



BLUE WATER HOLDING A/S

ANNUAL REPORT 2019 | CVR NO: 30 58 40 66



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Entity details

ENTITY

Blue Water Holding A/S
Trafikhavnskaj 9
6700 Esbjerg

CVR No: 30584066
Registered in: Esbjerg
Financial year: 01.01.2019 - 31.12.2019

Phone: (+45)79134144
Website: www.bws.net
E-mail: esbjerg@bws.net

BOARD OF DIRECTORS

Kurt Skov, chairman
Niels Stie Kaalund
Jørgen Meyer
Anne Roed Skov
Peter Damsboe
Jesper Kristensen
Torben Bjerre-Madsen

EXECUTIVE BOARD

Søren Nørgaard Thomsen
Dan Gregers Nissen
Flemming Busch

AUDITORS

Deloitte Statsautoriseret Revisionspartnerselskab
Dokken 8
Postboks 200
6700 Esbjerg

The annual General Meeting adopted the annual report on 12.05.2020

Chairman of the General Meeting

Name: Niels Stie Kaalund

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Blue Water Holding 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 consolidated financial statements give a true and fair view of the Group's and the Entity's financial position at 31.12.2019 and of the results of its operations and cash flows 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.

Esbjerg, 12.05.2020

EXECUTIVE BOARD

Søren Nørgaard Thomsen

Dan Gregers Nissen

Flemming Busch

BOARD OF DIRECTORS

Kurt Skov
Chairman

Niels Stie Kaalund

Jørgen Meyer

Anne Roed Skov

Peter Damsboe

Jesper Kristensen

Torben Bjerre- Madsen

Independent auditor's report

To the shareholders of Blue Water Holding A/S

OPINION

We have audited the consolidated financial statements and the parent financial statements of Blue Water Holding 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, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019, and of the results of their operations and the consolidated cash flows 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 the 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group 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 responsibility for the consolidated financial statements and parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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,

Independent auditor's report

they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent 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:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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.

Independent auditor's report

STATEMENT ON THE MANAGEMENT COMMENTARY

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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.

Esbjerg, 12.05.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR-No. 33963556

Jørn Jepsen
State Authorised Public Accountant
Identification number (MNE) mne24824

Peder Rene Pedersen
State Authorised Public Accountant
Identification number (MNE) mne23334



Port Service



Management commentary

PRIMARY ACTIVITIES

The Company's activity is to invest in shares and other securities. The Group's activities comprise international transport, freight forwarding and logistic services.

DEVELOPMENT IN ACTIVITIES AND FINANCES

In 2019, we had an increase in the level of activities, which became a good financial year for Blue Water Group with a record Net Profit of DKK 146 million - a very satisfying result. The main driver for the record result for 2019 is our Energy & Projects division. But there was also good performance in our Reefer Sea, Port Services, Wind and Marine Logistics divisions.

We delivered a sales growth of 15% - and the revenue grew from 5,6 billion DKK in 2018 to 6,4 billion DKK in 2019.

During 2019, a new corporate strategy was implemented – and the overall result for 2019 is also affected by improvement in business processes and streamlining of our operations.

OUTLOOK

A major project that was secured a couple of years ago and currently under execution is impacting the result for 2020 positively.

On top of COVID-19 the current Oil price development can potentially affect the 2020 result negatively.

The 2020 Q1 result is in line with our expectations before the COVID-19 outbreak and hence slightly better than Q1 last year. However, COVID-19, has resulted in a significant uncertainty in the full year estimate, thus we estimate a 2020 result between 30% to 70% of 2019.

Management commentary

NEW STRATEGIC WAYPOINTS

In recent years, Blue Water Group has grown significantly in size, and the ambition is further growth at the right pace. In 2019, the overall purpose, direction and values were finetuned. This included revised strategies for all Business Units in order to strengthen and develop Blue Water Group in the future.

Together we create solutions. That is the purpose of Blue Water Group. We work together – within Blue Water Group and with partners – to create value-adding solutions for our customers. And the direction is to be Best in Town.

Importantly, we must respect and live by our core values, as they are the guideline on how we behave and interact with colleagues, customers, partners and suppliers. Being part of Blue Water Group is being part of a strong team.



BLUE WATER GROUP AT A GLANCE

Blue Water Group is a global transport and logistics company, headquartered in Denmark. Our key contribution is logistics services in modern supply chain management. At the heart of Blue Water Group is an organisation of professionals skilled to offer complete and tailor-made solutions to any shipping requirement anywhere in the world.

