



# Annual Report 2004

Dockwise Transport N.V.





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# Profile and mission

## Profile

Dockwise Transport N.V. (“the Company”) owns and operates a fleet of 15 semi-submersible heavy transport vessels. This versatile fleet consists of vessels of different concepts, designs and sizes, allowing Dockwise to offer flexible marine transportation services at the top end of the marine heavy transport market. A wide range of projects of a most extraordinary nature provides the volume for this fleet of vessels throughout the year.

The Dockwise business is divided between two operating units. One unit focuses on the marine heavy transport market, while the other “Dockwise Yacht Transport” focuses on the transportation of luxury yachts of all types.

The vessels operating in the traditional heavy transport market consist of five open flat deck vessels, four flat deck vessels with dual purpose tanker capacity and two dock type vessels.

Dockwise Yacht Transport services its market with four dock type vessels.

The company corporate offices are located in Breda, the Netherlands. The traditional heavy transport activities are supported by a dedicated Dockwise sales office in Houston, Texas in the United States, as well as by various dedicated sales agents in other locations around the world.

Dockwise Yacht Transport is managed from FT. Lauderdale, Florida in the United States. The main booking offices are located in Mandelieu (France), Los Angeles (California), Vancouver (Canada) and Sydney (Australia).

## Mission

Dockwise strives to be the leading specialized maritime heavy transport service provider. We serve all our stakeholders, being our clients, our subcontractors, our shareholders and our employees by anticipating, fulfilling and exceeding their expectations. In doing so we maintain the highest level of Safety and Security, and care for the Health of all involved as well as the Environment in which we operate. Our main aim is to be reliable as well as efficient. We emphasize our continuous striving for excellence and innovation and derive our motivation and our passion from our successes and our reputation.

## Safety

Safety forms part of the culture within the Dockwise organization. As such, Dockwise wishes to achieve a zero accident level year after year for the whole of its organization. This includes all of the personnel working on board of the Dockwise vessels and those employed by third parties.

We therefore deeply regret that, on December 29, 2004, AB Sailor Yuri Semenov lost his life as the result of an operational accident on board the m.v. Swan, as it was leaving the port of Busan, Korea. The investigation instigated after this accident showed that a combination of miscommunication and human error was the main cause of this accident. Mr. Semenov was employed by the Anglo Eastern organization, the ship manager that provides crews for the Dockwise fleet.

The Dockwise safety culture is characterized by professional management and a very pro-active approach. The whole of the organization is involved in a process of improvement day after day. The accident on board the m.v. Swan has again fueled the discussions concerning safety and has initiated a complete review of safety procedures and safety behavior throughout the company. We owe it to Yuri and ourselves to continually question and improve current safety standards.

Management tools like Thesis, Risk Assessment, Tripod Beta and Delta are being used to emphasize the importance of safety thinking with people throughout the company and people working for the subcontractors that the company employs.

## Quality

Since 2004, Dockwise has been a certified ISO 9001-2000 company. Furthermore, the company complies with the IMO International Safety Management (ISM) Code certified by Lloyd’s Register Quality Assurance.

## Security

From early 2004 onwards, Dockwise has fully complied with the International Security legislation for ship owners that operate globally. All of Dockwise’s 15 vessels as well as the organization fully comply with the strictest security requirements.



## Key figures 2004

(x USD million)	2004	2003	2003 pro forma full year *
<b>Results</b>			
Net turnover	194,460	7,460	136,152
Gross Profit	65,020	1,924	35,114
EBITDA	77,127	2,348	42,848
EBIT	44,502	1,007	18,372
Net result	38,115	701	12,733
<b>Equity and financing</b>			
Total assets less current liabilities	286,325	262,155	262,155
Shareholders' equity	174,970	174,555	174,555
Long term debt (> 1 year)	110,900	87,000	87,000
<b>Cash flow</b>			
Cash flow from operating activities	74,971	2,042	37,591
Investments	-48,516	–	-42,902
Long term debts drawdown	47,000	–	124,500
Long term debts repayment	-16,000	–	-122,800
Dividend	-37,700	–	-22,098
Cash and cash equivalents	27,987	6,429	6,429
<b>Ratio's</b>			
Net debt/EBITDA	1.3	–	2.2
Solvency (equity/balance sheet total)	0.5	0.6	0.6
Interest cover (EBITDA/net interest)	12.1	7.5	7.5

\* The pro forma figures reflect the situation as if Dockwise Transport B.V. (subsidiary since 11 December 2003) had been consolidated for a full year.



