

## **Nordic Tankers Trading A/S**

Tuborg Havnevej 15

2900 Hellerup

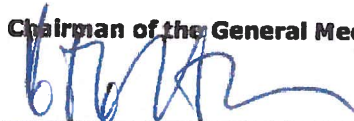
Business Registration No

17952072

## **Annual report 2017**

The Annual General Meeting adopted the annual report on 30.04.2018

**Chairman of the General Meeting**



---

Name: Carl Willem Henrik Moltke

## **Contents**

	<b><u>Page</u></b>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Income statement for 2017	8
Balance sheet at 31.12.2017	9
Statement of changes in equity for 2017	11
Notes	12
Accounting policies	17

## Entity details

### Entity

Nordic Tankers Trading A/S  
Tuborg Havnevej 15  
2900 Hellerup

Central Business Registration No (CVR): 17952072

Registered in: Hellerup

Financial year: 01.01.2017 - 31.12.2017

### Board of Directors

Henriette Schütze, chairman

Per Sylvester Jensen

Carl Willem Henrik Moltke

### Executive Board

Per Sylvester Jensen, CEO

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postbox 1600

0900 Copenhagen C

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Nordic Tankers Trading A/S for the financial year 01.01.2017 - 31.12.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

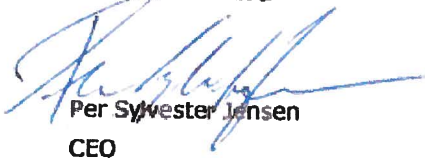
In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Hellerup, 20.04.2018

### Executive Board

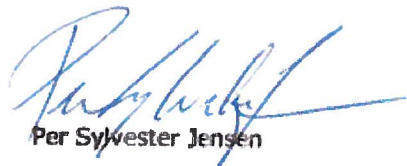


Per Sylvester Jensen  
CEO

### Board of Directors



Henette Schütze  
chairman



Per Sylvester Jensen



Carl Willem Henrik Moltke

## Independent auditor's report

### To the owner of Nordic Tankers Trading A/S

#### Opinion

We have audited the financial statements of Nordic Tankers Trading A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, 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.

#### Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

## Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, 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 Entity'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 in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance 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.

### **Statement on the management commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

## Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 20.04.2018

### Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556



Henrik Hjørz Kjelgaard

State Authorised Public Accountant

Identification No (MNE) 29484



Bjarne Iver Jørgensen

State Authorised Public Accountant

Identification No (MNE) 35659

## Management commentary

	2017	2016	2015	2014	2013
	USD'000	USD'000	USD'000	USD'000	USD'000
<b>Financial highlights</b>					
<b>Key figures</b>					
Revenue	72.846	72.151	83.393	78.663	29.899
Gross profit/loss	13.214	21.778	278	(1.070)	(431)
Operating profit/loss	(7.250)	781	124	(1.567)	(354)
Net financials	(769)	2.590	(83)	(20)	(13)
Profit/loss for the year	(7.979)	3.418	(145)	(1.748)	(477)
Total assets	12.487	19.747	11.582	13.062	7.298
Investments in property, plant and equipment	0	2,547	9	469	0
Equity	3.835	11.889	(330)	(185)	1.563
<b>Ratios</b>					
Gross margin (%)	18,1	30,2	0,3	(1,4)	(1,4)
Net margin (%)	(11,0)	4,7	(0,2)	(2,2)	(1,6)
Return on equity (%)	(101,5)	59,1	-	(253,7)	(30,5)
Equity ratio (%)	30,7	60,2	(2,8)	(1,4)	21,4

Financial highlights are defined and calculated in accordance with the Danish Society of Financial Analysts current "Recommendations & Ratios".

Key figures for 2013 and 2014 consist of figures from Nordic Tankers Trading A/S, while 2015, 2016 and 2017 consist of the merged figures from Nordic Tankers Marine A/S, Nordic Tankers Management A/S and Nordic Tankers Trading A/S.

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.



