167	170	1,208
Chief Financial Officer - Torbjørn Wist (from 1 October)	99	-	6	10	115
Chief Financial Officer - Rebekka Glasser Herlofsen (until 8 May)	210	109	13	18	350
2019					
President and CEO - Craig Jasienski	711	-	454	418	1,583
Chief Financial Officer - Rebekka Glasser Herlofsen	417	151	35	52	656

The CEO Craig Jasienski has a severance pay guarantee under which he has the right to receive up to 100% of his annual salary for 24 months (notice period of six months plus 18 months) after leaving the company as a result of mergers, substantial changes in ownership, or decision by the board of directors. 50% of any income in the 12 months after expiry of the notice period will be deducted from the severance pay. The CEO has the potential to earn up to 50% of the annual salary as bonus in 2020.

The CEO's retirement age is 65. He follows the company pension policy for salary below 12G (defined contribution plan), and in addition the company has an obligation towards CEO in a defined benefit plan. This obligation is mainly covered via group annuity policies in Storebrand. The CEO is a member of the long-term incentive scheme from 2018, the maximum annual payment is 50% of base salary.

The CFO Torbjørn Wist has a severance pay guarantee under which he has the right to receive up to 100% of her annual salary for 18 months (notice period of six months plus 12 months) after leaving the company as a result of mergers, substantial changes in ownership, or decision by the board of directors. 50% of any income in the 12 months after expiry of the notice period will be deducted from the severance pay. He follows the company pension policy for salary below and above 12G (defined contribution plan). The CFO is a member of the long term incentive scheme from 2018, the maximum annual payment is 40% of base salary.

Remuneration is paid in NOK, which means that the USD amounts are not comparable from year to year. Rates of remuneration can be compared by taking account of changes in the USD exchange rate.

Note 2. Employee benefits. Continued

USD thousand	2020	2019
Remuneration of the board of directors		
Håkan Larsson (chair)	166	172
Thomas Wilhelmsen	55	57
Marianne Lie	61	63
Jonas Kleberg	55	57
Margareta Alestig	59	61
Nomination committee		
Anders Ryssdal	9	9
Jonas Kleberg	4	5
Carl Erik Steen	4	-
Thomas Wilhelmsen	-	5

The board's remuneration for board members, for the fiscal year 2019 was received in 2020.

The board's remuneration for the fiscal year 2020 will be approved by the general meeting 21 April 2021 and paid/expensed in 2021.

At the AGM in 2020, two additional board members got elected - Rune Bjerke (vice chair) and Anna Felländer. They did not receive any remuneration in 2020.

Loans and guarantee

There were no loans or guarantees to members of the board per 31 December 2020.

Note 2. Employee benefits. Continued

Shares owned or controlled by representatives of the group at 31 December 2020

Name	Number of shares	% of shares
Board of directors		
Håkan Larsson (chair)	-	-
Rune Bjerke (vice chair)	22,250	0.01%
Thomas Wilhelmsen	161,165,095	38.09%
Marianne Lie	-	-
Jonas Kleberg	-	-
Margareta Alestig	-	-
Anna Felländer	-	-
Senior executives		
President and CEO - Craig Jasienski	163,186	0.04%
CFO - Torbjørn Wist	-	-
Nomination Commitee		
Anders Ryssdal	-	-
Jonas Kleberg	-	-
Carl Erik Steen	-	-

The two main shareholders of Wallenius Wilhelmsen ASA are Walleniusrederierna AB and Wilh. Wilhelmsen Holding ASA with 37.8% of the shares each. The Wilhelmsen family controls Wilh. Wilhelmsen Holding ASA through Tallyman AS, and Mr Thomas Wilhelmsen controls Tallyman AS.

The Wallenius/Kleberg family controls Walleniusrederierna AB through "Rederi AB Soya".

Long-term incentive scheme

Long-term variable remuneration

In addition to short-term variable remuneration, a long-term incentive plan for senior executives was introduced in 2018 to promote and reward a long-term strategic perspective whilst helping senior executives build a meaningful personal share ownership in the company. The plan is a bonus scheme where monetary awards are delivered in an equivalent number of listed Wallenius Wilhelmsen shares to the extent performance conditions have been met over a defined time period. The bonus, is assessed over and become payable after three years, subject to continued employment and the achievement of financial and strategic long-term performance targets including, return on capital, market capitalisation and a discretionary element.

For CEO, maximum annual payments can be 50% of base salary, for the other senior executives 40% of base salary and for other executives 30% of base salary.

