
Weco Bulk A/S

Rungsted strandvej 113, DK-2960 Rungsted Kyst

Annual Report for 1 January - 31 December 2019

CVR No 35 23 39 54

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
31/3 2020

Christian Thuesen
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Weco Bulk A/S for the financial year 1 January - 31 December 2019.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and of the results of the Company operations for 2019.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Rungsted Kyst, 31 March 2020

Executive Board

Jakob Vissing

Board of Directors

Johan Wedell-Wedellsborg
Chairman

Jakob Vissing

Johnny Schmølker

Lars Kalstad Vedfelt

Oluf Myhrmann

Rasmus Lund-Jacobsen

Independent Auditor's Report

To the Shareholders of Weco Bulk A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Weco Bulk A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

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 Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for 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 Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 31 March 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Flemming Eghoff
State Authorised Public Accountant
mne30221

Mark Philip Beer
State Authorised Public Accountant
mne29472

Company Information

The Company

Weco Bulk A/S
Rungsted strandvej 113
DK-2960 Rungsted Kyst
Website: www.wecobulk.com

CVR No: 35 23 39 54
Financial period: 1 January - 31 December
Municipality of reg. office: Hørsholm

Board of Directors

Johan Wedell-Wedellsborg, Chairman
Jakob Vissing
Johnny Schmølker
Lars Kalstad Vedfelt
Oluf Myhrmann
Rasmus Lund-Jacobsen

Executive Board

Jakob Vissing

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2019 TUSD	2018 TUSD	2017 TUSD	2016 TUSD	2015 TUSD
Key figures					
Profit/loss					
Gross profit/loss	9.324	5.712	3.909	2.246	1.646
Operating profit/loss	6.303	2.849	2.063	1.278	933
Profit/loss before financial income and expenses	6.444	3.096	2.383	1.278	933
Net financials	31	60	20	5	-14
Net profit/loss for the year	6.027	2.932	2.023	1.002	616
Balance sheet					
Balance sheet total	22.130	15.706	11.470	7.778	5.926
Equity	11.853	6.826	3.894	2.872	1.870
Number of employees	11	12	11	7	6
Ratios					
Return on assets	29,1%	19,7%	20,8%	16,4%	15,7%
Solvency ratio	53,6%	43,5%	33,9%	36,9%	31,6%
Return on equity	64,5%	54,7%	59,8%	42,3%	39,4%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Financial Statements of Weco Bulk A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

Key activities

The Company's main activity is to carry on chartering and shipping business with bulk carriers.

Development in the year

The income statement of the Company for 2019 shows a profit of USD 6,026,631, and at 31 December 2019 the balance sheet of the Company shows equity of USD 11,852,750.

Management is pleased with the continued positive development in results, in a year where the market was more challenging than the previous, and where we also opened Weco Bulk Asia Pte Ltd in Singapore.

The Company has offices and employees in Denmark, Brazil, USA & Singapore.

Special risks - operating risks and financial risks

Market risks

Revenues from the shipping operations are linked to global market trends, which through demand fluctuations affect freight rates as well as prices of eg tonnage and fuel. Management continuously assess the extent to which it is relevant to take measures against these market fluctuations.

Foreign exchange risks

Most of the income from shipping activities is in USD, with a small amount of income in EUR. With most operational expenses being in USD and administrative expenses being in USD and DKK, the company have only limited foreign exchange risk.

Targets and expectations for the year ahead

The Company's outlook for the future will be negatively affected by the COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak, see also subsequent events disclosures in note 1. It is, however, too early yet to give an opinion as to the extent of the negative implications. On that basis, Management finds itself unable to give an opinion on the expectations of the Company's revenue and results for 2020.

Management's Review

External environment

The Company is focused on a high level of quality, safety and environmental protection as an important element of the operation.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2019 of the Company and the results of the activities of the Company for the financial year for 2019 have not been affected by any unusual events.

Subsequent events

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

Management is monitoring developments closely. It is, however, too early yet to give an opinion as to whether and, if so, to what extent COVID-19 will impact revenue and earnings in 2020. Naturally, Management will make an effort to recapture any lost revenue later in the year.

