

Den Danske Bank £15. 092913

**BLUE
WATER
SHIPPING**

BLUE WATER SHIPPING A/S

**ANNUAL FINANCIAL STATEMENT
AND GROUP REPORT FOR 1998**



TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Company information | 1 |
| Annual report | 3 |
| Signatures of the Management and the Board of Directors | 6 |
| Auditors' report | 7 |
| Accounting policies applied | 8 |
| Profit and loss account for 1998 | 12 |
| Balance sheet at 31.12 1998 | 13 |
| Statement of cashflow for 1998 | 15 |
| Pledged assets and contingent liabilities etc. | 16 |
| Notes | 17 |

COMPANY INFORMATION

Company

Blue Water Shipping A/S

Trafikhavns Tværkaj 2

6700 Esbjerg

Company registration no. 65.286

Registered in: Esbjerg

Departments

Denmark

England

Ireland

Holland

Russia

Furthermore the group is represented by subsidiary- and associated companies in:

France

Spain

Greenland

Dubai, U.A.E.

Georgia

Azerbaijan

Board of Directors

Solicitor Niels Kaalund, chairman

Shipbroker Kurt Skov

Managing Director Lars Peter Ehrhorn

Management

Kurt Skov

455

COMPANY INFORMATION

Group relations

The group comprises

Blue Water Shipping A/S, Esbjerg

Blue Water International A/S, Esbjerg

Blue Water Transport A/S, Esbjerg

Blue Water Middle East A/S, Esbjerg

Knud Sørensen Shipping A/S, Esbjerg

Blue Water Shipping SARL, France

Nordshipping Hanstholm ApS, Esbjerg

Hjerting Invest ApS, Esbjerg

Blue Water Greenland ApS, Nuuk

Blue Water Stevedoring A/S, Esbjerg

Polar Line A/S, Nuuk

Auditors

Deloitte & Touche

Statsautoriseret Revisionsaktieselskab

Approved by the company in General Meeting, on June 24, 1999

Chairman

ANNUAL REPORT

Activity

The company's and the Group's activities comprise ship's agency, chartering, forwarding, warehousing, stevedoring and other carrying trade.

Economic developments

In spite of reduced earnings in consequence of the conflict on the Danish labour market in the spring, the exchange crises in Asia and Eastern Europe as well as falling oil prices, 1998 was a satisfactory year for Blue Water Shipping A/S

Profit of the year before tax amounts to TDKK 4.956 as compared with TDKK 4.757 in 1997.

As previously, development and preliminary expenses are entered as expenditure in the profit and loss account concurrently with payment of same. This has affected the results of 1998 considerably.

The profit of the year after tax amounts to TDKK 3.963. At the end of the year the total equity is TDKK 23.514.

The budget for 1999 shows a satisfactory result.

Further comments:

In general:

Throughout 1998, Blue Water Shipping A/S also has been working on the adaption of the future development to the strategy plan established in 1996. The strategy plan was implemented with the purpose of securing a positive and stable development of the individual fields of activities within Blue Water Shipping A/S.

Denmark

Blue Water Shipping A/S is one of the most all-round shipping and freight forwarding companies in Denmark. The company is nationwide represented with 12 offices in Denmark.

In 1998 the group has strengthened its position within transport by road, rail, sea as well as air.

HJ

ANNUAL REPORT

Whithin specific niches, food transport and transport and base activities, in particular, related to the oil and energy sector have intensified.

Foreign Countries

Blue Water Shipping A/S has 16 offices outside Denmark distributed in England, Scotland, Ireland, Holland, France, Spain, Greenland, The United Arab Emirates, Russia, Georgia and Azerbaijan. In addition an office has been established in Singapore in 1999

All branch offices are based on relations and co-operation with other Blue Water departments and usually further developments are effected - in principle within more branches of the transport and forwarding trade.

In addition to representation through its own offices in various countries, Blue Water has established an European as well as a global agency network covering any kind of transport.

Blue Water has made a large contract with Keppel Fels Limited, Singapore, covering the transport of an oil rig from Singapore to the important oil territory around the Caspian Sea.

Investments

During 1998 the parent company's net investment in fixed assets amounted to DKK 3 mill. net. The investments of the group amount to approx. DKK 6 mill. net. For the year to come a similar investment level is expected.

Subsequent events

No significant events have taken place, from the balance sheet date until today, which could effect the annual accounts and the consolidated accounts.

The future

Based on the geographical spread, Blue Water Shipping A/S will continue to strengthen its position within transport by road, rail, sea and air.

In addition, niches in global transportation of foodstuffs and transport and base activities related to the oil and gas industry in the North Sea, the Middle East and the areas around the Caspian Sea will be given high priority.

ANNUAL REPORT**Year 2000 – problems**

The commencement of the year 2000 is not expected to cause any serious problems for the company as tests and adjustments of the IT-systems have been carried out in 1998.

Shareholder

Blue Water Holding A/S, Esbjerg owns at least 5% of the share capital.

Appropriation of profit

The Board of Directors recommends the profit of the year to be appropriated as follows:

| | 1998 |
|-------------------------------|---------------------|
| | <u>TDKK</u> |
| Dividends | 200 |
| Transferred to equity reserve | (294) |
| Result brought forward | <u>4.057</u> |
| | <u>3.963</u> |

HJ

SIGNATURES OF THE MANAGEMENT AND THE BOARD OF DIRECTORS

The management has today prepared and approved the annual report and the following annual financial statements and group report.

The annual financial statements and group report are prepared in accordance with generally accepted accounting provisions. We believe that the chosen accounting provisions are adequate, and in our opinion the annual financial statement and the group report give a true and fair view.

The annual financial statements and group report are recommended for approval of the general meeting.

