
Weco Shipping A/S

Rungsted Strandvej 113, DK-2960 Rungsted Kyst

Annual Report for 1 January - 31 December 2017

CVR No 36 95 90 96

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
15/06 2018

Rasmus Lund-Jacobsen
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 Shipping A/S for the financial year 1 January - 31 December 2017.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and the Group and of the results of the Company and Group operations for 2017.

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, 15 June 2018

Executive Board

Rasmus Lund-Jacobsen

Board of Directors

Johan Wedell-Wedellsborg
Chairman

Oluf Myhrmann

Rasmus Lund-Jacobsen

Jakob Vissing

Independent Auditor's Report

To the Shareholder of Weco Shipping A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Weco Shipping A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("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 Group 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 Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company 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 consolidated financial statements and parent company 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 Group's and 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 Group or 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 and the Group'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 Group's and 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 Group and 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.
- 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.

Hellerup, 15 June 2018

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 Shipping A/S
Rungsted Strandvej 113
DK-2960 Rungsted Kyst

Telephone: + 45 45 17 77 77

CVR No: 36 95 90 96

Financial period: 1 January - 31 December

Municipality of reg. office: Hørsholm

Board of Directors

Johan Wedell-Wedellsborg, Chairman
Oluf Myhrmann
Rasmus Lund-Jacobsen
Jakob Vissing

Executive Board

Rasmus Lund-Jacobsen

Auditors

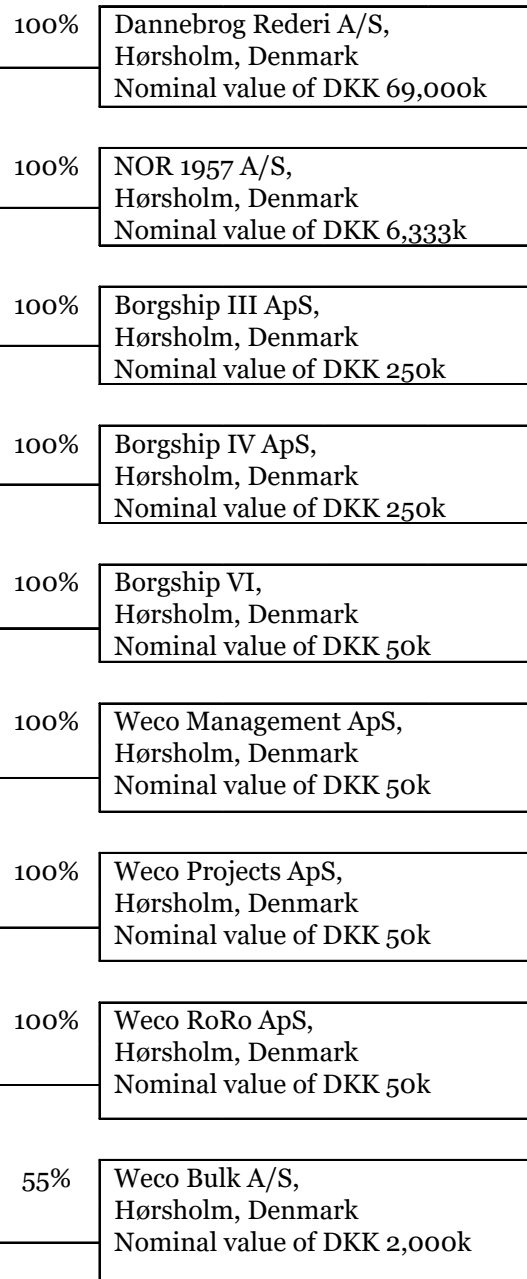
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Group Chart

Parent Company

Weco Shipping A/S,
Hørsholm, Denmark
Nominal value of DKK 35,000k

Consolidated subsidiaries



Financial Highlights

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

	Group		
	2017	2016	2015
	TUSD	TUSD	TUSD
Key figures			
Profit/loss			
Revenue	124.633	142.165	200.413
Operating profit/loss	-15.597	-19.748	-17.683
Profit/loss before financial income and expenses	-13.760	-12.691	-15.159
Net financials	2.325	-700	35.492
Net profit/loss for the year	-11.311	-13.421	20.337
Balance sheet			
Balance sheet total	161.341	188.151	234.386
Equity	96.946	107.758	122.230
Investment in property, plant and equipment	406	2.671	1.295
Number of employees	83	107	197
Ratios			
Gross margin	3,2%	9,4%	7,8%
Profit margin	-11,0%	-8,9%	-7,6%
Return on assets	-8,5%	-6,7%	-6,5%
Solvency ratio	60,1%	57,3%	52,1%
Return on equity	-11,1%	-11,7%	18,1%

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

Key activities

The primary activity of the Group is shipping operations.

