

Blue Water International A/S

Trafikhavnskaj 9

6700 Esbjerg

Central Business Registration No

78828811

Annual report 2018

The Annual General Meeting adopted the annual report on 29.05.2019

Chairman of the General Meeting

Name: Niels Stie Kaalund

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Entity details

Entity

Blue Water International A/S
Trafikhavnskaj 9
6700 Esbjerg

Central Business Registration No: 78828811
Registered in: Esbjerg
Financial year: 01.01.2018 - 31.12.2018

Phone: (+45)79134144
Website: www.bws.dk
E-mail: bwsebj@bws.dk

Board of Directors

Kurt Skov, Chairman
Niels Stie Kaalund
Jørgen Meyer
Anne Roed Skov
Peter Damsboe

Executive Board

Søren Nørgaard Thomsen, Managing Director

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Dokken 8
Postboks 200
6701 Esbjerg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Blue Water International A/S for the financial year 01.01.2018 - 31.12.2018.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

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

Esbjerg, 29.05.2019

Executive Board

Søren Nørgaard Thomsen
Managing Director

Board of Directors

Kurt Skov
Chairman

Niels Stie Kaalund

Jørgen Meyer

Anne Roed Skov

Peter Damsboe

Independent auditor's report

To the shareholders of Blue Water International A/S

Opinion

We have audited the financial statements of Blue Water International A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Esbjerg, 29.05.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Jørn Jepsen
State Authorised Public Accountant
Identification number (MNE) mne24824

Peder Rene Pedersen
State Authorised Public Accountant
Identification number (MNE) mne23334

Management commentary

Primary activities

The company's activities comprise the possession of shares and international transport, freight forwarding and logistic activities.

Development in activities and finances

The company's income statement for the financial year 01.01.2018 – 31.12.2018 shows a profit of DKK 27,307k and the company's balance sheet at 31.12.2018 shows a total of DKK 162,769k and equity of DKK 121,264k.

The performance from the Company's oil, energy, wind and project related activities has developed positively.

Outlook

Management is regularly adapting operations to the market and expecting a profit and positive cashflow in 2019.

During 2016 the company has secured a major contract in relation to the oil and energy sector. The project will have a positive impact on the company's result in 2019-2020.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Gross profit		1,011	1,941
Staff costs	1	(918)	(788)
Operating profit/loss		93	1,153
Income from investments in group enterprises		23,515	(7,473)
Income from investments in associates		2,956	4,835
Income from other fixed assets investments		0	1,284
Other financial income	2	5,264	3,877
Other financial expenses		(3,572)	(6,550)
Profit/loss before tax		28,256	(2,874)
Tax on profit/loss for the year	3	(949)	(921)
Profit/loss for the year		27,307	(3,795)
Proposed distribution of profit/loss			
Ordinary dividend for the financial year		25,000	0
Transferred to reserve for net revaluation according to the equity method		9,143	(1,462)
Retained earnings		(6,836)	(2,333)
		27,307	(3,795)

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Investments in group enterprises		90,840	59,091
Investments in associates		8,673	8,761
Other investments		<u>11,751</u>	<u>11,751</u>
Fixed asset investments	4	<u>111,264</u>	<u>79,603</u>
Fixed assets		<u>111,264</u>	<u>79,603</u>
Trade receivables		1,031	815
Contract work in progress		52	0
Receivables from group enterprises		46,000	58,281
Other receivables	5	<u>3,616</u>	<u>4,699</u>
Receivables		<u>50,699</u>	<u>63,795</u>
Cash		<u>806</u>	<u>3,689</u>
Current assets		<u>51,505</u>	<u>67,484</u>
Assets		<u>162,769</u>	<u>147,087</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Contributed capital		25,000	25,000
Reserve for net revaluation according to the equity method		9,143	0
Retained earnings		62,121	69,866
Proposed dividend		<u>25,000</u>	<u>0</u>
Equity		<u>121,264</u>	<u>94,866</u>
Provisions for investments in group enterprises		<u>7,115</u>	<u>3,545</u>
Provisions		<u>7,115</u>	<u>3,545</u>
Bank loans		25,773	31,967
Contract work in progress		0	120
Trade payables		42	37
Payables to group enterprises		8,063	16,100
Income tax payable		218	239
Other payables		<u>294</u>	<u>213</u>
Current liabilities other than provisions		<u>34,390</u>	<u>48,676</u>
Liabilities other than provisions		<u>34,390</u>	<u>48,676</u>
Equity and liabilities		<u>162,769</u>	<u>147,087</u>
Contingent liabilities	6		
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Statement of changes in equity for 2018

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000
Equity beginning of year	25,000	0	69,866	0
Other equity postings	0	0	(909)	0
Profit/loss for the year	0	9,143	(6,836)	25,000
Equity end of year	25,000	9,143	62,121	25,000
				Total DKK'000
Equity beginning of year				94,866
Other equity postings				(909)
Profit/loss for the year				27,307
Equity end of year				121,264

Notes

	2018	2017
	DKK'000	DKK'000
1. Staff costs		
Wages and salaries	823	716
Other social security costs	95	72
	918	788
Average number of employees	5	5
	2018	2017
	DKK'000	DKK'000
2. Other financial income		
Financial income arising from group enterprises	2,581	851
Other financial income	2,683	3,026
	5,264	3,877
	2018	2017
	DKK'000	DKK'000
3. Tax on profit/loss for the year		
Tax on current year taxable income	674	921
Adjustment concerning previous years	275	0
	949	921