Esbjerg, May 31, 1999

The Management

Kurt Skov

The Board of Directors

Niels Kaalund
Chairman

Kurt Skov

Lars Peter Ehrhorn

Handwritten signature/initials

AUDITORS' REPORT

We have audited the financial statement and the consolidated financial statements of Blue Water Shipping A/S for 1998 presented by the management.

Basis of opinion

We have planned and conducted our audit in accordance with generally accepted audit standards to obtain reasonable assurance about whether the financial statements are free of material misstatement. Based on an evaluation of materiality and risk, our audit has included an examination of evidence supporting the amounts and disclosures in the financial statements. We have assessed the accounting policies applied and the estimates made by the management as well as evaluated the overall financial statement presentation.

Our audit has not given rise to qualifications.

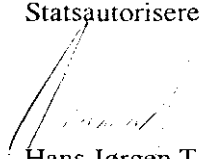
Opinion

In our opinion, the financial statements and the consolidated financial statements have been presented in accordance with the accounting provisions of Danish legislation and give a true and fair view of the group's and the parent company's assets and liabilities, financial position and result.

Esbjerg, May 31, 1999

DELOITTE & TOUCHE

Statsautoriseret Revisionsaktieselskab



Hans Jørgen T. Jensen

State-Authorised Public Accountant

(Denmark)

ACCOUNTING POLICIES APPLIED

Generally

The annual financial statement and the consolidated financial statements in general have been presented in accordance with Danish legislation.

In 1998, changes in the accounting policies have been made. Assessment of capital investments in other companies to be in accordance with the equity method provided the activity of the investment matches to the primary activity of Blue Water Shipping A/S. Previously these companies were assessed at purchase price, but not exceeding the equity value of the company. Capital investments in other companies, not matching the primary activity of Blue Water Shipping A/S are still assessed at purchase price, but not exceeding the equity value. This year's profit of capital investments in other companies, assessed in accordance with the equity method amounts to TDKK 187, which has been credited in the profit and loss account. Adjustment according previous years amounts to TDKK 297, which has been credited the total equity. Adjustment of comparative figures in 1997 has been made. The changings in the accounting policies give af more true and fair view.

The other accounting policies applied are consistent with those applied last year.

Blue Water Shipping A/S is part of the consolidated financial statements for Blue Water Holding A/S.

Consolidation

The group report includes Blue Water Shipping A/S (the parent company) and subsidiary companies owned 100%:

Blue Water International A/S

Blue Water Middle East A/S

Knud Sørensen Shipping A/S

Blue Water Shipping SARL

Nordshipping Hanstholm ApS

Hjerting Invest ApS

Blue Water Greenland ApS

Blue Water Stevedoring A/S

Polar Line A/S

HSI

ACCOUNTING POLICIES APPLIED

In addition the group report include the subsidiary company Blue Water Transport A/S owned 100% by Blue Water International A/S.

The group report is prepared as a summary of the accounts of each single company, and eliminations of internal income and costs, shareholdings, current accounts and dividends together with non-realized internal profit and loss on fixed assets have been made.

In the group report, the net book value of the parent company's shares in the subsidiary companies equalizes the parent company's share of the subsidiary companies equity capital at the time, when the group relations were established.

Net turnover

The net profit is recorded for the period, where the individual dispatches in principal have been carried out. An approximate invoicing principle is used for the recording of the income.

Extraordinary items

Items of income and expenditure that clearly differ from the company's/group's ordinary operations are stated as extraordinary items.

Company tax

Company tax is charged to the profit and loss account with 38 percent of the profit before tax adjusted for items.

Deferred tax - the result of timing differences between income and expenses in the financial statements and in the tax return - is reported in the notes.

The company is jointly taxed with some of the subsidiary companies owned 100%. The tax of the net tax income subject to joint taxation is charged to Blue Water Shipping A/S.

Foreign currency conversion

Accounts receivable and payable in foreign currencies and the consolidation of foreign departments/subsidiaries are DKK at the rate of exchange ruling on the balance sheet date. Realised as well as unrealised converted into profit and losses due to exchange fluctuation are included in the profit and loss account.

HJJ

ACCOUNTING POLICIES APPLIED**Intangible fixed assets**

Intangible fixed assets are recorded at purchase price less depreciation.

The straight-line depreciation made is based on the following expected useful economic lives of the assets:

| | |
|-----------------------|---------|
| Group goodwill | 5 years |
| Goodwill | 5 years |
| Leasehold improvement | 5 years |

Deposits are not subject to depreciation.

Tangible fixed assets

Tangible fixed assets are recorded at purchase price less depreciation.

The straight-line depreciation made is based on the following expected useful economic lives of the assets:

| | |
|--|-------------|
| Buildings | 22-30 years |
| Cold storage plants | 10 years |
| Other fixtures and fittings, tools and equipment | 3-8 years |

Assets at purchase price of less than TDKK 9 per unit are charged to the profit and loss account in the year of purchase.

Investments in subsidiary and associated companies and other companies

Investments in subsidiaries, associated companies and capital investments in other companies, where the activity matches to the primary activity of the parent company are assessed according to the equity method. Consequently, the share of the equity is recorded in the balance sheet at proportional share of the book value and the share of the profit of the year is recorded in the profit and loss account.

Other financial fixed assets

Other securities and investments, receivables and subordinated loan capital are recorded at purchase price less depreciation according to valuation.

ACCOUNTING POLICIES APPLIED

Inventories

Valuation of spare parts inventories at purchase price (assessed after the FIFO-principle) or net realizable value, if lower. Depreciation of unmarketable articles and articles of slow marketability.

Trade debtors

Trade debtors less provision for loss-risks are, based on individual evaluation, recorded at their estimated realizable value.

Cash flow statement

The cash flow statement is presented according to the indirect method. It shows cash flow from operations, investment and financing as well as the group's / company's cash and cash equivalents at the beginning and the end of the year.