Income Statement 1 January - 31 December

	Note	2019 USD	2018 USD
Gross profit/loss		9.323.570	5.711.636
Staff expenses	2	-2.867.944	-2.606.462
Depreciation, amortisation and impairment of property, plant and equipment	3	-11.305	-8.774
Profit/loss before financial income and expenses		6.444.321	3.096.400
Result from investments in subsidiaries		-173.792	0
Result from investments in associates		0	-1.482
Financial income	4	64.509	63.720
Financial expenses	5	-33.407	-1.956
Profit/loss before tax		6.301.631	3.156.682
Tax on profit/loss for the year	6	-275.000	-225.000
Net profit/loss for the year		6.026.631	2.931.682

Balance Sheet 31 December

Assets

	Note	2019 USD	2018 USD
Other fixtures and fittings, tools and equipment		15.281	26.586
Property, plant and equipment	7	15.281	26.586
Investments in subsidiaries	8	0	0
Investments in associates	9	0	38.791
Fixed asset investments		0	38.791
Fixed assets		15.281	65.377
Inventories		2.785.334	3.009.172
Trade receivables		4.285.286	2.949.741
Receivables from group enterprises		2.152.446	0
Other receivables		331.108	270.755
Prepayments	10	4.004.148	4.520.789
Receivables		10.772.988	7.741.285
Cash at bank and in hand		8.556.072	4.890.034
Currents assets		22.114.394	15.640.491
Assets		22.129.675	15.705.868

Balance Sheet 31 December

Liabilities and equity

	Note	2019 USD	2018 USD
Share capital		351.722	351.722
Retained earnings		11.501.028	6.474.397
Equity	11	11.852.750	6.826.119
Trade payables		2.767.146	1.577.407
Payables to group enterprises		329.323	294.636
Other payables		866.532	934.926
Deferred income	13	6.313.924	6.072.780
Short-term debt		10.276.925	8.879.749
Debt		10.276.925	8.879.749
Liabilities and equity		22.129.675	15.705.868
Subsequent events	1		
Distribution of profit	12		
Contingent assets, liabilities and other financial obligations	14		
Related parties	15		
Accounting Policies	16		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	USD	USD	USD
Equity at 1 January	351.722	6.474.397	6.826.119
Extraordinary dividend paid	0	-1.000.000	-1.000.000
Net profit/loss for the year	0	6.026.631	6.026.631
Equity at 31 December	351.722	11.501.028	11.852.750

Notes to the Financial Statements

1 Subsequent events

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

Management is monitoring developments closely. It is, however, too early yet to give an opinion as to whether and, if so, to what extent COVID-19 will impact revenue and earnings in 2020.

	2019	2018
	USD	USD
2 Staff expenses		
Wages and salaries	2.673.341	2.312.890
Pensions	135.029	131.482
Other social security expenses	13.326	12.663
Other staff expenses	46.248	149.427
	<u>2.867.944</u>	<u>2.606.462</u>
Average number of employees	<u>11</u>	<u>12</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

3 Depreciation, amortisation and impairment of property, plant and equipment

Depreciation of property, plant and equipment	7.649	8.774
Gain and loss on disposal	3.656	0
	<u>11.305</u>	<u>8.774</u>

Notes to the Financial Statements

	2019 <u>USD</u>	2018 <u>USD</u>
4 Financial income		
Interest received from group enterprises	9.304	0
Other financial income	55.205	7.707
Exchange gains	0	56.013
	<u>64.509</u>	<u>63.720</u>
5 Financial expenses		
Other financial expenses	2.523	1.956
Exchange loss	30.884	0
	<u>33.407</u>	<u>1.956</u>
6 Tax on profit/loss for the year		
Current tax for the year	275.000	225.000
	<u>275.000</u>	<u>225.000</u>
7 Property, plant and equipment		Other fixtures and fittings, tools and equipment <u>USD</u>
Cost at 1 January		49.236
Disposals for the year		<u>-26.290</u>
Cost at 31 December		22.946
Impairment losses and depreciation at 1 January		22.650
Depreciation for the year		7.649
Reversal of impairment and depreciation of sold assets		<u>-22.634</u>
Impairment losses and depreciation at 31 December		<u>7.665</u>
Carrying amount at 31 December		<u>15.281</u>

