

## **Blue Water International A/S**

Trafikhavnskaj 9

6700 Esbjerg

Central Business Registration No

78828811

## **Annual report 2016**

The Annual General Meeting adopted the annual report on 18.05.2017

### **Chairman of the General Meeting**

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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: 01.01.2016 - 31.12.2016

Phone: (+45)79134144  
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Website: [www.bws.dk](http://www.bws.dk)  
E-mail: [bwsebj@bws.dk](mailto:bwsebj@bws.dk)

### Board of Directors

Niels Stie Kaalund, Chairman  
Kurt Skov  
Jørgen Meyer  
Preben Møller Nielsen

### Executive Board

Kurt Skov, 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 01.01.2016 - 31.12.2016.

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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

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, 18.05.2017

### Executive Board

Kurt Skov  
Managing Director

### Board of Directors

Niels Stie Kaalund  
Chairman

Kurt Skov

Jørgen Meyer

Preben Møller Nielsen

# 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 01.01.2016 - 31.12.2016, 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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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.

### 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.

## Independent auditor's report

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, 18.05.2017

### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No: 33963556

Jørn Jepsen  
State Authorised Public Accountant

Peder Rene Pedersen  
State Authorised Public Accountant

## 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 01.01.2016 – 31.12.2016 shows a loss of DKK 4,941k and the company's balance sheet at 31.12.2016 shows a total of DKK 129,226k and equity of DKK 98,661k.

Performance for the year is affected by oil- and project-related activities and therefore strategic adjustments have been made with a total earning impact of approx DKK 10m.

The performance development of the Company's other activities has been positive.

### Outlook

Management is regularly adapting operations to the market and expecting a profit and positive cashflow in 2017.

During 2016 the company has secured a major contract in relation to the oil and energy sector. The period 2016-2017 is considered as a start up and planning period whereas the actual project will take place 2018-2020. The project will have a positive impact on the company's result in 2018-2020.

### 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 2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
<b>Gross profit</b>		<b>668</b>	<b>(1.584)</b>
Staff costs	1	(879)	(1.244)
<b>Operating profit/loss</b>		<b>(211)</b>	<b>(2.828)</b>
Income from investments in group enterprises		(9.021)	7.424
Income from investments in associates		701	405
Income from other fixed assets investments		2.304	261
Other financial income	2	2.948	4.168
Other financial expenses		(971)	(943)
<b>Profit/loss before tax</b>		<b>(4.250)</b>	<b>8.487</b>
Tax on profit/loss for the year	3	(691)	(2.118)
<b>Profit/loss for the year</b>		<b>(4.941)</b>	<b>6.369</b>
<b>Proposed distribution of profit/loss</b>			
Ordinary dividend for the financial year		0	7.000
Transferred to reserve for net revaluation according to the equity method		(7.360)	8.822
Retained earnings		2.419	(9.453)
		<b>(4.941)</b>	<b>6.369</b>

## Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Investments in group enterprises		60.514	65.917
Investments in associates		6.524	6.627
Other investments		11.434	9.256
<b>Fixed asset investments</b>	4	<b><u>78.472</u></b>	<b><u>81.800</u></b>
<b>Fixed assets</b>		<b><u>78.472</u></b>	<b><u>81.800</u></b>
Trade receivables		1.014	5.470
Receivables from group enterprises		44.600	40.712
Receivables from associates		0	50
Other receivables	5	4.389	13.964
<b>Receivables</b>		<b><u>50.003</u></b>	<b><u>60.196</u></b>
<b>Cash</b>		<b><u>751</u></b>	<b><u>430</u></b>
<b>Current assets</b>		<b><u>50.754</u></b>	<b><u>60.626</u></b>
<b>Assets</b>		<b><u>129.226</u></b>	<b><u>142.426</u></b>

## Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016</u> <u>DKK'000</u>	<u>2015</u> <u>DKK'000</u>
Contributed capital		25.000	25.000
Reserve for net revaluation according to the equity method		1.462	8.822
Retained earnings		72.199	69.780
Proposed dividend		0	7.000
<b>Equity</b>		<b><u>98.661</u></b>	<b><u>110.602</u></b>
Provisions for investments in group enterprises		1.769	0
<b>Provisions</b>		<b><u>1.769</u></b>	<b><u>0</u></b>
Bank loans		24.809	19.286
Trade payables		49	7.619
Payables to group enterprises		3.242	3.135
Income tax payable		315	495
Other payables		381	1.289
<b>Current liabilities other than provisions</b>		<b><u>28.796</u></b>	<b><u>31.824</u></b>
<b>Liabilities other than provisions</b>		<b><u>28.796</u></b>	<b><u>31.824</u></b>
<b>Equity and liabilities</b>		<b><u>129.226</u></b>	<b><u>142.426</u></b>
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## Statement of changes in equity for 2016