# Report of the Supervisory Board

## Annual Report

We herewith submit the Annual Report 2004 of Dockwise Transport N.V. as prepared by the Board of Management and approved by the Supervisory Board.

This annual report includes the Report of the Supervisory Board, the Report of the Board of Management, the Financial Statements 2004 and the Auditors' Report from KPMG Accountants N.V., that has audited the Financial Statements 2004 and has issued an unqualified opinion which is presented on page 44 of this report.

## Supervision

Dockwise Transport N.V., a company established under Antilles law, has been incorporated in the Netherlands in 2003 to facilitate a restructuring process required by the shareholders of Dockwise Transport B.V. The year 2004 is the first full book year for Dockwise Transport N.V.

The Supervisory Board and the Board of Management of Dockwise Transport N.V. were both officially installed on 14 October 2003, the day of incorporation.

In 2004 Mr. J.P. de Krey (1 June 2004) and Mr. P. Peters (14 December 2004) were honorably dismissed from the Supervisory Board, while Mr. P.H. Heerema was appointed to the Supervisory Board on 14 December 2004.

The Supervisory Board met in total at four structured meetings during 2004. In addition to the structured meetings, the members of the Board and in particular the Chairman of the Board have communicated with the management of the company on a frequent basis to review the topics of immediate interest.

These interactions included discussions concerning items related to the position of the various shareholders, valuation of the fleet, strategic items of a more general character and the new building of a yacht carrier for Dockwise Yacht Transport.

Recurring items on the agenda of the structured meetings were corporate governance, the developments of the company's financial results and the financial position throughout the year.

## Recommendation to shareholders

We recommend:

- To adopt the Financial Statements 2004
- To discharge the Board of Management and the Supervisory Board for the year 2004
- To pay a cash dividend from the net profit for the year of USD 13 million or USD 2.65 per share.

We wish to express our appreciation for the dedication and the efforts of the Board of Management and employees towards the Company.

Breda, 18 March 2005

## Supervisory Board

E.J. Nederkoorn

P. H. Heerema

K. Damen

S. Galtung

J.E. Dyvi



# Report of the Board of Management

## General

All amounts mentioned in these financial statements are stated in thousands of United States Dollars (USD) unless otherwise indicated.

## Company Structure

These statements represent the consolidated financial performance of Dockwise Transport N.V.

Dockwise Transport N.V. was registered 14 October 2003 in the Netherlands, as a Dutch affiliate of the Antillean Company Dockwise Transport N.V., with its registered offices in Willemstad, Curacao.

The affiliated Dutch entity Dockwise Transport N.V. has its registered offices at Lage Mosten 17, 4822 NJ, Breda, the Netherlands. The book year 2004 is the first full year in which the consolidated results of all entities belonging to the Dockwise Group of Companies are represented. Dockwise Transport N.V. is the single shareholder of Dockwise Transport B.V., which company in turn holds all the shares in the operating companies.

## Activities of the Dockwise Group of Companies in 2004

### Market Developments 2004

Although initially expected to be a better year than 2003, 2004 has exceeded all expectations, mainly as a result of a sharp rise in drilling rig transportation contracts that started in March 2004. This activity remained strong throughout the year. Oil Companies have all substantially raised their drilling budgets and submitted tenders for drilling operations in all of the main areas of offshore drilling. The strongest development was in the movements of drilling rigs to the Far East from either the Gulf of Mexico or West Africa.

In addition to the transports of drilling rigs, Dockwise Shipping B.V. already had a rather full order portfolio for the transportation of offshore structures, including British Petroleum owned Thunder Horse, the largest floating production platform in the world. Other markets remained strong as expected.

Of the four remaining market segments the transportation of yachts remained particularly strong. As expected this market grew another 8% in volume in 2004.

The transport of container cranes also improved substantially when compared to 2003. The number of voyages increased, mainly as a result of the number of second hand cranes offered for transportation. The transports of Port and Marine Infrastructure as a whole did not result in the number of voyages expected, a fact that is largely masked by the increase in drilling rig transports. In the military transport segment only a small number of contracts were performed.

In summary, 2004 proved to be such a strong year because of an unexpected simultaneous high in both the cyclical offshore structure and the drilling rig transport markets.

### Competition

During 2004, we faced increasing competition. In the offshore segment and port and marine infrastructure the strongest competition came from Chinese competitors.