Notes to the Financial Statements

	2019 USD	2018 USD
8 Investments in subsidiaries		
Cost at 1 January	0	0
Additions for the year	740	0
Cost at 31 December	740	0
Value adjustments at 1 January	0	0
Net profit/loss for the year	-173.793	0
Value adjustments at 31 December	-173.793	0
Equity investments with negative net asset value amortised over receivables	173.053	0
Carrying amount at 31 December	0	0

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Weco Bulk Asia Pte. Ltd.	Singapore	1.000 SGD	100%
Weco Bulk Brasil Afretamentos Marítimos Ltda.	São Paulo	0 BRL	100%

Notes to the Financial Statements

	2019 USD	2018 USD
9 Investments in associates		
Cost at 1 January	40.273	0
Additions for the year	0	40.273
Disposals for the year	-40.273	0
Cost at 31 December	<u>0</u>	<u>40.273</u>
Value adjustments at 1 January	-1.482	0
Disposals for the year	1.482	0
Net profit/loss for the year	<u>0</u>	<u>-1.482</u>
Value adjustments at 31 December	<u>0</u>	<u>-1.482</u>
Carrying amount at 31 December	<u>0</u>	<u>38.791</u>

10 Prepayments

Prepayments comprise prepaid expenses concerning timechater, insurance premiums, etc.

11 Equity

The share capital is broken down as follow:

	Number	Nominal value USD
A-shares	1.000.000	175.861
B-shares	1.000.000	<u>175.861</u>
		<u>351.722</u>

There have been no changes in the share capital during the last 5 years.

Notes to the Financial Statements

	2019	2018
	USD	USD
12 Distribution of profit		
Extraordinary dividend paid	1.000.000	0
Retained earnings	5.026.631	2.931.682
	6.026.631	2.931.682

13 Deferred income

Deferred income comprises payments received in respect of income in subsequent years as well as open voyages.

14 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	24.245.754	32.319.202
Between 1 and 5 years	43.265.278	30.044.967
After 5 years	3.267.438	4.536.246
	70.778.470	66.900.415

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income.

Notes to the Financial Statements

15 Related parties

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

<u>Name</u>	<u>Place of registered office</u>
Weco A/S	Hørsholm
Weco Shipping A/S	Hørsholm

Notes to the Financial Statements

16 Accounting Policies

The Annual Report of Weco Bulk A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2018 are presented in USD with exchange rate as at 31. december 2019 - USD 667,59 (31. december 2018 - USD 651,94).

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Weco Shipping A/S, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Weco Shipping A/S, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Notes to the Financial Statements

16 Accounting Policies (continued)

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Income Statement

Revenue

Revenue includes vessels freight income and time charter income. Revenue is recognised in the income statement for the financial year as earned.

Vessel operating costs

Vessel operating costs comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, vessel operating costs and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation, impairment and gain and loss on sale of plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company.

Income from investments in subsidiaries and associates

The items "Income from investments in subsidiaries" and "Income from investments in associates" in the income statement include the proportionate share of the profit for the year.

Notes to the Financial Statements

16 Accounting Policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

The Company is comprised by the tonnage tax regime. No provision is made for deferred tax since no deferred tax is expected to arise under the tonnage tax regime.

The Company is jointly taxed with Weco A/S.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment 3 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured under the equity method.

Notes to the Financial Statements

16 Accounting Policies (continued)

The items “Investments in subsidiaries” and “Investments in associates” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised inter-company profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to “Reserve for net revaluation under the equity method” under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries and the associates.

Subsidiaries and associates with a negative net asset value are recognised at USD 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning time charter, insurance premiums, etc.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years as well as open voyages.

Notes to the Financial Statements

16 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$