
Weco Shipping A/S

Rungsted Strandvej 113, DK-2960 Rungsted Kyst

Annual Report for 1 January - 31 December 2019

CVR No 36 95 90 96

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 Shipping 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 and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and the Group and of the results of the Company and Group 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

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 2019 and of the results of the Group's and the Parent Company's operations for the financial year 1 January - 31 December 2019 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 2019, 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 Financials 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, 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 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
Nomimal value of DKK 35,000k

Consolidated subsidiaries

100%	Dannebrog Rederi A/S, (DKK 69,000k) Hørsholm, Denmark
100%	NOR 1957 A/S, (DKK 6,333k) Hørsholm, Denmark
100%	NL 1957 A/S (DKK 1,000k) Hørsholm, Denmark
100%	Weco Management ApS, (DKK 50k) Hørsholm, Denmark
57%	Weco Bulk A/S, (DKK 2,000k) Hørsholm, Denmark
100%	Weco RoRo ApS, (DKK 50k) Hørsholm, Denmark
100%	Weco Projects ApS, (DKK 50k) Hørsholm, Denmark
100%	Borgship I ApS, (DKK 250k) Hørsholm, Denmark
100%	Borgship II ApS, (DKK 250k) Hørsholm, Denmark
100%	Borgship III ApS, (DKK 250k) Hørsholm, Denmark
100%	Borgship IV ApS, (DKK 250k) Hørsholm, Denmark
69%	Borgship V ApS, (DKK 6,885k) Hørsholm, Denmark
100%	Borgship VI, (DKK 50k) Hørsholm, Denmark
100%	Weco Marine Services Ltd, (PLN 50k) Gdańsk, Poland
100%	Nordana Line (USA) Inc. (USD 1k) Houston, USA
57%	Weco Bulk Asua Pte. Ltd. (SGD 1k) Singapore
89%	Weco Agencia Maritima S.A. (EUR 150k) Barcelona, Spain

Financial Highlights

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

	Group				
	2019 TUSD	2018 TUSD	2017 TUSD	2016 TUSD	2015 TUSD
Key figures					
Profit/loss					
Revenue	186.664	162.100	124.633	142.165	200.413
Operating profit/loss	-57	-7.329	-15.597	-19.748	-17.683
Profit/loss before financial income and expenses	2.553	-4.860	-13.760	-12.691	-15.159
Net financials	-2.598	3.688	2.325	-700	35.492
Net profit/loss for the year	469	-1.131	-11.311	-13.421	20.337
Balance sheet					
Balance sheet total	165.521	153.291	161.341	188.151	234.386
Equity	89.152	89.787	96.946	107.758	122.230
Investment in property, plant and equipment	3.810	3.752	406	2.671	1.295
Number of employees	45	47	83	107	197
Ratios					
Gross margin	8,4%	3,1%	3,2%	9,4%	7,8%
Profit margin	1,4%	-3,0%	-11,0%	-8,9%	-7,6%
Return on assets	1,5%	-3,2%	-8,5%	-6,7%	-6,5%
Solvency ratio	53,9%	58,6%	60,1%	57,3%	52,1%
Return on equity	0,5%	-1,2%	-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 2019 shows a profit of TUSD 469, and at 31 December 2019 the balance sheet of the Group shows equity of TUSD 89,152.

The result was borne by a strong results in the dry bulk segment, and small losses in the Tanker, RoRo and Project segments.

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 2018, where both Tanker and Dry Bulk segments delivered improved results. The RoRo segment was negatively impacted by a planned dock of one vessel in all of January, and the Project segment was impacted by a change of technical manager on three vessels. The Tanker segment delivered better results after having reduced the number of charter vessels, and the dry bulk segment delivered a strong result.

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 vessels 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.

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.

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

Management's Review

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.

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

Please refer to the Group's CSR description disclosed in the annual report for Weco A/S 2019 (Cvr. no.: 29622868).

