MOL Nordic Tankers Trading A/S

Tuborg Havnevej 15
2900 Hellerup
Business Registration No 17952072

Annual report 2019

The Annual General Meeting adopted the annual report on 15 April 2020

Chairman of the General Meeting

Name: Annette Bruhn Hasenberg

Contents

Entity details

Entity

MOL Nordic Tankers Trading A/S
Tuborg Havnevej 15
2900 Hellerup

Central Business Registration No (CVR): 17952072
Registered in: Gentofte
Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Akio Mitsuta, Chairman
Tsuneo Watanabe
Hirofumi Nara
Hiroaki Okada
Annette Bruhn Hasenberg

Executive Board

Tsuneo Watanabe, CEO
Annette Bruhn Hasenberg

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 MOL Nordic Tankers Trading A/S for the financial year 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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, 23.03.2020

Executive Board

Tsuneo Watanabe
CEO

Annette Bruhn Hasenberg

Board of Directors

Akio Mitsuta
Chairman

Tsuneo Watanabe

Annette Bruhn Hasenberg

Hirofumi Nara

Hiroaki Okada

Independent auditor's report

To the owner of MOL Nordic Tankers Trading A/S

Opinion

We have audited the financial statements of MOL Nordic Tankers Trading A/S for the financial year 01.01.2019 - 31.12.2019, 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 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.

Independent auditor's report

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:

- 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

Independent auditor's report

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.

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, 23.03.2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Bjarne Iver Jørgensen
State Authorised Public Accountant
Identification No (MNE) mne35659

Lars Hansen
State Authorised Public Accountant
Identification No (MNE) mne24828

Management commentary

	2019 USD '000	2018 USD '000	2017 USD '000	2016 USD '000	2015 USD '000
Key figures					
Revenue	130,961	85,798	68,003	83,393	78,663
Gross profit/loss	11,959	855	13,214	278	(1,070)
Operating profit/loss	(9,169)	(11,259)	(7,250)	124	(1,567)
Net financials	(4,543)	(48)	(769)	(83)	(20)
Profit/loss for the year	(13,735)	(11,380)	(7,979)	(145)	(1,748)
Total assets	144,690	14,376	12,486	11,582	13,062
Investments in property, plant and equipment	-	757	-	9	469
Equity	(3,642)	(7,545)	3,835	(330)	(185)
Ratios					
Gross margin (%)	9.1	1.0	19.4	0.3	(1.4)
Net margin (%)	(7.0)	(13.1)	(11.7)	(0.2)	(2.2)
Return on equity (%)	-	-	(455.3)	-	(253.7)
Equity ratio (%)	(2.5)	(52.5)	30.7	(2.8)	(1.4)

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

Ratio	**Calculation formula**	**Calculation formula reflects**
Gross margin (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The entity's operating gearing
Net margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The entity's operating profitability
Return on Equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	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 2019 is USD -13.7 million and the equity as of 31 December 2019 amounts to USD -3.65 million.

The result is mainly due to adverse market conditions in the chemical tanker segment.

The Company plans to re-establish the equity during 2020 in connection with a restructuring of the MOL Nordic Tankers group.

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 2020. However, this is dependent on the development in the freight market.

Subsequent events

During February and March 2020, an outbreak of COVID-19 virus has spread from China to large parts of the World, including Americas and Europe which are the main markets for the Company. In several countries, this has resulted in significant disruptions of social life and commercial activities. It is not possible to estimate the length and severity of the outbreak and hence its financial impact. Earnings in the 1st quarter of 2020 have not been affected by the epidemic, but it is likely that it will have a negative impact on revenue and net result in the longer run, especially if it leads to a significant decline in the industrial activity in USA.

Capital preparedness and liquidity

Being a global player in the chemical tankers segment, MOL 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.