In addition to Chinese vessels, also American companies continued to be very competitive in the drilling rig transportation market and the military segment.

In the yacht transport segment the strongest competition continues to come from general cargo vessels transporting yachts on deck. Shore cranes or vessel cranes load the yachts. All ship owners with regular liner services across the Atlantic like to carry yachts on deck if possible.

Moreover, wet tows and tug and barge combinations took a considerable stake in the market overall.

### Offshore structures

The lead time for offshore structure contracts normally varies between two and four years. Dockwise performed its booked order portfolio completely according to the original plan. The most remarkable achievement in 2004 was the transport of the largest floating offshore production platform in the world: Thunder Horse. This platform, which weighs 59,500 tons, was successfully transported more than 16,000 miles from South Korea to the Gulf of Mexico by the Blue Marlin, which was specifically converted for this purpose.

In addition to the Thunder Horse platform, Dockwise transported platforms for Hyundai, Samsung and Daewoo.

## Report of the Board of Management

### Drilling Rigs

As noted, the drilling rig segment improved dramatically from March 2004 onwards. It is assumed that the oil price in combination with dwindling oil company reserves triggered increases in drilling budgets world wide.

Although Dockwise has faced strong consolidation among drilling contractors in recent years, which was expected to reduce the mobilization of rigs over long distances as a result of geographic optimization, some 40 drilling units were transported over large distances in 2004. The Dockwise market share in this segment remained strong at 80% in 2004.

Drilling improved in all areas, but it improved most in the Far East. Deep water areas in the Gulf of Mexico and West Africa also gained new momentum. In addition to a general increase in activity, drilling programs also call for mobilization of equipment from one area to another to drill deep and high-pressure wells. A particular driver in this context is the equipment specification of the drilling rig.

### Container Cranes

The container crane segment continued to be strong throughout 2004. A larger number of transports than specified in the budget were performed. The increase has been strongly influenced by the second-hand crane market.

### Yacht Transportation

Dockwise Yacht Transport initially operated with five vessels in this market segment. This was reduced to four after the decommissioning of the Dock Express 11. With these four vessels and better planning, the company succeeded in improving its results compared to 2003 and as such its performance was acceptable. However an unacceptable rise in operating cost of the Dock Express 11 and the general condition of the vessel resulted in this vessel being decommissioned in September 2004.

Dockwise incurred a book loss of USD 4 million with the sale of the vessel for demolition. The vessel was sold to a Chinese yard qualified and certified to demolish vessels in an environmentally responsible manner.

In 2004, Dockwise signed a building contract with Yantai Raffles Shipyard Ltd. in China for the construction of a new

fully dedicated yacht carrier for delivery end 2006. The vessel has a substantial larger volume capacity when compared to any of the other vessels and a speed of 18 knots. This will guarantee bi-weekly sailings from the Mediterranean and the Caribbean, which will be a first for the yachting industry.

The Dockwise Yacht Transport organization was changed in 2004 to allow the increase of activity to be handled.

### Other markets

Port and Marine infrastructure did not yield the expected number of voyages. While this has been largely compensated by the rise in drilling rig transports, the fact itself is alarming and difficult to explain. With the strong increase in international trade and the associated shipping activities, one would expect that transports of Port- and Marine-related equipment would clearly show an increase.

The military market segment has performed largely as expected. Fewer voyages were performed than in other years, but this in itself is a normal situation.

### Vessel Operations

During 2004, the technical ship management for the entire fleet was transferred to a single Ship Management company.

All vessel operations, technical as well as crewing, have been outsourced to Anglo Eastern, a reputable ship management company with its head quarters in Hong Kong.

These outsourced activities have fully met initial Management expectations and have resulted in the anticipated reduction in operating costs.

The Anglo Eastern standards have been scrutinized by Flag State Authorities, Classification Societies as well as by Hull and Marine and P&I underwriters and found to comply with regulations.

### Transshelf

On 23 July 2004, Dockwise accepted delivery of m.v. Transshelf, a 35,000-ton capacity vessel, that had been managed by Dockwise for over 14 years. The vessel's owners, Rosneft, Russia's fifth largest oil company, had decided to sell the vessel as a result of an internal reorganization.

In competition with other bidders, Dockwise succeeded in obtaining ownership of the vessel.

The Transshelf has been fully integrated in the Dockwise fleet since July. Her ship management has been taken over by Anglo Eastern.