## Management commentary

### Primary activities

The Company's business activity consists of conducting shipping activities globally with chartered vessels, focusing on safety, quality and thus climate and environment friendly transport at sea. Furthermore, the Company has investments in a number of subsidiaries which are engaged in shipping activities.

### Development in activities and finances

The Company's result for the year 2017 is USD -8.0 million and the equity as of 31 December 2017 amounts to USD 3.8 million.

On 5 May 2017, a new company, Dania Ship Management A/S, was established by transferring the technical management activities from Nordic Tankers Trading A/S into the new entity. Upon inception, Dania Ship Management A/S had 32 vessels under technical management, and 28 employees from Nordic Tankers Trading A/S were moved into the new company.

During the year, the Company redelivered one chartered vessel to its owners and took delivery of another vessel under a time charter arrangement.

### Business related risks

Although a large percentage of the Company's earnings come from COA contracts, the general freight market influences the basic profits.

### Outlook

Management expects that the Company will realize an improved result for 2018. However, this is dependent on the development in the freight market.

### Capital preparedness and liquidity

Being a global player in the chemical tankers segment, Nordic Tankers Trading A/S is exposed to a variety of risks.

The Executive Management Team continuously monitors the potential risks considered to have the most significant impact on the Group's financial position and business performance. The Executive Management Team continuously evaluates any measures deemed relevant to limit the Group's sensitivity to such risks. Risks and measures are reviewed at least annually with the Board of Directors.

### Environmental performance

A significant area of activity in Nordic Tankers Trading A/S' affiliated companies is the transport of petrochemical products and refined oil products. As a high level of safety is important both to the shipowner and the Charter in order to prevent damages to people and nature plus the loss of assets, all vessels used within this segment are double-hulled and equipped with stainless steel tanks. In addition, it is secured that the vessels are well maintained and that the crew continually complete safety training.

### Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

## Income statement for 2017

	<u>Notes</u>	<u>2017 USD'000</u>	<u>2016 USD'000</u>
Revenue		72.846	72.151
Other operating income		3.704	2.060
Cost of sales		(60.870)	(50.524)
Other external expenses		<u>(2.466)</u>	<u>(1.909)</u>
<b>Gross profit/loss</b>		<b>13.214</b>	<b>21.778</b>
Staff costs	1	(19.349)	(21.624)
Depreciation, amortisation and impairment losses	2	<u>(1.115)</u>	<u>627</u>
<b>Operating profit/loss</b>		<b>(7.250)</b>	<b>781</b>
Income from investments in group enterprises		(694)	6.683
Income from investments in associates		0	(4)
Other financial income	3	584	3.029
Other financial expenses	4	<u>(659)</u>	<u>(7.118)</u>
<b>Profit/loss before tax</b>		<b>(8.019)</b>	<b>3.371</b>
Tax on profit/loss for the year		<u>40</u>	<u>47</u>
<b>Profit/loss for the year</b>	5	<u><b>(7.979)</b></u>	<u><b>3.418</b></u>

## Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 USD'000</u>	<u>2016 USD'000</u>
Acquired intangible assets		27	123
<b>Intangible assets</b>	6	<u>27</u>	<u>123</u>
Vessels		1.016	2.035
<b>Property, plant and equipment</b>	7	<u>1.016</u>	<u>2.035</u>
Investments in group enterprises		693	946
Receivables from group enterprises		122	0
Investments in associates		3	11
<b>Fixed asset investments</b>	8	<u>818</u>	<u>957</u>
<b>Fixed assets</b>		<u>1.861</u>	<u>3.115</u>
Raw materials and consumables		796	649
<b>Inventories</b>		<u>796</u>	<u>649</u>
Trade receivables		3.647	3.271
Receivables from group enterprises		98	3.345
Other receivables		3.012	4.731
Income tax receivable		67	0
Prepayments	9	2.123	2.140
<b>Receivables</b>		<u>8.947</u>	<u>13.487</u>
<b>Cash</b>		<u>883</u>	<u>2.496</u>
<b>Current assets</b>		<u>10.626</u>	<u>16.632</u>
<b>Assets</b>		<u>12.487</u>	<u>19.747</u>

## Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 USD'000</u>	<u>2016 USD'000</u>
Contributed capital	10	97	97
Retained earnings		<u>3.738</u>	<u>11.792</u>
<b>Equity</b>		<u><b>3.835</b></u>	<u><b>11.889</b></u>
Trade payables		1.112	1.872
Payables to group enterprises		4.024	662
Income tax payable		0	246
Other payables		<u>3.516</u>	<u>5.078</u>
<b>Current liabilities other than provisions</b>		<u><b>8.652</b></u>	<u><b>7.858</b></u>
<b>Liabilities other than provisions</b>		<u><b>8.652</b></u>	<u><b>7.858</b></u>
<b>Equity and liabilities</b>		<u><b>12.487</b></u>	<u><b>19.747</b></u>
Unrecognised rental and lease commitments	11		
Contingent liabilities	12		
Transactions with related parties	13		
Group relations	14		

**Statement of changes in equity for 2017**

	<b>Contributed capital USD'000</b>	<b>Retained earnings USD'000</b>	<b>Total USD'000</b>
Equity beginning of year	97	11.792	11.889
Effect of divestments of entities etc	0	(75)	(75)
Profit/loss for the year	0	(7.979)	(7.979)
<b>Equity end of year</b>	<b>97</b>	<b>3.738</b>	<b>3.835</b>

## Notes

	<b>2017</b>	<b>2016</b>
	<b><u>USD'000</u></b>	<b><u>USD'000</u></b>
<b>1. Staff costs</b>		
Wages and salaries	17.795	19.587
Pension costs	741	1.006
Other social security costs	(28)	95
Other staff costs	841	936
	<b><u>19.349</u></b>	<b><u>21.624</u></b>
Average number of employees	<b><u>75</u></b>	<b><u>115</u></b>

Staff costs consist of wages to crew members onboard vessels. The seafarers are employed on a voyage to voyage basis and are not included in the average number of employees.

In accordance with the Danish Financial Statements Act § 98 b, section 3, remuneration to the Company's Executive Management and Board of Directors is not disclosed in the financial statements.

	<b>2017</b>	<b>2016</b>
	<b><u>USD'000</u></b>	<b><u>USD'000</u></b>
<b>2. Depreciation, amortisation and impairment losses</b>		
Amortisation of intangible assets	96	786
Depreciation of property, plant and equipment	1.019	512
Profit/loss from sale of intangible assets and property, plant and equipment	0	(1.925)
	<b><u>1.115</u></b>	<b><u>(627)</u></b>
	<b>2017</b>	<b>2016</b>
	<b><u>USD'000</u></b>	<b><u>USD'000</u></b>
<b>3. Other financial income</b>		
Other interest income	(26)	117
Exchange rate adjustments	610	2.912
	<b><u>584</u></b>	<b><u>3.029</u></b>

## Notes

	<b>2017</b>	<b>2016</b>
	<b>USD'000</b>	<b>USD'000</b>
<b>4. Other financial expenses</b>		
Other interest expenses	(9)	16
Exchange rate adjustments	658	3.072
Other financial expenses	<u>10</u>	<u>4.030</u>
	<b><u>659</u></b>	<b><u>7.118</u></b>
	<b>2017</b>	<b>2016</b>
	<b>USD'000</b>	<b>USD'000</b>
<b>5. Proposed distribution of profit/loss</b>		
Retained earnings	<u>(7.979)</u>	<u>3.418</u>
	<b><u>(7.979)</u></b>	<b><u>3.418</u></b>
		<b>Acquired intangible assets USD'000</b>
<b>6. Intangible assets</b>		
Cost beginning of year		<u>1.856</u>
Cost end of year		<b><u>1.856</u></b>
Amortisation and impairment losses beginning of year		(1.733)
Impairment losses for the year		<u>(96)</u>
Amortisation and impairment losses end of year		<b><u>(1.829)</u></b>
Carrying amount end of year		<u>27</u>