Since Blue Water Group was founded in 1972 by Kurt Skov, our ambition has been to provide customers with the best service and highest quality in the industry.

Today, Blue Water Group is represented with more than 60 offices worldwide. In every Blue Water Group office, we combine our strong global network with local expertise – thus adding value and providing our customers with services beyond transporting cargo in a safe and efficient way.

We operate in dedicated divisions: Energy & Projects, General Cargo Road, General Cargo Sea & Air, Reefer Sea, Reefer Road, Port Services and Marine Logistics.

Management commentary

FINANCIAL HIGHLIGHTS

	2019	2018	2017	2016	2015
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Key figures (DKK'000)

Revenue	6.413.353	5.573.014	5.200.113	5.198.009	5.000.808
Gross profit/loss	1.113.342	859.953	688.766	690.470	650.965
Operating profit/loss	215.142	28.890	(67.588)	28.970	(3.934)
Net financials	(23.441)	(18.840)	(24.188)	(18.540)	(10.389)
Profit/loss for the year	145.574	2.401	(76.323)	1.112	(14.674)
Total assets	1.735.952	1.750.275	1.642.193	1.545.075	1.432.739
Investments in property, plant and equipment	10.733	38.733	45.798	98.874	142.823
Equity incl minority interests	331.705	194.444	192.165	262.632	268.453
Interest – bearing debt, net	181.726	288.989	292.714	207.454	137.833
Cash flows from (used in) operating activities	122.819	17.933	(33.438)	28.804	15.106
Cash flows from (used in) investing activities	(10.193)	(19.388)	(45.704)	(91.630)	(143.200)
Cash flows from (used in) financing activities	(13.896)	(19.804)	(15.354)	92.769	54.986

Ratios

Gross margin (%)	17,6	15,4	13,2	13,3	13,0
Financial gearing (%)	0,5	1,5	1,5	0,8	0,5
Return on equity (%)	55,3	1,2	(33,6)	0,4	(5,4)
Equity ration (%)	19,1	11,1	11,7	17,0	18,7

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation Formula	Ratios reflect
Gross Margin (%)	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$	The Entity's operating gearing.
Financial gearing	$\frac{\text{Net interest-bearing debt}}{\text{Equity}}$	The Entity's financial gearing.
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

Net interest-bearing debt is defined as interest-bearing liabilities, including income tax payable, net of interest-bearing assets, including cash and income tax receivable.



Reefer Sea



Management commentary

RISK MANAGEMENT

In order to continue a sustainable business with a global presence, we must expect and adjust to the constant dynamics in the markets and develop new business opportunities. It is key for us to manage the associated risks in a systematic and model-based approach to secure and create value from the short to the long term.

Executive Management and the Board of Directors review a risk report with our biggest risks annually. This report is based on a bottom-up exercise with inclusion of management teams in all organisational areas and includes risks that could cause significant disruptions to the business over a three-year horizon. Below is a more detailed overview of our key risks.

PARTICULAR RISKS

	What is the risk?	What is the impact?	What is the mitigating action?
Economic development	Due to its large global presence, Blue Water is dependent on the domestic and global economies and development. The business is influenced by the total market volume available for transport in each product segment throughout the market where we operate.	Domestic and Global recession decrease trade and hence the need for transport and logistics solutions resulting in lower revenue.	The business model is asset-light, ensuring an operational flexibility, which facilitates adjustments of operating expenses to the overall level of activity. In addition, the business activities are spread globally and on the different client segments, which minimises local impact on corporate level.
Contractual liabilities	Blue Water may be held liable if damages on goods or disputes occur.	Claims, lawsuits and reputational damages	The risk will be covered through contractual relationships with clients and subcontractors, through determination of maximum compensation for major transport projects and via our insurance policy. In addition, Blue Water has high focus on delivery of the agreed quality to clients from subcontractors and in this connection minimisation of defects before, during and after the execution of the transport assignments.

