

Wrist Ship Supply Holding A/S

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ANNUAL REPORT 2017



SHIP SUPPLY

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INTRODUCTION

EXPERT CARE

Wrist Ship Supply is the world's leading ship and offshore supplier of provisions and stores with a market share around 8%. Wrist offers a global 24/7 service, including handling of owners' goods, shipping, air freight and related marine services that meet the demands of international organisations as well as local businesses.

From offices around the globe, all Wrist staff take pride in making it easy for customers to receive their supplies – where and when requested – efficiently and at the best possible price.

Our mission is to provide Expert Care – Making our customers' life at sea better.

wrist.com

MANAGEMENT COMMENTARY

FINANCIAL HIGHLIGHTS AND KEY RATIOS

DKK'000 and ratios	2017	2016	2015	2014	2013*
Net Sales	4,101,471	4,066,729	3,674,577	3,347,343	499,111
Gross profit	1,000,203	970,818	932,444	805,408	80,807
Operating profit (EBITDA)	213,916	205,337	227,503	208,500	17,644
Earnings before interest and tax (EBIT)	154,234	149,366	189,997	210,618	-4,096
Profit of financial items	-52,159	-77,613	-59,487	-55,220	-4,531
Net profit	78,794	55,672	97,044	123,719	-2,963
Inventories	233,962	238,384	218,230	195,203	166,467
Trade receivables	651,762	680,171	574,934	549,142	469,425
Total assets	2,697,618	2,640,950	2,311,968	2,122,320	1,876,801
Equity	1,131,345	970,915	947,492	808,243	669,220
Invested capital including goodwill	1,770,364	1,651,140	1,399,704	1,336,837	978,715
Net interest-bearing debt (NIBD)	584,330	774,965	577,476	591,953	672,450
Cash flow from operating activities (CFFO)	51,784	132,796	123,035	134,508	13,987
Cash flow from investing activities (CFFI)	41,312	308,343	89,441	33,481	1,021,846
Total investment ex business acquisition (CAPEX)	41,311	47,326	49,821	33,698	96,246
Number of employees, average	1,279	1,183	1,167	1,105	981
Performance ratios (%)					
Gross margin	24.4	23.9	25.4	24.1	16.2
Operating margin (EBITDA)	5.2	5.0	6.2	6.2	3.5
Return on invested capital	9.9	10.1	13.9	16.1	3.0
Return on equity	7.5	5.8	11.1	16.7	-0.9

* The figures related to the income statement for 2013 have been prepared in accordance with the Danish Financial Statements Act.

Definitions of financial highlights and key ratios

Financial highlights are defined and calculated in accordance with “Recommendations & Ratios 2015” issued by the Danish Finance Society.

Ratios	Calculation formula	Ratios reflect
Gross margin (%)	= $\frac{\text{Gross profit} \times 100}{\text{Net sales}}$	The enterprise's operating gearing.
Operating margin (EBITDA) (%)	= $\frac{\text{EBITDA} \times 100}{\text{Net sales}}$	The enterprise's operating profitability.
Return on invested capital (%)	= $\frac{\text{EBITA} \times 100}{\text{Average invested capital incl. goodwill}}$	The return generated by the enterprise on investors' funds.
Return on equity (%)	= $\frac{\text{Profit/(loss) for the year Excl. minority interests} \times 100}{\text{Average equity excluding non-controlling interests}}$	The enterprise's return on capital invested in the enterprise by the owners.

Invested capital including goodwill is defined as net working capital plus the carrying amount of property, plant and equipment and intangible assets as well as accumulated amortisation of intangible assets including goodwill, and less other provisions and long-term operating liabilities. Accumulated impairment losses on goodwill are not added.

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.

THE YEAR IN REVIEW

The shipping and offshore industries both saw continued difficulties in 2017. Wrist kept working with customers on enhancing their profitability while maintaining the quality promised and optimising operational efficiency. At the same time the steady expansion of Wrist's global business platform continued.

Most shipping segments were depressed by low rates last year, and activity in the offshore oil & gas markets has been reduced significantly the last couple of years. However, on the backdrop of a flat – and sometimes negative – general market development our sales increased by more than 3% in 2017. This was significantly less than in previous years but still illustrates the market's appreciation of Wrist's services.

Margins marked

Reduced demand, including customers' shift towards lower priced goods, reduced the average order value. Changes in the business composition put further pressure on our operating profit margin. Considering the overall depressed market, however, most of the Group's businesses performed well, and our determined focus on operational efficiency improved margins during the second half of the year.

Global footprint expanded

The latest additions to the branch network – in Hamburg and Las Palmas – were well received by customers. In 2017 we opened our new built office in Shanghai, to a large extent targeting new vessels needing a broad spectrum of provisions and stores before delivery from shipyards to the ship owners. The steady expansion and improvement of our global infrastructure continued, including upgrading our warehousing facilities, increasing our capacity and enhancing our operating processes.

Stronger operations

In every corner of our businesses we are constantly pursuing responsiveness and reliability in respect of our customers. To support these objectives, we keep investing in efficiency on a broad basis. In 2017 we continued the roll-out of our global business support system – enabling additional digitalised customer and vendor solutions. We also strengthened management in various locations of our network – in most cases benefitting from our own focused attraction and nurturing of talent.

Moving on

All members of the Wrist staff take pride in being trusted by our customers and being asked to cater for their needs – sharing and overcoming the logistical challenges of delivery at the right place and at the right time. We are very conscious about the simple fact that we compete with other providers. And we know we must deliver on our value proposition every day.

We are encouraged by our results so far and are eager to do even better tomorrow than yesterday. To the benefit of the individual seafarer as well as the owners of ships and offshore facilities.

SHIP SUPPLY

Wrist is an experienced and distinguished supplier of provisions and stores to the global shipping industry. The company is continuously developing its business and capabilities, and after more than 60 years in the market, Wrist is today the world's leading ship supplier with a strong global footprint.

Ship supply was always and remains at the core of Wrist's DNA profile. Throughout the years, however, the Group has acquired a broad spectrum of skills within adjacent areas, lastly through the acquisition of Garrets.

Wrist is the world's largest ship supplier and coordinates global activities through regional centres in North America, Europe, the Middle East and Asia. Wrist's logistics set-up, including hubs and warehouses globally, is key to ensure coordination and long-time planning of supplies to customers.

Wrist supplies a broad range of products, including provision and deck, engine, electrical, cabin and bonded stores. The service concept comprises the storage, surrender and transport of customers' own supplies and spare parts – often through a general warehouse managed by Wrist. Logistics expertise is a core element of Wrist's competitive edge and provides the foundation for serving the world fleet based on a thorough understanding of individual needs.

Global network, local excellence

Customers are keen to work with a supplier that provides the scale, organisational resources, technology and infrastructure required to deliver end-to-end services. Wrist's worldwide network is essential to meeting these demands.

Through a global key account management organisation, regional and local teams provide customers with outsourced ship supply services, operating as an extension of their own businesses and thereby optimising operational efficiencies and vessel profitability. Wrist strives to understand and meet the exact needs and requirements of each customer.

With on-site personnel, Wrist can meet last minute requests for provisions and stores, etc. either through its own branches or its large network of approved subcontractors.

Integrating ship supply in current operations

Saving costs and time is essential to Wrist's customers. With sourcing, last mile logistics and management at its core, Wrist provides a global one-stop shopping solution: Wrist Bundled Services, where provision through Garrets is consolidated with fixed technical consumables and full logistics handling of spare parts, including last mile delivery.

Increasingly, customers move from stand-alone time-consuming Requests for Quotes (RFQ) to focus on the entire supply chain while gaining crucial cost control, security and transparency.

DIFFICULT SHIPPING MARKETS

During 2017 the container industry continued the trend of decreasing rates, pressuring the economy of the carriers. The end of 2017 saw a slight improvement of the financial figures

from the major container liners, backed by increasing volumes and a relatively lower growth in the container fleet, prompting analysts to foresee a slight short-term improvement for this segment.

The bulk market experienced a gradual bettering of day rates during 2017 and the sentiment from the analysts indicates a stable recovery of the market in 2018. Consolidation among both bulk and container companies continued in 2017.

In the tanker market the rates for especially product and chemical tankers dropped during 2017 and was driving consolidation in 2017.

The pursuit of optimisation has implied an increasing number of vessels under third party technical management, and an emerging consolidation of ship managers was seen in 2017.

PROVISION AND STORES MANAGEMENT

Outsourcing of provisioning to vessels has increased significantly during recent years, enhancing efficiency and reducing overhead costs without deteriorating neither quality nor the welfare of crews. Operators are moving towards centralising their processes to a single point of contact and are looking for partners that can take care of all their purchasing and supplying needs on a global basis.

Garrets is the World's leading Provision and Stores Management partner at sea. As one of the three business units in the Wrist Group, Garrets is dedicated to managing budgets and delivering provisions and stores to ships all over the world. Garrets serve more than 1,900 vessels with a firm focus on quality, based at agreed levels. Long-term partnerships with the customers are built through mutual trust and transparency.

Garrets assists customers in optimising their supply patterns by guiding their vessels to use the most cost-efficient ports during their voyage. Through extensive knowledge, Garrets guides the vessels to generate the correct product mix for their provision order, ensuring menu planning with a view to nutrition and health for the crew, complying with MLC 2006 requirements.

Customer focus and continuous improvement, efficiency and streamlining procurement processes are the cornerstones of the day-to-day activities. Garrets appoints a dedicated contact person for each vessel and office. Constantly, the passion for food safety and quality is in focus. Garrets partners with both the seafarers, managers and ship owners, providing an outsourced solution with an attractive return in terms of both economy and quality.

Crew guidance and training

In alignment with the Wrist Group's mission for "Expert Care – Making customers' life at sea better", Garrets supports customers beyond their specific needs. The seafarers and their welfare are at the heart of everything that is done within the business.

Garrets enhance crew welfare and retention through healthy menu planning, also addressing needs of multi-ethnic crews. By improving the service standards on board, Garrets emphasises the importance of managing and monitoring health, hygiene, nutrition, allergens and special diets as well as ways to facilitate, plan and prepare attractive menus.

That is why Garrets provides training programmes for chefs both ashore and online, conducts on-board galley audits and issues cookbooks and menu plans for every crew nationality. All this helps to raise the standard of living at sea.

Food quality and safety

Garrets works with a fully audited supplier network that offers competitive prices. Continuously, Garrets benchmarks all suppliers and refers to the most convenient and cost-effective ports worldwide. This way, Garrets makes sure to provide complete provisioning on a daily rate to the highest quality within customers' budget.

Partnering with NSF International, the leading global provider of public health and safety-based risk management solutions, Garrets adheres to a global food safety quality standard. An approved supplier of Garrets is required to demonstrate a commitment to improving food standards and safety and to

work in close partnership with both Garrets and NSF. Garrets is the only Provisions and Stores Management partner who has a global audit programme.

GLOBAL OPERATIONS

Garrets supported more than 42 million meals during 2017, securing and improving welfare at sea. Garrets worked with 500+ suppliers to deliver on more than 25,000 orders – almost three orders every hour of every day – in almost 1,500 ports in 117 countries.

OFFSHORE SUPPLY

Meeting the constantly evolving supply requirements of the Oil & Gas market for over 30 years, the Wrist Group has become a market leader. The core of the business is to assure customers that all aspects of their product supply are taken care of.

Strachans, the leading brand in Northern Europe, and other units of the Wrist Group can provide a wide range of services to meet diverse and advanced customer requirements. Through three strategically located distribution centres, the Group can support a vessel with a crew of six as well as a platform with 300+ people with a full range of products and services via all DK, NL and UK ports. Services include:

- Customer Key Account Management.
- Fully stocked product range – food as well as non-food.
- Customs compliance with every order.
- Adherence to Dangerous Goods guidelines (IMDG).
- Full EDI capabilities.
- Agent liaison and coordination of deliveries to quayside.
- Delivery of third party products.
- Tailored management information.

Reliable partner

Efficient and reliable procedures, based on accredited Quality Systems (ISO 9001 / ISO 2200, including HACCP) enables Wrist/Strachans to react rapidly to factors beyond our customers' control, like the weather, ensuring that orders are delivered at the right place and at the right time.

Appreciating that our customers want a single supply source for all products Wrist/Strachans hold stock of over 3,000 lines – from bonded meat to fitted sheets. Other requirements are catered for by dedicated staff that will source just about any item.

Increasing containerisation

Wrist/Strachans offers a range of containers to suit specific customer requirements.

To ensure frozen and chilled products reach their final destinations in the best possible condition Strachans offers a fleet of over 200 refrigerated Icebox containers. They preserve product temperature (frozen and chilled) for up to four days without requiring any form of power supply.