Income statement for 2019

	Notes	2019 USD '000	2018 USD '000
Revenue		130,961	85,798
Other operating income		4,676	7,478
Cost of sales		(114,762)	(87,966)
External expenses		(8,916)	(4,455)
Gross profit/loss		**11,959**	**855**
Staff costs	2	(6,926)	(10,580)
Depreciation, amortisation and impairment losses	3	(14,202)	(1,534)
Operating profit/loss		**(9,169)**	**(11,259)**
Income from investments in group companies		(13)	172
Income from investments in associates		-	(3)
Financial income	4	62	1,569
Financial expenses	5	(4,592)	(1,786)
Profit/loss before tax		**(13,712)**	**(11,307)**
Tax on the profit/loss for the year	6	(23)	(73)
Profit/loss for the year	7	**(13,735)**	**(11,380)**

Balance sheet at 31.12.2019

	Notes	2019 USD '000	2018 USD '000
Acquired intangible assets		-	-
Intangible assets	8	**-**	**-**
Vessels		-	265
Office fixtures etc.		5	-
Property, plant and equipment	9	**5**	**265**
Chartered vessels		114,688	-
Leased office facilities		778	-
Lease assets	10	**115,466**	**-**
Investments in group enterprises		44	507
Financial fixed assets	11	**44**	**507**
Fixed assets		**115,515**	**772**
Raw materials and consumables		6,623	1,031
Inventories		**6,623**	**1,031**
Trade receivables		11,985	5,281
Receivables from group enterprises		161	1,129
Other receivables		3,397	3,452
Income tax receivable		5	1
Prepayments		4,429	2,362
Receivables		**19,977**	**12,225**
Cash		**2,575**	**348**
Current assets		**29,175**	**13,604**
Assets		**144,690**	**14,376**

Balance sheet at 31.12.2019

	Notes	2019 USD '000	2018 USD '000
Contributed capital		112	97
Reserve for net revaluation according to the equity method		14	478
Retained earnings		(3,768)	(8,120)
Equity		**(3,642)**	**(7,545)**
Lease liabilities		89,677	-
Other non-current liabilities		147	-
Non-current liabilities other than provisions		**89,824**	**-**
Lease liabilities		26,609	-
Trade payables		15,898	3,295
Payables to group enterprises		14,471	15,242
Other payables		1,530	3,384
Current liabilities other than provisions		**58,508**	**21,921**
Liabilities other than provisions		**148,332**	**21,921**
Equity and liabilities		**144,690**	**14,376**
Going concern	1		
Contingent liabilities	12		
Related parties with controlling influence	13		
Transactions with related parties	14		
Group relations	15		
Subsequent events	16		

Statement of changes in equity for 2019

	Contributed capital	Reserve for net revaluation according to the equity method	Retained earnings	Total
	USD '000	USD '000	USD '000	USD '000
Equity at beginning of the year	97	478	(8,120)	(7,545)
Additions due to acquisition of companies	-	-	21	21
Profit/loss for the year	-	(464)	(13,736)	(14,200)
Capital injections during the year	15	-	18,067	18,082
Equity at the end of the year	**112**	**14**	**(3,768)**	**(3,642)**

Notes

1. Going concern

In March 2020, MOL Chemical Tankers extended a credit facility of USD 10 million to the MOL Nordic Tankers Group. Based on this and the cash forecast for 2020, Management has assessed that the liquidity is sufficient to finance the operations at least until 31 December 2020.

	2019 USD '000	2018 USD '000
2. Staff costs		
Wages and salaries	6,241	10,072
Pension costs	406	488
Other social security costs	48	(435)
Other staff costs	231	455
	6,926	**10,580**
Average number of employees	**40**	**48**

	2019 USD '000	2018 USD '000
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	-	26
Depreciation of property, plant and equipment	265	1,353
Depreciation of lease assets	13,937	-
Profit/loss from sale and disposals of property, plant and equipment	-	155
	14,202	**1,534**

	2019 USD '000	2018 USD '000
4. Financial income		
Interest income	32	27
Exchange rate adjustments	30	1,542
	62	**1,569**

Notes

5. Financial expenses	2019 USD '000	2018 USD '000
Interest expenses to group companies	425	234
Interest expenses regarding lease liabilities	4,092	-
Other interest expenses	2	2
Exchange rate adjustments	73	1,550
	4,592	**1,786**

6. Tax on profit/loss for the year	2019 USD '000	2018 USD '000
Current tax	23	15
Adjustment concerning previous years	-	58
	23	**73**