Management commentary

	What is the risk?	What is the impact?	What is the mitigating action?
IT Security Breaches	Disruption to IT systems, such as virus attacks and breaches of data security, may happen where reliable IT systems and infrastructure are critical for our ability to operate effectively.	Customers' or other individuals' privacy could be compromised if confidential information was disclosed and breaches of IT security could have a severe impact on Blue Water' ability to maintain operations and hence on its financial situation.	IT security technologies and controls are in place to help prevent intruders from causing damage to systems and gaining access to critical data and systems. Continuity plans are in place in the event of non-availability of IT systems. Awareness campaigns, access controls and intrusion detection and prevention systems have been implemented. Internal audits of IT security controls are conducted to detect and mitigate any breaches.
Currency impact and tax disputes	Exchange rate fluctuations, disputes with tax authorities and changes to tax legislation are external factors. Blue Water' foreign exchange risk is most significant in USD, while the EUR exchange rate risk is regarded as low due to Denmark's fixed rate policy towards EUR.	Blue Water' cash flow, statement of comprehensive income and balance sheet can be impacted significantly by currency fluctuations. Changes to tax legislation or loss of major tax cases could result in significant tax adjustments and fines and could lead to a higher-than-expected tax level for Blue Water.	Trade with subsidiary companies outside Europe is primarily in USD or currencies dependent on the US currency. Blue Water regularly evaluates hedging of its positions in USD and currencies dependent on the US currency. Applicable taxes are paid in jurisdictions where the business activity generates profits, and transfer pricing are frequently controlled in a structured manner.

Management commentary

	What is the risk?	What is the impact?	What is the mitigating action?
Credit risks and Cash Flow	Loss on debtors due to clients becoming insolvent is a risk. Blue Water handles a large volume of clients of all sizes in many different segments, and hence insolvency is likely and prevalent. In the project-based divisions, large outlays are a part of business, and this puts pressure on the positive cash flow in periods during the year.	Loss on debtors has a potential impact on Blue Water' financial results and cash flow. Large Cash flow fluctuations can result in high interest costs due to usage of bank facilities.	Blue Water has a strict credit policy, which includes credit insurance insofar as possible and ensures that potential losses are handled before becoming considerable. As part of Blue Water's policy, capital procurement and placement of excess liquidity are controlled at group level insofar as is appropriate. Furthermore, Blue Water has liquidity measures in the shape of excess liquidity and credits, which must be available to Blue Water at any time.



Wind Logistics



Management commentary

INTELLECTUAL CAPITAL RESOURCES

With reference to maintaining and strengthening its position among the leading providers of services within Blue Water Group's business areas, it is essential that Blue Water Group will continue to be able to attract and retain the most skilled and service-minded staff. Blue Water Group strongly focuses on being an attractive workplace and on further developing the staff's competences. This is done through the ongoing execution of transport assignments, goal-oriented courses and education as well as through a talent development programme.

CORPORATE SOCIAL RESPONSIBILITY

Statutory report on corporate social responsibility

Blue Water Group has finalised and initiated global implementation of Blue Water Group 's official Code of Conduct, Blue Water Group 's ethical guidelines in 2017. The internal implementation was launched by publishing of a common Code of Conduct including various communication materials and internal information meetings. The specification is available to stakeholders on the website where our Supplier Code of Conduct also is available: <https://Blue Water.net/en/about/policies>

Our Sustainability Report 2019 covers our policies, the global risks and our focus areas within Health, Safety, Security, Environment, Quality and CSR. The report can be found here:

<https://media-cdn.bws.net/>

[/media/Website/Files/Reports/Sustainability%20Report%202019.pdf?modified=20200416125235&la=da](https://media-cdn.bws.net/media/Website/Files/Reports/Sustainability%20Report%202019.pdf?modified=20200416125235&la=da)

Blue Water Group engage in local society around the world and support the UN Sustainable Development Goals. We focus on creating actions within Quality Education (goal 4), Decent Work and Economic Growth (goal 8) as well as reducing our environmental footprint.

Blue Water is certified in accordance with ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 and therefore focuses on continuous improvements on Health & Safety, Environment and Quality. Additionally, Blue Water Group was TRACE certified in 2017. TRACE certified companies are “pre-vetted” partners for multinational companies seeking to do business with suppliers, agents and consultants who share their commitment to commercial transparency.

Management commentary

STATUTORY REPORT ON THE UNDERREPRESENTED GENDER

Diversity

A target for the underrepresented gender has been set for the board of directors.

When filing the 2017 annual report Blue Water Holding A/S' board of directors consisted of four male members. It was the target at that time that the share of the underrepresented gender by 2020 would be 20 % of the members elected to the board of directors.