Note 3. Tax

USD million	2020	2019
Distribution of tax (income)/expense for the year		
Change in deferred tax	4	48
Total tax (income)/expense	**4**	**48**
Basis for tax computation		
Profit before tax	(173)	317
22% tax	(38)	70
Tax effect from		
Non taxable income	33	(38)
Valuation allowance deferred tax assets	9	30
Currency transition from USD to local currency for tax purpose	0	(14)
Total tax (income)/expense	**4**	**48**
Effective tax rate	(2.5)%	15.1%

Deferred tax assets/(liabilites)

USD million	2020	2019
Tax effect of temporary differences		
Current assets and liabilities	0	0
Non current liabilities and provisions for liabilities	12	15
Tax losses carried forward	-	-
Deferred tax assets/(liabilities)	**12**	**15**
Composition of deferred tax and changes in deferred tax		
Deferred tax assets at 1 January	15	63
Charged directly to equity	1	0
Change of deferred tax through income statement	(4)	(48)
Currency translation differences	0	(1)
Deferred tax assets/(liabilities) at 31 December	**12**	**15**

USD 39 million in valuation allowace related to deferred tax asset arrising from tax loss carry forward in Norwegian entities, see note 1 to the group accounts for additional information.

Note 4. Investment in subsidiaries

Investments in subsidiaries are recorded at cost. Where a reduction in the value of shares in subsidiaries is considered to be permanent and significant, an impairment to net realisable value is recorded.

Company	Business office	Voting share/ ownership share	Book value	
USD million			2020	2019
Wallenius Wlihelmsen Ocean Holding AS	Lysaker, Norway	100%	1,267	1,267
Wallenius Wilhelmsen International Holding AS	Lysaker, Norway	100%	1,116	1,166
ARC Group Holding AS	Lysaker, Norway	100%	200	200
Wallenius Wilhelmsen Solutions Holding AS	Lysaker, Norway	100%	343	423
Wallenius Wilhelmsen Invest AS	Lysaker, Norway	100%	-	0
Total investments in subsidiaries			**2,926**	**3,056**

Wallenius Wilhelmsen Invest AS was liquidated during 2020.

Per year end 2020,the company wrote down the investment in Wallenius Wilhelmsen Solutions Holding AS with USD 100 million and Wallenius Wilhelmsen International Holding AS of USD 50 million.

Per year end 2019, the company wrote down the investment in Wallenius Wilhelmsen International Holding AS with USD 625 million.

Note 5. Equity

USD million	Share capital	Own shares	Total paid-in capital	Other paid-in capital	Retained earnings	Total
Change in equity						
Equity 31 December 2019	28	(0)	28	1,079	1,793	2,900
Profit for the year	-	-	-	-	(178)	(178)
Other comprehensive income for the year	-	-	-	-	(1)	(1)
Total comprehensive income	-	-	-	-	(179)	(179)
Sale of own shares	-	0	0	-	0	0
Equity 31 December 2020	28	(0)	28	1,079	1,614	2,721
Equity 31 December 2018	28	(0)	28	1,079	1,598	2,705
Profit for the year	-	-	-	-	269	269
Other comprehensive income for the year	-	-	-	-	(1)	(1)
Total comprehensive income	-	-	-	-	268	268
Sale of own shares	-	0	0	-	0	0
Dividend to owners	-	-	-	-	(51)	(51)
Group contribution given	-	-	-	-	(23)	(23)
Equity 31 December 2019	28	(0)	28	1,079	1,793	2,900

The company's number of shares	2020	2019
Total number of shares 31 December	423,104,938	423,104,938
Own shares 31 December	706,856	764,009

Nominal share value of NOK 0.52 each.

To strengthen cash position during the period of reduced activity, the group agreed earlier this year with the banks of WW Ocean to defer instalments of about USD 70 million, previously scheduled for the second half of 2020. While deferred amounts are outstanding, Wallenius Wilhelmsen ASA is restricted from paying out dividends. The deferred instalments are scheduled to be repaid during the life of each facility, but remain a priority to prepay in order to allow future dividends from Wallenius Wilhelmsen. In light of the above dividend restrictions, the company's dividend policy and negative profit after tax in FY2020, the board of directors has resolved not to propose distribution of a dividend for FY2020 to the Annual General Meeting in April 2021.

Note 5. Equity. Continued

The largest shareholders at 31 December 2020

Shareholders	Note	Number of shares	Percentage of shares
Walleniusrederierna AB	10	160,000,000	37.82%
Wilh. Wilhelmsen Holding ASA	10	160,000,000	37.82%
Folketrygdfondet		10,272,222	2.43 %
The Bank Of New York Mellon Sa/Nv		3,733,827	0.88 %
Danske Invest Norske Instit. Ii.		3,566,587	0.84 %
Storebrand Norge I Verdipapirfond		3,447,463	0.81 %
Verdipapirfondet Nordea Norge Verd		3,342,501	0.79 %
Vpf Dnb Am Norske Aksjer		2,594,961	0.61 %
Pareto Aksje Norge Verdipapirfond		2,352,900	0.56 %
Verdipapirfondet Holberg Norge		2,340,000	0.55 %
Other		71,454,477	16.89 %
Total number of shares		**423,104,938**	**100.00%**

Note 6. Employee retirement obligations

Description of the pension scheme

In order to reduce the company's exposure to certain risks associated with defined benefit plans, such as longevity, inflation, effects of compensation increases, the company regularly reviews and continuously improves the design of its post-employment defined benefit plans. Until 31 December 2014, the company provided both defined benefit pension plans and defined contribution pension plans.