All 1,200 containers in the fleet meet the DNV 2.7-1 standard and are delivered direct to the quayside.

IMPROVING OUTLOOK

Overall, the offshore sector was at a standstill during most of 2017. On this background contributions to efficiency remains to be expected from all suppliers to the sector.

However, the offshore sector is generally believed to have bottomed out during 2017 and it is showing signs of recovery. Over the year the price of Brent Crude Oil rose some 20%. This is very good news for our customers.

2017 saw considerable consolidation in the energy vessel as well as the rig and platform markets and significant mergers and acquisitions occurred. There is still an oversupply of rigs and energy vessels, compounded by many new assets being built. Consequently, oil companies are driving down rates.

Whilst shallow water drilling is decreasing there is an increase in deep water drilling, e.g. west of Shetland in the UK and in the Gulf of Mexico, focus areas for Wrist/Strachans.

The 2018 UK budget boosted the North Sea oil and gas sector as oilfield owners will be allowed to offset decommissioning costs of old infrastructure against taxes paid. This change should attract new investment, extend the life of mature fields and unlock remaining oil and gas reserves. On this backdrop an increase in the level of offshore activity is anticipated.

COMMITMENT TO ETHICS AND RESPONSIBILITY

Statutory statement on corporate social responsibility in compliance with sections 99a and 99b of the Danish Financial Statements Act (Årsregnskabsloven).

To promote the long-term interests of the company and its stakeholders, Wrist strives to comply with high ethical standards in all business practices.

Business Principles

Wrist's Business Principles provide guidelines to increase transparency and describe the way the company and its staff must act whilst achieving the business objectives.

http://www.wrist.com/download/sustainability/business_principles_rev4_13feb14.pdf

The Business Principles are incorporated into Wrist's general business practices when living out its mission, "Expert Care – Making our customers' life at sea better", and they reflect the UN Global Compact and relevant regulations on anti-corruption, competition law and international trade sanctions.

The Business Principles guide and direct employees and managers in essential matters such as:

- Relationships with authorities
- Transparency
- Anti-trust, anti-corruption and trade sanctions
- Anti-fraud and accuracy of accounting records
- Respect for generally recognised (internationally and locally) human and labour rights
- Employment practices

The Business Principles represent the codification of the ethical standards representing the Wrist culture, and they are an important step in the formulation and communication of Wrist's ethical position and policies.

Wrist does not have a policy for environment and climate change.

Compliance programme

Wrist Compliance Programme was introduced in 2014, covering the topics of:

- International trade sanctions
- Anti-bribery rules and principles
- Anti-trust rules/competition law

The programme complies with applicable rules and regulations and is tailored to Wrist and its industry. Within each of these areas, the programme comprises a detailed written policy and training.

The policies contain rules and regulations as well as practical advice for employees. The policies are distributed to all relevant employees, followed by training. The anti-bribery programme also consists of a set of guidelines with clear and specific rules for the giving and receiving of business courtesies. It is

supplemented by a set of procedures designed to monitor compliance with the anti-bribery policy. Procedures were extended with a section introducing procedures for providing cash discounts in cash sales and a procedure for cash withdrawals to limit the risk of inappropriate behaviour.

The training of new staff and newly acquired entities is currently being transformed to an online training session. During 2017 Wrist began preparations for meeting the requirements of the General Data Protection Regulation of the EU coming into force in May 2018. As such among others a data mapping process is being conducted, policies and guidelines prepared, and data processing agreements negotiated with data processors.

The implementation of the Business Principles and the compliance programme has drawn attention to an increased awareness among staff and managers of the importance of avoiding violations.

Human rights

All Wrist's business activities are performed with respect for human and labour rights – for instance fair employment, dissociation from forced or compulsory labour and the use of child labour, freedom of association, the right to collective bargaining and freedom from discrimination.

Employees must act accordingly, and Wrist's Business Principles are a reference in dealings with external stakeholders.

Wrist requires all significant suppliers to sign the Group's purchasing terms, which state that suppliers must be compliant with and have respect for human and labour rights. The process of having suppliers signing this, will continue in 2018.

Whistleblowing

A whistleblowing system specifically tailored to the requirements of Wrist was developed in 2015 in cooperation with a leading Danish law firm. The system allows employees to report violations – and suspicions of violation – of legislation and policies with no risk of retaliation. The whistleblowing system is approved by the Danish Data Protection Agency and was introduced in April 2016.

No reporting within the scope was made in 2017.

Seafarers

With "Expert Care – Making our customers' life at sea better" at the core of our mission, Wrist strives to go beyond the core competitive parameters to make a difference by "...making our customers' life at sea better".

Seafarers are often mentioned as 'the forgotten workforce' and life at sea is known to be tough for the approx. 1.5 million seafarers worldwide. Working conditions are sometimes risky with help not always close at hand at sea, and hiring periods are long, meaning absence from family and friends.

Consequently the life of seafarers is always at the forefront of our minds and Wrist's donations and charity to this group are prioritised. All Wrist does ends with seafarers or offshore or navy crew and thus affects their motivation and wellbeing.

Various charitable organisations do a tremendous amount of work to help seafarers. Wrist has been a member of ISWAN (International Seafarers' Welfare and Assistance Network) since 2013 and is the sponsor of two ISWAN awards - "Seafarer centre of the Year" (Wrist) and "Shipping Company of the Year" (Garrets). Further Garrets has sponsored Sailors Society by co-funding new maritime education

scholarship, administered by Homer Foundation, to train at the Magsaysay Center for Hospitality and Culinary Arts (MIHCA) in Manila. The Sailors Society-Homer Foundation Scholarship enables Filipino students from underprivileged backgrounds to pursue culinary careers in the shipping industry.

Each year we mark the “Day of the Seafarer” on 25 June – a campaign run by the International Maritime Organization (IMO). This year handing out sweets.

Promotion of the underrepresented gender

Board of Directors

The gender composition at the Board of Directors (no women and four men) remains unchanged since the right female candidate has not yet been identified.

Wrist is committed to striking a sound gender balance between men and women on the Board of Directors. The target is to achieve at least a 60/40 distribution between men and women before the end of 2018. The target includes the owner’s representatives and does not include employee representatives (if any).

Management

In accordance with Wrist’s commitment to achieving a sound and balanced composition of genders across the company, the Board of Directors has approved a policy aimed at increasing the share of the underrepresented gender at all management levels. Training, development and promotional opportunities are available to prepare employees for management positions.

This policy will be monitored and reviewed annually by the Board of Directors and progress compared to the stated intention as well as the policy described in Wrist’s annual reports.

Wrist defines “Management” as:

- The Executive Board
- Managers reporting directly to the Executive Board
- Manager leading teams of two or more employees
- Subject matter experts with company-wide impact.

The current gender composition is 71% men and 29% women (end-2016: 78% and 22%, respectively).

Initiatives

In support of this target, Wrist will be introducing a number of initiatives to help managers fulfil the target:

- Talent acquisition:
Ensure that lists of candidates for job interviews at all levels have an equal representation of both genders, and where top candidates are equally qualified, select the underrepresented gender.
- Internal promotions:
Ensure that lists of candidates for internal promotions at all levels have an equal representation of both genders, and where top candidates are equally qualified, select the underrepresented gender.
- Talent development:

Ensure that the underrepresented gender is provided with training, development and mentoring opportunities to assist their professional growth. This specifically includes defining managerial development opportunities during the annual performance review.

- Role models:
Create a forum where the underrepresented gender can participate in activities, (e.g. talks at local focus groups) to gain insight and inspiration on how to develop their own career opportunities.

The overarching principle remains that the company will select the best-qualified person, irrespective of gender, race, age or religious beliefs.

RISK MANAGEMENT

Wrist is exposed to various risks that may impact the Group's results, cash flow, financial position and prospects.

Significant potential risk factors related to markets, business operations and financial markets are identified, monitored, evaluated and reported on a continuous basis, and risk management is also integrated in the Group's strategic planning process.

Market risk

Market risk refers primarily to risk factors on which the management can exert only limited influence in the short term, but which are addressed in its long-term planning.

Shipping and offshore industry prospects

Wrist offers its services to the shipping and offshore industry in numerous countries, and this diversification does in itself mitigate risk. Wrist continuously monitors the development of the industries served to enable timely adjustments of its strategic planning.

Structural changes

Structural changes among onshore and offshore distributors and the consolidation of providers of services to the shipping industry create opportunities as well as risks. Wrist monitors developments and adjusts its strategic and tactical planning accordingly.

Business risk

Business risk refers to overall risks relating to the current operations of the company.

Price fluctuations

Wrist is continuously working to improve its sales processes to optimise its pricing of products and contractual agreements and manage inventory levels to mitigate risks associated with fluctuations in cost.

Customer retention

Wrist serves a large and diverse customer base, which is broadly distributed both geographically and in terms of supply solutions and products. This mitigates risk as does the Group's focus on customer service. With its global key account management organisation, Wrist has a thorough understanding of the needs of its customers and is able to identify where initiatives may be needed to improve its offerings.

Financial reporting

The mitigation of the key risks relating to the Group's financial reporting is ensured through group policies on financial management, a financial manual, internal controls and the statutory audit. Wrist adheres to firm budgeting and reporting schedules and monitors the performance of its business units on a monthly basis. Structured business review meetings are held quarterly.

IT system availability

High-quality and reliable IT systems are important for the Group's order processing, warehousing, delivery of services, financial reporting and accounting records. Wrist is continuously testing and developing the capacity and reliability of its IT systems to secure high performance.

Compliance with regulations

Wrist is committed to conducting its business in compliance with all applicable laws and other regulation and adhering to principles of good corporate citizenship in all the countries in which it is active. The manager of each business unit, supported by group functions, is responsible for monitoring and enforcing the Group's policies as well as ensuring compliance with national legislation and local requirements. Wrist's Business Principles and related policies and procedures are made available to managers and employees to assist and direct them in carrying out their duties.

Financial risk

Financial risk factors refer to fluctuations in the Group's results, cash flows and financial position due to changes in Wrist's financial exposure. The overall objective of risk monitoring and control is to ensure cost-effective financing and to minimise potential adverse impacts from market fluctuations.

Exchange rate risk

The Group's business activities are predominantly based in USD, GBP, SGD and EUR, and many credit facilities are denominated in DKK, USD and GBP (currencies listed according to the size of aggregated amounts). To reduce the exchange rate risk, Wrist aims to match costs and revenues, as well as assets and liabilities, in each business unit. Overall, the estimated risk arising from currency exposure is limited as most of the business has limited transaction exposure.

Interest rate risk

The interest rates of credit facilities are variable. Wrist uses derivative contracts to hedge interest rate risks, and currently the company has chosen to hedge most of such risk for a period of three years.

Funding risk

Wrist has entered into a long-term committed financing agreement with credit facilities enabling both current operations and planned expansion. Treasury management is centralised and ensures that sufficient financial resources are available to meet planned requirements. Wrist maintains a healthy financial position, cash flow and liquidity reserve.

Credit risk

Credit risk mainly relates to trade debtors, other receivables and cash at banks. The aggregate amounts recognised under these items in the balance sheet constitute the maximum credit risk. Receivables relate to shipping, ship management and catering companies. Handling increased credit risk in the shipping industry, Wrist's global credit function monitors the creditworthiness of existing and new customers and assists in debt collection. Wrist conducts individual assessments of its customers' creditworthiness, managed globally. Cash is held with banks with high credit ratings.

FINANCIAL REVIEW

Sales

The volume of supplies to ships increased in 2017, but the average order value remained at low level due to the demand for budget savings and thus lower priced goods. The development in sales to merchant vessels was increasing in 2017, whereas the lower demand in offshore oil & gas markets reduced sales and resulted in negative organic growth. Net sales increased by 3% in local currencies and as much as 1% in the reporting currency, reaching DKK 4,101m compared to DKK 4,067m in 2016.

Gross profit

Gross profit grew to DKK 1,000m from DKK 971m in 2016. The gross profit ratio was 24.4% compared to 23.9% in 2016. The primary reasons for the higher ratio are changes in the supply chain including sourcing improvements.

Operating profit

The operating profit (EBITDA) increased to DKK 214m from DKK 205m in 2016, while the operating margin went to 5.2% in 2017 compared to 5.1% the year before. Most operations have, considering the overall depressed market, performed well. However, the development in some operations has been somewhat below last year and the expectations.

Net profit

The net profit for the year was DKK 79m compared to DKK 56m in 2016. The profit level is not satisfactory and is below expectations. However, a number of initiatives to improve profits were undertaken in 2017 and began to have effect during the second half of the year.

Cash flows

The cash flow from operating activities was DKK 36m in 2017 against DKK 133m in 2016, a decrease of 72.9%. The working capital increased to 306m from 234m due to the increased activity and more net receivables, including more overdue receivables. The working capital, as a ratio of sales, was 7.4% compared to 6.1% in 2016.