Development in the year

The income statement of the Group for 2017 shows a loss of TUSD 11,311, and at 31 December 2017 the balance sheet of the Group shows equity of TUSD 96,946.

Due to challenging market conditions, the Board of Directors in March 2017 decided to close the transatlantic RoRo service, and the company's Ro/Ro vessels will in the future operate in the charter market where more stable earnings are expected. Weco Shipping's 50% shares in Stena Weco were in March 2017 sold to Stena. The Tanker vessels owned and chartered by Weco Shipping will continue to be commercially managed by Stena.

The past year and follow-up on development expectations from last year

Results for the year are in line with the expectations expressed in the Annual Report for 2016.

Results for the year were negatively impacted by the closure of the RoRo liner service with completion of the schedules of the two vessels, as well as severance payments and other termination costs. Affecting the results were also a negative USD currency adjustment of the EUR loan for one vessel, as well as impairment of another vessel sold for scrap. The tanker freight rates deteriorated during the year, which resulted in losses on the tanker vessels. Weco Bulk continued its growth with opening of a Houston office, and delivered a positive result for the year.

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 tonnage and fuel. Management continuously assesses the extent to which it is relevant to take measures against these market fluctuations, e.g. through long term contracts.

International provisions imply that in case of a maritime accident that results in oil or chemical spillage, the Group will be imposed heavy financial liabilities in terms of the clean-up work. To reduce this risk, the widest possible insurance coverage has been taken out, comprising environmental and pollution coverage, coverage of the value of vessel and cargo, liability coverage as regards third parties and war risk insurance.

Management's Review

Foreign exchange risks

Most of the income from shipping activities is in USD and EUR with most operational expenses as well as financial expenses being in USD, and administrative expenses being in USD and DKK. One vessel has EUR loan, which creates a currency risk for the company, as the asset is registered in the USD reporting currency.

Interest rate risks

The interest rate risk on floating-rate loans is to a limited extent hedged by interest rate swaps converting the floating interest rate to a fixed interest rate.

Targets and expectations for the year ahead

After the sale of the Project division in 2016 and the closure of the RoRo liner service in 2017, management expects more stable earnings going forward. The Project and RoRo vessels are on charter contracts for the duration of 2018, and the Tanker vessels continues in commercial management with Stena Bulk Product and Chemicals. Management expects to continue the profitable growth of its Bulk activities, while continuously managing exposure to market risks.

Research and development

The Group is not involved in research and development activities.

Intellectual capital resources

Through retention and recruitment of new competences, as well as through cooperation, alliances and education, the intellectual capital resources which are major parameters in the development and perfection of new services increase.

The Group has defined goals, positions and strategies that systematically strengthen the value creation and form the basis of the Group's innovative skills, just as it is important to the future success of the Group to attract and retain well-educated employees who identify with the stated core values. Therefore, heavy investments are made to continuously improve the qualifications of both the land-based and offshore staff of the Group.

Annual performance reviews are held with all employees. During the reviews, the employees' goals, plans for the future and career opportunities are discussed and planned.

Statement in compliance with section 99 (a) of the Danish Financial Statements Act

The Group has no formalized policies on climate change and human rights.

Management's Review

Statement in compliance with section 99 (b) of the Danish Financial Statements Act

Target for the underrepresented gender on the Board of Directors

The Weco Shipping Group has due to regulation set a new target for having a minimum of 40% of each gender on the Board of Directors in 2018. Despite the continuous efforts to improve the gender equality among the members of the Board of Directors, the Group has been unable to attract qualified persons of the underrepresented gender. Therefore, the current status of the underrepresented gender is 0%. The target was set in 2014.

Policy for increasing the number of women on other management levels

At other management levels in the Group, the representation is approximately 35% women and 65% men.