The remaining pension obligation is related to some employees in the company's senior executive management. These obligations are mainly covered via company annuity policies in Storebrand.

Pension costs and obligations includes payroll taxes. No provision has been made for payroll tax in pension plans where the plan assets exceed the plan obligations.

The liability recognised in the balance sheet in respect of the remaining defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Number of people covered by pension schemes at 31 December	2020	2019
Previous employees not yet retired	1	1
In retirement (inclusive disability pensions)	568	584
Total number of people covered by pension schemes	**569**	**585**

Financial assumptions applied for the valuation of liabilities	2020	2019
Discount rate	1.6%	2.3%
Anticipated pay regulation	1.8%	2.0%
Anticipated regulation of National Insurance base amount (G)	1.7%	2.0%
Anticipated regulation of pensions	0.1%	0.1%

Anticipated pay regulation are business sector specific, influenced by composition of employees under the plans. Anticipated increase in G is tied up to the anticipated pay regulations. Anticipated regulation of pensions is determined by the difference between return on assets and the hurdle rate.

Note 6. Employee retirement obligations. Continued

USD million	2020	2019
Pension expenses		
Current service cost	0	0
Interest expense on defined benefit obligation	1	1
Interest income on plan assets	(0)	(0)
Net pension expenses	**1**	**1**
Remeasurements - Other comprehensive income		
Effect of changes in financial assumptions	(2)	(1)
Effect of experience adjustments	0	(0)
Return on plan assets (excluding interest income)	0	0
Total remeasurements included in OCI	**(2)**	**(1)**
Tax effect of pension OCI	1	0
Net remeasurement in OCI	**(1)**	**(1)**

USD million	2020	2019
Pension obligations		
Defined benefit obligations 1 January	33	36
Current service cost	0	0
Settlements	-	(3)
Interest expense	1	1
Benefit payments from employer	(2)	(3)
Remeasurements - change in assumptions	2	1
Remeasurements - experience adjustments	(0)	0
Effect of changes in foreign exchange rates	1	(0)
Pension obligations 31 December	**34**	**33**
Gross pension assets		
Fair value of plan assets 1 January	1	4
Interest income	0	0
Employer contributions	0	0
Settlements	-	(3)
Return on plan assets (excluding interest income)	0	0
Effect of changes in foreign exchange rates	0	(0)
Gross pension assets 31 December	**1**	**1**
Total pension obligations		
Defined benefit obligations	34	33
Fair value of plan assets	1	1
Net pension liabilities	**32**	**31**

Payments from operations are estimated at USD 2.7 million in 2021 (2020: USD 2.5 million).

Note 7. Interest-bearing debt

USD million	Note	2020	2019
Interest-bearing debt			
Bonds		476	312
Repayment schedule for interest-bearing debt			
Due in year 1	9	56	9
Due in year 2		190	85
Due in year 3		-	218
Due in year 4		231	-
Total interest-bearing debt		**476**	**312**

As of 31 December 2020, weighted average interest rate on interest-bearing debt is 5.19%

Note 8. Financial risk

The company has exposure to the following financial risks from its operations:
- Market risk
  - Foreign exchange rate risk
  - Interest rate risk
- Credit risk
- Liquidity risk

Market risk

For the group as a whole, economic hedging strategies have been established in order to reduce market risks in line with the financial strategy approved by the board of directors. Separate economic hedging strategies have not been established for the parent company for the market risks. As a consequence, financial derivatives part of the group's economic hedging strategies, can be held by the company and included in the parent company's accounts without any direct economic hedging effect for the parent company. Hedge accounting has not been applied for these economic hedges. Any change in market value of economic hedge derivatives is therefore recognised in the income statement.

Foreign exchange rate risk

The company is exposed to currency risk on revenues and costs in non-functional currencies (transaction (cash flow) risk) and balance sheet items denominated in currencies other than USD (translation risk). The company's largest individual foreign exchange exposure is NOK against USD.

ECONOMIC HEDGING OF TRANSACTION RISK

As a main principle, the group does not use financial instruments to economic hedge cash flow risk in the operating entities but will make an assessment of the merits to do so in periods when the USD is historically strong vs. other currencies. In order to capitalise on the strong USD, the group has an economic hedging program for CNY, NOK and SEK exposures in place as of both year-ends 2020 and 2019.