Investments

Net investments amounted to DKK 45m compared to DKK 308m in 2016. Acquisition of companies aggregated DKK 0m compared to 261m in 2016 while investments in software and property, plant and equipment aggregated DKK 44m, just slightly less than the previous year (DKK 47m).

Financial position

At 31 December 2017, cash and cash equivalents totalled DKK 229m, while undrawn credit facilities amounted to DKK 45m. Accordingly, total available cash resources amounted to DKK 274m against DKK 138m at the same time the year before. Wrist has entered into agreements on long-term committed credit facilities enabling both current operations and planned expansion.

The net interest-bearing debt (NIBD) amounted to DKK 585m at 31 December 2017 (DKK 775m at the end of 2016). The net interest-bearing debt as a ratio to like-for-like EBITDA stood at 2.6 by the end of 2017 against 3.5 the year before.

Subsequent events

No significant events have occurred since the date of the accounts.

Outlook for 2018

In 2018, the shipping industry experts expect clouds are lifting and calmer seas are returning as the market fundamentals are improving. However, many segments have a challenging demand-supply balance, due to the overcapacity. Activity in the ship supply markets is dependent on spend per ship and the number of ships in operation, and the growth in seaborne transportation is driven by the global economic growth. However, Wrist expects to continue capturing market share. In the offshore oil & gas markets the industry sentiment has turned to a more optimistic view of the future, although coming from a low level. The increasing oil prices and the industry's ability to reduce unit costs improves the profitability and investment appetite. Currently, the demand for drilling rigs and offshore support vessels is weak, but expect to improve.

Despite some short term negative market drivers, Wrist continues investing in strategic projects like global business system development and roll-out, facility upgrades and expansion in key hubs or new locations, and will underpin Wrist's strong market position and the strength of its business model. The continued focus on developing a robust and scalable logistics and digital infrastructure – supported by financial resources, a global presence, agility and the high quality of its products and services – remains the mainstay of the business.

Overall, Wrist anticipates organic growth in sales, benefitting from the Group's strong market position and constant enhancements of its business model. For 2018, Wrist expects total sales to grow to around DKK 4.2bn and an increase in the operating profit (EBITDA) around 10%. This outlook assumes foreign exchange rates at the current levels.

STATEMENTS

STATEMENT BY MANAGEMENT

The Board of Directors and the Executive Board have today considered and approved the annual report of Wrist Ship Supply Holding A/S for the financial year 1 January - 31 December 2017.

The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and disclosure requirements of 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 December 2017 and of the results of their operations and cash flows for the financial year 1 January - 31 December 2017.

In our opinion, the management commentary contains a fair review of the development of the Group's and the Parent's business and financial matters, the results for the year and of the Parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the Parent face.

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

Noerresundby, 14 March 2018

Executive Board

Robert Steen Kledal
CEO

Anders Skipper
Executive Vice President, CFO

Søren Juul Jørgensen
Executive Vice President, CCO

Board of Directors

Søren Dan Johansen
Chairman

Tom Sten Behrens-Sørensen

Kurt Kokhauge Larsen

Håkan Petter Samlin

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Wrist Ship Supply Holding A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Wrist Ship Supply Holding A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 31.12.2017, and of the results of their operations and cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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.

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.

Management's responsibilities for the consolidated financial statements and the 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 International Financial Reporting Standards as adopted by the EU and additional requirements of 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 Parent'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 responsibilities for 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these 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.

Noerresundby, 14 March 2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Erik Lynge Skovgaard Jensen

State-Authorised Public Accountant

MNE-no. mne10089

Rasmus Brodd Johnsen

State-Authorised Public Accountant

MNE-no. mne33217

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENTS

	<u>Note</u>	<u>2017</u> <u>DKK'000</u>	<u>2016</u> <u>DKK'000</u>
Net Sales	2	4,101,471	4,066,729
Cost of sales		-3,101,268	-3,095,911
Gross profit		1,000,203	970,818
Other external expenses	3	-294,172	-280,022
Staff costs	4	-492,446	-485,640
Other operating income		331	181
Other operating expenses		0	0
Depreciation and amortisation	5	-59,682	-55,971
Operating profit before interest and tax (EBIT)		154,234	149,366
Financial income	6	12,578	1,843
Financial expenses	7	-64,737	-79,456
Profit before tax (EBT)		102,075	71,753
Income tax	8	-23,206	-15,995
Net profit for the year		78,869	55,758
Attributable to:			
Shareholders of Wrist Ship Supply Holding A/S		78,794	55,672
Non-controlling interests		75	86

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<u>Note</u>	<u>2017</u> <u>DKK'000</u>	<u>2016</u> <u>DKK'000</u>
Net profit for the year	78,869	55,758
Other comprehensive income		
Items that can be reclassified to the income statement when certain conditions are met:		
Exchange differences, foreign entities	-39,102	-39,370
Fair value adjustment for the year relating to hedging instruments	834	2,867
Tax relating to hedging instruments	-184	-631
Total comprehensive income	<u>40,417</u>	<u>18,624</u>
Attributable to:		
Shareholders of Wrist Ship Supply Holding A/S	40,342	18,538
Non-controlling interests	75	86
	<u>40,417</u>	<u>18,624</u>

CONSOLIDATED CASH FLOW STATEMENTS

	Note	2017 DKK'000	2016 DKK'000
Profit before tax (EBT)		102,075	71,753
Amortisation and depreciation		59,682	55,971
Working capital changes	18	-53,165	245
Adjustments for non-cash items	19	48,890	71,699
Cash flow from ordinary operating activities		157,483	199,668
Financial income		12,578	1,843
Financial expenses		-102,121	-48,324
Income taxes refunded/paid		-16,156	-20,391
Cash flow from operating activities (CFO)		51,784	132,796
Acquisition etc. of intangible assets		-18,036	-14,882
Acquisition etc. of property, plant and equipment		-24,538	-34,396
Sale of property, plant and equipment		1,262	1,953
Acquisition of enterprises		0	-261,017
Cash flow from investing activities (CFFI)		-41,312	-308,343
Loans raised		19,868	220,716
Instalments on loans etc		-12,828	-145,935
Purchase/Sale of own shares		-1,462	0
Increase of capital		0	4,799
Proceeds from issue of preference shares		121,475	0
Other cash flows from financing activities		1,654	1,086
Cash flows from financing activities	20	128,707	80,666
Cash flow for the year		139,179	-94,881
Cash and cash equivalents at 1 January		94,529	185,910
Currency translation adjustments of cash and cash equivalents		-4,342	3,500
Cash and cash equivalents at 31 December		229,366	94,529

The cash flow statement cannot be derived from the published financial information only.

CONSOLIDATED BALANCE SHEETS, ASSETS

	<u>Note</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Goodwill		1,164,794	1,207,660
Software		50,420	38,228
Other intangible assets		30,257	45,526
Intangible assets in development		9,287	15,110
Intangible assets	9	1,254,758	1,306,524
Land and buildings		63,341	69,809
Fixtures and fittings, tools and equipment		61,902	77,645
Leasehold improvements		24,997	19,394
Ships		21,879	24,075
Prepayments for property, plant and equipment		546	2,825
Property, plant and equipment	10	172,665	193,748
Deferred tax assets	13	16,202	11,615
Other non-current assets		16,202	11,615
Total non-current assets		1,443,625	1,511,887
Inventories		233,962	238,384
Trade receivables	15	651,762	680,171
Receivables from group enterprises		39,249	15,528
Income tax receivable		14,231	12,148
Other receivables		76,097	78,734
Prepayments		9,326	9,569
Receivables		790,665	796,150
Cash and cash equivalents		229,366	94,529
Total current assets		1,253,993	1,129,063
Total assets		2,697,618	2,640,950

CONSOLIDATED BALANCE SHEETS, EQUITY AND LIABILITIES

	Note	2017 DKK'000	2016 DKK'000
Share capital		17,300	17,050
Foreign currency translation reserve		-40,396	-1,294
Hedging reserves		281	-369
Retained earnings	25	1,153,911	955,354
Shareholders' share of equity		1,131,096	970,741
Non-controlling interests		249	174
Shareholders' equity		1,131,345	970,915
Deferred tax	13	14,799	13,306
Provisions	15	11,656	9,278
Accrual for straight line lease expense		16,342	15,830
Debt to mortgage credit institutions	16	2,577	2,841
Debt to credit institutions	16	703,712	739,268
Leasing debt	16	28,320	30,151
Total non-current liabilities		777,406	810,674
Instalment of non-current debt next year	16	115,461	110,462
Provisions	15	99	137
Accrual for straight line lease expense		7	52
Trade creditors		505,803	506,975
Debt to group enterprises		1,100	429
Corporate tax		20,721	8,116
Other payables	17	144,336	184,485
Deferred income		1,340	48,705
Total current liabilities		788,867	859,361
Total liabilities		1,566,273	1,670,035
Total equity and liabilities		2,697,618	2,640,950

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

DKK'000	Share capital	Retained earnings	Foreign currency translation adjustment	Hedging reserves	Wrist Ship Supply Holding's share	Non-controlling interests	Total
Shareholders' equity at 1 January 2017	17,050	955,354	-1,294	-369	970,741	174	970,915
Net profit for the year	0	78,794	0	0	78,794	75	78,869
Exchange differences, foreign entities	0	0	-39,102	0	-39,102	0	-39,102
Fair value adjustment for the year relating to hedging instruments	0	0	0	834	834	0	834
Tax relating to hedging instruments	0	0	0	-184	-184	0	-184
Total comprehensive income	0	78,794	-39,102	650	40,342	75	40,417
Treasury shares	0	-1,462	0	0	-1,462	0	-1,462
Issue of convertible non-participating preference shares	250	121,225	0	0	121,475	0	121,475
Shareholders' equity at 31 December 2017	17,300	1,153,911	-40,396	281	1,131,096	249	1,131,345
Shareholders' equity at 1 January 2016	16,501	895,432	38,076	-2,605	947,404	88	947,492
Net profit for the year	0	55,672	0	0	55,672	86	55,758
Exchange differences, foreign entities	0	0	-39,370	0	-39,370	0	-39,370
Fair value adjustment for the year relating to hedging instruments	0	0	0	2,867	2,867	0	2,867
Tax relating to hedging instruments	0	0	0	-631	-631	0	-631
Total comprehensive income	0	55,672	-39,370	2,236	18,538	86	18,624
Increase of capital	549	4,250	0	0	4,799	0	4,799
Shareholders' equity at 31 December 2016	17,050	955,354	-1,294	-369	970,741	174	970,915

Treasury shares at 1 January were 131 and in 2017 Wrist Ship Supply Holding A/S has repurchased 43 and sold 23. Treasury shares at 31 December 2017 are 151.

Number of shares is 17,300 with the nominal value of DKK 1,000.

No dividend was declared in 2017 or 2016.

NOTES TO THE CONSOLIDATED STATEMENTS

1 Critical accounting policies

1.1 Application of new and revised International Financial Reporting Standards (IFRSs)

Amendments to IFRSs that are mandatorily effective for the current year

New and revised standards and interpretations that are mandatorily effective as per 1 January 2016 have been implemented. The application of these standards and interpretations has not resulted in any impact on the financial performance or financial position of the Group.

New and revised IFRSs in issue but not yet effective

At the time of publication of the 2016 consolidated financial statements of Wrist Ship Supply Holding A/S, there are a number of new or changed standards and interpretations which have not yet come into effect and which therefore have not been incorporated into the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

Wrist Ship Supply Group will implement IFRS 15 in the financial year 2018, using the more gentle transition requirements with no adjustments of comparative figures, and where the effect is included in the retained earnings per 1 January 2018.

The Group recognises revenue from the following major sources:

- Sale of goods directly to ships and offshore facilities
- Sale of goods through "Provision Management Service"

Wrist Ship Supply Group have analysed the effects of IFRS 15, and the analysis indicates that there is no material effects of IFRS 15.

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. IFRS 9 supersedes the current IAS 39 *Financial Instruments: Recognition and Measurement* and the related interpretations when it becomes effective.

Wrist Ship Supply Group will implement IFRS 9 in the financial year 2018, using the more gentle transition requirements with no adjustments of comparative figures.

Wrist Ship Supply Group have analysed the effects of IFRS 9, and the analysis shows no material effects in the provisions for bad debts, which will be based on expected losses and not incurred

losses. The extent of hedging is currently at a minimum. IFRS 9 is not showing any changes the classification of financial assets.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective.

Wrist Ship Supply Group has not yet begun analysing the possible effect of IFRS 16. The new IFRS is applicable for financial year 2019, but the analysis will include considerations regarding early adoption. As Wrist Ship Supply Group has significant operating lease commitments, IFRS 16 is expected to increase non-current assets (right-of-use assets) as well as lease liabilities, and will also impact the income statement, cash flow statement and equity to some degree.