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

Target for the Board of WECO Shipping A/S

In 2019 WECO Shipping A/S set a target to have 40% women on the Board of Directors by 2024. Being a company managed directly by the owners and given the development of the business, it has not been possible for WECO Shipping A/S to either add or occupy one of the five positions of the Board with a woman. In general, there are not many female candidates available, and further the general assembly and the owners have not seen the need to make adjustments to the current board leading to that there are still only men on the Board at the end of 2019.

Management's Review

Policy for increasing the number of women on other management levels

WECO Shipping A/S has less than 50 employees and are consequently not required to author and report upon a policy to increase the number of women on other management level

Uncertainty relating to recognition and measurement

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

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	Group		Parent Company	
		2019	2018	2019	2018
		TUSD	TUSD	TUSD	TUSD
Revenue	2	186.664	162.100	0	0
Other operating income		2.811	2.681	63	0
Vessel operating costs		-170.132	-154.907	0	0
Other external expenses		-3.622	-4.924	-39	-1.406
Gross profit/loss		15.721	4.950	24	-1.406
Staff expenses	3	-6.641	-5.878	-90	-94
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	4	-6.326	-3.720	-105	-105
Other operating expenses		-201	-212	0	0
Profit/loss before financial income and expenses		2.553	-4.860	-171	-1.605
Income from investments in subsidiaries	5	-35	36	-2.990	-3.111
Income from investments in associates	6	628	4.967	-26	449
Financial income	7	296	2.554	1.265	2.506
Financial expenses	8	-3.487	-3.869	-140	-162
Profit/loss before tax		-45	-1.172	-2.062	-1.923
Tax on profit/loss for the year	9	514	41	0	0
Net profit/loss for the year		469	-1.131	-2.062	-1.923

Balance Sheet 31 December

Assets

	Note	Group		Parent Company	
		2019 TUSD	2018 TUSD	2019 TUSD	2018 TUSD
Goodwill		105	0	0	0
Intangible assets	10	105	0	0	0
Other fixtures and fittings, tools and equipment		1.915	1.413	693	798
Vessels		91.834	95.435	0	0
Property, plant and equipment	11	93.749	96.848	693	798
Investments in subsidiaries	12	0	0	48.371	19.312
Investments in associates	13	25.715	19.201	0	1.052
Other investments	14	286	155	0	0
Fixed asset investments		26.001	19.356	48.371	20.364
Fixed assets		119.855	116.204	49.064	21.162
Inventories		3.435	3.212	0	0
Trade receivables		4.770	3.684	0	14
Receivables from group enterprises		6.698	0	36.959	68.562
Receivables from associates		4.646	4.646	0	0
Other receivables		3.256	4.293	0	500
Corporation tax		214	157	0	0
Prepayments	15	5.747	5.045	0	0
Receivables		25.331	17.825	36.959	69.076
Cash at bank and in hand		16.900	16.050	501	759
Currents assets		45.666	37.087	37.460	69.835
Assets		165.521	153.291	86.524	90.997

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent Company	
		2019 TUSD	2018 TUSD	2019 TUSD	2018 TUSD
Share capital		5.718	5.718	5.718	5.718
Retained earnings		78.455	80.943	78.455	80.943
Equity attributable to shareholders of the Parent Company		84.173	86.661	84.173	86.661
Minority interests		4.979	3.126	0	0
Equity		89.152	89.787	84.173	86.661
Provision for deferred tax	17	60	0	0	0
Provisions relating to investments in group enterprises		0	0	0	1.712
Provisions		60	0	0	1.712
Lease obligations		52.693	40.878	0	0
Other payables		2.129	2.335	2.132	2.335
Long-term debt	18	54.822	43.213	2.132	2.335
Lease obligations	18	6.060	4.084	0	0
Prepayments received from customers		655	675	0	0
Trade payables		5.745	2.048	0	36
Payables to group enterprises		0	1.409	0	0
Payables to associates		0	1.266	0	0
Other payables	18	2.362	2.356	219	253
Deferred income	19	6.665	8.453	0	0
Short-term debt		21.487	20.291	219	289
Debt		76.309	63.504	2.351	2.624
Liabilities and equity		165.521	153.291	86.524	90.997
Subsequent events	1				
Distribution of profit	16				
Contingent assets, liabilities and other financial obligations	20				
Related parties	21				
Accounting Policies	22				