The portfolio of derivatives used to economically hedge the group's transaction risk exhibit the following income statement sensitivity:

USD million

Income statement sensitivities of economic hedge program

Change in exchange rate's levels	(20%)	(10%)	0%	10%	20%
Transaction risk					
USD/NOK spot rate	6.85	7.70	8.56	9.42	10.27
Income statement effect (post tax)	**23**	**12**	**0**	**(11)**	**(22)**
USD/SEK spot rate	6.54	7.35	8.17	8.99	9.80
Income statement effect (post tax)	**23**	**11**	**0**	**(10)**	**(20)**
USD/CNY spot rate	5.22	5.87	6.52	7.18	7.83
Income statement effect (post tax)	**6**	**3**	**0**	**(2)**	**(3)**

(Tax rate used is 22% which equals the Norwegian tax rate)

ECONOMIC HEDGING OF TRANSLATION RISK

The company has outstanding NOK-denominated bonds of about NOK 3.3 billion (USD 381 million). The corresponding amount was NOK 1.9 billion (USD 220 million) for 2019. A large part of this debt (NOK 3.2 billion) has been economically hedged against USD with basis swaps.

FX SENSITIVITIES

On 31 December 2020, material foreign currency balance sheet exposure subject to translation risk was in NOK. Income statement sensitivities (post tax) for the net exposure booked were as follows:

USD million

Income statement sensitivities of economic hedge program

Change in exchange rate's levels	(20%)	(10%)	0%	10%	20%
Translation risk					
USD/NOK	6.85	7.70	8.56	9.42	10.27
Income statement effect (post tax)	**(3)**	**(2)**	**0**	**2**	**1**

(Tax rate used is 22% which equals the Norwegian tax rate)

All financial derivatives are booked against the income statement. Equity sensitivities will therefore equal sensitivities in the income statement.

Note 8. Financial risk. Continued

Interest rate risk
The group's strategy, of which the company is a part, seeks to economically hedge between 30-70% of the net interest rate exposure, predominantly through interest rate swaps and fixed rate loans. Interest rate contracts held by the company corresponded to about 40% (2019: about 65%) of its outstanding long-term interest exposure at 31 December. However, when fixed rate debt is included, the economic hedge ratio is about 50% (2019: about 75%) as at 31 December. It should be noted that the company also takes on economic hedges on behalf of the group.

USD mill	2020	2019
Maturity schedule economic interest rate hedges (nominal amounts)		
Due in year 4	150	-
Due in year 5 and later	-	150
Total economic interest rate hedges	**150**	**150**

The company has not entered into any forward starting swaps (analogous for 2019).

The average remaining term of the existing loan portfolio is about 2.6 years, while the average remaining term of the running interest rate derivatives and fixed interest loans is approximately 2.75 years.

INTEREST RATE SENSITIVITIES
The company's interest rate risk originates from differences in duration and amount between interest-bearing assets and interest-bearing liabilities. On the asset side, bank deposits are subject to risk from changes in the general level of interest rates, primarily in USD.

On the liability side, the mix of debt and issued bonds with attached fixed or floating coupons – in combination with financial derivatives on interest rates (plain vanilla interest rates swaps) – are exposed to changes in the level and curvature of interest rates. The group uses the weighted average duration of interest-bearing assets, liabilities and financial interest rate derivatives to compute the group's sensitivity towards changes in interest rates.

The below table summarises the interest rate sensitivity towards the fair value of assets and liabilities:

USD million Change in interest rates' level	(2%)	(1%)	0%	1%	2%
Fair value sensitivities of interest rate risk					
Estimated change in fair value (post tax)	2	1	0	(1)	(2)

(Tax rate used is 22% which equals the Norwegian tax rate)

Apart from the fair value sensitivity calculation based on the group's net duration, the group has cash flow risk exposure stemming from the risk of increased future interest payments on the unhedged part of the group's interest-bearing debt.

All financial derivatives are booked against the income statement in accordance with the fair value accounting principle. Equity sensitivities will therefore equal sensitivities in the income statement.

	Assets	Liabilites	Assets	Liabilites
USD million	2020		2019	
Interest rate derivatives	-	14	-	9
Derivatives used for economic cash flow hedging	4	-	-	2
Derivatives used for economic translation risk hedging (basis swaps)	1	1	-	20
Total market value of derivatives	**5**	**16**	**-**	**32**

Book value equals fair value.

Note 8. Financial risk. Continued

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and originates primarily from the company's customer receivables, financial derivatives used to economically hedge interest rate risk or foreign exchange risk, as well as bank deposits.

Cash and cash equivalents

The company's exposure to credit risk on cash and cash equivalents is considered to be very limited as the company maintains banking relationships with well reputed and familiar banks. In addition, the group – of which the company is a part - in most instances - has a net debt position towards these banks.

Financial derivatives

The company's exposure to credit risk on its financial derivatives is considered to be limited as the group's counterparties are well reputed and familiar banks.

Guarantees

The company has provided a parent company guarantee towards the banks involved in the financing of Wallenius Wilhelmsen Ocean Holding AS.

Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

USD million	Notes	2020	2019
Exposure to credit risk			
Other non-current assets from group companies	9	229	111
Financial derivatives asset	9	5	-
Receivables from group companies	9	23	118
Other current receivables	9	0	0
Cash and cash equivalents		80	14
Total exposure to credit risk		**336**	**244**

Book value equals fair value.

