Auditor's report

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 2018, 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 2018, 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 2018, 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 2018, 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.

There are changes in our audit focus due to the fact that a material business combination was completed in 2017 which did not merit the same level of attention for the 2018 audit. Furthermore, we focused on the newly recognized put and call option related to the non-controlling interest in EUKOR which is both a material amount and which required judgement to assess the fair value. Similar to the 2017 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.

PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org.no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

pwc

Auditors Report - Wallenius Wilhelmsen ASA

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) and note 8 (Goodwill and other intangible assets). The net book value of goodwill as of 31 December 2018 is USD 350 million. In line with IFRS requirements, an impairment test for goodwill was performed at 31 December 2018. No impairment was recognised in the financial statements for 2018. The goodwill impairment assessment 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 assessment and the process by which this was 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 2017 and 2018 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 which also included certain performance enhancement initiatives. 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 were 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 and 8 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.

pwc

Auditors Report - Wallenius Wilhelmsen ASA

Put and call option related to non-controlling interest in EUKOR

We refer to note 1 (Significant accounting judgements, estimates and assumptions) and note 13 (Other gain/loss).

A non-controlling shareholder holds a put option for their 20% shareholding in EUKOR through a shareholder agreement entered into in 2002. This shareholder agreement also contains a symmetrical call option held by the Group. The put and call option became exercisable in 2017 and is recognized as an integrated derivative financial instrument. The Group recognized the derivative financial instrument related to the estimated fair value of the call option as a non-current asset with changes in fair value recognized as an Other gain/loss in the income statement. The derivative asset as of year-end 2018 was USD 94 million.

The derivative financial asset was not recognized in 2017. Based on this, the comparative financial information in the consolidated balance sheet for 2017 has been revised.

We focused on this issue because significant management judgement was necessary to assess the fair value of the derivative financial instrument. In addition, we focused on this area due to the size of the revisions made to the comparative balance sheet information since the instrument was not accounted for as of 31 December 2017.

For the evaluation of the fair value of EUKOR, we used audit procedures largely similar to the ones described in the Key Audit Matter above, "Impairment Assessment for Goodwill. We therefore refer to the description of our assessment of management's budget and forecast, our testing of mathematical accuracy as well as our procedures related to assessment of the discount rate.

For the evaluation of the exercise price of the put and call option, we reviewed key inputs to the formula set forth in the shareholder agreement which we compared to relevant financial information. We discussed our understanding of the formula with management and performed procedures to assess whether the calculations was performed in accordance with the valuation method presented in the shareholder agreement. In addition, we verified the mathematical accuracy of the model.

The above procedures were performed as of 31 December 2018. To ensure that the revision of the error for 2017 was accounted for appropriately, the same type of procedures were also performed as of 1 January 2017, 1 April 2017 (date of Wallroll business combination) and as of 31 December 2017.

Our findings show that management assessments were within a reasonable range.

We considered the appropriateness of the related disclosures in note 13 to the financial statements for the Group to the requirements of the applicable financial reporting framework, IFRS, including IFRS 9 – Financial instruments and found the disclosures to be adequate. We also considered the appropriateness of disclosures in note 13 related to the revision of comparative financial information in the balance sheet for 2017 based on the requirements in IAS 8 – Accounting policies, changes in Accounting Estimates and Errors and found the disclosures to be adequate.

Impairment Assessment for vessels

We refer to note 1 (Significant accounting judgements, estimates and assumptions) and note 9 (Vessels and other tangible assets).

The group has a large number of vessels with a combined carrying amount

We obtained managements valuation model and evaluated whether the model contained the elements required by accounting regulation.

Management's identification of Cash Generating Units

(3)

Auditors Report - Wallenius Wilhelmsen ASA

USD 4,965 million. Impairment indicators were considered present for the fleet for the cash generating units (CGUs) Ocean and EUKOR 31 December 2018. As a result, an impairment test was performed by management.

Management estimated the recoverable amount through a value in use calculation based on estimated future cash flows. Management concluded that the recoverable amount exceeded the carrying amount of the vessels. As such no impairment charge was recognised in 2018.

We focused on this area due to the relative size of the amounts and the significant judgement used in arriving at the conclusion that no impairment should be recognized.

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 management's 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 and 9 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 26 (Provisions and contingencies).

The provision for anti-trust investigations and civil claims amounts to USD 179 million as of 31 December 2018 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 tested the reliability of the estimate made by management with reference to the provision made as of 31 December 2017 and the rulings and settlements during 2018.

The calculation of a provision is inherently uncertain. Changes to the assumptions used could result in different amounts compared to those calculated by

Auditors Report - Wallenius Wilhelmsen ASA

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 fair presentation of the financial statements of the Company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation 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

Auditors Report - Wallenius Wilhelmsen ASA

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 fair presentation.
- 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.

Auditors Report - Wallenius Wilhelmsen ASA

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, 12 March 2019

PricewaterhouseCoopers AS

Bjørn Lund

State Authorised Public Accountant

(7)