Statement of Changes in Equity

Group

	Share capital	Retained earnings	Equity excl. minority interests	Minority interests	Total
	TUSD	TUSD	TUSD	TUSD	TUSD
Equity at 1 January	5.718	80.943	86.661	3.126	89.787
Exchange adjustments	0	-426	-426	-2	-428
Extraordinary dividend paid	0	0	0	-470	-470
Other equity movements	0	0	0	-206	-206
Net profit/loss for the year	0	-2.062	-2.062	2.531	469
Equity at 31 December	5.718	78.455	84.173	4.979	89.152

Parent Company

Equity at 1 January	5.718	80.943	86.661	0	86.661
Exchange adjustments	0	-426	-426	0	-426
Net profit/loss for the year	0	-2.062	-2.062	0	-2.062
Equity at 31 December	5.718	78.455	84.173	0	84.173

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.

	Group		Parent Company	
	2019 TUSD	2018 TUSD	2019 TUSD	2018 TUSD
2 Revenue				
Geographical segments				
Globally	186.664	162.100	0	0
	186.664	162.100	0	0
Business segments				
Tank	13.153	23.547	0	0
Bulk	145.427	113.056	0	0
Project	13.583	10.993	0	0
RoRo	14.501	14.481	0	0
Other	0	23	0	0
	186.664	162.100	0	0

Notes to the Financial Statements

	Group		Parent Company	
	2019 TUSD	2018 TUSD	2019 TUSD	2018 TUSD
3 Staff expenses				
Wages and salaries	5.849	4.954	90	94
Pensions	423	415	0	0
Other social security expenses	58	72	0	0
Other staff expenses	311	437	0	0
	6.641	5.878	90	94
Including remuneration to the Executive Board and Board of Directors	318	323	318	323
Average number of employees	45	47	0	0
4 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment				
Amortisation of intangible assets	25	0	0	0
Depreciation of property, plant and equipment	5.762	5.083	105	105
Gain and loss on disposal	539	-1.363	0	0
	6.326	3.720	105	105
5 Income from investments in subsidiaries				
Results from investments in group enterprises	0	0	-2.202	-3.320
Depreciation, Good-/badwill	0	0	-788	173
Profit / loss from sale of group enterprises	-35	36	0	36
	-35	36	-2.990	-3.111

Notes to the Financial Statements

	Group		Parent Company	
	2019 TUSD	2018 TUSD	2019 TUSD	2018 TUSD
6 Income from investments in associates				
Results from associates	365	4.678	0	449
Amortisation of goodwill	289	289	0	0
Loss from sale of associates	-26	0	-26	0
	628	4.967	-26	449
7 Financial income				
Interest received from group enterprises	86	0	1.191	1.937
Other financial income	210	174	54	75
Exchange gains	0	2.380	20	494
	296	2.554	1.265	2.506
8 Financial expenses				
Impairment losses on financial assets	0	66	0	0
Other financial expenses	3.431	2.945	140	162
Exchange adjustments, expenses	56	0	0	0
Exchange loss	0	858	0	0
	3.487	3.869	140	162
9 Tax on profit/loss for the year				
Current tax for the year	-574	-76	0	0
Deferred tax for the year	60	0	0	0
Adjustment of tax concerning previous years	0	35	0	0
	-514	-41	0	0