### Turnover and results

The consolidated net turnover in 2004 amounted to USD 194.5 million. Profit from operations amounted to USD 44.5 million, while the net profit for the year resulted in USD 38.1 million.

The 2004 results showed a sharp increase when compared to those of 2003. This was primarily the result of the strength of the drilling rig transport market.

Effective planning and ideal climatic conditions throughout the year resulted in transports experiencing little or no delay. Utilization has been optimized to the full, raising the financial performance to one of the most exceptional in the history of the company.

### Capital Expenditure and Investments

In 2004, the company invested USD 48.5 million. The acquisition of the Transshelf took a large share of this amount alongside the expenses incurred for vessel upgrading. Improvements in office facilities and software systems amounted to USD 800 thousand.

### Financing

The total fleet of 15 vessels (including the Transshelf and excluding the Dock Express 11) is partly financed through a syndicated loan from credit institutions in Denmark, the Netherlands and Germany. The total loan capacity, which has been provided in the form of a revolving credit facility, is USD 155 million, of which USD 132 million is in use at the end of 2004, against a book value of USD 278 million.

### Personnel and organization

At the end of 2004, the company and its subsidiaries employed some 800 employees (2003: 750). This number includes all personnel employed through agencies, such as Anglo Eastern for fleet personnel, and various staffing companies. A total of 200 (2003: 214) of these employees have firm employment contracts.

### Works Council

The Works Council has continued its dialogue with Management throughout the year offering guidance following the outsourcing of ship management, and the introduction of the personnel Performance Management System. Through strong interaction with the Works Council, more specific and stringent Internet, Drug & Alcohol and non-smoking policies have been introduced into the fleet.

### Reporting and functional currency

The company's reporting and functional currency is the United States Dollars (USD) in view of the concentration of operational revenues and expenses in this currency.

### Outlook 2005 and beyond

Based on the current oil price and the continued emphasis on oil company reserves, it is expected that 2005 will continue to see a strong drilling rig transport market segment. The portfolio for the transports of Offshore Structures is more or less fixed and will most likely not change. Combined with a strong yacht transport market and consistent performance in the other segments, 2005 is expected to be a good year.

Whether utilization can be optimized to a level comparable to 2004 will largely depend on the success of vessel planning, climatic conditions during voyages and cargo operations, and the opportunities available for logistic optimization.

Breda, 18 March 2005

### Board of management

#### Chief Executive Officer

André Goedée

#### Chief Financial Officer

Stefan Malfliet

# Consolidated balance sheet

as at 31 December (before appropriation of net profit for the year)

(x USD 1,000)	<u>2004</u>	<u>2003</u>
<b>Fixed assets</b>		
Tangible fixed assets	280,077	265,952
<b>Current assets</b>		
Inventories	6,382	4,671
Trade and other receivables	39,583	31,131
Cash and cash equivalents	<u>27,987</u>	<u>6,429</u>
	<b>73,952</b>	<b>42,231</b>
<b>Current liabilities</b>	<u>67,704</u>	<u>46,028</u>
<b>Current assets less current liabilities</b>	<u>6,248</u>	<u>-3,797</u>
<b>Total assets less current liabilities</b>	<u>286,325</u>	<u>262,155</u>
<b>Financed as follows:</b>		
<b>Long-term debt, less current maturity</b>	110,900	87,000
<b>Provisions</b>	455	600
<b>Group equity</b>		
Shareholder's equity	<u>174,970</u>	<u>174,555</u>
	<b>174,970</b>	<b>174,555</b>
<b>Total</b>	<u>286,325</u>	<u>262,155</u>

## Consolidated income statement

(x USD 1,000)	2004	for the period 14 October until 31 December 2003	2003 pro forma full year *
Net turnover	194,460	7,460	136,152
Direct costs	129,440	5,536	101,038
<b>Gross profit</b>	<b>65,020</b>	<b>1,924</b>	<b>35,114</b>
General & administrative expenses	20,518	917	16,742
<b>Profit from operations</b>	<b>44,502</b>	<b>1,007</b>	<b>18,372</b>
Interest and similar income	37	13	189
Interest and similar expense	6,413	323	5,892
	<b>6,376</b>	<b>310</b>	<b>5,703</b>
<b>Profit before tax</b>	<b>38,126</b>	<b>697</b>	<b>12,669</b>
Income tax expense	11	-4	-64
<b>Net profit for the year</b>	<b>38,115</b>	<b>701</b>	<b>12,733</b>

\* The pro forma figures reflect the situation as if Dockwise Transport B.V. (subsidiary since December 11, 2003) had been consolidated for a full year.

