

Thorco Projects A/S

**Tuborg Parkvej 10
2900 Hellerup**

CVR no. 37 74 53 24

Annual report for 2016

Adopted at the annual general
meeting on 20 June 2017

Thor Stadil
chairman

Contents

	Page
Statements	
Statement by management on the annual report	1
Independent auditor's report	2
Management's review	
Company details	5
Financial highlights	6
Management's review	7
Financial statements	
Accounting policies	8
Income statement 24 May 2016 - 31 December 2016	12
Balance sheet at 31 December 2016	13
Statement of changes in equity	15
Notes to the annual report	16

Statement by management on the annual report

The Board of Directors and Executive Board have today discussed and approved the annual report of Thorco Projects A/S for the financial year 24 May - 31 December 2016.

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 company's financial position at 31 December 2016 and of the results of the company's operations for the financial year 24 May - 31 December 2016.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved at the annual general meeting.

Hellerup, 20 June 2017

Executive board

Thomas Nørballe Mikkelsen

Board of Directors

Thor Stadil
chairman

Ernesto Walter Schonbrod
Brauhardt

Ronald Lambertus Maria
Bouwens

Independent auditor's report

To the shareholder of Thorco Projects A/S

Opinion

We have audited the financial statements of Thorco Projects A/S for the financial year 24 May - 31 December 2016, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 december 2016 and of the results of the company's operations for the financial year 24 May - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the 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.

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

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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.
- 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.

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.

Independent auditor's report

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, we conclude that 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 of management's review.

Hellerup, 20 June 2017

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Line Hedam
state authorized public accountant

Mark Philip Beer
state authorized public accountant

Company details

The company

Thorco Projects A/S
Tuborg Parkvej 10
2900 Hellerup

CVR no.: 37 74 53 24
Reporting period: 24 May - 31 December
Financial year: 1st financial year
Domicile: Gentofte

Board of Directors

Thor Stadil, chairman
Ernesto Walter Schonbrod Brauhardt
Ronald Lambertus Maria Bouwens

Executive board

Thomas Nørballe Mikkelsen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Consolidated Financial Statements

The Company is included in the Group Annual Report of
Thornico Holding A/S

Financial highlights

Seen over a 1-year period, the development of the Company may be described by means of the following financial highlights:

	<u>2016</u> USD '000
Key figures	
Profit/loss	
Gross profit/loss	1.027
Profit/loss before financial income and expenses	1.027
Net financials	5
Profit/loss for the year	803
Balance sheet	
Balance sheet total	6.337
Equity	1.800
Financial ratios	
Return on assets	32,4%
Solvency ratio	28,4%
Return on equity	89,2%

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies..

Management's review

Main activities

The object of the Company is to carry on shipping, chartering and other shipping activities as well as any activity deemed by the Board of Directors to be related hereto, including but not limited to the Company being able to enter into agreements on sale and purchase of securities, foreign exchange and derivatives of any kind and any combinations of these.

Development in the year.

The income statement of the Company for 2016 shows a profit before tax of USD 1.032.242, and at 31 December 2016 the balance sheet of the Company shows equity of USD 1.800.014.

In general 2016 was a difficult year for international shipping – and the Multi-purpose and Project(MPP) segment was no exemption. MPP continues to suffer from mainly lower off shore activity and competition from handy-size bulkers. However, through strong focus on core business and dedicated employees Thorco Projects A/S has been able to obtain a leading position in the MPP segment.

Outlook for 2017

The MPP segment is expected to continue being under pressure, and Thorco Projects A/S will adjust strategy and activity level accordingly expecting an unchanged result for 2017.

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

Statutory statements on corporate social responsibility and the underrepresented gender, cf sections 99 a and 99 b of the Danish Financial Statements Act
Reference is made to Parent Company Thornico AIS CSR report including policy on gender equality. The report can be found on the following website: <http://www.thornico.com/Company-Karma/CompanyKarma-Report>.

Financing

In 2016 the main shareholder converted USD 989 thousand subordnate loan into equity to obtain adequate capital resources for growing the business within main activities.

Subsequent events

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

Accounting policies

The annual report of Thorco Projects A/S for 2016 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 for 2016 is presented in USD

As 2016 is the company's first reporting period, no comparatives have been presented.

Pursuant to sections §112, of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

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 Thornico A/S, the Company has not prepared a cash statement.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company's and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company's and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report are presented and which confirm or invalidate matters existing at the balance sheet date.

Accounting policies

Income statement

Revenue

Revenue from sales (chartering income) is recognised in the income statement when the charter is finalised based on the following criteria:

- finalization of the charter before year end
- the charter income has been determined; and payment has been received or may with reasonable certainty be expected to be received.