"Cash flow from operations" is determined as the profit/loss of the year adjusted for non-cash operating items, movements in the working capital and company tax paid.

"Cash flow from investments" includes the purchase and sale of fixed assets.

"Cash flow from financing" includes the raising of and instalments on long term loans as well as payment of dividends.

"Cash and cash equivalents" include cash at bank and in hand less short term bank loans.

HJJ

PROFIT AND LOSS ACCOUNT FOR 1998 (TDKK)

| | | The Group | | The Parent Company | |
|--|------|--------------|--------------|--------------------|--------------|
| | Note | 1998 | 1997 | 1998 | 1997 |
| Net turnover | | 167.876 | 161.949 | 122.121 | 109.433 |
| Other external costs | | (58.624) | (58.475) | (40.581) | (33.509) |
| Staff expenses | 1 | (94.505) | (87.303) | (70.634) | (64.904) |
| Depreciations etc. | 2 | (9.898) | (9.265) | (6.313) | (6.078) |
| Operating profit | | 4.849 | 6.906 | 4.593 | 4.942 |
| Share of subsidiary companies' result before tax | 3 | 0 | 0 | 1.162 | 813 |
| Share of associated companies' result before tax | 4 | (51) | 0 | (983) | 0 |
| Share of other companies' result before tax | 5 | 1.271 | 159 | 326 | 169 |
| Operating profit before interest | | 6.069 | 7.065 | 5.098 | 5.924 |
| Financial income | 6 | 1.355 | 2.204 | 1.575 | 1.938 |
| Financial expenses | 7 | (4.021) | (4.512) | (3.270) | (3.105) |
| Profit before tax and extraordinary items | | 3.403 | 4.757 | 3.403 | 4.757 |
| Company tax | 9 | (993) | (1.778) | (993) | (1.778) |
| Ordinary profit after tax | | 2.410 | 2.979 | 2.410 | 2.979 |
| Extraordinary items | 8 | 1.553 | 0 | 1.553 | 0 |
| Company tax on extraordinary items | 9 | 0 | 0 | 0 | 0 |
| Extraordinary profit after tax | | 1.553 | 0 | 1.553 | 0 |
| PROFIT OF THE YEAR | | 3.963 | 2.979 | 3.963 | 2.979 |

Distribution of profit of the year is shown in the annual report.

HJ

BALANCE SHEET 31.12.1998 (TDKK)

ASSETS

| | Note | The Group | | The Parent Company | |
|--|------|----------------|----------------|--------------------|----------------|
| | | 1998 | 1997 | 1998 | 1997 |
| Group goodwill | 10 | 0 | 627 | 0 | 627 |
| Goodwill | 10 | 1.079 | 1.719 | 1.079 | 1.719 |
| Leasehold improvements | 10 | 141 | 201 | 0 | 0 |
| Deposits | 10 | 667 | 634 | 573 | 554 |
| Total intangible fixed assets | | 1.887 | 3.181 | 1.652 | 2.900 |
| Buildings and cold storage plants | 11 | 23.284 | 32.289 | 20.108 | 21.746 |
| Other fixtures and fittings, tools and equipment | 11 | 17.164 | 18.700 | 9.121 | 8.361 |
| Total tangible fixed assets | | 40.448 | 50.989 | 29.229 | 30.107 |
| Investment in subsidiary companies | 12 | 0 | 0 | 10.878 | 11.865 |
| Investment in associated companies | 12 | 3.766 | 1.023 | 1.878 | 0 |
| Investment in other companies | 12 | 1.497 | 1.508 | 689 | 500 |
| Other securities and capital investments | 12 | 2.619 | 1.522 | 531 | 456 |
| Other financial fixed assets | 13 | 186 | 186 | 2.000 | 2.000 |
| Total financial fixed assets | | 8.068 | 4.239 | 15.976 | 14.821 |
| TOTAL FIXED ASSETS | | 50.403 | 58.409 | 46.857 | 47.828 |
| Inventories | | 15 | 300 | 0 | 0 |
| Trade debtors | | 112.955 | 96.677 | 98.574 | 79.895 |
| Current account in subsidiary companies | 14 | 105 | 267 | 8.058 | 6.930 |
| Current account in associated companies | | 667 | 0 | 667 | 0 |
| Other debtors | | 5.346 | 4.340 | 2.499 | 2.107 |
| Work in progress | 22 | 0 | 1.259 | 0 | 1.457 |
| Accrued income and deferred expenses | | 946 | 1.064 | 327 | 586 |
| Total receivables | | 120.019 | 103.607 | 110.125 | 90.975 |
| Cash at bank and in hand | | 15.739 | 26.793 | 10.228 | 23.923 |
| TOTAL CURRENT ASSETS | | 135.773 | 130.700 | 120.353 | 114.898 |
| TOTAL ASSETS | | 186.176 | 189.109 | 167.210 | 162.726 |