Notes to the Financial Statements

10 Intangible assets

Group

	<u>Goodwill</u> TUSD
Cost at 1 January	0
Additions for the year	<u>130</u>
Cost at 31 December	<u>130</u>
Impairment losses and amortisation at 1 January	0
Amortisation for the year	<u>25</u>
Impairment losses and amortisation at 31 December	<u>25</u>
Carrying amount at 31 December	<u>105</u>
Amortised over	<u>3 years</u>

Notes to the Financial Statements

11 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment TUSD	Vessels TUSD
Cost at 1 January	3.061	136.591
Exchange adjustment	0	-1.286
Additions for the year	699	3.111
Disposals for the year	-26	0
Cost at 31 December	<u>3.734</u>	<u>138.416</u>
Impairment losses and depreciation at 1 January	1.648	41.156
Exchange adjustment	0	-142
Depreciation for the year	194	5.568
Impairment and depreciation of sold assets for the year	-23	0
Impairment losses and depreciation at 31 December	<u>1.819</u>	<u>46.582</u>
Carrying amount at 31 December	<u>1.915</u>	<u>91.834</u>
Depreciated over	<u>3-10 years</u>	<u>2-25 years</u>
Including assets under finance leases amounting to	<u>0</u>	<u>91.834</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	254
Depreciation for the year	<u>105</u>
Impairment losses and depreciation at 31 December	<u>359</u>
Carrying amount at 31 December	<u>693</u>
Depreciated over	<u>3-10 years</u>

Notes to the Financial Statements

	Parent Company	
	2019	2018
	TUSD	TUSD
12 Investments in subsidiaries		
Cost at 1 January	104.593	104.580
Additions for the year	40.612	55
Disposals for the year	-16	-42
Cost at 31 December	<u>145.189</u>	<u>104.593</u>
Value adjustments at 1 January	-92.970	-89.778
Exchange adjustment	-426	-29
Net profit/loss for the year	-2.202	-3.320
Dividend to the Parent Company	-530	0
Amortisation of goodwill/badwill	-788	173
Reversals for the year of revaluations in previous years	2	-16
Value adjustments at 31 December	<u>-96.914</u>	<u>-92.970</u>
Equity investments with negative net asset value amortised over receivables	<u>96</u>	<u>5.977</u>
Equity investments with negative net asset value transferred to provisions	<u>0</u>	<u>1.712</u>
Carrying amount at 31 December	<u>48.371</u>	<u>19.312</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	57%
Borgship IV ApS	Hørsholm, Denmark	DKK 250k	100%
Borgship VI ApS	Hørsholm, Denmark	DKK 50k	100%
Borgship II ApS	Hørsholm, Denmark	DKK 250k	100%

Notes to the Financial Statements

	Group		Parent Company	
	2019 TUSD	2018 TUSD	2019 TUSD	2018 TUSD
13 Investments in associates				
Cost at 1 January	25.491	22.393	5.809	5.769
Additions for the year	7.666	3.098	0	40
Disposals for the year	-6.133	0	-5.809	0
Cost at 31 December	<u>27.024</u>	<u>25.491</u>	<u>0</u>	<u>5.809</u>
Value adjustments at 1 January	-6.290	-6.920	-4.757	-5.171
Exchange adjustment	-20	-37	0	-35
Net profit/loss for the year	365	4.678	0	449
Dividends received	-771	-4.300	0	0
Amortisation of goodwill	289	289	0	0
Reversals for the year of revaluations in previous years	<u>5.118</u>	<u>0</u>	<u>4.757</u>	<u>0</u>
Value adjustments at 31 December	<u>-1.309</u>	<u>-6.290</u>	<u>0</u>	<u>-4.757</u>
Carrying amount at 31 December	<u>25.715</u>	<u>19.201</u>	<u>0</u>	<u>1.052</u>

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%
Areto Holding Inc	Liberia	USD 0k	50%
Golden Weco Bulk	Liberia	USD 0k	50%
Thaiden Maritime Ltd.	Thailand	USD 7,139K	49%
Golden Weco Dry	Liberia	USD 0k	50%

All foreign associates are recognised and measured as separate entities.