The directors are to begin the assessment of the impact of IFRS 16 during 2018.

Other new or revised IFRS

Other new or revised IFRSs in issue but not yet effective are not expected to have any material impact on future consolidated financial statements.

1.2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 26, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The key assumptions used in the impairments tests of goodwill are disclosed in note 11.

Revenue recognition

Revenue for the sale of goods is recognised in accordance with IAS 18, when Wrist Ship Supply Group has transferred to the customer the significant risks and rewards of ownership of the goods. As part of the Group's activities, Wrist offers a "Provision Management Service", where the global supply costs are settled through a fixed monthly invoice based on a victualling rate per

man per day. However, Wrist has transferred all significant risks and rewards related to the goods upon delivery alongside the ships, including any risk of physical damage to the goods, and do not have any continuing managerial involvement in the goods. Because of the possible disconnection between the timing of the delivery of the goods, the actual consumption of the goods by the ship and the invoicing of the victualling rate, there are some uncertainties as to the actual amount of consideration that will be received for the goods delivered. However, the uncertainty is not significant enough to warrant postponement of the recognition of the revenue. Thus, management expects that the consideration will in all cases cover Wrist's costs related to the goods delivered as a minimum. Therefore, revenue related to the unconsumed and not invoiced part of goods delivered is recognised at an amount that equals cost and included as a contract asset as part of the trade receivables.

	2017	2016
	DKK'000	DKK'000
2 Net Sales		
Europe	2,320,070	2,151,434
North America	815,836	1,056,952
Asia	460,708	423,389
Middle East and Africa	367,861	350,207
Other regions	136,996	84,747
	4,101,471	4,066,729

Hereof sales of services	64,164	50,363
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The Group is not listed or in the process of becoming listed, and no segment information is disclosed according to IFRS. Revenue is split between geographical regions. This information does not amount to segment information to IFRS.

3 Fees to auditors appointed at the annual general meeting

Statutory audit	2,538	2,655
Other engagement services	55	0
Tax and VAT services	315	352
Other services	477	908
Fees to auditors	3,385	3,915
Statutory audit (other auditors)	366	386
Other engagement services (other auditors)	671	35
Tax and VAT services (other auditors)	59	44
Other services (other auditors)	8	90
Other fees	1,104	555
	4,489	4,470

	2017	2016
	DKK'000	DKK'000
4 Staff costs		
Wages and salaries	416,012	413,132
Pension costs	23,106	21,872
Other social security costs	20,835	18,931
Other staff costs	32,493	31,705
	492,446	485,640
Global		
Average number of full-time employees 31 December	1,279	1,183
Number of full-time employees per 31 December	1,264	1,249
Denmark		
Average number of full-time employees 31 December	258	249
Number of full-time employees per 31 December	262	250

4 Staff costs continuing

DKK'000	Board of Directors	Executive Board	Other top manage- ment	Total
Remuneration	414	0	0	414
Salary	0	8,303	10,229	18,532
Bonus	0	3,269	1,881	5,150
Pension, company contributions	0	120	247	367
Benefits (car, housing, phone etc.)	0	3,593	1,766	5,359
Cost at 31 December 2017	414	15,285	14,123	29,822
Remuneration	360	0	0	360
Salary	0	7,217	8,230	15,447
Bonus	0	5,926	1,591	7,517
Pension, company contributions	0	76	645	721
Benefits (car, housing, phone etc.)	0	1,272	1,293	2,565
Cost at 31 December 2016	360	14,491	11,759	26,610

The Executive Board and a number of members of other top management in both the parent company and in the Group are comprised by special bonus arrangements based on individual performance targets. For the Executive Board the bonus payments are maximized at 75% - 130% of the individual basic salary, and for other top management these vary between 10% to 60% of the individual basic salary. The bonus arrangements are unchanged compared to previous year.

Certain employees and members of management have in March 2012, January 2014 and May 2015 acquired warrants and shares in the parent Wrist Ship Supply Holding A/S at the fair value of the warrants and shares at the date of acquisition. The warrants and shares are fully vested. The warrants outstanding at 31 December 2017 are exercisable in the period of 28 January to 28 February 2018 or at the time Wrist Ship Supply Holding A/S is sold or becomes listed. However, exercise also requires that certain thresholds for increase in the fair value of the shares in Wrist Ship Supply Holding A/S are achieved.

4 Staff costs continuing

As the warrants and shares are purchased by the employees at their fair value, and are equity instruments in the parent company Wrist Ship Supply Holding A/S, no amounts related to the warrants or shares are recognized in the Wrist Ship Supply A/S Group.

Number of outstanding warrants	Warrants	Excercise prices
1 January 2016	1,680	8,700 - 64,808
Exercised	-549	
31 December 2016	1,131	41,169 - 64,808
Issued during the period	69	
31 December 2017	1,200	64,808

	2017	2016
	DKK'000	DKK'000
5 Depreciation and amortisation		
Amortisation of intangible assets	21,628	17,111
Depreciation of property, plant and equipment	38,054	38,860
	59,682	55,971
6 Financial income		
Financial income arising from Group enterprises	624	139
Interest income	4,606	667
Exchange rate adjustments	6,467	0
Other financial income	881	1,037
	12,578	1,843
7 Financial expenses		
Interest expenses	48,457	44,565
Exchange rate adjustments	0	17,032
Financial leasing	2,563	2,864
Other financial expenses	13,717	14,995
	64,737	79,456

	2017	2016
	DKK'000	DKK'000
8 Income tax		
Current tax		
Current tax on profit for the year	23,972	14,978
Adjustment in respect of prior years	2,204	869
Total current tax	<u>26,176</u>	<u>15,847</u>
Deferred tax		
Adjustment of deferred tax asset/liability	246	4,453
Adjustment of deferred tax asset/liability in respect of prior years	-3,216	-4,305
Total deferred tax	<u>-2,970</u>	<u>148</u>
Total income tax	<u>23,206</u>	<u>15,995</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profit of the consolidated entities as follows:

Earnings before tax	102,075	71,753
Calculated tax at Danish statutory rate of 22%	22,457	15,786
Effect of difference in tax rate in foreign subsidiaries	-1,347	2,013
Adjustment in respect of prior years	-1,012	-3,436
Effect from change in local tax rate	4,066	0
Income/expenses not subject to tax	-958	1,632
Tax charge	<u>23,206</u>	<u>15,995</u>

The changes in local tax rate is primary related to North America.

	Software DKK'000	Goodwill DKK'000	Other intangible assets	Intangible assets in development DKK'000	Total DKK'000
9 Intangible assets					
Cost at 1 January 2017	83,412	1,207,660	55,747	15,110	1,361,929
Exchange rate adjustments	-542	-42,866	-6,680	0	-50,088
Additions	8,542	0	0	9,288	17,830
Transfer to software	15,111	0	0	-15,111	0
Total cost at 31 December 2017	106,523	1,164,794	49,067	9,287	1,329,671
Amortisation at 1 January 2017	45,184	0	10,221	0	55,405
Exchange rate adjustments	-68	0	-1,846	0	-1,914
Amortisation for the year	11,193	0	10,435	0	21,628
Reclassifications	-206	0	0	0	-206
Total amortisation at 31 December 2017	56,103	0	18,810	0	74,913
Carrying amount at 31 December 2017	50,420	1,164,794	30,257	9,287	1,254,758
Cost at 1 January 2016	70,793	969,421	0	11,732	1,051,946
Exchange rate adjustments	1,347	-46,294	1,271	0	-43,676
Additions	4,515	0	0	10,135	14,650
Additions from acquisitions	0	284,533	54,476	0	339,009
Disposals	6,757	0	0	-6,757	0
Total cost at 31 December 2016	83,412	1,207,660	55,747	15,110	1,361,929
Amortisation at 1 January 2016	37,762	0	0	0	37,762
Exchange rate adjustments	147	0	385	0	532
Amortisation for the year	7,275	0	9,836	0	17,111
Total amortisation at 31 December 2016	45,184	0	10,221	0	55,405
Carrying amount at 31 December 2016	38,228	1,207,660	45,526	15,110	1,306,524

	Land and buildings DKK'000	Fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000	Ships DKK'000	Prepayments for property, plant and equipment DKK'000	Total DKK'000
10 Property, plant and equipment						
Cost at 1 January 2017	103,023	221,669	40,302	35,312	2,825	403,131
Exchange rate adjustments	-2,523	-11,332	-2,585	0	-8	-16,448
Additions	1,438	12,321	11,060	44	553	25,416
Disposals	0	-12,413	-2,006	0	0	-14,419
Reclassifications	0	-1,691	911	0	-2,824	-3,604
Total cost as at 31 December 2017	101,938	208,554	47,682	35,356	546	394,076
Depreciation at 1 January 2017	33,214	144,024	20,908	11,237	0	209,383
Exchange rate adjustments	-991	-7,055	-1,550	0	0	-9,596
Depreciation for the year	6,374	24,363	5,077	2,240	0	38,054
Reversal regarding disposals	0	-11,076	-1,750	0	0	-12,826
Reclassifications	0	-3,604	0	0	0	-3,604
Depreciation at 31 December 2017	38,597	146,652	22,685	13,477	0	221,411
Carrying amount at 31 December 2017	63,341	61,902	24,997	21,879	546	172,665
Hereof financial leasing	28,366	919				
Cost at 1 January 2016	101,608	213,298	36,247	34,296	0	385,449
Exchange rate adjustments	523	-7,295	700	0	-3	-6,075
Additions	892	26,033	3,597	1,046	2,828	34,396
Additions from acquisitions	0	5,226	1,979	0	0	7,205
Disposals	0	-15,593	-2,221	-30	0	-17,844
Total cost at 31 December 2016	103,023	221,669	40,302	35,312	2,825	403,131
Depreciation at 1 January 2016	26,575	132,636	17,355	9,067	0	181,683
Exchange rate adjustments	122	-4,618	429	0	0	-4,067
Depreciation for the year	6,517	25,938	4,221	2,184	0	38,860
Additions from acquisitions	0	3,566	1,103	0	0	4,669
Reversal regarding disposals	0	-13,497	-2,200	-14	0	-15,711
Total depreciation at 31 December 2016	33,214	144,024	20,908	11,237	0	209,383
Carrying amount at 31 December 2016	69,809	77,645	19,394	24,075	2,825	193,748
Hereof financial leasing	28,151	253				

11 Impairment test

Goodwill

Besides goodwill there are no intangible assets with indefinite useful lives. Based on management view of the Group, only one CGU is identified covering the entire Wrist Ship Supply Group. At 31 December 2017, the consolidated goodwill is booked at DKK 1,165m (2016: 1,208m), which is allocated to the CGU of Wrist Ship Supply Group. Wrist Ship Supply Holding Group performed impairment test of the carrying amount of goodwill at 31 December 2017 based on value in use. Impairment testing is performed in Q4 each year, based on the budgets or business plans approved by the Board of Directors.

The impairment test for the cash-generating unit compares the recoverable amount, equivalent to the present value of the expected future free cash flow, with the carrying amount of the individual cash-generating unit. The expected future free cash flow is based on budgets and projections for subsequent years. Key parameters include net sales, gross profit margin, EBIT margin and future capital expenditure, and general growth expectations for the years after 2021.

Budgets and projections for the 2018-2021 period are based on business plans and external market surveys, assessing risks associated with key parameters and incorporating these in expected future free cash flows. The value for the period after 2021 takes in account the general growth expectations of the ship supply and offshore industries.

Growth rates are not expected to exceed the average long-term growth rate in the Group's market for supplying provisions to the global ship fleet, so a growth rate of 1% is used in the terminal period.

The discount rates used to calculate the recoverable amounts are after tax, and reflect the risk-free interest plus specific risks associated with the individual geographic segments. The discount rate used for Wrist Ship Supply Group is 8.4% and before tax 8.9% before tax (2016: 8.3% and 8.8% before tax).

Key assumptions from the impairment testing of goodwill are as follows:

	Increase in EBIT from 2017 until terminal period	Increase of Net Working Capital from 2017 until terminal period
2017		
Wrist Ship Supply Group	9%	9%
2016		
Wrist Ship Supply Group	11%	11%

The impairment tests performed at 31 December 2017 for Wrist Ship Supply Group indicate significantly higher capital values of the assets compared to the carrying amounts, and the impairment tests are therefore not sensitive to changes in the significant conditions and factor.