This target was achieved in May 2018, but as the board of directors in May 2019 was expanded by two members from five to seven members and both members were of the male gender the ratio of the underrepresented gender dropped below the 20 % target to approx. 14 %.

Due to the above it is still the target that the share of the underrepresented gender on the board of directors will be 20 %.

As the number of employees of Blue Water Holding A/S is below 50 the company is not obliged to adopt a policy with an aim to increase the representation of underrepresented gender at other management levels.

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.



Marine Logistics



Consolidated income statement 2019

		2019	2018
	Notes	DKK'000	DKK'000
Revenue	1	6.413.353	5.573.014
Cost of sales		(4.830.238)	(4.296.440)
Other external expenses	2	(469.773)	(416.621)
Gross profit/loss		1.113.342	859.953
Staff costs	3	(861.723)	(806.381)
Depreciation, amortisation and impairment losses	4	(36.477)	(24.682)
Operating profit/loss		215.142	28.890
Income from investments in group enterprises		(241)	0
Income from investments in associates		4.678	3.134
Income from other fixed assets investments		(612)	0
Other financial income		576	5.470
Other financial expenses		(27.842)	(27.444)
Profit/loss before tax		191.701	10.050
Tax on profit/loss for the year	5	(46.127)	(7.649)
Profit/loss for the year	6	145.574	2.401

Consolidated balance sheet at 31.12.2019

		2019	2018
	Notes	DKK'000	DKK'000
Goodwill		9.776	14.496
Intangible assets	7	9.776	14.496
Land and buildings		419.884	434.591
Other fixtures and fittings, tools and equipment		25.196	31.860
Leasehold improvements		21.472	23.002
Property, plant and equipment	8	466.552	489.453
Investments in associates		14.315	8.744
Other investments		11.179	11.784
Deposits		8.558	8.241
Fixed asset investments	9	34.052	28.769
Fixed assets		510.380	532.718
Trade receivables		789.334	860.034
Contract work in progress	11	88.468	91.309
Deferred tax	12	8.884	28.500
Other receivables		18.951	17.199
Prepayments	13	29.440	37.448
Receivables		935.077	1.034.490
Other investments		2.455	2.205
Other investments		2.455	2.205
Cash		288.040	180.862
Current assets		1.225.572	1.217.557
Assets		1.735.952	1.750.275

Consolidated balance sheet at 31.12.2019

		2019	2018
	Notes	DKK'000	DKK'000
Contributed capital		50.000	50.000
Retained earnings		273.874	140.864
Proposed dividend		5.000	1.000
Equity attributable to Parent's owners		328.874	191.864
Share of attributable to minority interest		2.831	2.580
Equity		331.705	194.444
Mortgage debts		316.642	331.405
Deposits		7.214	7.397
Other payables		68.999	58.754
Non-current liabilities other than provisions	14	392.855	397.556
Current portion of long-term liabilities other than provisions	14	15.336	14.276
Bank loans		126.687	118.239
Trade payables		699.370	842.254
Income tax payable		11.101	5.931
Other payables		151.990	169.971
Deferred income		6.908	7.604
Current liabilities other than provisions		1.011.392	1.158.275
Liabilities other than provisions		1.404.247	1.555.831
Equity and liabilities		1.735.952	1.750.275
Associates	10		
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Mortgages and securities	18		
Subsidiaries	19		



General Cargo Sea & Air



Consolidated statement of changes in equity for 2019

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Share of equity attributable to minority interests DKK'000	Total DKK'000
Equity beginning of year	50.000	140.864	1.000	2.580	194.444
Ordinary dividend paid	0	0	(1.000)	(432)	(1.432)
Exchange rate adjustment	0	0	0	1	1
Fair value adjustments of hedging instruments	0	(6.882)	0	0	(6.882)
Profit/loss for the year	0	139.892	5.000	682	145.574
Equity end of year	50.000	273.874	5.000	2.831	331.705