At other management levels in the Group, the representation is approximately 30% women and 70% men.

The Weco Shipping Group has an overall policy of recruiting the best suited employees for any given position, irrespective of gender. In order to ensure the broadest possible recruitment basis, continuous efforts also in 2017 were made to create working conditions and a corporate culture that attract and retain qualified employees across gender, nationality and other criteria without importance to the performance.

In 2017, The Weco Shipping Group continued to try to optimize the use of its employee resources by giving everybody equal opportunities of developing professionally and career-wise at all levels.

Uncertainty relating to recognition and measurement

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

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	Group		Parent Company	
		2017	2016	2017	2016
		TUSD	TUSD	TUSD	TUSD
Revenue	1	124.633	142.165	0	0
Other operating income		1.837	7.057	0	0
Vessel operating costs		-118.150	-130.405	0	0
Other external expenses		-4.390	-5.452	-1.182	-1.044
Gross profit/loss		3.930	13.365	-1.182	-1.044
Staff expenses	2	-11.483	-10.182	-3.471	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-6.207	-15.874	-105	-44
Profit/loss before financial income and expenses		-13.760	-12.691	-4.758	-1.088
Income from investments in subsidiaries	4	0	0	-19.103	-18.068
Income from investments in associates	5	10.584	2.088	10.781	6.144
Financial income	6	194	3.887	2.107	987
Financial expenses	7	-8.453	-6.675	-1.115	-2.079
Profit/loss before tax		-11.435	-13.391	-12.088	-14.104
Tax on profit/loss for the year	8	124	-30	148	73
Net profit/loss for the year		-11.311	-13.421	-11.940	-14.031

Balance Sheet 31 December

Assets

	Note	Group		Parent Company	
		2017 TUSD	2016 TUSD	2017 TUSD	2016 TUSD
Other fixtures and fittings, tools and equipment		1.417	1.657	903	1.008
Vessels		97.749	102.567	0	0
Property, plant and equipment	9	99.166	104.224	903	1.008
Investments in subsidiaries	10	0	0	22.551	104.414
Investments in associates	11	15.473	40.647	598	33.426
Other investments	12	303	772	0	0
Fixed asset investments		15.776	41.419	23.149	137.840
Fixed assets		114.942	145.643	24.052	138.848
Inventories		1.471	1.548	0	0
Trade receivables		7.032	5.334	0	0
Receivables from group enterprises		0	0	63.137	36.570
Receivables from associates		3.860	2.322	0	2.247
Other receivables		7.755	14.933	485	99
Corporation tax		104	0	0	0
Prepayments		3.884	1.916	0	157
Receivables		22.635	24.505	63.622	39.073
Cash at bank and in hand		22.293	16.455	10.370	4.197
Currents assets		46.399	42.508	73.992	43.270
Assets		161.341	188.151	98.044	182.118

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent Company	
		2017 TUSD	2016 TUSD	2017 TUSD	2016 TUSD
Share capital		5.718	5.718	5.718	5.718
Reserve for net revaluation under the equity method		0	0	0	1.019
Retained earnings		82.944	99.971	82.944	98.952
Proposed dividend for the year		6.000	0	6.000	0
Equity attributable to shareholders of the Parent Company		94.662	105.689	94.662	105.689
Minority interests		2.284	2.069	0	0
Equity		96.946	107.758	94.662	105.689
Provisions relating to investments in group enterprises		0	0	591	0
Provisions relating to investments in associates		0	8	0	0
Provisions		0	8	591	0
Lease obligations		46.982	35.745	0	0
Other payables		2.541	2.741	2.538	2.741
Long-term debt	14	49.523	38.486	2.538	2.741

Balance Sheet 31 December *(continued)*

Liabilities and equity

	Note	Group		Parent Company	
		2017 TUSD	2016 TUSD	2017 TUSD	2016 TUSD
Credit institutions		0	20.980	0	20.980
Lease obligations	14	3.520	2.654	0	0
Prepayments received from customers		1.846	1.798	0	0
Trade payables		2.100	7.185	51	0
Payables to group enterprises		1.584	3.115	0	49.910
Payables to associates		64	0	0	0
Corporation tax		0	17	0	0
Other payables	14	5.758	6.150	202	2.798
Short-term debt		14.872	41.899	253	73.688
Debt		64.395	80.385	2.791	76.429
Liabilities and equity		161.341	188.151	98.044	182.118
Distribution of profit	13				
Contingent assets, liabilities and other financial obligations	15				
Related parties	16				
Accounting Policies	17				

Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	Total
	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD
Equity at 1 January	5.718	0	99.971	0	105.689	2.069	107.758
Ordinary dividend paid	0	0	0	0	0	-455	-455
Exchange adjustments relating to foreign entities	0	0	913	0	913	41	954
Net profit/loss for the year	0	0	-17.940	6.000	-11.940	629	-11.311
Equity at 31 December	5.718	0	82.944	6.000	94.662	2.284	96.946

Parent Company

Equity at 1 January	5.718	1.019	98.952	0	105.689	0	105.689
Exchange adjustments relating to foreign entities	0	0	913	0	913	0	913
Net profit/loss for the year	0	-1.019	-16.921	6.000	-11.940	0	-11.940
Equity at 31 December	5.718	0	82.944	6.000	94.662	0	94.662

Notes to the Financial Statements

	Group		Parent Company	
	2017 TUSD	2016 TUSD	2017 TUSD	2016 TUSD
1 Revenue				
Geographical segments				
Globally	124.633	142.165	0	0
	124.633	142.165	0	0
Business segments				
Freight income	50.826	31.464	0	0
Time charter	73.375	66.380	0	0
Line service	432	44.321	0	0
	124.633	142.165	0	0
2 Staff expenses				
Wages and salaries	10.410	8.710	3.471	0
Pensions	292	718	0	0
Other social security expenses	196	146	0	0
Other staff expenses	585	608	0	0
	11.483	10.182	3.471	0
Average number of employees	83	107	0	0

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

Notes to the Financial Statements

	Group		Parent Company	
	2017	2016	2017	2016
	TUSD	TUSD	TUSD	TUSD
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment				
Amortisation of intangible assets	0	1.047	0	0
Depreciation of property, plant and equipment	5.355	10.925	105	44
Gain and loss on disposal	852	3.902	0	0
	6.207	15.874	105	44
4 Income from investments in subsidiaries				
Income from investments in group enterprises			-20.107	-12.531
Depreciation, Good-/badwill			1.004	-5.537
			-19.103	-18.068
5 Income from investments in associates				
Share of profits of associates	-4.422	2.870	-4.924	7.084
Amortisation of goodwill	265	1.795	0	-1.285
Loss from sale of associates	-969	-2.565	0	357
Profit from sale of associates	15.710	-12	15.705	-12
	10.584	2.088	10.781	6.144
6 Financial income				
Income from fixed asset investments	0	110	0	0
Interest received from group enterprises	0	2.853	1.651	939
Other financial income	194	331	105	48
Exchange gains	0	593	351	0
	194	3.887	2.107	987

Notes to the Financial Statements

	Group		Parent Company	
	2017 TUSD	2016 TUSD	2017 TUSD	2016 TUSD
7 Financial expenses				
Impairment losses on financial assets	575	499	0	0
Interest paid to group enterprises	0	2.868	432	980
Other financial expenses	3.230	3.308	683	974
Exchange loss	4.648	0	0	125
	8.453	6.675	1.115	2.079
8 Tax on profit/loss for the year				
Current tax for the year	-124	-40	-148	-67
Adjustment of tax concerning previous years	0	70	0	-6
	-124	30	-148	-73

Notes to the Financial Statements

9 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment TUSD	Vessels TUSD
Cost at 1 January	3.005	133.884
Additions for the year	262	144
Disposals for the year	-317	0
Cost at 31 December	<u>2.950</u>	<u>134.028</u>
Impairment losses and depreciation at 1 January	1.243	31.317
Exchange adjustment	-25	0
Depreciation for the year	393	4.962
Impairment and depreciation of sold assets for the year	-78	0
Impairment losses and depreciation at 31 December	<u>1.533</u>	<u>36.279</u>
Carrying amount at 31 December	<u>1.417</u>	<u>97.749</u>
Depreciated over	<u>3-10 years</u>	<u>2-25 years</u>
Including assets under finance leases amounting to	<u>0</u>	<u>66.789</u>