## Notes

	<b>Vessels USD'000</b>
<b>7. Property, plant and equipment</b>	
Cost beginning of year	2.547
Disposals	<u>(469)</u>
<b>Cost end of year</b>	<b><u>2.078</u></b>
Depreciation and impairment losses beginning of year	(512)
Depreciation for the year	(1.019)
Reversal regarding disposals	<u>469</u>
<b>Depreciation and impairment losses end of year</b>	<b><u>(1.062)</u></b>
<b>Carrying amount end of year</b>	<b><u>1.016</u></b>

	<b>Invest- ments in group enterprises USD'000</b>	<b>Receivables from group enterprises USD'000</b>	<b>Investments in associates USD'000</b>
<b>8. Fixed asset investments</b>			
Cost beginning of year	3.880	0	11
Additions	0	122	0
Disposals	<u>(3.926)</u>	<u>0</u>	<u>(8)</u>
<b>Cost end of year</b>	<b><u>(46)</u></b>	<b><u>122</u></b>	<b><u>3</u></b>
Revaluations beginning of year	(2.934)	0	0
Share of profit/loss for the year	140	0	0
Reversal regarding disposals	<u>3.533</u>	<u>0</u>	<u>0</u>
<b>Revaluations end of year</b>	<b><u>739</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>Carrying amount end of year</b>	<b><u>693</u></b>	<b><u>122</u></b>	<b><u>3</u></b>

Receivables from group enterprises comprise of loans from group enterprises and restricted cash.



## Notes

	<u>Registered in</u>	<u>Equity inte- rest %</u>	<u>Equity USD'000</u>	<u>Profit/loss USD'000</u>
Investments in group enterprises comprise:				
Nordic Tankers (USA) Inc.	USA	100,0	611	172
Nordic Tankers (Columbia) Ltda.	Columbia	100,0	25	8
Nordic Tankers Marine SIA*	Latvia	100,0	57	(55)
Nordic Theresa Partner ApS*	Denmark	100,0	0	0
Nordic Theresa K/S*	Denmark	100,0	0	(824)
Nordic Tankers Marine India Pvt Ltd.*	India	20,0	14	(42)

\* Nordic Tankers Marina SIA, Nordic Theresa Partner ApS and Nordic Theresa K/S was liquidated in March 2018, and Nordic Tankers India Pvt. Ltd. is planned to enter into liquidation in 2018.

### 9. Prepayments

Prepayments consist of prepaid expenses.

### 10. Contributed capital

At 1 January 2015, the contributed capital consisted of 5,000 shares at DKK 100. In connection with the merger, DKK 2,000 was paid at the price of 100, corresponding to a contributed capital at 31 December 2017 of 5,020 shares at DKK 100. Translated into USD 96,629.

### 11. Unrecognised rental and lease commitments

The Company has entered into operating lease contracts and timecharter contracts which are due as follows:

	<u>2017 USD mill.</u>
<b>Operating lease</b>	
Lease commitments regarding cars and timecharter contracts.	
The contracts are non-cancellable for 42 months.	
Due within 1 year	55
Due between 1 and 5 years	101
Due after 5 years	<u>33</u>
	<b>189</b>

## Notes

### Rental commitments

Rental commitments relate to contracts regarding lease of office premises.

The contracts are non-cancellable for 27 to 48 months.

Due within 1 year	1
Due between 1 to 5 years	<u>1</u>
	<b>2</b>

### Cooperation agreements

The Company has contractual obligations with IT service partners.

Due within 1 year	1
Due between 1 and 5 years	<u>0</u>
	<b>1</b>

### 12. Contingent liabilities

The Company participates in a Danish joint taxation arrangement where Nordic Tankers A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc for the jointly taxed companies, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies. The jointly taxed companies' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

### 13. Transactions with related parties

During the financial year, related party transactions have been conducted on an arm's length basis.