12 Subsidiaries

Company name	Registered office in	City	Ownership share %
Wrist Ship Supply A/S	Denmark	Noerresundby	100
Wrist Far East (Singapore) Pte. Ltd.	Singapore	Singapore	100
Wrist Far East (Malaysia) SDN BHD	Malaysia	Jahor Bahru	100
Wrist Middle East (U.A.E.) LLC	Dubai, U.A.E.	Dubai	49 *
H.S. Hansen A/S	Denmark	Nørresundby	100
Danish Supply Corporation A/S	Denmark	Esbjerg	100
Saga Shipping A/S	Denmark	Skagen	100
Aalborg Trosseføring ApS	Denmark	Skagen	70
Gasværksvej Aalborg A/S	Denmark	Nørresundby	100
Skagen Lodseri A/S	Denmark	Skagen	100
SkawPilot ApS	Denmark	Skagen	100
Wrist Africa Tanger SARL	Marocco	Tanger	100
J.A. Arocha S.L.	Spain	Las Palmas	100
Wrist Ship Supply Spain S.L.	Spain	Algeciras	100
Wrist Europe (Gibraltar) Ltd.	Gibraltar	Gibraltar	100
Wrist Europe (Marseille) SAS	France	Marseille	100
Wrist Europe (Norway) AS	Norway	Haugesund	100
Wrist-Kooyman Ship Supply B.V.	Netherlands	Rotterdam	100
Wrist Holding UK Ltd.	United Kingdom	London	100
Strachans Ltd.	United Kingdom	Peterhead	100
Wrist North America Inc.	USA	Pasadena	100
Marwest dba West Coast LLC	USA	Oakland	100
East Coast Ship Supply LLC	USA	New Jersey	100
Wrist USA (Houston) Inc	USA	Pasadena	100
World Delivery Enterprises LLC	USA	Pasadena	100
Karlo Corporation Supply & Services	Canada	Montreal	100
Wrist Hong Kong Trading Company Ltd.	Hong Kong	Hong Kong	100
Wrist Shenzhen Trading Company Ltd.	China	Shenzhen	100
North Sea Stores Ltd.	United Kingdom	Aberdeen	100
Den Helder Stores B.V.	Netherlands	Den Helder	100
Wrist Holding NL B.V.	Netherlands	Rotterdam	100
Wrist Ship Supply Germany GmbH	Germany	Hamburg	100
Garrets Holding Limited	United Kingdom	Romford	100
Garrets Bidco 2 Limited	United Kingdom	Romford	100
Garrets Bidco Limited	United Kingdom	Romford	100
Garrets International Limited	United Kingdom	Romford	100
Garrets International Singapore Pte. Limited	United Kingdom	Romford	100

* Wrist Middle East (UAE) LLC is controlled by Wrist Ship Supply A/S according to shareholders agreement.

13 Deferred tax assets and deferred tax liabilities

2017 DKK'000	Deferred tax, intangible assets	Deferred tax, tangible assets	Deferred tax, financial non- current assets	Deferred tax, current assets	Deferred tax, provisions	Deferred tax, taxable losses prior years	Deferred tax, long term liabilities	Deferred tax, short term liabilities	Total deferred tax
Deferred tax beginning of year	16,735	1,214	-523	-19,580	-7,547	-1,215	12,598	9	1,691
Charge to the income statement	1,192	-98	-6,799	-6,634	6,506	-365	1,317	264	-4,617
Change in tax rate	0	0	6,777	2,153	0	0	-3,893	-174	4,863
Adjustments to previous years (through the income statement)	102	-482	-3,002	-429	0	270	70	255	-3,216
Exchange rate adjustments	-1,106	-71	1,788	191	805	-287	-1,436	-8	-124
Other adjustments	0	0	1,759	18,161	-3,597	964	-16,578	-709	0
Deferred tax end of year	16,923	563	0	-6,138	-3,833	-633	-7,922	-363	-1,403

Deferred tax is presented in the balance sheet as follows:

Deferred tax asset	16,202
Deferred tax liability	14,799
Deferred tax asset year end net	1,403

The Group expects to utilize the deferred tax assets as the Group entities general have a positive taxable income.

2016 DKK'000	Deferred tax, intangible assets	Deferred tax, tangible assets	Deferred tax, financial non- current assets	Deferred tax, current assets	Deferred tax, provisions	Deferred tax, taxable losses prior years	Deferred tax, long term liabilities	Deferred tax, short term liabilities	Total deferred tax
Deferred tax beginning of year	7,446	911	0	-25,342	-5,103	2,752	9,246	480	-9,609
Charge to the income statement	-1,356	246	-523	5,445	-2,259	-3,967	3,082	-520	148
Change from acquisitions	10,594	0	0	0	0	0	0	0	10,594
Exchange rate adjustments	-2	-34	0	317	-178	0	278	15	396
Other adjustments	53	91	0	0	-7	0	-8	33	162
Deferred tax end of year	16,735	1,214	-523	-19,580	-7,547	-1,215	12,598	8	1,691

Deferred tax is presented in the balance sheet as follows:

Deferred tax asset	11,615
Deferred tax liability	13,306
Deferred tax asset year end net	-1,691

The Group expects to utilize the deferred tax assets as the Group entities general have a positive taxable income.

	2017	2016
	DKK'000	DKK'000
14 Trade receivables		
Trade receivables	603,112	651,676
Contract assets	65,044	46,915
Provisions for impairment of trade receivables	-16,394	-18,420
	651,762	680,171
Impairment losses at 1 January	-18,420	-20,546
Exchange rate adjustments	41	2,022
Impairment losses in the year	-600	-642
Realised in the year	2,585	746
Impairment losses at 31 December	-16,394	-18,420

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

Overdue trade receivables not written down are broken down as follows:

Overdue 1-30 days	134,149	117,548
Overdue 31-60 days	48,261	53,124
Overdue 61-90 days	25,910	26,094
Over 90 days	44,014	35,875
	252,334	232,641

Included in the provision for impairment of trade receivables are individually impaired trade receivables amounting to DKK 8,864 (31 December 2016: DKK 9,932).

15 Provisions

DKK'000	Provisions for pension and pension like liabilities	Provisions for restoration liabilities	Provisions for dismantling liabilities	Total provisions
Provisions at 1 January 2017	1,260	4,532	3,623	9,415
Increase	36	2,455	196	2,687
Discounting interests	0	197	82	279
Decrease	-198	0	0	-198
Exchange rate adjustments	-1	-193	-234	-428
Provisions at 31 December 2017	1,097	6,991	3,667	11,755
Non-current provisions	1,097	6,912	3,647	11,656
Current provisions	0	79	20	99
Provisions at 1 January 2016	1,253	3,460	2,979	7,692
Additions from acquisitions	0	495	0	495
Increase	43	364	560	967
Discounting interests	0	198	72	270
Decrease	-35	0	0	-35
Exchange rate adjustments	-1	15	12	26
Provisions at 31 December 2016	1,260	4,532	3,623	9,415
Non-current provisions	1,260	4,532	3,486	9,278
Current provisions	0	0	137	137

Provisions for restoration liabilities are where the Group has an obligation to restore rented facilities upon vacating such facilities.

Provisions for dismantling liabilities are where the Group is obligated to dismantle assets placed in rented facilities.

Provisions for pension and pension-like liabilities are where the Group is obligated to pay anniversary bonuses etc.

16 Total non-current liabilities

	Payments due 1 year DKK'000	Payments due between 1-5 years DKK'000	Outstand- ing after 5 years DKK'000
2017			
Debt to mortgage credit institutions	160	1,045	1,532
Leasing debt	1,378	28,320	0
Debt to credit institutions	112,965	703,712	0
Other debt	958	0	0
	115,461	733,077	1,532
2016			
Debt to mortgage credit institutions	159	1,033	1,808
Leasing debt	1,773	30,151	0
Debt to credit institutions	98,805	739,268	0
Other debt	9,725	0	0
	110,462	770,452	1,808

	2017	2016
	DKK'000	DKK'000
18 Change in working capital		
Increase/decrease in inventories	-10,785	-22,536
Increase/decrease in receivables	51,602	123,576
Increase/decrease in trade payables etc.	-93,981	-100,795
	-53,164	245
19 Adjustments for non-cash items		
Financial income and expenses	45,213	69,288
Gains/losses from sale of non-current assets	331	181
Change in provisions	3,346	2,229
	48,890	71,698

20 Reconciliation of liabilities arising from financing activities

DKK'000	Long-term borrowings	Short-term borrowings	Lease liabilities	Equity	Total liabilities from financing activities
1 January 2017	742,109	108,689	31,924	0	882,722
Cash flows	19,868	-8,948	-2,226	120,013	128,707
Foreign exchange movement	-36,122	-5,224	0	0	-41,346
Reclassifications	-19,566	19,566	0	0	0
31 December 2017	706,289	114,083	29,698	120,013	970,083

21 Mortgages and collateral

Land and buildings have been used to secure mortgage loans totalling DKK 2,737k. The book value is DKK 6,241k as at 31 December 2017.

Joint taxation arrangement

The company is party to a mandatory Danish joint taxation arrangement with Wrist Adm ApS serving as the administration company. The joint taxation arrangement complies with general Danish tax legislation and has included other Danish sister companies due to common ultimate ownership. The company is from 1 July 2012 partial joint and secondary liability for obligations, if any, relating to withholding of tax on interest, royalties and dividend for the jointly taxed companies. However, secondary liability cannot exceed an amount equivalent to the share of capital of the company which is owned directly or indirectly by the ultimate parent. Tax liabilities concerning sister companies previously included in the joint tax arrangement and for which the company may be jointly liable as described above are covered by an indemnification agreement with W.S.S. Holding A/S.

22 Lease commitments

Financial lease commitments

2017	Payments	Payments	Outstand-
	due 1 year	due between 1-5 years	ing after 5 years
	DKK'000	DKK'000	DKK'000
Minimum lease payments	3,550	30,324	0
Present value of minimum lease payments	3,283	25,446	0

The Group is obligated to purchase Gasværksvej 46-48, Denmark in 2020 for DKK 25m.

Tenants have rental commitments vis-à-vis Wrist Ship Supply A/S in period of notice DKK 5,208k.

The rental income for the year is DKK 3,605m which is included in Other external expenses.

2016	Payments	Payments	Outstand-
	due 1 year	due between 1-5 years	ing after 5 years
	DKK'000	DKK'000	DKK'000
Minimum lease payments	3,550	35,649	0
Present value of minimum lease payments	3,283	26,746	0

The Group is obligated to purchase Gasværksvej 46-48, Denmark in 2020 for DKK 25m.

Tenants have rental commitments vis-à-vis Wrist Ship Supply A/S in period of notice DKK 6,714k.

The rental income for the year is DKK 3,441m which is included in Other external expenses.

22 Lease commitments

Operational leasing commitments

Operating leases related to leases of building and equipment with lease terms between 5 and 10 years. The Group does not have an option to purchase the leased building or equipment at the end of the lease terms.

2017	Payments	Payments	Outstand-
	due 1 year	due between 1-5 years	ing after 5 years
	DKK'000	DKK'000	DKK'000
Minimum lease payments	50,743	155,764	68,538
Present value of minimum lease payments	47,343	122,567	43,697

Tenants have rental commitments vis-à-vis Wrist Ship Supply A/S in period of notice DKK 4,634k.

The rental income for the year is DKK 3,441m which is included in Other external expenses.

2016	Payments	Payments	Outstand-
	due 1 year	due between 1-5 years	ing after 5 years
	DKK'000	DKK'000	DKK'000
Minimum lease payments	51,922	168,502	94,129
Present value of minimum lease payments	48,538	133,481	58,823
		2017	2016
		DKK'000	DKK'000
Minimum lease payments in the profit for the year		53,504	49,763

Tenants have rental commitments vis-à-vis Wrist Ship Supply A/S in period of notice DKK 9,575k.

The rental income for the year is DKK 2,003m which is included in Other external expenses.

23 Related parties and group relations

Related parties of the company are W.S.S. Holding A/S, O.W. Lux SARL and their subsidiaries.

Altor Fund II GP Limited, Jersey is the ultimate controlling party and controls W.S.S. Holding A/S, which is the upper Danish holding company of the Group.

Transactions with parent entities.

	2017	2016
	DKK'000	DKK'000
Financial items, net	624	139
Financial receivables	36,374	11,695
Exercised warrents	0	4,799

All transactions were made on terms equivalent to arm's length principles.

24 Financial risks and financial instruments

Financial risk factors refer to fluctuations in the Group's results, cash flows and financial position due to changes in financial exposure. The overall objective of risk monitoring and control is to provide cost-effective financing and to minimise potential adverse impacts from market fluctuations.