Revenue is recognised exclusive of VAT with deduction of direct travelling expenses.

Chartering in progress is recognised at the rate of completion of the charter, which means that revenue equals the charter income from the travelling activity for the year. This method is applied when total revenues and expenses in respect of the charter at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company.

Vessel operating costs

Vessel operating costs comprise the costs to achieve revenue for the year.

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the company's activities, including losses on the sale of intangible assets and property, plant and equipment.

Other external expenses

Other external expenses include expenses incurred to achieve the revenue for the year as well as expenses for premises and office expenses, etc.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses and realised and unrealised exchange rate adjustments.

Accounting policies

Tax on profit/loss for the year

On payment of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use tax losses to reduce their own taxable profits.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to entries directly in equity.

Balance sheet

Investments in subsidiaries

Investments in subsidiaries are measured at the proportionate share of the net asset value of the entities, calculated on the basis of the group's accounting policies, less or plus unrealised intra-group gains or losses and plus or less any remaining value of positive or negative goodwill made up according to the purchase method.

Investments in subsidiaries with a negative net asset value are measured at DKK 0, and the carrying amount of any receivables from these entities is reduced to the extent that they are considered irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the receivable, the balance is recognised under provisions.

Net revaluations of investments in subsidiaries are taken to the net revaluation reserve according to the equity method to the extent that the carrying amount exceeds the cost. Dividends from subsidiaries which are expected to be declared before the annual report of Thorco Projects A/S is adopted are not taken to the net revaluation reserve.

Bunker

Stocks are measured using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

Receivables

Receivables are measured at amortised cost.

Chartering in progress

Chartering in progress is measured at the sales value of the part of the chartering relating to the financial period. The individual chartering contracts are classified as receivables when the values are positive and as payables when the values are negative.

Accounting policies

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Liabilities

Liabilities, which include trade receivables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Deferred income

Deferred income comprises ongoing voyages.

Financial Highlights

Definitions of financial ratios.

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

Income statement 24 May 2016 - 31 December 2016

	<u>Note</u>	<u>2016</u> USD
Gross profit		1.026.935
Income from investments in subsidiaries		-7.521
Financial income		44.311
Financial costs	1	<u>-31.483</u>
Profit/loss before tax		1.032.242
Tax on profit/loss for the year	2	<u>-228.748</u>
Net profit/loss for the year		<u>803.494</u>
Retained earnings		<u>803.494</u>
		<u>803.494</u>

Balance sheet at 31 December 2016

	<u>Note</u>	<u>2016</u> USD
Assets		
Investments in subsidiaries	3	<u>0</u>
Fixed asset investments		<u>0</u>
Bunkers		<u>984.136</u>
Stocks		<u>984.136</u>
Trade receivables		2.029.333
Receivables from group enterprises		3.305.054
Prepayments		<u>936</u>
Receivables		<u>5.335.323</u>
Cash at bank and in hand		<u>17.951</u>
Current assets total		<u>6.337.410</u>
Assets total		<u><u>6.337.410</u></u>

Balance sheet at 31 December 2016

	<u>Note</u>	<u>2016</u> USD
Liabilities and equity		
Share capital		996.520
Retained earnings		<u>803.494</u>
Equity		<u>1.800.014</u>
Banks	12	12
Trade payables		2.883.371
Other payables		63.614
Deferred income		<u>1.590.399</u>
Short-term debt		<u>4.537.396</u>
Debt total		<u>4.537.396</u>
Liabilities and equity total		<u>6.337.410</u>
Contingent assets, liabilities and other financial obligations	4	

Equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 24 May 2016	7.511	0	7.511
Cash capital increase	989.009	0	989.009
Net profit/loss for the year	<u>0</u>	<u>803.494</u>	<u>803.494</u>
Equity at 31 December 2016	<u>996.520</u>	<u>803.494</u>	<u>1.800.014</u>

Notes to the Annual Report

	2016
	USD
1 Financial costs	
Financial expenses, group entities	2.583
Other financial costs	<u>28.900</u>
	<u>31.483</u>
2 Tax on profit/loss for the year	
Current tax for the year	<u>228.748</u>
	<u>228.748</u>
3 Investments in subsidiaries	
Cost at 24 May 2016	0
Additions for the year	<u>7.521</u>
Cost at 31 December 2016	<u>7.521</u>
Revaluations at 24 May 2016	0
Disposals for the year	<u>-7.521</u>
Revaluations at 31 December 2016	<u>-7.521</u>
Carrying amount at 31 December 2016	<u>0</u>
4 Contingent assets, liabilities and other financial obligations	
The Company has entered into an agreement on lease of vessels on a time charter basis. The total obligation amounts to USD 7,0 million at 31 December 2016.	