41

BALANCE SHEET 31.12.1998 (TDKK)**LIABILITIES**

| | | The Group | | The Parent Company | |
|-------------------------------------|-------------|------------------|----------------|---------------------------|----------------|
| | Note | 1998 | 1997 | 1998 | 1997 |
| Share capital | 15 | 2.000 | 2.000 | 2.000 | 2.000 |
| Appreciation – subsidiary companies | 16 | 0 | 915 | 0 | 915 |
| Equity reserve | 17 | 4.326 | 297 | 3.599 | 1.512 |
| Profit brought forward | 18 | 17.188 | 15.073 | 17.915 | 13.858 |
| TOTAL EQUITY | | 23.514 | 18.285 | 23.514 | 18.285 |
| Mortgage loans | | 22.060 | 29.316 | 20.506 | 22.012 |
| Deposits | | 76 | 76 | 76 | 76 |
| Bank loans | | 14.000 | 15.706 | 4.000 | 5.459 |
| Total long-term creditors | 19 | 36.136 | 45.098 | 24.582 | 27.547 |
| Mortgage loans | | 1.594 | 2.149 | 1.503 | 1.427 |
| Bank loans | | 5.997 | 5.082 | 5.049 | 4.493 |
| Trade creditors | | 97.523 | 93.682 | 84.544 | 82.640 |
| Subsidiary companies payable | 20 | 0 | 0 | 11.441 | 10.050 |
| Associated companies payable | | 448 | 0 | 448 | 0 |
| Company tax | 9 | 2.514 | 0 | 2.514 | 0 |
| Work in progress | 21 | 385 | 1.722 | 385 | 1.722 |
| Other creditors | | 17.865 | 22.891 | 13.030 | 16.362 |
| Dividends for the accounting year | | 200 | 200 | 200 | 200 |
| Total short-term creditors | | 126.526 | 125.726 | 119.114 | 116.894 |
| TOTAL CREDITORS | | 162.662 | 170.824 | 143.696 | 144.441 |
| TOTAL LIABILITIES | | 186.176 | 189.109 | 167.210 | 162.726 |

Pledged assets and contingent liabilities etc. are shown on page 16

HJ

STATEMENT OF CASH FLOW FOR 1998 (TDKK)

| | The Group | | The Parent Company | |
|---|-----------------|----------------|--------------------|----------------|
| | 1998 | 1997 | 1998 | 1997 |
| Profit before financial items | 6.069 | 7.065 | 5.098 | 5.924 |
| Depreciations | 9.898 | 9.265 | 6.313 | 6.078 |
| Share of subsidiary, associated and other companies' results before tax | (1.220) | (159) | (505) | (982) |
| Cash flow from operation before changes in working capital | 14.747 | 16.171 | 10.906 | 11.020 |
| Change in working capital | (16.242) | (13.047) | (17.486) | (12.236) |
| Cash flow from operation after changes in working capital | (1.495) | 3.124 | (6.580) | (1.216) |
| Net interest and capital gains | (2.666) | (2.308) | (1.695) | (1.167) |
| Extraordinary items | 1.553 | 0 | 1.553 | 0 |
| Company tax paid | (993) | (56) | (975) | (56) |
| NET CASH FLOW IMPACT ON OPERATION | (3.601) | 760 | (7.697) | (2.439) |
| Fixes assets from sold investment (in subsidiary company) | 7.214 | 0 | 0 | 0 |
| Net investment in fixed assets | (6.420) | (1.438) | (3.389) | (4.708) |
| NET CASH FLOW IMPACT ON INVESTMENTS | 794 | (1.438) | (3.389) | (4.708) |
| Long-term debts on sold investment (in subsidiary company) | (5.664) | 0 | 0 | 0 |
| Dividends, paid during the year | (200) | 0 | (200) | 0 |
| Raise of and instalment on long-term loan, net | (3.298) | (3.553) | (2.965) | 2.905 |
| CASH FLOW IMPACT ON FINANCING | (9.162) | (3.553) | (3.165) | 2.905 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (11.969) | (4.231) | (14.251) | (4.242) |
| Cash and cash equivalents as per 01.01.1998 | 21.711 | 25.942 | 19.430 | 23.672 |
| CASH AND CASH EQUIVALENT AT 31.12.1998 | 9.742 | 21.711 | 5.179 | 19.430 |
| Cash and cash equivalents comprise: | | | | |
| Cash at bank and in hand | 15.739 | 26.793 | 10.228 | 23.923 |
| Short-term bank loans | (5.997) | (5.082) | (5.049) | (4.493) |
| | 9.742 | 21.711 | 5.179 | 19.430 |

HJS

PLEDGED ASSETS AND CONTINGENT LIABILITIES ETC. (TDKK)

| | The Group | | The Parent Company | |
|--|------------------|-------------|---------------------------|-------------|
| | 1998 | 1997 | 1998 | 1997 |
| Pledged assets | | | | |
| The bank loans are secured by way of a deposited owner's mortgage on real property of the Group/company, and mortgage on technical equipment and machinery, pledged cash and cash equivalents and furthermore first priority in subsidiary company receivables has been transferred to the bank: | | | | |
| • Nominal value of owner's mortgage deeds etc. | 5.950 | 5.950 | 5.950 | 5.950 |
| • Nominal value of mortgage deed on movable property | 27.900 | 27.900 | 0 | 0 |
| • Net book value of pledged assets | 23.891 | 27.328 | 17.060 | 18.484 |
| • Net book value of accounts receivable | 0 | 0 | 0 | 0 |
| • Net book value of cash and cash equivalents | 3.389 | 0 | 591 | 0 |
| The mortgage loan is secured by way of a mortgage on buildings. The mortgage loan includes TDKK 2.475 secured by way of mortgage deeds registered to the owner. Nominal value of mortgage deeds etc. | 5.000 | 25.000 | 5.000 | 5.000 |
| Deposited in the bank as security for trade creditors | 681 | 452 | 0 | 0 |
| Leasing obligations | | | | |
| Leasing obligations for about 2 years lie with the Group/company - at a total yearly expense of | 700 | 700 | 600 | 600 |
| Payment Guarantees | | | | |
| Foreign customs credits etc. are secured by bank guarantees | 7.066 | 6.602 | 6.417 | 5.814 |
| Contracts of Guarantee companies' | | | | |
| Guarantee for subsidiary companies bank loans, which on the balance date amounts to | 0 | 0 | 0 | 587 |
| Guarantee for subsidiary company's bank loans, which on the balance date amounts to TDKK 10.082, max. liability | 0 | 0 | 1.000 | 1.000 |
| Guarantee for associated company's bank loans, which on the balance date amounts to TDKK 1.988, max. liability | 994 | 0 | 994 | 2.320 |
| The company/Group is liable for debt in ship of TDKK 500 and debt of TDKK 5.659 in partnership. | | | | |