Exchange rate risk

The Group's business activities are predominantly based in USD, GBP, SGD and EUR, and many credit facilities are denominated in DKK, USD and GBP (currencies listed according to the size of aggregated amounts). In order to reduce the exchange rate risk, Wrist aims to match costs and revenues, as well as assets and liabilities, through representation in the countries in which Wrist operates, and transacting in the functional currencies of the various business units. Therefore, most of the business has no or very limited transaction-related exchange rate exposure. Significant investments in foreign entities are financed in the investment currency. Consequently, material currency exposure for the Group is limited to translation risks related to foreign subsidiaries, and the loans taken out to finance these investments.

The Group is mainly exposed to the currencies USD and GBP.

The following table details the Group's sensitivity to a 10% increase in USD and GBP. The sensitivity analysis includes investments in relevant subsidiaries and external debt, where the debt is denominated in the relevant currency. A positive number indicates an increase in profit/(loss) or equity where the currency strengthens 10% against DKK at the balance sheet date. A 10% weakening of the currency would have a comparable but opposite impact on profit/(loss) and equity.

	USD impact		GBP impact	
	2017	2016	2017	2016
Impact on profit/(loss) from translation of debt and investments in subsidiaries	-6,005	-7,033	1,620	-725
Impact on equity from translation of debt and investments in subsidiaries	891	1,048	39,266	39,497

Interest rate risk

The interest rates of credit facilities are variable. Wrist uses derivative contracts to hedge the interest rate risks, and currently the company has chosen to hedge approx. 2/3 of such risks for a period of 15 months. Under the interest rate derivative contracts, the Group agrees to exchange the difference between fixed and floating-rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable-rate debt.

24 Financial risks and financial instruments continuing

Derivative financial instruments hedging future cash flow

Currency and DKK			2017	2016
	Currency	DKK'000	Book value	Book value
Loan USD, expiring March 2017	20,000	141,056	0	-4
Loan DKK, expiring March 2017	113,333	113,333	0	-332
Loan DKK, expiring March 2017	100,000	100,000	0	-292
Loan GBP, expiring March 2017	3,909	33,943	0	-78
Loan GBP, expiring March 2017	4,000	41,118	0	-98
Loan USD, expiring March 2019	11,162	69,290	602	728
Loan DKK, expiring March 2019	113,333	113,333	-717	-764
Loan DKK, expiring March 2019	100,000	100,000	-633	-674
Loan GBP, expiring March 2019	2,182	18,310	-29	-117
Loan GBP, expiring March 2019	4,000	33,565	-65	-208
Loan USD, expiring March 2019	15,960	99,075	1,179	1,342
Total hedge account measured at fair value recognised in equity			337	-497

Fair value adjustments on hedging instruments recognised in other comprehensive income in 2017 amounts to DKK 834k (2016: DKK 2,867k).

Interest rate sensitivity analysis:

If interest rates had been 100 basis points higher and all other variables constant, the Group's profit for the year ended 31 December 2017 would decrease by DKK 6m (2016: decrease by DKK 8m) due to the Group's exposure to interest rates on variable-rate borrowings, partly offset by a change in the fair value of interest rate derivative contracts.

The sensitivity analysis was based on the Group's exposure to floating-rate liabilities and derivatives at the end of the reporting period. For floating-rate liabilities, the analysis is based on the assumption that the amount of liability outstanding at the end of the reporting period was outstanding for the whole year.

Liquidity risk

Wrist has entered into a long-term committed financing agreement with credit facilities enabling both the current operations and planned expansion. Treasury management is centralised and ensures that sufficient financial resources are available to meet planned requirements. This is done by ensuring that the cash flow on a monthly basis matches the planned cash needs. The entities in the Wrist Ship Supply Holding Group have a positive cash flow on a monthly basis. Wrist is in a sound financial position with significant positive cash flows from operating activities and adequate cash reserves.

24 Financial risks and financial instruments continuing

Credit risk

Credit risk mainly relates to trade debtors, other receivables and cash at banks. The aggregate amounts recognised under these items in the balance sheet constitute the maximum credit risk. Receivables relate to shipping, ship management and catering companies. Credit risk associated with the shipping industry is handled by the global credit function, which monitors the creditworthiness of existing and new customers and assists in collection. Wrist conducts individual assessments of customer creditworthiness, and credit lines are managed globally. Cash is held with banks with high credit ratings.

Fair value measurements

Wrist Ship Supply Holding Group measures financial instruments hedging future cash flow at fair value level 2.

Wrist does not have any assets or liabilities measured at fair value other than interest rate derivative contracts entered into to hedge future cash flows of floating-rate financing. Interest rate derivative contracts are measured at fair value based on discounted cash flows based on observable input (level 2). Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

The management is of the opinion that the carrying amounts of all other financial assets and liabilities recognised in the consolidated financial statements approximate their fair values.

Capital structure

The Company's management assesses whether the Group's capital structure is in line with the interests of the company and its shareholders. The overall objective is to ensure a capital structure that supports long-term profitable growth. As of 31 December 2017, the Group's interest-bearing debt net comprise DKK 584 million (2016: DKK 785 million), which is considered a reasonable level compared to the current need for financial flexibility. There are no changes in the Group's guidelines and procedures for managing capital structure in 2017.

25 Preference shares

DKK'000	<u>Number of shares</u>	<u>Share capital</u>	<u>Share premium</u>
1 January 2017	0	0	0
Issue of shares class A1	150	150	74,850
Issue of shares class A2	100	100	49,900
Share issue costs	0	0	-3,525
31 December 2017	250	250	121,225

Each Class A1 preference share, which have a par value of DKK 1,000, carry a preference right to distribution of proceeds to shareholders in an aggregate amount equal to the initial investment amount paid for the Class A1 preference shares with the addition of an accumulating compounding return of 11% annually from the date of the initial issuance of the Class A1 preference shares.

Upon the preference right of the Class A1 shares having been satisfied, each Class A2 preference share, which have a par value of DKK 1,000, carry a preference right to distribution of proceeds to shareholders in an aggregate amount equal to the higher of the initial investment amount paid for the Class A2 preference shares with the addition of an accumulating compounding return 11% annually from the date of the initial issuance of the Class A2 preference shares, or 2.45% of the equity value of the entity on the date of payment of the proceeds.

None of the Class A1 or Class A2 preference shares carry any voting rights or right of representation at the annual general meeting.

The entity may issue, and the investors in preference shares have undertaken to subscribe for additionally 250 Class A1 preference share with a par value of DKK 1,000 provided that the entity's written demand for such additional subscription is received by the investors no later than 30 June 2019.

Upon the economical preference rights of Class A1 and Class A2 preference shares having been satisfied, any additional proceeds from the entity shall be distributed solely and unrestricted to the Class B shares (Ordinary shares).

26 Events after the reporting period

There have been no post-balance sheet events material to this Annual Report which have not been recognised or mentioned.

27 Accounting policies

The 2017 annual report is presented in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the financial statements of class C enterprises, cf. the Danish Executive Order on IFRS (IFRS-bekendtgørelsen) issued in accordance with the Danish Financial Statements Act.

Accounting policies are as described below.

Consolidated financial statements

The consolidated financial statements incorporate the financial statements of Wrist Ship Supply Holding A/S (the parent company) and entities controlled by Wrist Ship Supply Holding A/S and its subsidiaries. Control is achieved when the parent company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The parent company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of Wrist Ship Supply Holding A/S and its subsidiaries. The consolidated financial statements are prepared by combining items of a uniform nature. All financial statements used for consolidation are presented in accordance with the accounting policies of the Group.

On consolidation, intercompany income and expenses, intercompany accounts and dividends as well as gains and losses on transactions between the consolidated entities are eliminated.

The items in the financial statements of the subsidiaries are recognised in full in the consolidated financial statements.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit/(loss) as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit/(loss) as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The measurement basis is decided on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment of goodwill is recognised directly in profit/(loss). An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit/(loss) on disposal.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into DKK using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of foreign operations (i.e. disposal of the Group's entire interest in foreign operations or disposal involving loss of control over a subsidiary that includes foreign operations, all of the exchange differences accumulated in equity in respect of such operations attributable to the owners of the parent company are reclassified to profit/(loss).

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of foreign operations are treated as assets and liabilities of such foreign operations and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on the taxable profit for the year. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary

difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit/(loss), except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Income statement and statement of comprehensive income

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sale of goods through Wrist's "Provision Management Service" results in a situation, where part of the goods delivered is not consumed by nor invoiced to the customer.

Due to certain uncertainties related to the actual amount of consideration to be received for such goods, until the goods are consumed by the customer, revenues related to these goods are recognised at amount that equals cost. When the goods are consumed by the customers, any additional considerations are recognised as revenue. The corresponding amount in the balance sheet is presented as a contract asset as part of the trade receivables.

Cost of sales

Cost of sales includes expenses incurred to purchase goods, adjusted for changes in inventories of goods for resale.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Employee benefits

Retirement benefit costs and termination benefits

Payments to defined-contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Wrist Ship Supply Group does not have any material defined-benefit plans.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period in which the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of other long-term employee benefits mainly consist of jubilee obligations, and are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Other operating income and expenses

Other operating income and expenses comprise income and expenses of a secondary nature viewed in relation to the Group's primary activities, including gains (losses) from the sale of tangible and intangible non-current assets.

Balance sheet

Intangible assets

Software is recognised initially at cost including the directly attributable cost of preparing the software for its intended use. Software is amortised on a straight-line basis over the estimated useful life (3-5 years).

Internally generated assets arising from development are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources necessary to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

The cost of internally generated assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above, and comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management.

Property, plant and equipment

Sites and buildings, leasehold improvements as well as other facilities, equipment and fixtures are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the acquisition price, costs directly related to the acquisition and the costs of preparing the asset up until such time as the asset is ready for use. Land is not depreciated.

If the acquisition or use of the asset requires the Group to incur costs for dismantling or restoration of the asset, the estimated costs of such measures are recognised as a provision and a part of the cost of the asset concerned, respectively.

The basis of depreciation is the cost of the asset less its residual value. The residual value is the expected amount that could be obtained if the asset were sold today less selling costs if the asset already had the age and was in the condition that the asset is expected to be in at the end of its useful life. The cost of a combined asset is split into smaller parts which are depreciated separately if the useful lives differ.

Depreciation is recognised so as to write off the cost or valuation of assets (other than land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

The depreciation periods are as follows:

- Buildings, 20-40 years
- Fixtures and fittings, tools and equipment, 3-6 years
- Leasehold improvements, 3-7 years or the lease term if shorter
- Ships, 15-20 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain/(loss) arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit/(loss).

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

Receivables

Receivables comprise trade receivables, contract assets and other receivables.

On initial recognition, receivables are measured at fair value and subsequently at amortised cost, which usually corresponds to the nominal value less write-down for bad debts.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, when it is probable that the Group will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets in Wrist Ship Supply Group are all classified as “loans and receivables” except for assets related to derivatives entered into economically hedge future cash flows, which are classified as assets at fair value through profit/(loss).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indications of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Wrist Ship Supply Group has historically not experienced material losses related to receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of

amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit/(loss).

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be attributed objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit/(loss) to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the parent company's own equity instruments is recognised and deducted directly in equity. No gain/(loss) is recognised in profit/(loss) on the purchase, sale, issue or cancellation of the parent company's own equity instruments.

Financial liabilities

Financial liabilities in Wrist Supply Group are all classified as "other financial liabilities" measured at amortised cost except for liabilities related to derivatives entered into to hedge future cash flows, which are classified as liabilities at fair value through profit/(loss).

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derivative financial instruments

The Group enters into interest rate swaps to manage its exposure to interest rate risks. Further details of derivative financial instruments are disclosed in note 24.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain/(loss) is recognised in profit/(loss) immediately unless the derivative is designated and effective as a hedging instrument, in which event the gain/(loss) is recognised in other comprehensive income and accumulated in the cash flow hedging reserve in equity.

Segment information

The Group is not listed or in the process of becoming listed, and no segment information is disclosed according to IFRS.

In note 2, revenue is split between Europe and the rest of the world as well as into the sale of goods and services. This information is not segment information in accordance with IFRS.