Note 8. Financial risk. Continued

Liquidity risk

The company's approach to managing liquidity is to secure that it will always have sufficient liquidity to meet its liabilities, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company's liquidity risk is considered low in that it holds significant liquid assets.

At 31 December, the company had USD 80 million (2019: USD 14 million) in liquid assets which can be realised over a three-day period.

Undiscounted cash flows financial liabilities

USD million	Less than 1 year	Year 2	Between 3 and 5 years
2020			
Bonds	75	109	371
Financial derivatives	1	4	5
Total interest-bearing debt	**76**	**113**	**377**
Current liabilities (excluding next year's instalment on interest-bearing debt and financial derivatives)	11	-	-
Total gross undiscounted cash flows financial liabilities 31 December 2020	**87**	**113**	**377**
2019			
Bonds	18	93	224
Financial derivatives	4	2	4
Total interest-bearing debt	**22**	**95**	**229**
Current liabilities (excluding next year's instalment on interest-bearing debt and financial derivatives)	24	-	-
Total gross undiscounted cash flows financial liabilities 31 December 2019	**46**	**95**	**229**

Interest expenses on interest-bearing debt included above have been computed using interest rate curves as of year-end.

Covenants

The main covenant on the company's bond debt is limitation on the ability to pledge assets.

As of the balance date, the group is in compliance with all financial and non-financial covenants.

Fair value estimation

The fair value of financial instruments traded in an active market is based on quoted market prices at the balance sheet date. The fair value of financial instruments not traded in an active market (over-the-counter contracts) are based on third party quotes.

These quotes use the maximum number of observable market rates for price discovery. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value and
- The fair value of foreign exchange option contracts is determined using observable forward exchange rates, volatility, yield curve and time-to-maturity parameters at the balance sheet date, resulting in an option premium.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Note 8. Financial risk. Continued

Interest-bearing debt

USD million	Fair value	Book amount
2020		
Bonds	486	476
Total interest-bearing debt 31 December 2019	**314**	**312**
2019		
Bonds	314	312
Total interest-bearing debt 31 December 2019	**314**	**312**

Fair value hierarchy

USD million	Level 2	Total balance
2020		
Financial assets at fair value through income statement		
- Financial derivatives	5	5
Total assets 31 December 2020	**5**	**5**
2020		
Financial liabilities at fair value through income statement		
- Financial derivatives	16	16
Total liabilities 31 December 2020	**16**	**16**
2019		
Financial liabilities at fair value through income statement		
- Financial derivatives	32	32
Total liabilities 31 December 2019	**32**	**32**

There were no level 1 nor 3 instruments in 2020 and 2019.

The quoted market price used for financial assets held by the group is the current close price. The group held no instruments qualifying for inclusion in level 1.

The fair value of financial instruments not traded in an active market are based on third-party quotes (Mark-to-Market). These quotes use the maximum number of observable market rates for price discovery. The different valuation techniques typically applied by financial counterparties (banks) were described above. These instruments - currency and interest rate derivatives - are included in level 2.

See note 18 to the group accounts for further information on financial risk and fair value of interest-bearing debt.

Note 8. Financial risk. Continued

Financial instruments by category

2020

USD million	Assets at amortised cost	Assets at fair value through the income statement	Total
Assets			
Other non-current assets	229	-	**229**
Financial derivatives	5	-	**5**
Other current assets	23	-	**23**
Cash and cash equivalents	80	-	**80**
Assets at 31 December 2020	**336**	**-**	**336**

USD million	Liabilites at fair value through the income statement	Other financial liabilites at amortised cost	Total
Liabilities			
Non-current interest-bearing debt	-	420	**420**
Financial derivatives	16	-	**16**
Other non-current liabilities	-	17	**17**
Current interest-bearing debt	-	56	**56**
Other current liabilities	-	11	**11**
Liabilities at 31 December 2020	**16**	**504**	**520**

2019

USD million	Assets at amortised cost	Assets at fair value through the income statement	Total
Assets			
Other non-current assets	111	-	**111**
Other current assets	118	-	**118**
Cash and cash equivalents	14	-	**14**
Assets at 31 December 2019	**244**	**-**	**244**

USD million	Liabilites at fair value through the income statement	Other financial liabilites at amortised cost	Total
Liabilities			
Non-current interest-bearing debt	-	304	**304**
Financial derivatives	2	-	**2**
Other non-current liabilities	-	16	**16**
Current interest-bearing debt	-	9	**9**
Other current liabilities	30	24	**53**
Liabilities at 31 December 2019	**32**	**352**	**384**

Note 9. Combined items balance sheet

USD million	Notes	2020	2019
Other non-current assets			
Other non-current assets from group companies	10	229	111
Financial derivatives asset		3	-
Total other non-current assets		**231**	**111**
Other current assets			
Receivables from group companies	10	23	118
Financial derivatives asset		2	-
Other current receivables		0	0
Total other current assets		**25**	**118**
Other current liabilities			
Account payables		0	0
Payables to group companies	10	5	19
Next year's instalment on interest-bearing debt	7	56	9
Financial derivatives liability		1	30
Other current liabilities		5	5
Total other current liabilities		**68**	**62**

The fair value of current receivables and payables is virtually the same as the carried amount, since the effect of discounting is insignificant.