7(1)

NOTES (TDKK)

| | The Group | | The Parent Company | |
|--|----------------------|----------------------|---------------------------|----------------------|
| | 1998 | 1997 | 1998 | 1997 |
| 1. Staff expenses | | | | |
| Wages and salaries | 90.483 | 84.014 | 68.112 | 63.103 |
| Pension contribution | 2.257 | 1.514 | 1.930 | 1.206 |
| Other social expenses | <u>1.765</u> | <u>1.775</u> | <u>592</u> | <u>595</u> |
| | <u>94.505</u> | <u>87.303</u> | <u>70.634</u> | <u>64.904</u> |
| Average number of employees | <u>362</u> | <u>333</u> | <u>275</u> | <u>256</u> |
| 2. Depreciations etc. | | | | |
| Depreciations | 10.500 | 11.889 | 6.591 | 6.236 |
| Profit on sale of tangible fixed assets | <u>(602)</u> | <u>(2.624)</u> | <u>(278)</u> | <u>(158)</u> |
| | <u>9.898</u> | <u>9.265</u> | <u>6.313</u> | <u>6.078</u> |
| 3. Share of subsidiary companies' result before tax | | | | |
| Profit | 0 | 0 | 2.078 | 813 |
| Loss | <u>0</u> | <u>0</u> | <u>(916)</u> | <u>0</u> |
| | <u>0</u> | <u>0</u> | <u>1.162</u> | <u>813</u> |
| 4. Share of associated companies' result before tax | | | | |
| Profit | 935 | 0 | 3 | 0 |
| Loss | <u>(986)</u> | <u>0</u> | <u>(986)</u> | <u>0</u> |
| | <u>(51)</u> | <u>0</u> | <u>(983)</u> | <u>0</u> |
| 5. Share of other companies' result before tax | | | | |
| Profit | 1.271 | 159 | 326 | 169 |
| Loss | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| | <u>1.271</u> | <u>159</u> | <u>326</u> | <u>169</u> |

HJ)

NOTES (TDKK)

| | The Group | | The Parent Company | |
|--|---------------------|---------------------|---------------------------|---------------------|
| | <u>1998</u> | <u>1997</u> | <u>1998</u> | <u>1997</u> |
| 6. Financial income | | | | |
| Interest income - subsidiary companies | 12 | 14 | 257 | 242 |
| Interest income - others | 632 | 1.270 | 652 | 1.080 |
| Adjustment of currency etc. | <u>711</u> | <u>920</u> | <u>666</u> | <u>616</u> |
| | <u>1.355</u> | <u>2.204</u> | <u>1.575</u> | <u>1.938</u> |
| 7. Financial expenses | | | | |
| Interest expenses - subsidiary companies | 0 | 0 | 474 | 312 |
| Interest expences | <u>4.021</u> | <u>4.512</u> | <u>2.796</u> | <u>2.793</u> |
| | <u>4.021</u> | <u>4.512</u> | <u>3.270</u> | <u>3.105</u> |
| 8. Extraordinary items | | | | |
| Profit from sale of shares in associated company | <u>1.553</u> | <u>0</u> | <u>1.553</u> | <u>0</u> |
| | <u>1.553</u> | <u>0</u> | <u>1.553</u> | <u>0</u> |

431

NOTES (TDKK)

| | The Group | | The Parent Company | |
|---|------------------|--------------|---------------------------|--------------|
| | 1998 | 1997 | 1998 | 1997 |
| 9. Company tax | | | | |
| Actual company tax | 1.453 | 1.722 | 1.435 | 1.722 |
| Adjustment as to previous years | <u>(460)</u> | <u>56</u> | <u>(460)</u> | <u>56</u> |
| | 993 | 1.778 | 975 | 1.778 |
| Share of company tax in subsidiary companies | 0 | 0 | 18 | 0 |
| Share of company tax in associated companies | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| | <u>993</u> | <u>1.778</u> | <u>993</u> | <u>1.778</u> |
| The tax specified: | | | | |
| Company tax – ordinary result | 993 | 1.778 | 993 | 1.778 |
| Company tax – extraordinary income | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| | <u>993</u> | <u>1.778</u> | <u>993</u> | <u>1.778</u> |
| Company tax paid during the year | <u>0</u> | <u>56</u> | <u>0</u> | <u>56</u> |
| Realization of the assets at the net book value stated in the balance sheet would result in a taxable income, which calculated with 32% / 34% amounts to: | | | | |
| Buildings and cold storage plants | 1.641 | 2.016 | 1.579 | 1.693 |
| Other tangible fixed assets | 1.526 | 1.862 | 697 | 650 |
| Inventories | 0 | 165 | 0 | 0 |
| Trade debtors | (1.261) | (1.079) | (1.202) | (854) |
| Tax loss | <u>(106)</u> | <u>(172)</u> | <u>0</u> | <u>0</u> |
| | <u>1.800</u> | <u>2.792</u> | <u>1.074</u> | <u>1.489</u> |

Realization of a financial fixed asset within a period of approximately 2 years, will result in an additional total tax of TDKK 597.

The total deferred tax is not listed under allocation in the annual/Group report.