Consolidated cash flow statement for 2019

	Notes	2019 DKK'000	2018 DKK'000
Operating profit/loss		215.142	28.890
Amortisation, depreciation and impairment losses		36.477	24.682
Working capital changes	15	(81.764)	55
Cash flow from ordinary operating activities		169.855	53.627
Financial income received		206	5.470
Financial income paid		(27.842)	(27.602)
Income taxes refunded/(paid)		(19.400)	(13.562)
Cash flows from operating activities		122.819	17.933
Acquisition etc. of intangible assets		0	(10.162)
Acquisition etc. of property, plant and equipment		(10.773)	(38.733)
Sale of property, plant and equipment		1.797	27.126
Acquisition of fixed asset investments		(3.222)	(300)
Sales of fixed asset investment		1.186	0
Dividends received		819	2.681
Cash flows from investing activities		(10.193)	(19.388)
Instalments on loans etc.		(12.464)	(18.375)
Dividend paid		(1.432)	(1.429)
Cash flows from financing activities		(13.896)	(19.804)
Increase/decrease in cash and cash equivalents		98.730	(21.259)
Cash and cash equivalents beginning of year		62.623	83.882
Cash and cash equivalents end of year		161.353	62.623
Cash and cash equivalents at year-end are composed of:			
Cash		288.040	180.862
Short-term debt to banks		(126.687)	(118.239)
Cash and cash equivalents end of year		161.353	62.623

Notes to consolidated financial statements

	2019	2018
	DKK'000	DKK'000
1. Revenue		
Transport of industrial goods	3.290.251	3.199.440
Oil, energy and perishables	3.091.898	2.351.701
Rental of commercial properties	31.204	21.873
	6.413.353	5.573.014
2. Fee to the auditor appointed by the Annual General Meeting		
Statutory audit services	719	673
Other assurance engagements	12	24
Tax services	2.177	930
Other services	5.077	5.051
	7.985	6.678
3. Staff costs		
Wages and salaries	765.722	715.923
Pension costs	53.588	52.900
Other social security costs	42.413	37.558
	861.723	806.381
Average number of employees	1.667	1.634
Remuneration of Management		
Executive Board	13.667	7.252
Board of Directors	1.400	1.000
	15.067	8.252

Notes to consolidated financial statements

	2019	2018
	DKK'000	DKK'000
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	4.720	4.513
Depreciation of property, plant and equipment	32.917	32.644
Profit/loss from sale of intangible assets and property, plant and equipment	(1.160)	(12.475)
	36.477	24.682
5. Tax on profit/loss for the year		
Tax on current year taxable income	30.052	20.457
Change in deferred tax for the year	16.114	(13.299)
Adjustment concerning previous years	(39)	491
	46.127	7.649
6. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	5.000	1.000
Retained earnings	139.892	533
Minority interest's share of profit/loss	682	868
	145.574	2.401



Reefer Road



Notes to consolidated financial statements

**Goodwill
DKK'000**

7. Intangible assets

Cost beginning of year	90.276
Cost end of year	90.276
Amortisation and impairment losses beginning of year	(75.780)
Amortisation for the year	(4.720)
Amortisation and impairment losses end of year	(80.500)
Carrying amount end of year	9.776

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000
8. Property, plant and equipment			
Cost beginning of year	579.375	118.507	29.023
Exchange rate adjustments	1	389	74
Additions	2.067	7.700	1.006
Disposals	0	(5.832)	0
Cost end of year	581.443	120.764	30.103
Depreciation and impairment losses beginning of the year	(144.784)	(86.647)	(6.021)
Exchange rate adjustments	0	(315)	(28)
Depreciation for the year	(16.775)	(13.560)	(2.582)
Reversal regarding disposals	0	4.954	0
Depreciation and impairment losses end of the year	(161.559)	(95.568)	(8.631)
Carrying amount end of year	419.884	25.196	21.472

Notes to consolidated financial statements

	Investments in associates DKK'000	Other investments DKK'000	Deposits DKK'000
9. Fixed asset investments			
Cost beginning of year	3.943	25.087	8.241
Exchange rate adjustments	0	0	121
Additions	2.896	0	15.990
Disposals	(1.758)	0	(15.794)
Cost end of year	5.081	25.087	8.558
Revaluations beginning of year	4.801	0	0
Exchange rate adjustments	3	0	0
Adjustments on equity	3.912	0	0
Dividend	(819)	0	0
Reversal regarding disposals	1.337	0	0
Revaluations end of year	9.234	0	0
Impairment losses beginning of year	0	(13.303)	0
Exchange rate adjustments	0	(3)	0
Impairment losses for the year	0	(602)	0
Impairment losses end of year	0	(13.908)	0
Carrying amount end of year	14.315	11.179	8.558