Parent Company

	Other fixtures and fittings, tools and equipment TUSD
Cost at 1 January	<u>1.052</u>
Kostpris at 31 December	<u>1.052</u>
Impairment losses and depreciation at 1 January	44
Depreciation for the year	<u>105</u>
Impairment losses and depreciation at 31 December	<u>149</u>
Carrying amount at 31 December	<u>903</u>
Depreciated over	<u>3-10 years</u>

Notes to the Financial Statements

	Parent Company	
	2017	2016
	TUSD	TUSD
10 Investments in subsidiaries		
Cost at 1 January	104.573	27.114
Additions for the year	7	77.701
Disposals for the year	0	-242
Cost at 31 December	<u>104.580</u>	<u>104.573</u>
Value adjustments at 1 January	-380	93.320
Disposals for the year	0	-77.416
Net profit/loss for the year	-20.106	-12.531
Dividend to the Parent Company	-70.545	0
Other equity movements, net	249	-9.290
Amortisation of goodwill/badwill	1.004	5.537
Value adjustments at 31 December	<u>-89.778</u>	<u>-380</u>
Equity investments with negative net asset value amortised over receivables	<u>7.158</u>	<u>221</u>
Equity investments with negative net asset value transferred to provisions	<u>591</u>	<u>0</u>
Carrying amount at 31 December	<u>22.551</u>	<u>104.414</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Dannebrog Rederi A/S	Hørsholm, Denmark	DKK 69,000k	100%
NOR 1957 A/S	Hørsholm, Denmark	DKK 6,333k	100%
Borgship III ApS	Hørsholm, Denmark	DKK 250k	100%
Weco Management ApS	Hørsholm, Denmark	DKK 50k	100%
Weco Projects ApS	Hørsholm, Denmark	DKK 50k	100%
Weco RoRo ApS	Hørsholm, Denmark	DKK 50k	100%
Weco Bulk A/S	Hørsholm, Denmark	DKK 2,000k	55%
Borgship IV ApS	Hørsholm, Denmark	DKK 250k	100%
Borgship VI ApS	Hørsholm, Denmark	DKK 50k	100%

Notes to the Financial Statements

	Group		Parent Company	
	2017	2016	2017	2016
	TUSD	TUSD	TUSD	TUSD
11 Investments in associates				
Cost at 1 January	40.957	14.445	32.407	0
Additions for the year	8.074	32.407	0	32.407
Disposals for the year	-26.638	-5.895	-26.638	0
Cost at 31 December	<u>22.393</u>	<u>40.957</u>	<u>5.769</u>	<u>32.407</u>
Value adjustments at 1 January	-530	26.384	1.019	0
Disposals for the year	-2.903	-26.419	-1.935	0
Exchange adjustment	654	-201	669	-313
Net profit/loss for the year	-4.422	2.871	-4.924	7.084
Dividends received	0	-10.390	0	-10.000
Other equity movements, net	16	7.225	0	4.248
Amortisation of goodwill	265	0	0	0
Value adjustments at 31 December	<u>-6.920</u>	<u>-530</u>	<u>-5.171</u>	<u>1.019</u>
Equity investments with negative net asset value amortised over receivables	<u>0</u>	<u>212</u>	<u>0</u>	<u>0</u>
Equity investments with negative net asset value transferred to provisions	<u>0</u>	<u>8</u>	<u>0</u>	<u>0</u>
Carrying amount at 31 December	<u>15.473</u>	<u>40.647</u>	<u>598</u>	<u>33.426</u>

Notes to the Financial Statements

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Stenwec I P/S	Hørsholm, Denmark	DKK 500k	50%
Komplementarselskabet Stenwec ApS	Hørsholm, Denmark	DKK 50k	50%
Kronborg Managemet ApS	Hørsholm, Denmark	DKK 1,000k	72%
Kronborg Shipping K/S	Hørsholm, Denmark	DKK 40,000K	72%
Nord Scan Line K/S	Hørsholm, Denmark		50%
N S Line ApS	Hørsholm, Denmark	DKK 125k	50%
Thaiden Maritime Ltd.	Thailand		49%
Medusa Denmark A/S	Hørsholm, Denmark	EUR 1,100k	50%

All foreign associates are recognised and measured as separate entities.