40)

NOTES (TDKK)

| | Group good- will | The Group Good will | Lease- hold improve- ments | Depo- sits |
|--------------------------------------|---------------------------------|------------------------------------|---|-----------------------|
| 10. Intangible fixed assets | | | | |
| Purchase price at 01.01.1998 | 3.129 | 9.305 | 1.109 | 634 |
| Adjustment of currency at 01.01.1998 | 0 | 0 | (17) | (5) |
| Additions | 0 | 0 | 0 | 80 |
| Disposals | <u>0</u> | <u>0</u> | <u>0</u> | <u>(42)</u> |
| Purchase price at 31.12.1998 | <u>3.129</u> | <u>9.305</u> | <u>1.092</u> | <u>667</u> |
| Depreciation at 01.01.1998 | (2.502) | (7.586) | (908) | 0 |
| Adjustment of currency at 01.01.1998 | 0 | 0 | 5 | 0 |
| Depreciation | (627) | (640) | (48) | 0 |
| Depreciation on disposals | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Depreciation at 31.12.1998 | <u>(3.129)</u> | <u>(8.226)</u> | <u>(951)</u> | <u>0</u> |
| Net book value at 31.12.1998 | <u>0</u> | <u>1.079</u> | <u>141</u> | <u>667</u> |
| Net book value at 31.12.1997 | <u>627</u> | <u>1.719</u> | <u>201</u> | <u>634</u> |

HJ

NOTES (TDKK)

| | The Parent company | | | |
|-------------------------------------|---------------------------------|-----------------------|---|-----------------------|
| | <u>Group good- will</u> | <u>Good- will</u> | <u>Leasehold improve- ments</u> | <u>Depo- sits</u> |
| 10. Intangible fixed assets | | | | |
| Purchase price at 01.01.1998. | 3.129 | 4.657 | 611 | 554 |
| Additions | 0 | 0 | 0 | 53 |
| Disposals | <u>0</u> | <u>0</u> | <u>0</u> | <u>(34)</u> |
| Purchase price at 31.12.1998 | <u>3.129</u> | <u>4.657</u> | <u>611</u> | <u>573</u> |
| Depreciation at 01.01.1998 | (2.502) | (2.938) | (611) | 0 |
| Depreciation | (627) | (640) | 0 | 0 |
| Depreciation on disposals | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Depreciation at 31.12.1998 | <u>(3.129)</u> | <u>(3.578)</u> | <u>(611)</u> | <u>0</u> |
| Net book value at 31.12.1998 | <u>0</u> | <u>1.079</u> | <u>0</u> | <u>573</u> |
| Net book value at 31.12.1997 | <u>627</u> | <u>1.719</u> | <u>0</u> | <u>554</u> |

HJ

NOTES (TDKK)

| | The Group | |
|--|---|---|
| | Buil- dings and cold storage plants | Other fixtures, fittings, tools and equipment |
| 11. Tangible fixed assets | | |
| Purchase price at 01.01.1998 | 54.803 | 58.877 |
| Transferred to associated company | (8.019) | 0 |
| Adjustment of currency at 01.01.1998 | 0 | (83) |
| Additions | 351 | 6.201 |
| Disposals | <u>0</u> | <u>(4.813)</u> |
| Purchase price at 31.12.1998 | <u>47.135</u> | <u>60.182</u> |
| Depreciation at 01.01.1998 | (22.514) | (40.149) |
| Transferred to associated company | 805 | 0 |
| Adjustment of currency at 01.01.1998 | 0 | 3 |
| Depreciation | (2.142) | (7.043) |
| Depreciation regarding disposals of the year | <u>0</u> | <u>4.171</u> |
| Depreciation at 31.12.1998 | <u>(23.851)</u> | <u>(43.018)</u> |
| Net book value at 31.12.1998 | <u>23.284</u> | <u>17.164</u> |
| Net book value at 31.12.1997 | <u>32.289</u> | <u>18.700</u> |

Property value as per 01.01.1998 amounts to TDKK 33.357.

Property valuation comprises public assessment of Danish properties at 01.01.1998 with addition of the purchase prices for the addition of the year of Danish properties as well as net book value of foreign properties.

7451

NOTES (TDKK)

| | The Parent Company | |
|--|--|--|
| | <u>Buil- dings and cold storage plants</u> | <u>Other fixtures, fittings, tools and equipment</u> |
| 11. Tangible fixed assets | | |
| Purchase price at 01.01.1998 | 42.750 | 32.473 |
| Adjustment of currency at 01.01.1998 | 0 | 0 |
| Additions | 351 | 4.777 |
| Disposals | <u>0</u> | <u>(2.992)</u> |
| Purchase price at 31.12.1998 | <u>43.101</u> | <u>34.258</u> |
| Depreciation at 01.01.1998 | (21.004) | (24.112) |
| Depreciation | (1.989) | (3.336) |
| Depreciation regarding disposals of the year | <u>0</u> | <u>2.311</u> |
| Depreciation at 31.12.1998 | <u>(22.993)</u> | <u>(25.137)</u> |
| Net book value at 31.12.1998 | <u>20.108</u> | <u>9.121</u> |
| Net book value at 31.12.1997 | <u>21.746</u> | <u>8.361</u> |

Property valuation as per 01.01.1998 amounts to TDKK 27.880.

Property valuation comprises public assessment of Danish properties at 01.01.1998 with addition of the purchase prices for the addition of the year of Danish properties as well as net book value of foreign properties.