## Consolidated statement of recognized income and expense

(x USD 1,000)	2004	for the period 14 October until 31 December 2003
Net income recognized directly in equity	–	–
Profit for the period	38,115	701
Total recognized income and expense for the period	38,115	701
Attributable to:		
Equity holders of the parent	38,115	701
Total recognized income and expense for the period	38,115	701

## Consolidated statement of cash flows

(x USD 1,000)	2004	2003
<b>Operating activities</b>		
Profit from operations	44,502	701
Depreciation	32,625	1,341
Increase / (decrease) in provisions	-145	-
<b>Operating cash flows before movements in working capital</b>	<b>76,982</b>	<b>2,042</b>
Decrease / (increase) inventories	-1,711	-
Decrease / (increase) work in progress	2,354	-
Decrease / (increase) trade and other receivables	-8,452	-
Increase / (decrease) trade and other payables	12,222	-
<b>Cash generated by operations</b>	<b>4,413</b>	<b>-</b>
Income taxes paid	-11	-
Interest paid	-6,413	-
	<b>-6,424</b>	<b>-</b>
<b>Net cash from (used in) operating activities</b>	<b>74,971</b>	<b>2,042</b>
<b>Investing activities</b>		
Proceeds from sale of tangible fixed assets	1,766	-
Acquisition of tangible fixed assets	-48,516	-
Interest received	37	-
<b>Net cash used in investing activities</b>	<b>-46,713</b>	<b>-</b>
<b>Financing activities</b>		
Proceeds from non-current borrowings	47,000	-
Repayments of borrowings	-16,000	-
Share capital	-	59
New consolidation*	-	4,328
Dividends paid	-37,700	-
<b>Net cash (used in) from financing activities</b>	<b>-6,700</b>	<b>4,387</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>21,558</b>	<b>6,429</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>6,429</b>	<b>-</b>
<b>Cash and cash equivalents at end of the year</b>	<b>27,987</b>	<b>6,429</b>

\* Changes in assets and liabilities of the acquired subsidiary are presented as cash flow from new consolidation.

# Notes to the consolidated financial statements

## General

Dockwise Transport N.V. (the Company) is a private limited liability company established in Curaçao, Netherlands Antilles on 14 October 2003. As from 18 November 2003, the Company holds its actual corporate seat in the Netherlands and is registered as a Dutch Formal Foreign Company.

Dockwise Transport N.V. is a shipping company engaged in overseas heavy transport activities and serves its clients with a fleet of 15 semi-submersible vessels. With this versatile fleet of vessels of different concepts and designs, Dockwise offers clients unequalled flexibility and transport capacity.

The Company's head office is located in Breda, the Netherlands, and its world-wide presence is maintained through sales and marketing offices in Houston and Fort Lauderdale, United States of America and in Mandelieu, France as well as through commercial agents in other parts of the world.

## Principles of consolidation

The consolidated financial statements include the accounts of Dockwise Transport N.V. and its group companies. For a specification of the complete list of group companies, reference is made to the "Notes to the company financial statements".

## Comparative figures

The company was incorporated in 2003, consequently the comparative figures present a proportional part of the 2003 results of its subsidiary Dockwise Transport B.V.

For a proper understanding of the figures, a pro forma income statement has been included, as if the financial year 2003 comprised a full year, which is based on the Financial Statements of the company's subsidiary Dockwise Transport B.V..

Where necessary, the comparative figures for 2003 have been adjusted for reasons of comparison.

## Risk management and Financial instruments

It is the Company's policy to limit exposures related to foreign currency fluctuations and interest rate fluctuations on the financial markets. This policy contains procedures to identify, assess, evaluate and manage the risks on a regular basis. In order to manage these risks the Company enters into transactions of a derivative nature with professional financial institutions and counter parties. Derivative instruments are not used for speculative purposes.

Risk management with respect to foreign currency positions is primarily based on the future total identifiable net cash outflow in EUR (with respect to mainly local operational income and expenses). The risk is mainly hedged a year ahead by using a combination of currency call & put options.

Risk management related to interest rate developments is used to control the Company's preferred duration, liquidity planning and refinancing timeline. Interest rate risk is hedged by using long term floating to fixed interest rate swaps.