7. Proposed distribution of profit/loss	2019 USD '000	2018 USD '000
Retained earnings	(13,735)	(11,380)
	(13,735)	**(11,380)**

8. Intangible assets	Software USD '000
Cost at the beginning of the year	611
Cost at the end of the year	**611**
Amortisation and impairment losses at the beginning of the year	(611)
Amortisation and impairment losses at the end of the year	**(611)**
Carrying amount at the end of the year	**-**

Notes

	Vessels	Office fixtures etc.	Property, plant and equipm.
	USD '000	USD '000	USD '000
9. Property, plant and equipment			
Cost at the beginning of the year	757	-	757
Additions	-	5	5
Disposals	(757)	-	(757)
Cost at the end of the year	**-**	**5**	**5**
Depreciation and impairment losses at the beginning of the year	(492)	-	(492)
Depreciation for the year	(265)	-	(265)
Reversal regarding disposals	757	-	757
Depreciation and impairment losses at the end of the year	**-**	**-**	**-**
Carrying amount at the end of the year	**-**	**5**	**5**

	Chartered vessels	Leased office facilities	Lease assets
	USD '000	USD '000	USD '000
10. Lease assets			
Cost at the beginning of the year	-	-	-
Additions	128,677	1,556	130,233
Disposals	(830)	-	(830)
Cost at the end of the year	**127,847**	**1,556**	**129,403**
Depreciation and impairment losses at the beginning of the year	-	-	-
Depreciation for the year	(13,159)	(778)	(13,937)
Reversal regarding disposals	-	-	-
Depreciation and impairment losses at the end of the year	**(13,159)**	**(778)**	**(13,937)**
Carrying amount at the end of the year	**114,688**	**778**	**115,466**

As of 31 December 2019, Management has made an impairment test of the recoverable amount of the Group's fleet. The fleet is considered to be one cash-generating unit (CGU).

The value in use is estimated based on the net present value of the future cash flows generated by the fleet. The cash flows for the period 2020-2024 are based on the Group's budget for 2020 and the 5 years projection for 2020-2024. After the 5 years period, TCE rates, operating and administrative costs are

Notes

expected to increase by a constant inflation rate over the respective vessels' remaining charter periods / economic life times. The key assumptions of the value in use calculation are disclosed below:

Average annual growth in TCE rates in the 5 years period, percent p.a.	2.3
Average annual growth in TCE rates after the 5 years period, percent p.a.	2.0
Expected lifetime of vessels, years	25
Weighted average cost of capital (WACC) after tax, percent p.a.	6.2

Based on the impairment test, Management has concluded that there is not a need to write down the carrying amount of the fleet.

The calculation of value in use is sensitive to changes in the key assumptions related to the future development in TCE rates and the WACC applied as discounting factor in the calculations. All other things being equal, the value in used will be affected by changes in key assumptions as follows:

- An increase/decrease in TCE per day of 1% would result in an increase/decrease in the value in use of USD 2.8 million. A decrease in TCE per day of 1% would cause the value in use to fall below the carrying value.

- A decrease in WACC of 1 percentage point would result in an increase in the value in use of USD 6.4 million while an increase in WACC of 1 percentage point would result in a decrease in the value in use of USD 5.7 million while. An increase in WACC of 1 percentage point would cause the value in use to fall below the carrying value.

	Investments in group enterprises USD '000	Investments in associates USD '000
11. Financial fixed assets		
Cost at the beginning of the year	16	13
Cost at the end of the year	**16**	**13**
Revaluations beginning of the year	491	(13)
Share of profit/loss for the year	(13)	-
Dividends	(450)	-
Revaluations at the end of the year	**28**	**(13)**
Carrying amount at the end of the year	**44**	**-**

Notes

Company	Registered in	Equity interest %	Equity USD '000	Profit/loss USD '000
MOL Nordic Tankers (USA) LLC	USA	100.0	(368)	(392)
MOL Nordic Tankers (Colombia) S.A.S.	Colombia	100.0	44	12
Nordic Tankers Marine India Pvt. Ltd.	India	20.0	-	-

12. Contingent liabilities

The Company participates in a Danish joint taxation arrangement where MOL 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. Related parties with controlling influence

MOL Nordic Tankers Trading A/S is 100% owned by MOL Nordic Tankers A/S, Hellerup, which has controlling influence in the company.