HJI

NOTES (TDKK)

| | The Group | | |
|---|-----------------------------------|-------------------------|--|
| | Asso- ciated com- panies | Other com- panies | Other securities and capital investments |
| 12. Capital investments | | | |
| Purchase price at 01.01.1998 | 108 | 1.237 | 1.390 |
| Adjustment of currency at 01.01.1998 | (8) | 0 | 0 |
| Transfer cf. note 12 of the parent company | 846 | 25 | (25) |
| Additions | 272 | 34 | 100 |
| Disposals | <u>(423)</u> | <u>0</u> | <u>0</u> |
| Purchase price at 31.12.1998 | <u>795</u> | <u>1.296</u> | <u>1.465</u> |
| Appreciation at 01.01.1998 | 915 | 0 | 132 |
| Accumulated effect of changes in accounting policies at 01.01.1998 | <u>0</u> | <u>297</u> | <u>0</u> |
| Appreciation at 01.01.1998 | 915 | 297 | 132 |
| Transfer cf. note 12 of the parent company | 1.285 | 0 | 0 |
| Appreciation in associated company | 1.524 | 0 | 0 |
| Share of profit of the year after tax | <u>0</u> | <u>0</u> | <u>1.093</u> |
| Appreciation at 31.12.1998 | <u>3.724</u> | <u>297</u> | <u>1.225</u> |
| Depreciation at 01.01.1998 | 0 | (26) | 0 |
| Adjustment of currency at 01.01.1998 | (59) | (13) | 0 |
| Lower price compared to the net booked values in connection with purchase of shares | 0 | (57) | 0 |
| Share of profit of the year after tax | (51) | 0 | 0 |
| Disposals | (643) | 0 | 0 |
| Dividend | <u>0</u> | <u>0</u> | <u>(71)</u> |
| Depreciation at 31.12.1998 | <u>(753)</u> | <u>(96)</u> | <u>(71)</u> |
| Net book value at 31.12.1998 | <u>3.766</u> | <u>1.497</u> | <u>2.619</u> |
| Net book value at 31.12.1997 | <u>1.023</u> | <u>1.508</u> | <u>1.522</u> |

H 11

NOTES (TDKK)

12. Capital investments (continued)

| | The Group | | | |
|--|------------------------------------|--------------------------------|-------------------------|------------------------------------|
| | Share of owner- ship in % | Result after tax 1998 | Equity 31.12 1998 | Net book value 31.12 1998 |
| Associated companies: | | | | |
| Kartoffelpakhuset, Esbjerg I/S | 50 | (44) | 0 | 0 |
| Euroterminal – Blue Water / Frigoscandia A/S | 50 | (1.928) | (1.428) | (714) |
| Hjerting United Stevedoring ApS | 50 | 6 | 5.183 | 2.592 |
| Blue Water Shipping Caspian Ltd, Azerbaijan | 50 | 2.018 | 3.779 | 1.888 |
| Blue Water Shipping (Georgia) Ltd, Georgien | 40 | <u>0</u> | <u>45</u> | <u>0</u> |
| | | <u>52</u> | <u>7.579</u> | <u>3.766</u> |

HDI

NOTES (TDKK)

| | The Parent Company | | | |
|--|---------------------------------------|---|----------------------------------|---|
| | <u>Subsidiary com- panies</u> | <u>Asso- ciated com- panies</u> | <u>Other com- panies</u> | <u>Other securities and capital investments</u> |
| 12. Capital investments | | | | |
| Purchase price at 01.01.1998 | 9.717 | 0 | 221 | 456 |
| Transfer | (846) | 846 | 25 | (25) |
| Additions | 0 | 272 | 34 | 100 |
| Disposals | <u>0</u> | <u>(423)</u> | <u>0</u> | <u>0</u> |
| Purchase price at 31.12.1998 | <u>8.871</u> | <u>695</u> | <u>280</u> | <u>531</u> |
| Appreciation at 01.01.1998 | 2.148 | 0 | (18) | 0 |
| Accumulated effect of changes in accounting policies at 01.01.1998 | <u>0</u> | <u>0</u> | <u>297</u> | <u>0</u> |
| | 2.148 | 0 | 279 | 0 |
| Transfer | (1.285) | 1.285 | 0 | 0 |
| Lower price compared to the net booked values in connection with purchase of shares | 0 | 0 | (57) | 0 |
| Appreciation in associated company | 0 | 1.524 | 0 | 0 |
| Disposals | 0 | (643) | 0 | 0 |
| Adjustment of currency of foreign companies at 01.01.1998 | (1) | 0 | 0 | 0 |
| Share of profit of the year after tax | 1.145 | (983) | 187 | 0 |
| Dividends | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Appreciation at 31.12.1998 | <u>2.007</u> | <u>1.183</u> | <u>409</u> | <u>0</u> |
| Net book value at 31.12.1998 | <u>10.878</u> | <u>1.878</u> | <u>689</u> | <u>531</u> |
| Net book value at 31.12.1997 | <u>11.865</u> | <u>0</u> | <u>500</u> | <u>456</u> |

HJ)

NOTES (TDKK)

The Parent Company

| | Share of owner- ship in% | Result after tax 1998 | Equity 1998 31.12 | Net book value 1998 31.12 |
|------------------------------|-----------------------------------|--------------------------------|-------------------------|------------------------------------|
| Subsidiary companies: | | | | |
| Blue Water International A/S | 100 | 359 | 3.580 | 3.580 |
| Blue Water Middle East A/S | 100 | (760) | 1.645 | 1.645 |
| Knud Sørensen Shipping A/S | 100 | 40 | 624 | 624 |
| Blue Water Shipping SARL | 100 | 303 | 911 | 911 |
| Nordshipping Hanstholm ApS | 100 | 773 | 1.571 | 1.571 |
| Hjerting Invest ApS | 100 | (157) | 352 | 352 |
| Blue Water Trucking Ltd | 100 | 68 | 0 | 0 |
| Blue Water Greenland ApS | 100 | 166 | 770 | 770 |
| Blue Water Stevedoring A/S | 100 | 324 | 829 | 829 |
| Polar Line A/S | 100 | 28 | 596 | 596 |
| | | <u>1.144</u> | <u>10.878</u> | <u>10.878</u> |

Associated companies:

| | | | | |
|--|----|----------------|--------------|--------------|
| Kartoffelpakhuset, Esbjerg I/S | 50 | (44) | 0 | 0 |
| Euroterminal Blue Water / Frigoscandia A/S | 50 | (1.928) | (1.428) | (714) |
| Hjerting United Stevedoring ApS | 50 | 6 | 5.183 | 2.592 |
| | | <u>(1.966)</u> | <u>3.755</u> | <u>1.878</u> |