Note 10. Transactions with related party

The two main shareholders of Wallenius Wilhelmsen ASA are Walleniusrederierna AB and Wilh. Wilhelmsen Holding ASA with 37.8% of the shares each. The Wilhelmsen family controls Wilh. Wilhelmsen Holding ASA through Tallyman AS, and the Wallenius/Kleberg family controls Walleniusrederierna AB through "Rederi AB Soya".

Remuneration to Mr Wilhelm Wilhelmsen was ordinary paid pension of USD 47 thousand and car allowance of USD 3 thousand. For participation in the board of directors, Thomas Wilhelmsen and Jonas Kleberg were each paid USD 55 thousand. In addition, Jonas Kleberg received USD 4 thousand for participation in the nomination committee.

See note 2 regarding fees to board of directors and note 8 regarding ownership.

The company has undertaken several transactions with related parties within the Wilh. Wilhelmsen Holding group (WWH group). All transactions are entered into in the ordinary course of business of the company.

WWH delivers services to the company related to inter alia human resources ("Shared Services") and in-house services such as canteen, post, switchboard and rent of office facilities. Generally, Shared Services are priced using a cost plus 5% margin calculation, in accordance with the principles set out in the OECD Transfer Pricing Guidelines and are delivered according to agreements that are renewed annually.

USD million	Note	2020	2019
Income statement			
Operating expenses to subsidiaries	1	(12)	(14)
Dividend from subsidiaries and group contribution	1	4	938
Other financial income from subsidiaries		16	13
Financial expenses to subsidiaries		(0)	(3)

USD million	Note	2020	2019
Balance sheet			
Non-current assets from subsidiaries	9	229	111
Current receivables from subsidiaries	9	23	118
Non-current liabilities to subsidiaries		17	16
Current payables to subsidiaries	9	5	19

Note 11. Events after the balance sheet date

Change of CEO

The Board has in dialog with President and CEO Craig Jasienski agreed to end his employment with the company effective, 8 March 2021. The current Chief Financial Officer, Torbjørn Wist, has assumed the role of acting CEO until the process of finding a permanent CEO is completed.

Note 12. Statement on the remuneration for senior executives

The Statement on senior executives' remuneration has been prepared in accordance with the Norwegian Public Limited Companies Act, the Norwegian Accounting Act and the Norwegian Code of Practice and is adopted by the board of directors.

For the purposes of this statement, company employees referred to as senior executives are currently: Mr Craig Jasienski [1)] (President and CEO), Mr Torbjørn Wist (CFO), Mr Michael Hynekamp (EVP and COO Logistic Services), and Mr Erik Noeklebye (EVP & COO Shipping Services). Ms Rebekka Glasser Herlofsen left the company in May 2020. The following guidelines are applied for 2021.

General principles for the remuneration of senior executives

The remuneration of the president and CEO is determined by the board, whereas remuneration of other senior executives is determined administratively on the basis of frameworks specified by the board of directors.

The remuneration level shall reflect the complexity and responsibilities of each role and shall take into account the group's breadth of international operations. Being headquartered in Norway, the board of directors will primarily look to other Norwegian companies operating in an international environment for comparison.

Remuneration of the senior executives shall be at a competitive level in the relevant labour market(s). It should be a tool for the board of directors to attract and retain the required leadership and motivational for the individual executive. The remuneration system should be flexible and understandable.

Market comparisons are conducted on a regular basis to ensure that remuneration levels are competitive.

Fixed salary

The main element of the remuneration package shall be the annual base salary. This is normally evaluated once a year according to individual performance, market competitiveness and (local) labour market trends.

Benefits in kind

The senior executives receive benefits in kind that are common for comparable positions. These include telecommunication, insurance and car allowance.

Short term variable remuneration

As a key component of the total remuneration package, the annual, variable pay scheme emphasizes the link between performance and pay and aims to be motivational. It aligns the senior executives with relevant, clear targets derived from the overall strategic goals. The variable pay scheme takes into consideration both key financial targets and individual targets (derived from the annual operating plan). For CEO, maximum annual payments can be 50% of base salary and for the other senior executives this varies with position up to 50% of base salary. The Board reserves the ability to make exceptional additional awards for exceptional performance.