Notes to consolidated financial statements

	Registered in	Equity interest %
10. Associates		
Kartoffelpakhuset I/S	Esbjerg, Denmark	50,0
Esbjerg Marine Service K/S	Esbjerg, Denmark	31,7
Team Esbjerg Elitehåndbold A/S	Esbjerg, Denmark	33,3
Transbroker LLC	Baku, Azerbaijan	49,0
Trans World Shipping AB	Vantaa, Finland	45,0
Komplementarselskabet Esbjerg Marine Service ApS	Esbjerg, Denmark	33,3
Femern Belt Services A/S	Lolland, Denmark	25,0
Esbjerg Tubular Services ApS	Esbjerg, Denmark	50,0
Blue Water BREB GmbH	Cuxhaven, Germany	50,0
BWS Aduanas S.L.	Barcelona, Spain	25,0

11. Contract work in progress

The amount comprises vendor's invoices not received and not yet invoiced but performed transactions.

Notes to consolidated financial statements

	2019	2018
	DKK'000	DKK'000
12. Deferred tax		
Intangible assets	1.099	1.300
Property, plant and equipment	(15.587)	(15.291)
Tax losses carried forward	23.372	42.491
	8.884	28.500

Changes during the year

Beginning of year	28.500
Recognised in the income statement	(21.557)
Recognised directly in equity	1.941
End of year	8.884

The value of tax losses carried forward is recognized as deferred tax assets in the balance sheet, as the deficit is expected to be deducted over the next approx. 3 years. This expectation is primarily based on the significant positive impact on the Group's result as a consequence of major contracts related to the oil and energy sector.

13. Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

Notes to consolidated financial statements

	Instalments within 12 months 2019 DKK'000	Instalments within 12 months 2018 DKK'000	Instalments beyond 12 months 2019 DKK'000	Outstanding After 5 years DKK'000
14. Liabilities other than provisions				
Mortgage debts	15.336	14.276	316.642	244.263
Deposits	0	0	7.214	7.214
Other payables	0	0	68.999	68.999
	15.336	14.276	392.855	320.476

The Group has entered into interest rate swap contracts at the balance sheet date relating to loans of DKK 270m. Unrealised net losses on these contracts at 31 December 2019 of DKK 59,815k are recognised under long-term liabilities, other payables and taken directly to equity by DKK 46,656k as well as deferred tax by DKK 13,159k. The interest rate swap with an interest rate of 3.76% relating to DKK 100m expires on 31 March 2021, the interest rate swap with an interest rate of 3.95% relating to DKK 100m expires on 29 March 2041, the interest rate swap with an interest rate of 2.05% relating to DKK 40m expires on 26 June 2035, the interest rate swap with an interest rate of 3.50% relating to DKK 24m expires on 30 December 2026, and the interest rate swap with an interest rate of 1.47% relating to DKK 30m expires on 28 December 2035.

Notes to consolidated financial statements

	2019	2018
	DKK'000	DKK'000
15. Change in working capital		
Increase/decrease in receivables	79.797	(148.877)
Increase/decrease in trade payables etc	(161.561)	148.932
	(81.764)	55
16. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	213.192	175.802
17. Contingent liabilities		
Recourse and non-recourse guarantee commitments	118.287	126.571
Contingent liabilities in total	118.287	126.571

The Group is liable for mortgage in partnership with DKK 2.046k.

The Group has entered into forward exchange rate contracts of USD 1,550k, AUD 1,000k. Unrealised net losses at 31 December 2019 amounts to DKK 62k.

Lawsuits

The Group is involved in a few lawsuits. These lawsuits will in the opinion of the managements not have material influence on the Group's financial position.

Expert opinion and appraisal

In connection with the construction of a building, the contractor has filed a claim for a total additional payment of approx. DKK 4,8m. Acceptance of this claim was refused because the Group has made a counterclaim for compensation for construction faults. The counterclaim for compensation exceeds the contractor claim of DKK 4,8m.

18. Mortgages and securities

Mortgage debt is secured by way of mortgage on properties.

Bank debt is secured by way of a mortgage registered to the owners of nominal DKK 10,950k on properties.

The carrying amount of mortgaged properties is DKK 417,995k.

Trade payables is secured by deposited cash in bank DKK 1,468k (2018: DKK 1,339k.)