	<b>Contributed capital DKK'000</b>	<b>Reserve for net revaluation according to the equity method DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Proposed dividend DKK'000</b>
Equity beginning of year	25.000	8.822	69.780	7.000
Ordinary dividend paid	0	0	0	(7.000)
Profit/loss for the year	0	(7.360)	2.419	0
<b>Equity end of year</b>	<b>25.000</b>	<b>1.462</b>	<b>72.199</b>	<b>0</b>
				<b>Total DKK'000</b>
Equity beginning of year				110.602
Ordinary dividend paid				(7.000)
Profit/loss for the year				(4.941)
<b>Equity end of year</b>				<b>98.661</b>

## Notes

	<b>2016</b>	<b>2015</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>1. Staff costs</b>		
Wages and salaries	775	1.124
Other social security costs	104	120
	<b>879</b>	<b>1.244</b>
Average number of employees	<b>5</b>	<b>6</b>
	<b>2016</b>	<b>2015</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>2. Other financial income</b>		
Financial income arising from group enterprises	602	1.066
Other financial income	2.346	3.102
	<b>2.948</b>	<b>4.168</b>
	<b>2016</b>	<b>2015</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>3. Tax on profit/loss for the year</b>		
Tax on current year taxable income	589	1.908
Adjustment concerning previous years	102	210
	<b>691</b>	<b>2.118</b>

## Notes

	<b>Investments in group enterprises DKK'000</b>	<b>Investments in associates DKK'000</b>	<b>Other investments DKK'000</b>
<b>4. Fixed asset investments</b>			
Cost beginning of year	52.477	2.297	25.310
Additions	8.727	394	0
Disposals	(987)	(6)	(255)
<b>Cost end of year</b>	<b>60.217</b>	<b>2.685</b>	<b>25.055</b>
Revaluations beginning of year	13.440	4.330	0
Exchange rate adjustments	216	(2)	0
Share of profit/loss for the year	(9.021)	701	0
Dividend	(10.223)	(4.534)	0
Investments with negative equity depreciated over receivables	(779)	(3.948)	0
Investments with negative equity transferred to provisions	1.769	0	0
Other adjustments	2.100	0	0
Reversal regarding disposals	2.795	7.292	0
<b>Revaluations end of year</b>	<b>297</b>	<b>3.839</b>	<b>0</b>
Impairment losses beginning of year	0	0	(16.054)
Fair value adjustments	0	0	2.122
Reversal regarding disposals	0	0	311
<b>Impairment losses end of year</b>	<b>0</b>	<b>0</b>	<b>(13.621)</b>
<b>Carrying amount end of year</b>	<b>60.514</b>	<b>6.524</b>	<b>11.434</b>

## 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 GmbH	Bremen, Germany	GmbH	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

## 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

### 5. Other receivables

Of other receivables, DKK 4,232k fall due for payment after one (1) year.

	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
<b>6. Contingent liabilities</b>		
Recourse and non-recourse guarantee commitments	2.625	2.470
<b>Contingent liabilities in total</b>	<b>2.625</b>	<b>2.470</b>
Recourse and non-recourse guarantee commitments	0	0
<b>Hereof contingent liabilities to group enterprises</b>	<b>0</b>	<b>0</b>
Recourse and non-recourse guarantee commitments	960	960
<b>Hereof contingent liabilities to associates</b>	<b>960</b>	<b>960</b>

The Company has provided guarantees for the bank debt towards Parent and subsidiaries.

The Company has presented a letter of support to Blue Water Shipping UK Ltd. and Aarhus Logistics Center A/S confirming that the company will provide the necessary liquidity in 2017.

The Company has provided material guarantees for fulfillment 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.



## Notes

### **7. 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.

### 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.

#### Cost of sales

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

## Accounting policies

### 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.

### 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.

## Accounting policies

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.

### 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.

## Accounting policies

### 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.

### 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.