Long term variable remuneration

In addition to short term variable remuneration, the Annual General Meeting (AGM) in 2018, 2019 and 2020 endorsed the introduction of a long-term incentive plan for senior executives, effective as of 1 January 2018, to promote and reward a long-term strategic perspective whilst helping senior executives build a meaningful personal share ownership in the company. The plan will make awards from the company's common shares, which will vest after three years, subject to continued employment and the achievement of financial and strategic long-term performance targets.

For CEO, maximum annual payments can be 50% of base salary, for the other senior executives 40% of base salary and for other executives 30% of base salary.

Pension and insurance schemes (Norway based executives)

Pension and insurance benefits for senior executives include coverage for old age, disability, spouse and children, and supplement payments by the Norwegian National Insurance system.

The President and CEO has a defined benefit plan for salary exceeding 12G and the option to take early retirement is insured.

The remaining executives have a defined contribution plan for salary exceeding 12G.

For salary below 12G, they are all part of the collective agreement.

Our executives outside Norway are covered by local arrangements, in line with local legislation and our company agreements.

In the US, Mr Hynekamp is included in a 401K retirement savings plan.

Mr Noeklebye has a defined contribution retirement savings plan managed by Zurich International Life Limited, and also includes risk benefits which are provided by Nordben Life and Pension Insurance Co. Limited part of the Storebrand Group.

[1)] Mr Jasienski left the company 8 March 2021. See note 11 for more information.

Note 12. Statement on the remuneration for senior executives. Continued

Severance package scheme

The President and CEO has a severance pay guarantee under which he has the right to receive up to 100% of his annual salary for 24 months (notice period of 6 month plus 18 months) after leaving the company as a result of mergers, substantial changes in ownership, or a decision by the board. 50% of any income in the 12 months after expiry of the notice period will be deducted from the severance pay.

The other senior executives also have arrangements for severance payment beyond redundancy period following departure from the group.

Statement on senior executive remuneration in the previous fiscal year

Remuneration policy and development for the senior executives in the previous fiscal year built upon the same policies as those described above. For further details regarding the individual remuneration elements, see note 2 concerning pay and other remuneration for senior executives of the parent company and note 4 of the group accounts concerning senior executives of the group.

Responsibility statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2020 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit for the entity and the group taken as a whole.

We also confirm that the board of directors' report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Lysaker, 24 March 2021

The Board of Directors of Wallenius Wilhelmsen ASA

Signers:

Name	*Method*	*Date*
Lars Håkan Larsson	BANKID	2021-03-24 19:43 GMT+1
Kerstin Margareta Alestig Johnson	BANKID	2021-03-24 19:45 GMT+1
Bjerke, Rune	BANKID_MOBILE	2021-03-24 19:50 GMT+1
Wilhelmsen, Thomas	BANKID_MOBILE	2021-03-24 20:10 GMT+1
Wist, Torbjørn Mogård	BANKID_MOBILE	2021-03-24 20:13 GMT+1
Anna Elsa Felländer	BANKID	2021-03-24 20:23 GMT+1
Lie, Marianne	BANKID_MOBILE	2021-03-24 20:24 GMT+1
JONAS KLEBERG	BANKID	2021-03-24 21:14 GMT+1

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To the General Meeting of Wallenius Wilhelmsen ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Wallenius Wilhelmsen ASA, which comprise:

- The financial statements of the parent company Wallenius Wilhelmsen ASA (the Company), which comprise the balance sheet as at 31 December 2020, the income statement, statement of comprehensive income and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Wallenius Wilhelmsen ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2020, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Similar to the 2019 audit, we focused on the impairment assessments of goodwill and vessels as well as the provision related to anti-trust investigations as these risks remain relevant.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment Assessment for Goodwill	
We refer to note 1 (Significant accounting judgements, estimates and assumptions), note 8 (Goodwill, customer relations/contracts and other intangible assets) and note 11 (impairment on non-current assets). The net book value of goodwill as of 31 December 2020 is USD 306 million. In line with IFRS requirements, an impairment test for goodwill was performed at 31 March 2020 as a result of downward adjusted forecast coupled with a reduction of the anticipated growth rate as a result of the Covid-19 pandemic. This test resulted in impairment of USD 40 million that was recognized in the landbased segment. Additionally, the annual impairment test for goodwill was performed at 31 December 2020 with no further impairment recognized. The goodwill impairment assessments at both 31 March 2020 and 31 December 2020 involved significant management judgement in preparing cash flow forecasts for the applicable reporting segments and in assessing the discount rate. We focused on goodwill due to the significance of the amount in the balance sheet and the significant judgment applied by management in assessing the potential need for impairment.	We evaluated and challenged managements' impairment assessments and the process by which these were performed. We assessed managements' accounting policy against relevant IFRSs and obtained explanations from management as to how the specific requirements of the standards, in particular IAS 36 – Impairment of assets, were met. The forecast for the future cash flows were based on a detailed budgeting process. As evidence of reliability of Groups' forecasting process, we challenged managements' forecasting accuracy by comparing budgeted profit against actuals for 2019 and 2020 and assessed the explanations for deviations. Through our testing and discussions we were able to conclude that managements' budgeting process was reasonable. In order to challenge each of the assumptions in the forecast, we held discussions with management to corroborate our testing. We reviewed managements' authorized budgets and forecasting. Where possible, we compared these to current and historical market data to corroborate the reasonableness of cash flows used by management. Our procedures also included sensitivity analysis to key assumptions applied. These indicated some headroom for all key assumptions. We also verified the mathematical accuracy of the model. We found that the model was calculating net present values as intended. We used our internal valuation specialists and external market data to discuss the assumptions management had used to build the discount rate. We concluded that the discount rate used by management was within a reasonable range. We considered the appropriateness of the related disclosures in note 1, 8 and 11 to the financial statements for the Group to the requirements of the applicable financial reporting framework, IFRS, including IAS 36 – Impairment of assets and found the disclosures to be adequate.