Notes to consolidated financial statements

	Registered in	Corporate form	Equity interest %
19. Subsidiaries			
Blue Water Shipping A/S	Esbjerg, Denmark	A/S	100,0
Blue Water Property A/S	Esbjerg, Denmark	A/S	100,0
Blue Water International A/S	Esbjerg, Denmark	A/S	100,0
Blue Water Shipping SARL	Lorient, France	SARL	100,0
Blue Water Projects S.L.	Barcelona, Spain	S.L.	100,0
Blue Water Shipping US Inc.	New Jersey, USA	Inc.	100,0
Blue Water Shipping do Brazil Ltda	São Paulo, Brazil	Ltda	99,0
BWCNH ApS	Esbjerg, Denmark	ApS	100,0
Blue Water Shipping OY	Helsinki, Finland	OY	100,0
Blue Water Shipping AS	Oslo, Norway	AS	100,0
P/F Blue Water Shipping	Tórshavn, Faroe Islands	P/F	100,0
Blue Water Shipping AB	Göteborg, Sweden	AB	100,0
Blue Water Stevedoring A/S	Esbjerg, Denmark	A/S	100,0
Blue Water Greenland A/S	Sermersooq, Greenland	A/S	100,0
Blue Water Logistics UK Ltd.	Manchester, United Kingdom	Ltd.	100,0
Blue Water Shipping B.V.	Amsterdam, Netherlands	B.V.	100,0
Blue Water Shipping ehf.	Reykjavik, Iceland	ehf.	100,0
Blue Water Transport PTY Ltd.	Sydney, Australia	Ltd.	100,0
Aarhus Logistics Center A/S	Aarhus, Denmark	A/S	100,0
Blue Water Shipping España S.A.	Barcelona, Spain	S.A.	75,0
Blue Water Shipping UK Ltd.	Manchester, United Kingdom	Ltd.	100,0
Blue Water Shipping Ireland Ltd.	Dublin, Ireland	Ltd.	100,0
Blue Water Shipping Poland SP.Z.O.O	Warszawa, Poland	SP.Z.O.O	100,0
Blue Water Shipping Portugal, Unipessoal Lda.	Lisbon, Portugal	Lda.	100,0
Blue Water International FZCO	Dubai, United Arab Emirates	FZCO	100,0
Blue Water international Ltd.	Ho Chi Minh, Vietnam	Ltd.	100,0
Blue Water Middle East A/S	Esbjerg, Denmark	A/S	100,0
Blue Water Shipping L.L.C	Tbilisi, Georgia	L.L.C	100,0
Blue Water Shipping Singapore Pte Ltd.	Singapore	Pte Ltd.	100,0
Blue Water int. Sdn. Bnd	Subang Jaya, Malaysia	Sdn. Bnd	100,0
Blue Water Shipping China Ltd.	Shanghai, China	Ltd.	100,0
Blue Water Shipping Kazakhstan LLP	Aktau, Kazakhstan	LLP	100,0
Blue Water Shipping Caspian Ltd.	Baku, Azerbaijan	Ltd.	99,0



Oil, Gas & Industrial Projects



Parent income statement for 2019

		2019	2018
	Notes	DKK'000	DKK'000
Other external expenses		(160)	(158)
Operating profit/loss		(160)	(158)
Income from investments in group enterprises		150.937	5.256
Other financial income		2	32
Other financial expenses		(6.897)	(4.657)
Profit/loss from before tax		143.882	473
Tax on profit/loss for the year	1	1.010	1.060
Profit/loss for the year	2	144.892	1.533

Parent balance sheet for 31.12.2019

		2019	2018
	Notes	DKK'000	DKK'000
Investments in group enterprises		515.254	396.199
Fixed asset investments	3	515.254	396.199
Fixed assets		515.254	393.199
Deferred tax		1.465	1.486
Income tax receivables		9.567	983
Receivables		11.032	2.469
Cash		625	1.473
Current assets		11.657	3.942
Assets		526.911	400.141

Parent balance sheet for 31.12.2019

		2019	2018
	Notes	DKK'000	DKK'000
Contributed capital	4	50.000	50.000
Reserve for net revaluation according to the equity method		72.334	63.279
Retained earnings		201.540	77.585
Proposed dividend		5.000	1.000
Equity		328.874	191.864
Bank loans		29.857	1.892
Payables to group enterprises		160.000	206.385
Income tax payables		8.034	0
Other payables		145	0
Current liabilities other than provisions		198.037	208.277
Liabilities other than provisions		198.037	208.277
Equity and liabilities		526.911	400.141
Contingent liabilities	5		
Mortgages and securities	6		
Related parties with controlling interest	7		