(43)

NOTES (TDKK)

| | The Group |
|---|-----------------------------|
| | <u>Other debtors</u> |
| 13. Other financial fixed assets | |
| Purchase price at 01.01.1998 | 186 |
| Additions | 0 |
| Disposals | <u>0</u> |
| Purchase price at 31.12.1998 | <u>186</u> |
| Net book value at 31.12.1998 | <u>186</u> |
| Net book value at 31.12.1997 | <u>186</u> |

| | The Parent Company |
|---|---|
| | <u>Subordinated loan capital</u> |
| 13. Other financial fixed assets | |
| Purchase price at 01.01.1998 | 2.000 |
| Additions | 0 |
| Disposals | <u>0</u> |
| Purchase price at 31.12.1998 | <u>2.000</u> |
| Net book value at 31.12.1998 | <u>2.000</u> |
| Net book value at 31.12.1997 | <u>2.000</u> |

Subordinated loan capital TDKK 2.000 in Blue Water Middle East A/S is bearing interest at 5% per annum and is irredeemable until 31.01.2000.

711

NOTES (TDDK)

| | The Group | | The Parent Company | |
|---|-------------------|-------------------|---------------------------|---------------------|
| | 31.12. | 31.12. | 31.12. | 31.12. |
| | 1998 | 1997 | 1998 | 1997 |
| 14. Subsidiary company receivables | | | | |
| Blue Water Holding A/S receivables | 105 | 267 | 105 | 267 |
| Blue Water International A/S receivables | 0 | 0 | 1.461 | 1.370 |
| Nordshipping Hanstholm ApS receivables | 0 | 0 | 400 | 149 |
| Knud Sørensen Shipping A/S receivables | 0 | 0 | 555 | 528 |
| Hjerting Invest ApS receivables | 0 | 0 | 493 | 437 |
| BWS Ltd, Aberdeen receivables | 0 | 0 | 0 | 227 |
| Blue Water Greenland ApS receivables | 0 | 0 | 2.493 | 1.827 |
| Blue Water Stevedoring A/S receivables | 0 | 0 | 0 | 127 |
| Blue Water Middle East A/S receivables | <u>0</u> | <u>0</u> | <u>2.551</u> | <u>1.998</u> |
| | <u>105</u> | <u>267</u> | <u>8.058</u> | <u>6.930</u> |

15. Share capital

The share capital consists of 1 share of TDKK 2.000

The share is not divided into classes.

16. Appreciation – subsidiary companies

| | | | | |
|--|-----------------|-------------------|-----------------|-------------------|
| Balance at 01.01.1998 | 915 | 0 | 915 | 0 |
| Appreciation of capital investment to equity value at the time of buying | 0 | 915 | 0 | 915 |
| Transferred to equity reserve | <u>(915)</u> | <u>0</u> | <u>(915)</u> | <u>0</u> |
| Balance at 31.12.1998 | <u>0</u> | <u>915</u> | <u>0</u> | <u>915</u> |

HJ

NOTES (TDKK)

| | The Group | | The Parent Company | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 31.12. 1998 | 31.12. 1997 | 31.12. 1998 | 31.12. 1997 |
| 17. Equity reserve | | | | |
| Balance at 01.01.1998 | 0 | 0 | 1.215 | 407 |
| Accumulated effect of changes in accounting policies at 01.01.1998 | <u>297</u> | <u>175</u> | <u>297</u> | <u>175</u> |
| New balance at 01.01.1998 | 297 | 175 | 1.512 | 582 |
| Appreciation in associated company | 1.523 | 0 | 1.523 | 0 |
| Transferred from appreciation – subsidiary company | 915 | 0 | 915 | 0 |
| Depreciation of capital investment to equity value at the time of buying | (57) | 0 | (57) | 0 |
| Transferred from profit of the year | <u>1.648</u> | <u>122</u> | <u>(294)</u> | <u>930</u> |
| Balance at 31.12.1998 | <u>4.326</u> | <u>297</u> | <u>3.599</u> | <u>1.512</u> |
| 18. Profit brought forward | | | | |
| Balance at 01.01.1998 | 15.073 | 12.416 | 13.858 | 12.009 |
| Transferred from profit of the year | <u>2.115</u> | <u>2.657</u> | <u>4.057</u> | <u>1.849</u> |
| Balance at 31.12.1997 | <u>17.188</u> | <u>15.073</u> | <u>17.915</u> | <u>13.858</u> |
| 19. Total long-term creditors | | | | |
| Due after 5 years or later | <u>15.134</u> | <u>19.195</u> | <u>14.048</u> | <u>15.666</u> |
| 20. Subsidiary company payables | | | | |
| Blue Water Transport A/S payables | 0 | 0 | 8.664 | 7.901 |
| Blue Water Shipping SARL payables | 0 | 0 | 1.269 | 159 |
| Hjerting United Stevedoring ApS payables | 0 | 0 | 0 | 1.417 |
| Polar Line A/S payables | 0 | 0 | 601 | 573 |
| Blue Water Stevedoring A/S payables | <u>0</u> | <u>0</u> | <u>907</u> | <u>0</u> |
| | <u>0</u> | <u>0</u> | <u>11.441</u> | <u>10.050</u> |

HJ)

NOTES (TDKK)

21. Work in progress

The amount comprises vendor's invoices not received and not yet invoiced but performed transactions.

22. Fee to auditor elected at the general meeting

The total auditor fee for the past financial year amounts to TDKK 228, TDKK 128 covers the auditing fee and TDKK 100 covers fee for other services.

(HJ)