The Company has procedures and policies in place to limit the amount of exposure to any counter party or market. These procedures limit the Company's exposure to concentrations of credit, liquidity or market risk.

## Accounting principles

### General

The financial statements are prepared in accordance with generally accepted accounting principles in the Netherlands and comply with the financial reporting requirements included in Part 9, Book 2 of the Dutch Civil Code.

All amounts mentioned in these financial statements are stated in thousands of United States Dollars (USD) unless otherwise indicated.

The principles applied with respect to the valuation of assets and liabilities and the determination of the results are based on historical cost. Unless stated otherwise, assets and liabilities are included at nominal value.

#### **Determination of results**

Costs and revenues are accounted for in the period to which they relate.

For work in progress, the Company applies the percentage-of-completion method. Under this method, revenues are recognized in proportion to the work performed.

#### **Foreign currencies**

Trade and other receivables and liabilities arising from transactions in foreign currencies are translated at the exchange rate applicable on the balance sheet date.

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at balance sheet date or forward rates if applicable. Transactions in foreign currencies during the year are translated at the average exchange rate of the year. Other gains and losses on foreign currency transactions are reflected in the income statement.

#### **Tangible fixed assets**

Heavy transport vessels and other fixed assets are valued at historical cost, less straight-line depreciation based on their estimated economic life (taken into account the residual value). Assets in progress are valued at cost. In case the book value of an asset is higher than its net realizable value, the book value will be adjusted to its net realizable value.

#### **Inventories**

Fuel has been valued using the FIFO-method. Other Inventories are valued at cost.

#### **Work in progress**

Work in progress includes the cost of uncompleted voyages, net of invoiced instalments.

Work in progress is valued at cost incurred, increased with a profit mark-up, depending on the percentage of completion, less a provision for foreseeable losses and less progress billings.

The percentage of completion is derived from the voyage planning and is based on the total expected cost until completion.

#### **Trade and other receivables**

Trade accounts are stated net of a provision for doubtful debts. Other receivables are stated at nominal value.

#### **Cash and cash equivalents**

Cash and cash equivalents are at the disposal of the Company and are interest bearing at prevailing market rates.

#### **Current liabilities**

Current liabilities are stated at nominal value.

#### **Financial instruments**

##### **Derivatives**

The accounting method used for derivative financial instruments is determined by whether or not the instrument is designated as a hedge of an existing exposure or a firm commitment and, if so, by the accounting method used for the item being hedged.

Hedging of existing exposures are accounted for in the same way as the item being hedged. Gains or losses on hedges of firm commitments are deferred and recognized when any gains or losses on the hedged transactions are recognized.

## Notes to the consolidated financial statements

Derivative financial instruments that are not designated as hedges are valued at market rate and gains and losses are taken to the income statement.

Other financial instruments in the balance sheet include trade and other receivables, cash and cash equivalents, current liabilities and loans. The estimated fair value of these instruments approximates book value.

### Net turnover

The net turnover comprises heavy transport shipping and vessel management services charged to third parties and affiliated companies, adjusted for accrued income based on the percentage-of-completion method.

### Taxation

Dockwise Transport N.V. and its 100%-owned Dutch subsidiaries form a fiscal unity for corporation tax and VAT purposes.

Tax on result on ordinary activities comprises both taxes payable and deferred tax liabilities.

Taxes are calculated over the results, taking applicable fiscal rules and regulations into account.

### Consolidated cash flow statement

The consolidated cash flow statement has been prepared using the indirect method. For new consolidations

resulting from investment activities in subsidiaries, only the cash acquired is included in the consolidated cash flow statement. Cash and cash equivalents comprise cash at banks and cash in hand.

### The use of estimates

During the preparation of the financial statements, the management must, in accordance with the general prevailing principles, make certain estimates and assumptions that co-determine the stated amounts. The actual results may deviate from these estimates.