Parent statement of changes in equity for 2019

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	50.000	63.279	77.585	1.000	191.864
Ordinary dividend paid	0	0	0	(1.000)	(1.000)
Other equity postings	0	(6.882)	0	0	(6.882)
Profit/loss for the year	0	15.937	123.955	5.000	144.892
Equity end of year	50.000	72.334	201.540	5.000	328.874

Notes to parent financial statements

	2019	2018
	DKK'000	DKK'000
1. Tax on profit/loss for the year		
Change in deferred tax for the year	21	(547)
Adjustment concerning previous years	502	0
Refund in joint taxation arrangement	(1.533)	(513)
	(1.010)	(1.060)

2. Proposed distribution of profit/loss

Ordinary dividend for the financial year	5.000	1.000
Retained earnings	139.892	533
	144.892	1.533

	Investments in group enterprises DKK'000
3. Fixed asset investments	
Cost beginning of year	332.920
Cost end of year	332.920
Revaluations beginning of year	63.279
Adjustments on equity	(6.882)
Share of profit/loss for the year	150.937
Dividend	(25.000)
Revaluations end of year	182.334
Carrying amount end of year	515.254

Notes to parent financial statements

	Number	Par value DKK'000	Nominal value DKK'000
4. Contributed capital			
Class A – shares	37.500.000	1	37.500
Class B – shares	12.500.000	1	12.500
	50.000.000		50.000

	2019 DKK'000	2018 DKK'000
5. Contingent liabilities		
Recourse and non-recourse guarantee commitments	0	77.424
Contingent liabilities in total	0	77.424
Recourse and non-recourse guarantee commitments	0	77.424
Hereof contingent liabilities to group enterprises	0	77.424

The Entity serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities and for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

6. Mortgages and securities

Bank loans are secured by deposited shares in affiliates. The carrying amount of mortgage shares amounts to DKK 515,254k. (2018: DKK 396,199k .)

7. Related parties with controlling interest

The Company has registered the following shareholders to hold 75% of the voting share capital or the nominal value of the share capital:

Blue Water Fonden, Esbjerg, Denmark.



General Cargo Road



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 (large).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

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.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Accounting policies

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually. Negative balances (negative goodwill) are recognised as income in the income statement.

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.

DERIVATIVE FINANCIAL INSTRUMENTS

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Accounting policies

INCOME STATEMENT

Revenue

Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Accounting profit of a forwarding job is booked as income at the time when the transport of the shipment in question starts.

Cost of sales

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

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs

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

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

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 internal 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 internal profits or losses.

Income from other fixed asset investments

Income from other fixed asset investments comprises gains in the form of interest, dividends, etc. on fixed asset investments which are not investments in group enterprises or associates.

Other financial income from group enterprises

Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

Accounting policies

Other financial income

Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme 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 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

Goodwill

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. 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 it is not possible to estimate the useful life reliably, it is set at 10 years. Useful lives are reassessed on an annual basis.

Goodwill *5-10 years*

Goodwill is written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings, plant and machinery, other fixtures and fittings, tools and equipment as well as leasehold improvements are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

<i>Buildings</i>	<i>5-50 years</i>
<i>Other fixtures and fittings, tools and equipment</i>	<i>3-10 years</i>
<i>Leasehold improvements</i>	<i>5-10 years</i>

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Accounting policies

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 plus or minus unamortised positive, or negative, goodwill and minus or plus unrealised intra-group profits or losses.

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 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 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.

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

Other investments

Other investments comprise listed securities which are measured at fair value (market price) at the balance sheet date and unlisted equity instruments measured at cost. Unlisted equity instruments are written down to any lower net realisable value. Deposits under fixed assets are measured at amortised.

Receivables

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

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

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.

Accounting policies

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Other investments

Securities recognised under current assets comprise listed bonds and investments measured at fair value (market price) at the balance sheet date.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Minority interests

Minority interests consist of non-controlling interests' share of equity in subsidiaries not 100% owned by the Parent.

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Accounting policies

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

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.

Deferred income

Deferred income comprises received income for recognition in subsequent financial years. Deferred income is measured at cost.

CASH FLOW STATEMENT

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less shortterm bank loans.