Notes

	Investments in group enterprises DKK'000	Investments in associates DKK'000	Other investments DKK'000
4. Fixed asset investments			
Cost beginning of year	74,031	3,685	25,055
Additions	3,266	200	0
Cost end of year	77,297	3,885	25,055
Revaluations beginning of year	(14,940)	5,076	0
Exchange rate adjustments	1,362	8	0
Adjustments on equity	0	(910)	0
Share of profit/loss for the year	23,515	2,956	0
Dividend	(2,038)	(2,342)	0
Investments with negative equity depreciated over receivables	2,074	0	0
Investments with negative equity transferred to provisions	3,570	0	0
Revaluations end of year	13,543	4,788	0
Impairment losses beginning of year	0	0	(13,304)
Impairment losses end of year	0	0	(13,304)
Carrying amount end of year	90,840	8,673	11,751

Notes

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>
Investments in group enterprises comprise:			
Blue Water Middle East A/S	Esbjerg, Denmark	A/S	100.0
Blue Water Shipping SARL	Lorient, France	SARL	100.0
Blue Water Projects S.L.	Barcelona, Spain	S.L.	100.0
Blue Water Shipping US Inc.	New Jersey, USA	Inc.	100.0
Blue Water Shipping do Brazil Ltda	São Paulo, Brazil	Ltda	99.0
BWCNH ApS	Esbjerg, Denmark	ApS	100.0
Blue Water Shipping OY	Helsingfors, Finland	OY	100.0
Blue Water Shipping AS	Oslo, Norway	AS	100.0
P/F Blue Water Shipping	Tórshavn, Faroe Islands	P/F	100.0
Blue Water Shipping AB	Göteborg, Sweden	AB	100.0
Blue Water Stevedoring A/S	Esbjerg, Denmark	A/S	100.0
Blue Water Greenland A/S	Sermersooq, Greenland	A/S	100.0
Blue Water Logistics UK Ltd.	Manchester, United Kingdom	Ltd.	100.0
Blue Water Shipping B.V.	Amsterdam, Netherlands	B.V.	100.0
Blue Water Shipping ehf.	Reykjavik, Iceland	ehf.	100.0
Blue Water Transport PTY Ltd.	Sydney, Australia	Ltd.	100.0
Aarhus Logistics Center A/S	Aarhus, Denmark	A/S	100.0
Blue Water Shipping España S.A.	Barcelona, Spain	S.A.	75.0
Blue Water Shipping UK Ltd.	Manchester, United Kingdom	Ltd.	100.0
Blue Water Shipping Ireland Ltd.	Dublin, Ireland	Ltd.	100.0
Blue Water Shipping Poland SP.Z.O.O	Warszawa, Poland	SPZOO	100.0
Blue Water Shipping Portugal, Unipessoal Lda.	Lisbon, Portugal	Lda.	100.0
Blue Water International FZCO	Dubai, United Arab Emirates	FZCO	100.0

Notes

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>
Investments in associates comprise:			
Femern Belt Services A/S	Lolland, Denmark	A/S	25.0
Esbjerg Marine Service K/S	Esbjerg, Denmark	K/S	31.7
Komplementarselskabet Esbjerg Marine Service ApS	Esbjerg, Denmark	ApS	33.3
Team Esbjerg Elite Håndbold A/S	Esbjerg, Denmark	A/S	33.3
Trans World Shipping AB	Vantaa, Finland	AB	45.0
Esbjerg Tubular Services ApS	Esbjerg, Denmark	ApS	50.0
Blue Water BREB GmbH	Cuxhaven, Germany	GmbH	50.0
Blue Power Partners A/S	Aalborg, Denmark	A/S	20.0

5. Other receivables

Of other receivables, DKK 2,161k fall due for payment after one (1) year.

	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
6. Contingent liabilities		
Recourse and non-recourse guarantee commitments	<u>107,338</u>	<u>28,012</u>
Contingent liabilities in total	<u>107,338</u>	<u>28,012</u>
Recourse and non-recourse guarantee commitments	<u>76,339</u>	<u>25,731</u>
Hereof contingent liabilities to group enterprises	<u>76,339</u>	<u>25,731</u>

The Company has presented a letter of support to Blue Water Shipping UK Ltd, Blue Water Logistics UK Ltd & Blue Water Shipping Kazakhstan LLP confirming that the company will provide the necessary liquidity in 2019.

The Company has provided material guarantees for fulfilment of contract obligations in Blue Water Logistics UK Ltd.

The Entity participates in a Danish joint taxation arrangement in which Blue Water Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

7. Mortgages and securities

Guarantee commitments is secured by deposited in bank DDK 241k.

Notes

8. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Blue Water Holding A/S, Esbjerg.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Blue Water Holding A/S, Esbjerg.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to the financial statements are consistent with those applied last year.

Consolidated financial statements

Referring to section 112 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in work in progress, consumables and external expenses.

Revenue

Revenue from the sale is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Accounting policies

Accounting profit of a forwarding job is booked as income at the time when the transport of the shipment in question starts.

Cost of sales

Cost of sales comprises costs related to achieving the net turnover. Included is settlements of haulage contractors, shipping companies, airlines etc.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc. for entity staff.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Income from investments in associates

Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after elimination of intra-group profits or losses.

Income from other fixed asset investments

Income from other fixed asset investments comprises gains in the form of interest, dividends, etc. on fixed asset investments which are not investments in group enterprises or associates.

Other financial income

Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Accounting policies

Balance sheet

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 5 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Investments in associates

Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value plus unamortised goodwill and plus or minus unrealised pro rata intra-group profits and losses.

Associates with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant associate, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

Accounting policies

Other investments

Other investments comprise shares which are measured at fair value (market price) at the balance sheet date.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Other provisions

Other provisions comprise group enterprises with negative equity. If the negative equity value exceeds the amount receivable, the remaining amounts is recognised under provisions if there is a legal or constructive obligation to cover to cover the liabilities of the relevant group enterprises and associates.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.