## Notes to the consolidated balance sheet

### 1. Tangible fixed assets

(x USD 1,000)	<u>Assets in progress</u>	<u>Heavy Transport vessels</u>	<u>Other fixed assets</u>	<u>Total</u>
<b>Balance as at 1 January 2004</b>				
Cost	23,175	308,835	4,091	336,101
Accumulated depreciation	–	-68,049	-2,100	-70,149
	<b>23,175</b>	<b>240,786</b>	<b>1,991</b>	<b>265,952</b>
Additions	-23,175	70,608	1,083	48,516
Disposals	–	-5,744	–	-5,744
Depreciation	–	-27,709	-938	-28,647
<b>Total movements in 2004</b>	<b>-23,175</b>	<b>37,155</b>	<b>145</b>	<b>14,125</b>
<b>Balance as at 31 December 2004</b>				
Cost	–	368,444	5,174	373,618
Accumulated depreciation	–	-90,503	-3,038	-93,541
<b>Net book value</b>	<b>–</b>	<b>277,941</b>	<b>2,136</b>	<b>280,077</b>

The remaining life expectancy for heavy transport vessels is 3-21 years, other fixed assets have a life expectancy of 3-10 years. Fixed assets are depreciated on the basis of the straight line method, taking into account residual values. Depreciation percentages vary from 4% to approximately 14 % per annum for vessels, and 10 % to 33 % for other fixed assets.

#### Heavy transport vessels

Dockwise Transport N.V. invested USD 47.4 million in the fleet of heavy transport vessels of which the acquisition of one open flat deck vessel took a large share, next to expenses in upgrading.

## Notes to the consolidated balance sheet

### 2. Inventories

This item refers mainly to fuel on board of heavy transport vessels.

### 3. Trade and other receivables

(x USD 1,000)	2004	2003
Trade accounts	19,372	13,287
Affiliated companies	4,490	8,156
Other receivables and prepayments	15,721	9,688
	<b>39,583</b>	<b>31,131</b>

Trade and other receivables are non-interest bearing and due for payment.

### 4. Cash and cash equivalents

Cash and cash equivalents are at the free disposal of the Company and are interest bearing (average rate 1 % per annum).

### 5. Current liabilities

(x USD 1,000)	2004	2003
Accounts payable	4,301	3,099
Affiliated companies	62	110
Taxation and social security contributions	4,949	3,665
Billings in excess of contract cost and recognized income on work in progress	12,356	10,002
Advance payments on contracts	11,026	5,598
Current maturity long term debt to credit institutions	21,100	14,000
Other accrued liabilities	13,910	9,554
	<b>67,704</b>	<b>46,028</b>

Other accrued liabilities relate to accruals regarding voyages, as well as operational and general expenses.

## 6. Long-term debt

(x USD 1,000)	2004	2003
Debt to credit institutions	132,000	101,000
Current maturity included in current liabilities	21,100	14,000
	<u>110,900</u>	<u>87,000</u>

The long term debt relates to a reducing revolving credit facility with a maximum commitment of USD 155,000 with Danish Ship Finance and Fortis Bank as arrangers and HSH Nordbank AG and Bayerische Hypo- und Vereinsbank as co-lending banks.

- The final maturity date is 31 December 2009 and repayment will take place in 20 consecutive quarterly instalments of USD 5,275 each, commencing 30 April 2004. The applicable interest rate is 3-months LIBOR plus an applicable margin of 1.25 % to 1.35 % depending on various ratios as stipulated in above mentioned loan agreement.
- In order to limit the interest exposure on this loan, the Company concluded interest rate swaps, fixing the interest rate at approximately 5 % on average until March 2008. The interest rate swaps cover approximately 43 % of the outstanding facility per 31 December 2004.
- The facility is subject to mandatory prepayment in the event of insurance and/or sales proceeds in cases of total loss or sale of any of the vessels. The mandatory prepayment resulting from the sale of the Dock Express 11 has been waived by the bankers consortium.

## Notes to the consolidated balance sheet

### Securities

The facility is secured by:

- First priority rights of mortgage on all vessels
- First priority right of pledge on the rights of bare boat charter parties and time charter parties between group companies
- First priority right of pledge/assignment of rights on insurance proceeds
- First priority right of pledge under or pursuant to contracts with a net income of more than USD 5,000
- First priority right of pledge on the bank accounts
- First priority right of pledge/assignment of the rights under or pursuant to contracts with respect to conversion of vessels or construction of new heavy transport vessels
- A joint and several liability of Dockwise Transport B.V. and its Dutch subsidiaries to the bankers' consortium

Amounts due: (x USD 1,000)	0-1 Year	1-5 Years	>5 Years
Debt to credit institutions	21,100	84,400	26,500
	<b>21,100</b>	<b>84,400</b>	<b>26,500</b>

### 7. Provisions

(x USD 1,000)	Reorganization	Other	Total
<b>Balance as at 1 January 2004</b>	<b>600</b>	–	<b>600</b>
Dotation	205	250	455
Used	600	–	600
<b>Balance as at 31 December 2004</b>	<b>205</b>	<b>250</b>	<b>455</b>

The reorganization provision is of a short term nature.