PARENT

INCOME STATEMENTS

	<u>Note</u>	<u>2017</u> <u>DKK'000</u>	<u>2016</u> <u>DKK'000</u>
Other external expenses	1	-335	-175
Operating profit before interest and tax (EBIT)		-335	-175
Profit from investments in subsidiaries	2	86,329	60,448
Financial income	3	132	1,337
Financial expenses	4	-9,424	-8,700
Profit before tax (EBT)		76,702	52,910
Income tax	5	2,092	2,762
Net profit for the year		<u>78,794</u>	<u>55,672</u>
Proposed distribution of profit or loss			
Reserve for net revaluation under the equity method		47,227	21,078
Retained earnings		31,567	34,594

PARENT

STATEMENTS OF COMPREHENSIVE INCOME

	Note	2017 DKK'000	2016 DKK'000
Net profit for the year		78,794	55,672
Other comprehensive income			
Items that can be reclassified to the income statement when certain conditions are met:			
Exchange differences, foreign entities		-39,102	-39,370
Fair value adjustment for the year relating to hedging instruments		834	2,866
Tax relating to hedging instruments		-184	-630
Total comprehensive income		40,342	18,538

PARENT

CASH FLOW STATEMENT

	Note	2017 DKK'000	2016 DKK'000
Profit before tax (EBT)		76,702	52,910
Working capital changes	10	14,956	359
Adjustments for non-cash items	11	-77,039	-52,095
Cash flow from ordinary operating activities		14,619	1,174
Financial income		132	1,297
Financial expenses		-8,101	-8,699
Income taxes refunded/paid		2,759	1,882
Cash flow from operating activities (CFFO)		9,409	-4,346
Cash flow from investing activities (CFFI)		0	0
Loans raised		19,868	0
Instalments on loans etc.		0	-493
Purchase/Sale of own shares		-1,462	0
Increase of capital		0	4,799
Proceeds from issue of redeemable preference shares		121,475	0
Other cash flows from financing activities		377	245
Cash flows from financing activities	12	140,258	4,551
Cash flow for the year		149,667	205
Cash and cash equivalents at 1 January		205	0
Cash and cash equivalents at 31 December		149,872	205

PARENT

BALANCE SHEETS, ASSETS

	Note	2017 DKK'000	2016 DKK'000
Investments in subsidiaries	6	1,122,588	1,074,971
Deferred tax assets	7	1,491	1,887
Other non-current assets		1,124,079	1,076,858
Total non-current assets		1,124,079	1,076,858
Receivables from group enterprises		21,076	36,499
Income tax receivable		4,514	4,859
Other receivables		2,438	3,463
Receivables		28,028	44,821
Cash and cash equivalents		149,872	205
Total current assets		177,900	45,026
Total assets		1,301,979	1,121,884

PARENT

BALANCE SHEET, EQUITY AND LIABILITIES

	Note	2017 DKK'000	2016 DKK'000
Share capital		17,300	17,050
Foreign currency translation reserve		-40,396	-1,294
Reserve for net revaluation under the equity method		191,380	143,763
Hedging reserves		-494	-736
Retained earnings	16	963,306	811,958
Shareholders' equity		<u>1,131,096</u>	<u>970,741</u>
Debt to credit institutions	8	169,524	149,445
Total non-current liabilities		<u>169,524</u>	<u>149,445</u>
Debt to credit institutions		0	0
Debt to group enterprises		656	341
Other payables	9	703	1,357
Total current liabilities		<u>1,359</u>	<u>1,698</u>
Total liabilities		<u>170,883</u>	<u>151,143</u>
Total equity and liabilities		<u>1,301,979</u>	<u>1,121,884</u>
Mortgages and collateral	13		
Related parties and group relations	14		
Financial risks and financial instruments	15		
Events after the reporting period	17		
Accounting policies	18		

PARENT

STATEMENTS OF SHAREHOLDERS' EQUITY

DKK'000	Share capital	Retained earnings	Foreign currency translation adjustment	Hedging reserves	Reserve for net revaluation under the equity method	Total
Shareholders' equity at 1 January 2017	17,050	811,976	-1,294	-754	143,763	970,741
Net profit for the year	0	31,567	0	0	47,227	78,794
Exchange differences, foreign entities	0	0	-39,102	0	0	-39,102
Fair value adjustment for the year relating to hedging instr	0	0	0	334	500	834
Tax relating to hedging instruments	0	0	0	-74	-110	-184
Total comprehensive income	0	31,567	-39,102	260	47,617	40,342
Treasury shares	0	-1,462	0	0	0	-1,462
Issue of convertible non-participating preference shares	250	121,225	0	0	0	121,475
Shareholders' equity at 31 December 2017	17,300	963,306	-40,396	-494	191,380	1,131,096
Shareholders' equity at 1 January 2016	16,501	774,790	38,076	-2,605	120,642	947,404
Net profit for the year	0	34,594	0	0	21,078	55,672
Exchange differences, foreign entities	0	0	-39,370	0	0	-39,370
Fair value adjustment for the year relating to hedging instr	0	0	0	247	2,619	2,866
Tax relating to hedging instruments	0	0	0	-54	-576	-630
Reclassification	0	-1,658	0	1,658	0	0
Total comprehensive income	0	32,936	-39,370	1,851	23,121	18,538
Increase of capital	549	4,250	0	0	0	4,799
Shareholders' equity at 31 December 2016	17,050	811,976	-1,294	-754	143,763	970,741

Wrist Ship Supply Holding A/S have during 2015-2017 acquired nom. 151 treasury shares, which is also held at balance date.

Number of shares is 17,300 with the nominal value of DKK 1,000.

No dividend was declared in 2016 or 2017.

PARENT

NOTES TO THE STATEMENTS

	2017	2016
	DKK'000	DKK'000
1 Fees to auditors appointed at the annual general meeting		
Statutory audit	41	40
Other services	173	15
Fees to auditors	214	55
Other services (other auditors)	0	0
Other fees	0	0
	214	55
2 Profit/(loss) from investments in subsidiaries		
Share of profit/(loss) in subsidiaries	86,329	60,448
	86,329	60,448
3 Financial income		
Financial income arising from Group enterprises	132	1,296
Interest income	0	1
Exchange rate adjustments	0	40
	132	1,337
4 Financial expenses		
Financial expenses from Group enterprises	17	18
Interest expenses	8,330	7,690
Exchange rate adjustments	84	0
Other financial expenses	993	992
	9,424	8,700

	2017	2016
	DKK'000	DKK'000
5 Income tax		
Current tax		
Current tax on profit for the year	-2,365	-1,440
Adjustment in respect of prior years	-123	112
Total current tax	<u>-2,488</u>	<u>-1,328</u>
Deferred tax		
Adjustment of deferred tax asset/liability	248	-219
Adjustment of deferred tax asset/liability in respect of prior years	148	-1,215
Total deferred tax	<u>396</u>	<u>-1,434</u>
Total income tax	<u>-2,092</u>	<u>-2,762</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profit of the consolidated entities as follows:

Earnings before tax	76,702	52,910
Income from equity method used towards subsidiaries	86,329	60,448
Earnings before tax, Parent company	<u>-9,627</u>	<u>-7,538</u>
Calculated tax at Danish statutory rate 22%	-2,117	-1,658
Adjustment in respect of prior years	25	-1,103
Income / expenses not subject to tax	0	-1
Tax charge	<u>-2,092</u>	<u>-2,762</u>

	2017	2016
	DKK'000	DKK'000
6 Investments in subsidiaries		
Cost price at 1 January	931,208	931,208
Value adjustments at 1 January	143,763	120,642
Currency translation adjustment	-39,102	-39,370
Profit for the year after tax	86,329	60,448
Other adjustments	390	2,043
Value adjustments at 31 December	191,380	143,763
Carrying amount at 31 December	1,122,588	1,074,971

7 Deferred tax assets and deferred tax liabilities

	Deferred tax, intangible assets	Deferred tax, tangible assets	Deferred tax, financial non- current assets	Deferred tax, current assets	Deferred tax, provisions	Deferred tax, taxable losses prior years	Total deferred tax
2017							
000'DKK							
Deferred tax beginning of year	0	0	0	-672	0	-1,215	-1,887
Charge to the income statement	0	0	0	-218	0	466	248
Adjustments to previous years (through the income statement)	0	0	0	0	0	148	148
Deferred tax end of year	0	0	0	-890	0	-601	-1,491

Deferred tax is presented in the balance sheet as follows:

Deferred tax asset	1,491
Deferred tax liability	0
Deferred tax asset year end net	1,491

The Group expects to utilize the deferred tax assets, as entities general have a positive taxable income.

	Deferred tax, intangible assets	Deferred tax, tangible assets	Deferred tax, financial non- current assets	Deferred tax, current assets	Deferred tax, provisions	Deferred tax, taxable losses prior years	Total deferred tax
2016							
000'DKK							
Deferred tax beginning of year	0	0	0	-453	0	0	-453
Charge to the income statement	0	0	0	-219	0	-1,215	-1,434
Deferred tax end of year	0	0	0	-672	0	-1,215	-1,887

Deferred tax is presented in the balance sheet as follows:

Deferred tax asset	1,887
Deferred tax liability	0
Deferred tax asset year end net	1,887

The Group expects to utilize the deferred tax assets, as entities general have a positive taxable income.

8 Total non-current liabilities

2017	Payments due 1 year DKK'000	Payments due between 1-5 years DKK'000	Outstand- ing after 5 years DKK'000
Debt to credit institutions	0	169,524	0
	0	169,524	0

2016	Payments due 1 year DKK'000	Payments due between 1-5 years DKK'000	Outstand- ing after 5 years DKK'000
Debt to credit institutions	0	149,445	0
	0	149,445	0

9 Other payables

	2017 DKK'000	2016 DKK'000
Financial instruments - market value	633	967
Other accrued expenses	70	390
	703	1,357

10 Change in working capital

Increase/decrease in receivables	15,821	-5
Increase/decrease in trade payables etc.	-865	364
	14,956	359

11 Adjustments for non-cash items

Financial income and expenses	9,290	7,362
Other adjustments	-86,329	-59,457
	-77,039	-52,095

12 Reconciliation of liabilities arising from financing activities

DKK'000	<u>Long-term borrowings</u>	<u>Equity</u>	Total liabilities from financing activities
1 January 2017	149,445	0	149,445
Cash flows	20,245	120,013	140,258
Foreign exchange movement	-166	0	-166
31 December 2017	<u>169,524</u>	<u>120,013</u>	<u>289,537</u>

13 Mortgages and collateral

As security for the Group's credit facilities, Wrist Ship Supply Holding A/S has issued floating-charge and share pledge securities to Nordea for all material companies in Wrist Ship Supply A/S.

Joint taxation arrangement

The company is party to a mandatory Danish joint taxation arrangement with Wrist Adm ApS serving as the administration company. The joint taxation arrangement complies with general Danish tax legislation and has included other Danish sister companies due to common ultimate ownership. Due to the joint taxation, under Danish tax legislation, the company is subject to partial joint and secondary liability from the financial year 2013 for income taxes etc. for the jointly taxed companies, and from 1 July 2012 also partial joint and secondary liability for obligations, if any, relating to withholding of tax on interest, royalties and dividend for the jointly taxed companies. In both cases, however, secondary liability cannot exceed an amount equivalent to the share of capital of the company which is owned directly or indirectly by the ultimate parent. Tax liabilities concerning sister companies previously included in the joint tax arrangement and for which the company may be jointly liable as described above are covered by an indemnification agreement with W.S.S. Holding A/S.

14 Related parties and group relations

Related parties of the company are W.S.S. Holding A/S, O.W. Lux SARL and their subsidiaries, as well as all subsidiaries of the Company.

Altor Fund II GP Limited, Jersey is the ultimate controlling party and controls W.S.S. Holding A/S, which is the upper Danish holding company of the Group.

Transactions with group relations:

	2017	2016
	DKK'000	DKK'000
Financial items, net	624	139
Financial receivables	36,374	11,695
Financial payables	-341	-341

All transactions were made on terms equivalent to arm's length principles.

Transactions with related parties (Subsidiaries):

	2017	2016
	DKK'000	DKK'000
Intra-group management and administration agreements	51,090	32,536
Financial items, net	27,880	36,228
Financial receivables	498,154	510,731
Financial payables	-133,602	-88,790

15 Financial risks and financial instruments

Financial risk factors refer to fluctuations in the Company's results, cash flows and financial position due to changes in financial exposure. The overall objective of risk monitoring and control is to provide cost-effective financing and to minimise potential adverse impacts from market fluctuations.

Exchange rate risk

The company's business activities are predominantly DKK and credit facilities are denominated in DKK, therefore the Company is not exposed to exchange rate risks.

Interest rate risk

The interest rates of credit facilities are variable. Wrist uses derivative contracts to hedge the interest rate risks, and currently the company has chosen to hedge most of such risks for a period of 15 months. Under the interest rate derivative contracts, the Company agrees to exchange the difference between fixed and floating-rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable-rate debt. Fair value adjustments on hedging instruments recognised in other comprehensive income in 2017 amounts to DKK 334k (2016: DKK 247k).

Derivative financial instruments hedging future cash flow

	Currency	DKK	2017 Book value	2016 Book value
Currency and DKK				
Loan DKK, expiring March 2017	100,000	100,000	0	-293
Loan DKK, expiring March 2019	100,000	100,000	-633	-674
Total hedge account measured at fair value recognised in equity			-633	-967

Interest rate sensitivity analysis:

If interest rates had been 100 basis points higher and all other variables were held constant, the Company's profit for the year ended 31 December 2017 would decrease by DKK 1m (2016: decrease by DKK 1m) due to the Company's exposure to interest rates on variable rate borrowings, partly offset by a change in the fair value of interest rate derivative contracts.