12 Other fixed asset investments

	Group
	Other investments
	TUSD
Cost at 1 January	833
Cost at 31 December	833
Impairment losses at 1 January	61
Exchange adjustment	-106
Other adjustments	575
Impairment losses at 31 December	530
Carrying amount at 31 December	303

Notes to the Financial Statements

	Group		Parent Company	
	2017	2016	2017	2016
	TUSD	TUSD	TUSD	TUSD
13 Distribution of profit				
Proposed dividend for the year	6.000	0	6.000	0
Reserve for net revaluation under the equity method	0	-26.384	-1.019	-92.301
Minority interests' share of net profit/loss of subsidiaries	629	610	0	0
Retained earnings	-17.940	12.353	-16.921	78.270
	-11.311	-13.421	-11.940	-14.031

14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Lease obligations

After 5 years	7.333	0	0	0
Between 1 and 5 years	39.649	35.745	0	0
Long-term part	46.982	35.745	0	0
Within 1 year	3.520	2.654	0	0
	50.502	38.399	0	0

Other payables

After 5 years	1.726	1.929	1.726	1.929
Between 1 and 5 years	815	812	812	812
Long-term part	2.541	2.741	2.538	2.741
Other short-term payables	5.758	6.150	202	2.798
	8.299	8.891	2.740	5.539

Notes to the Financial Statements

15 Contingent assets, liabilities and other financial obligations

Security

The Group has provided security for vessel-related debt totaling tUSD 0 (2016: tUSD 20,980k) by way of mortgages on the Group's vessels. The total carrying amount of the vessels concerned is tUSD 0 (2016: tUSD 132,395k).

The Group has placed security for associated companies' debt of tUSD 10,500 (2016: tUSD 8,700).

Rental agreements and leases

The Group has entered into operating lease agreements with a total future lease payment of tUSD 265 (2016: tUSD 320)

Contingent liabilities

The Group's contractual obligations relating to short-term chartering of vessels total tUSD 141,176 (2016: tUSD 111,442).

The Group has entered agreements on acquisition of vessels as well as shares of vessels for a total amount of tUSD 42,000 (2016: tUSD 49,078).

Other contingent liabilities

There is a residual liability corresponding to the Group's share of the non-paid capital totalling tUSD 2,200 (2016: tUSD 3,600k) tied to the Group's investment in an associate.

As part of the ordinary shipping liner operations, the Group regularly receives loading claims from customers. The individual claims are provided for in the Financial Statements based on an individual assessment.

The Group have received a claim regarding a cancellation of a newbuilding in 2015, due to delayed delivery of a vessel. No significant expenses are expected to be imposed on the Group as a result of the claim.

At the withdrawal from the tonnage tax regime, a tax liability totalling tUSD 7,900 is incumbent on the Group.

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

Notes to the Financial Statements

15 Contingent assets, liabilities and other financial obligations (continued)

The Parent Company has given notice of support on going concern to some of the subsidiaries

16 Related parties

Basis

Controlling interest

Weco Group A/S

Sole shareholder

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company

Name

Place of registered office

Weco A/S

Hørsholm, Denmark

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of Weco Shipping A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

Consolidated and Parent Company Financial Statements for 2017 are presented in TUSD. Applied US Dollar exchange rate on the 31 December 2017 : 620,77 (2016 : 705,28).

With reference to section 96(3) of the Danish Financial Statements Act the fee to the auditors appointed at the general meeting has not been disclosed.

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 A/S, the Company and the Group have 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.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Weco Shipping A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

Notes to the Financial Statements

17 Accounting Policies (continued)

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Notes to the Financial Statements

17 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.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Revenue

Information on business segments and geographical segments based on the Group's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

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, sales and distribution as well as office expenses, etc.

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 and impairment of property, plant and equipment together with gains and losses on the sale of property, 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 Group.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

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

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

The Group 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.

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:

Vessels	2-25 years
Other fixtures and fittings, tools and equipment	3-10 years

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

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.

Fixed asset investments

Other investments, recognised as fixed asset investments, consist of shares that are measured at their fair value at the balance sheet date.

Inventories

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

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Notes to the Financial Statements

17 Accounting Policies (continued)

Prepayments

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

Equity

Dividend

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other 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.

Notes to the Financial Statements

17 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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