Notes to the Financial Statements

14 Other fixed asset investments

	<u>Group</u> Other investments TUSD
Cost at 1 January	833
Additions for the year	<u>79</u>
Cost at 31 December	<u>912</u>
Impairment losses at 1 January	678
Exchange adjustment	19
Impairment losses for the year	<u>-71</u>
Impairment losses at 31 December	<u>626</u>
Carrying amount at 31 December	<u>286</u>

15 Prepayments

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

16 Distribution of profit

	<u>Group</u>		<u>Parent Company</u>	
	<u>2019</u> TUSD	<u>2018</u> TUSD	<u>2019</u> TUSD	<u>2018</u> TUSD
Minority interests' share of net profit/loss of subsidiaries	2.531	792	0	0
Retained earnings	<u>-2.062</u>	<u>-1.923</u>	<u>-2.062</u>	<u>-1.923</u>
	<u>469</u>	<u>-1.131</u>	<u>-2.062</u>	<u>-1.923</u>

Notes to the Financial Statements

	Group		Parent Company	
	2019 TUSD	2018 TUSD	2019 TUSD	2018 TUSD
17 Provision for deferred tax				
Provision for deferred tax at 1 January	0	0	0	0
Amounts recognised in the income statement for the year	60	0	0	0
Provision for deferred tax at 31 December	60	0	0	0
Property, plant and equipment	60	0	0	0
	60	0	0	0

18 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	16.631	6.833	0	0
Between 1 and 5 years	36.062	34.045	0	0
Long-term part	52.693	40.878	0	0
Within 1 year	6.060	4.084	0	0
	58.753	44.962	0	0

Other payables

After 5 years	1.320	1.523	1.320	1.523
Between 1 and 5 years	809	812	812	812
Long-term part	2.129	2.335	2.132	2.335
Other short-term payables	2.362	2.356	219	253
	4.491	4.691	2.351	2.588

19 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

Notes to the Financial Statements

20 Contingent assets, liabilities and other financial obligations

Security

The Group has placed security for associated companies' debt of tUSD 6,300 (2018: tUSD 8,400).

Rental agreements and leases

The Group has entered into operating lease agreements with a total future lease payment of tUSD 780 (2018: tUSD 220)

Contigent liabilities

The Group's contractual obligations relating to short-term chartering of vessels total tUSD 102,551 (2018: tUSD 108,084).

The Group has entered agreements on acquisition of vessels as well as shares of vessels for a total amount of tUSD 2,417 (2018: tUSD 7,392).

Contigent assets

The Group has an insurance claim regarding one of the group's vessel. At the time of the group financial statements, it is uncertain how much the compensation will amount to.

Other contingent liabilities

There is a residual liability corresponding to the Group's share of the non-paid capital totalling tUSD 756 (2018: tUSD 1,935k) 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.

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.

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

Notes to the Financial Statements

21 Related parties

Basis

Controlling interest

Weco A/S

Sole shareholder

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

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

22 Accounting Policies

The Annual Report of Weco Shipping A/S for 2019 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 2019 are presented in TUSD. Applied US Dollar exchange rate on the 31 December 2019 : 667,59 (2018: 651,94).

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

22 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

22 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.

Segment information on 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 intangible assets and 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

22 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.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 3 years.

Property, plant and equipment

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

Notes to the Financial Statements

22 Accounting Policies (continued)

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.

Impairment of fixed assets

The carrying amounts of intangible assets and 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.

Notes to the Financial Statements

22 Accounting Policies (continued)

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.

Prepayments

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

Equity

Dividend

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

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.

Notes to the Financial Statements

22 Accounting Policies (continued)

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

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.

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	$\frac{\text{Net profit for the year}}{\text{Average equity}}$