The sensitivity analysis have been determined based on the exposure to floating rate liabilities and derivatives at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year.

15 Financial risks and financial instruments continuing

Liquidity risk

Wrist has entered into a long-term committed financing agreement with credit facilities enabling both the current operations and planned expansion. Treasury management is centralised and ensures that sufficient financial resources are available to meet planned requirements. This is done by monitoring the cash flow on a monthly basis matches the planned cash needs. Wrist has a good financial position significant positive cash flows from operating activities and an adequate liquidity reserve.

Fair value measurements

Wrist Ship Supply Holding A/S measure its financial instruments hedge future cash flow to fair value level 2.

Wrist does not have any assets or liabilities measured at fair value other than interest rate derivative contracts entered into to economically hedge the future cash flows of floating rate financing. Interest rate derivative contracts are measured at fair value based on discounted cash flows based on observable input (level 2). Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

The management consider that the carrying amounts of all other financial assets and liabilities recognised in the financial statements approximate their fair values.

Capital structure

The Company's management assesses whether the Company's capital structure is in line with the interests of the company and its shareholders. The overall objective is to ensure a capital structure that supports long-term profitable growth. There are no changes in the Company's guidelines and procedures for managing capital structure in 2017.

16 Preference shares

DKK'000	<u>Number of shares</u>	<u>Share capital</u>	<u>Share premium</u>
1 January 2017	0	0	0
Issue of shares class A1	150	150	74,850
Issue of shares class A2	100	100	49,900
Share issue costs	0	0	-3,525
31 December 2017	<u>250</u>	<u>250</u>	<u>121,225</u>

Each Class A1 preference share, which have a par value of DKK 1,000, carry a preference right to distribution of proceeds to shareholders in an aggregate amount equal to the initial investment amount paid for the Class A1 preference shares with the addition of an accumulating compounding return of 11% annually from the date of the initial issuance of the Class A1 preference shares.

Upon the preference right of the Class A1 shares having been satisfied, each Class A2 preference share, which have a par value of DKK 1,000, carry a preference right to distribution of proceeds to shareholders in an aggregate amount equal to the higher of the initial investment amount paid for the Class A2 preference shares with the addition of an accumulating compounding return 11% annually from the date of the initial issuance of the Class A2 preference shares, or 2.45% of the equity value of the entity on the date of payment of the proceeds.

None of the Class A1 or Class A2 preference shares carry any voting rights or right of representation at the annual general meeting.

The entity may issue, and the investors in preference shares have undertaken to subscribe for additionally 250 Class A1 preference share with a par value of DKK 1,000 provided that the entity's written demand for such additional subscription is received by the investors no later than 30 June 2019.

Upon the economical preference rights of Class A1 and Class A2 preference shares having been satisfied, any additional proceeds from the entity shall be distributed solely and unrestricted to the Class B shares (Ordinary shares).

17 Events after the reporting period

There have been no post-balance sheet events material to this Annual Report which have not been recognised or mentioned.

18 Accounting policies

The 2017 annual report of the parent company is presented in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the financial statements of class C enterprises, cf. the Danish Executive Order on IFRS (IFRS-bekendtgørelsen) issued in accordance with the Danish Financial Statements Act.

The accounting policies for the Parent Company and for the Wrist Ship Supply Group are identical (see note 25 for the Wrist Ship Supply Group) except for the situations mentioned below.

Situations, where the accounting policies of the Parent Company deviate from the Group's

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method. This means that investments are measured at the pro rata share of the enterprises' equity plus or less unamortised positive, or negative, goodwill and plus or less unrealised intra-group profits or losses.

The Parent's share of the enterprises' profits or losses after elimination of unrealised intra-group profits and losses and less amortisation of goodwill is recognised in the income statement.

Subsidiaries with a negative equity value are measured at zero value, and any receivables from these enterprises are written down by the Parent's share of such negative equity if it is deemed irrecoverable. If the negative equity exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

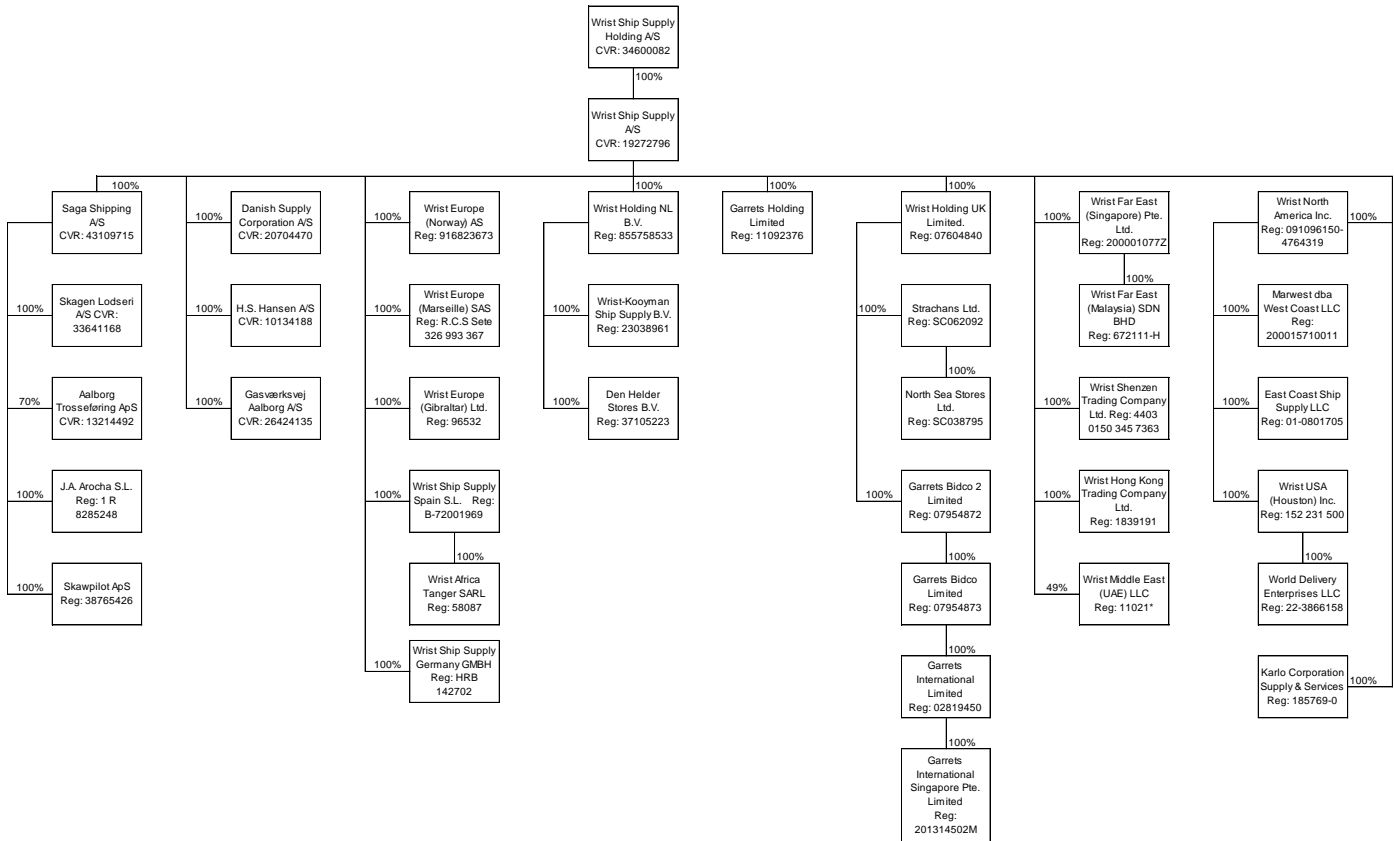
The purchase method is applied in the acquisition of investments in subsidiaries.

Corporation tax

The Parent Company is jointly taxed with all of its Danish subsidiaries with Wrist Adm ApS serving as the administration company. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

ORGANISATION

LEGAL STRUCTURE



Note:

Wrist Middle East (UAE) LLC is controlled 100% by Wrist Ship Supply A/S according to the shareholders' agreement.

MANAGEMENT

Board of Directors

Søren Dan Johansen, Chairman

Born 1965, Danish.

Member of the Board of Directors and Chairman since November 2014.

Mr Johansen is a co-managing partner of Altor Equity Partners AB, Sweden, and Chief Executive Officer of Altor Equity Partners A/S, Denmark.

He holds an MSc in Law from The University of Copenhagen and an executive education from INSEAD.

Other duties:

- Wrist Ship Supply A/S, Denmark (C)
- Wrist Ship Supply Holding A/S, Denmark (C)
- W.S.S Holding A/S, Denmark (C)
- Haarslev Industries A/S, Denmark (C)
- Haarslev Group A/S, Denmark (C)
- Haarslev Group Holding A/S, Denmark (C)
- Norican Global A/S, Denmark (C)
- C Worldwide Group Holding A/S, Denmark (C)
- C Worldwide Holding A/S, Denmark (C)
- CAM Holding 1 DK ApS, Denmark (C)
- CAM Holding 2 DK ApS, Denmark (C)
- Hamlet Protein A/S, Denmark (BM)
- New Nutrition ApS, Denmark (BM)
- New Nutrition Holding ApS, Denmark (BM)
- Tresu Investment A/S, Denmark (BM)
- Tresu A/S, Denmark (BM)
- Tresu Group Holding A/S, Denmark (BM)
- Tresu Investment Holding A/S, Denmark (BM)
- Statens Ejendomssalg A/S, Denmark (C)
- Leith Society ApS, Denmark (C)
- Roenholtmedia.com ApS (C)
- PSR ApS, Denmark (BM)

Tom Sten Behrens-Sørensen

Born 1958, Danish.

Member of the Board of Directors since 2013.

Mr Behrens-Sørensen is a graduate from the A.P. Moller Shipping Academy and has also attended management courses at INSEAD and The Wharton School of the University of Pennsylvania.

Other duties:

- Behrens-Sorensen Advisory P/S, Denmark (C)
- Wrist Ship Supply A/S, Denmark (BM)
- Wrist Ship Supply Holding A/S, Denmark (BM)
- ECCO Sko A/S, Denmark (BM)

- China Merchants Group (BM), HongKong
- StormGeo A/S, Norway
- Odense Maritime Technology A/S, Denmark (VC)

Kurt Kokhauge Larsen

Born 1945, Danish.

Member of the Board of Directors since 2010.

Mr Larsen is trained in freight management.

Other duties include:

- Wrist Ship Supply A/S, Denmark (BM)
- Wrist Ship Supply Holding A/S, Denmark (BM)
- W.S.S Holding A/S, Denmark (BM)
- Polaris III Invest Fonden, Denmark (C)
- DSV A/S, Denmark (C) and some subsidiaries

Håkan Petter Samlin

Born 1979, Swedish.

Member of the Board of Directors since 2013.

Mr Samlin is a director with Altor Equity Partners AB, Sweden. He holds a Master's degree in Engineering and Business Management from the Royal Institute of Technology in Stockholm, as well as a Bachelor's degree in Business and Administration from Stockholm University School of Business.

Other duties:

- Wrist Ship Supply A/S, Denmark (BM)
- Wrist Ship Supply Holding A/S, Denmark (BM)
- W.S.S Holding A/S, Denmark (BM)
- Aktiebolaget Skrandan AB, Sweden (BM)
- ACIB Holding AB, Sweden (C)
- CARAM Alternative Investments AB, Sweden (BM)
- CARAM Funds AB, Sweden (BM)
- Henrico Invest AB, Sweden (BM)
- Valot Group AB, Sweden (C)

Executive Board

Robert Steen Kledal, CEO

Born 1969, Danish.

Joined Wrist Ship Supply in 2010 as CEO.

Other duties: DSV A/S, Denmark (BM)

Anders Skipper, Executive Vice President, CFO

Born 1967, Danish.

Joined Wrist Ship Supply in 2011 as Executive Vice President, CFO.

Søren Juul Jørgensen, Executive Vice President, CCO

Born 1974, Danish.

Joined Wrist Ship Supply in 1994, appointed Executive Vice President, CCO, in 2008.

C: Chairman of the Board of Directors
VC: Vice Chairman of the Board of Directors
BM: Member of the Board of Directors

Ownership

Wrist Ship Supply Holding A/S is owned by Altor Fund II GP Limited, Jersey, through subsidiaries (87.49%), external investors (1.48%) and management investors (11.03%).

Annual general meeting

The annual general meeting will be held on 14 March 2018 at the company's registered office.