### 14. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Nordic Tankers LuxCo S.C.A., 2C, rue Albert Borschette, 1246 Luxembourg. Luxembourg registration no. B 159677.

The consolidated financial statements of the foreign parent company can be obtained at the following address: Registre de Commerce et des Sociétés, L-2961 Luxembourg.

## Accounting policies

### Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to this financial statement are consistent with those applied last year. The Company has decided to submit the annual report in USD in accordance with section 16 of the Danish Financial Statements Act.

### Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

### Income statement

#### Revenue

Revenue is recognised in the income statement when:

- The income creating activities have been carried out on the basis of a binding agreement
- The income can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the Company
- Costs relating to the transaction can be measured reliably

## Accounting policies

Revenue comprises freight and demurrage and fees for commercial management. Revenue is recognised when it meets the general criteria mentioned above and the stage of completion can be measured reliably. The stage of completion is based on the number of voyage days completed divided by the expected total voyage days for the individual voyage. Accordingly, freight revenue is recognised at selling price multiplied by stage of completion for voyages in progress at year-end.

### Other operating income

Other operating income comprises income of a secondary nature other than the Company's primary activities.

### Cost of sales

Cost of sales are voyage related expenses that consist mainly of bunkers, port expenses and commissions. Voyage related expenses are recognised as incurred. Moreover, cost of sales includes operation and maintenance of vessels, time charter hire and insurances.

### Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities.

### Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for the crew.

### Depreciation, amortisation and impairment losses

Depreciation on fixed assets pertains mainly to vessels and dry-dockings (see 'Property, plant and equipment' for the description of depreciation principles). Write-downs are made when impairment tests shows that the value of fixed assets is impaired. Profit/loss from sale of intangible assets and property, plant and equipment are incurred in connection with sale of the Company's fixed assets.

### Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

### Income from investments in associates

Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after elimination of intra-group profits or losses.

### Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on payables and transactions in foreign currencies, amortisation of financial assets etc.

## Accounting policies

### Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on payables and transactions in foreign currencies, amortisation of financial liabilities etc.

### Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

### Balance sheet

#### Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over 3 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

#### Property, plant and equipment

Property, plant and equipment includes dockings on chartered-in vessels, and are measured at cost less accumulated depreciation. The cost comprises the cost of acquisition and any expenses directly related to the acquisition until the time when the asset is ready for use, including interest expenses incurred during the period of construction. Depreciation is charged over the expected economic lives of the assets, and the depreciation methods, expected lives and residual values are reassessed individually for the assets at the end of each financial year.

**Dockings:** The fleet of own vessels is required to undergo planned dry dockings for major repairs and maintenance, which cannot be carried out while the vessels are operating. Dry-dockings are generally required every 30-60 months depending on the nature of the work. Costs relating to dry-dockings are capitalised and depreciated on a straight-line basis over a period of 60 months or to the next dock if within 30 months. The residual value is estimated at zero. A portion of the cost of acquiring a new vessel is allocated to the components expected to be replaced or refurbished at the next dry-docking. For new buildings, the initial dry-docking asset is estimated on the basis of the expected costs related to the first-coming docking, which is based on experience with similar vessels. At subsequent dry-dockings, the asset comprises the actual docking costs incurred.

#### Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

## Accounting policies

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

### Investments in associates

Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value plus or minus unamortised goodwill and plus or minus unrealised pro rata intra-group profits and losses

Associates with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant associate, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

## Accounting policies

### Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

### Inventories

Inventories consist of bunker oil and lubricants, etc. and are measured at cost using the FIFO method or the net realisable value, whichever is lower.

### Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

### Prepayments

Prepaid expenses recognised under assets comprise incurred expenses related to the following financial year and are measured at cost.

### Cash

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

### Other financial liabilities

Other financial liabilities comprise trade payables and other payables to public authorities, etc. Other financial liabilities are initially measured at fair value less any transaction costs. Liabilities are subsequently measured at amortised cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement as a financial expense over the term of the loan.

### Cash flow statement

The cash flow statement is not included in the annual report in accordance with the Danish Financial Statements Act § 86, section 4.