(2)

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Impairment Assessment for vessels

We refer to note 1 (Significant accounting judgements, estimates and assumptions), note 9 (Vessels, other tangible and leased assets) and note 11 (impairment on non-current assets).

The group has a large number of vessels with a combined carrying amount USD 3,964 million as at 31 December 2020.

As of 31 March 2020, four vessels were classified as held for sale as a result of planned recycling. An impairment expense of USD 44 million was recognized related to these four vessels. Two of the vessels were recycled during 2020.

Impairment indicators were considered present for the fleet for the cash generating units (CGUs) Ocean and EUKOR at 31 December 2020. As a result, an impairment test was performed by management, which concluded that the recoverable amount exceeded the carrying amount of the vessels. As such no impairment charge was recognized at 31 December 2020.

For both impairment tests, management estimated the recoverable amount through a value in use calculation based on estimated future cash flows.

We focused on this area due to the relative size of the amounts.

We obtained managements' valuation model and evaluated whether the model contained the elements required by accounting regulation.

For the four vessels held for sale, we compared the impaired value for the two vessels that were recycled during 2020 with net sales proceeds. For one of the vessels which was still classified as held for sale as of 31 December 2020, we compared the impaired value with net sales proceeds from the subsequent sales transaction in January 2021. Further, we used these data points to satisfy ourselves that the impairment charge for the other vessels which is still not recycled were reasonable.

Managements' identification of Cash Generating Units CGUs was reviewed. Procedures to challenge management's assumptions included tracing of input data to budgets approved by the board of directors and considering whether rates and utilization are consistent with our knowledge of the industry. To consider the reliability of estimated operating expense, we compared the estimates to historical performance, and considered whether deviations from the budget had a reasonable explanation. Available evidence supported that managements' assumptions were reasonable.

Our procedures included applying sensitivities to the assumptions applied. This analysis showed that although different assumptions could have been made, those chosen by management were within an acceptable range.

We used our internal specialists to discuss the appropriateness of the discount rate used. We considered that the discount rate used was within an appropriate range.

We assessed the appropriateness of the related disclosures in note 1, 9 and 11 to the financial statements for the Group to the requirements of the applicable financial reporting framework, IFRS, including IAS 36 – Impairment of assets. We noted that the disclosure appropriately presented managements conclusions.

Provision related to anti-trust investigations

We refer note 1 (Significant accounting judgements, estimates and assumptions) and note 19 (Provisions and contingencies).

The provision for anti-trust investigations and civil claims amounts to USD 110 million as of 31 December 2020 and is both material and involves significant judgement by management.

We focused on this area due to the relative size of the amounts and the significant judgement used in arriving at their best estimate for anti-trust provision.

We obtained a breakdown of the provision. We assessed managements' accounting policy against IFRSs and obtained explanations from management as to how the specific requirements of the standards, in particular IAS 37 – Provisions, contingent liabilities and contingent assets, were met.

We obtained explanations from management, general counsel and external counsel for the amounts provided for provisions related to anti-trust investigations as well as the possibility for civil claims. We compared the provisions to results from similar cases and found them to be within a reasonable range.

We tested the reliability of the estimate made by management with reference to the provision made as of 31 December 2017, 2018 and 2019 and the rulings and settlements during the four years to 31 December 2020.

The calculation of a provision is inherently uncertain. Changes to the assumptions used could result in different amounts compared to those calculated by management. We considered that the above assessments made by management were within a reasonable range.

In reading the note disclosures, we concluded that the note appropriately describes the risks involved and judgments made by management.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements of the Company in accordance with simplified application of international accounting standards according to

Independent Auditor's Report - Wallenius Wilhelmsen ASA

the Norwegian Accounting Act section 3-9, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s and the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors’ report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors’ report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company’s accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 24 March 2021
PricewaterhouseCoopers AS

Bjørn Lund
State Authorised Public Accountant
(signed electronically)

Revisjonsberetning

Signers:

Name	*Method*	*Date*
Lund, Bjørn	BANKID_MOBILE	2021-03-24 21:49