	Key personnel in management USD '000	Parent company USD '000	Subsidiaries USD '000	Other related parties[1] USD '000
14. Transactions with related parties				
Charter hire (expense)				6,964
Opex services (expense)				177
Administrative services (income)				452
Administrative services (expense)			6,157	18
Management remuneration	1,747			
Interest expenses		391		120
Loans payable		8,870		5,587
Lease liabilities				8,218

[1]Other related parties consists of MOL entities and MOL controlled entities and of Triton entities (Triton was the ultimate owner of the Nordic Tankers group until 31 January 2019).

15. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Notes

MOL Nordic Tankers A/S, Tuborg Havnevej 15, 2900 Hellerup, Denmark. Business registration no. 34466696.

The consolidated financial statements of the foreign parent company can be obtained at the following address: Tuborg Havnevej 15, 2900 Hellerup, Denmark.

16. Subsequent events

During February and March 2020, an outbreak of COVID-19 virus has spread from China to large parts of the World, including Americas and Europe which are the main markets for the Company. In several countries, this has resulted in significant disruptions of social life and commercial activities. It is not possible to estimate the length and severity of the outbreak and hence its financial impact. Earnings in the 1st quarter of 2020 have not been affected by the epidemic, but it is likely that it will have a negative impact on revenue and net result in the longer run, especially if it leads to a significant decline in the industrial activity in USA.

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 recognized 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 recognized 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 affected 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 recognized in the income statement when earned, whereas costs are recognized by the amounts attributable to this financial year.

Income statement

Revenue

Revenue is recognized 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

Revenue comprises freight and demurrage and fees for commercial management. Revenue is recognized 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 recognized at selling price multiplied by stage of completion for voyages in progress at year-end.

Accounting policies

Operating income

Operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory write-downs.

External expenses

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 entity staff.

Depreciation, amortization and impairment losses

Depreciation on fixed assets pertains mainly to lease assets and dry-dockings on chartered vessels (see 'Lease assets' and '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.

Financial income

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

Financial expenses

Financial expenses comprise interest expenses, including interest expenses on lease liabilities and payables to group enterprises, net capital losses on receivables and payables and transactions in foreign currencies, amortization of financial liabilities etc.

Accounting policies

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 recognized in the income statement by the portion attributable to the profit for the year and recognized 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 amortization. Patents are amortized over their remaining duration, and licenses are amortized over the term of the agreement.

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 age of the vessel. Costs relating to dry-dockings are capitalized and depreciated on a straight-line basis over a period of 30-60 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.

Lease assets

Lease assets include chartered vessels and other leased assets with a leasing period of at least 1 year, and are measured at cost less accumulated depreciation. Lease assets are initially recognized based on the net present value of the corresponding lease liabilities and are subsequently depreciated over the leasing period.

The accounting policy regarding lease assets was implemented on 1 January 2019 without restatement of comparative figures. Previously, lease assets were not recognized in the balance sheet.

Accounting policies

Investments in group enterprises
Investments in group enterprises are recognized 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 unamortized goodwill and plus or minus unrealized intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realizable 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 recognized 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 amortized 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 recognized 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 recognized 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 unamortized goodwill and plus or minus unrealized 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 realizable 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 recognized 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 amortized 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

Accounting policies

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 recognized 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.

Receivables

Receivables are measured at amortized cost, usually equaling 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 realizable value, whichever is lower.

Income tax payable or receivable

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

Prepayments

Prepaid expenses recognized 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.

Lease liabilities

Lease liabilities comprise obligations related to chartered vessels and other leased assets with a leasing period of at least 1 year. Lease liabilities are initially measured at net present value of the lease payments excluding any non-lease (service) components in the lease contracts and are subsequently measured at amortized cost using the effective interest method.

The accounting policy regarding lease liabilities was implemented on 1 January 2019 without restatement of comparative figures. Previously, lease liabilities were not recognized in the balance sheet.

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 amortized cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognized in the income statement as a financial expense over the term of the loan.

Accounting policies

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.