Other provisions relate to the performance bonus of the ship manager, which becomes payable at year end 2006.

### 8. Shareholders' equity

For a breakdown of the movements in shareholders' equity during 2004, reference is made to the "Notes to the company financial statements".

## 9. Financial instruments

### Off-balance sheet financial instruments

#### Foreign exchange risk

The Company has entered into a series of foreign currency call options to hedge future EUR cash outflows. A put option is sold to realise an initial zero cost hedging structure. The notional amounts and fair values of the contracts outstanding as per balance sheet date are as follows:

<i>(amounts x USD 1,000)</i>	<b>2004 Contract Notional amount</b>	<b>2004 Estimated fair value: profit (loss)</b>
Purchased call option EUR against USD	24,597	1,792
Sold put option EUR against USD	11,290	–

The remaining time to maturity does not exceed one year. The maturity dates of the individual call option contracts match the estimated underlying cash flow pattern. The maturity dates are equally divided over the year.

#### Interest rate risk

The Company has entered into floating to fixed interest rate swaps (IRS) to hedge partly the interest exposure on the 3-months US Libor interest rate applicable on the revolving credit facility funding. The notional amounts and fair values on the IRS-contracts outstanding as per balance sheet date, can be depicted as follows:

<i>(amounts x USD 1,000)</i>	<b>2004 Contract Notional amount</b>	<b>2004 Estimated fair value: profit (loss)</b>
Floating to fixed swaps:		
Maturing 28/03/08 fixed at 5.31 %	42,250	-1,359
Maturing 31/12/09 fixed at 3.87 %	15,000	-80

## Notes to the consolidated balance sheet

### 10. Commitments and contingencies

The Company has the usual liability of a shipping company for completion of voyages.

Dockwise Transport N.V. became an additional borrower in January 2004 by means of an amendment agreement to the existing facility agreement.

#### Investments

The company has investment commitments for a total value of USD 53 million.

#### Bank guarantees

At year-end the outstanding bank guarantees amount to USD 732.

#### Financial commitments

The nominal value of operational lease agreements (head office, warehouse and cars), amounts to USD 5,300 (2003:USD 6,400). Of this amount, USD 900 (2003:USD 900) expires within one year and USD 3,600 (2003: USD 3,000) will expire between 2 - 5 years.

## Notes to the consolidated income statement

### 1. General

For practical reasons all items in the income statement 2003 have been estimated by taking a pro rata share (equal to 20/365) of the items of the income statement 2003 of Dockwise Transport B.V. in which the Company holds a 100% share as from 11 December 2003.

### 2. Geographical segmentation of net turnover

(x USD 1,000)	2004	2003	2003 pro forma full year
Europe	34,107	2,012	36,714
North America	39,491	1,240	22,625
South America	4,378	35	638
Asia	92,620	3,589	65,502
Africa	14,570	114	2,090
Other	9,294	470	8,583
	<b>194,460</b>	<b>7,460</b>	<b>136,152</b>

All revenues are generated within the heavy transport market segment.

### 3. Direct costs

Direct costs consist of voyage related cost and vessel operating cost which include fuel, seafastening materials, harbour dues, canal passages, subcontractors, crew, vessel maintenance and insurances.

(x USD 1,000)	2004	2003	2003 pro forma full year
Contract related expenses	57,701	2,335	42,612
Vessel operating expenses	39,114	1,860	33,950
Depreciation *	32,625	1,341	24,476
	<b>129,440</b>	<b>5,536</b>	<b>101,038</b>

\* Included in the depreciation figures is a net book loss on the disposal of a vessel amounting to USD 3,978.

## Notes to the consolidated income statement

### 4. General & administrative expenses

The following amounts for general & administrative expenses are included in the profit and loss account:

(x USD 1,000)	2004	2003	2003 pro forma full year
Personnel expenses office	9,862	367	6,699
Other general & administrative expenses	9,738	507	9,260
Reorganization cost	918	43	783
	<b>20,518</b>	<b>917</b>	<b>16,742</b>

General & administrative expenses include USD 954 charged from related parties.

General & administrative expenses include USD 291 charged to related parties.

### 5. Interest and similar income/expenses

Interest and similar income and expenses are fully relating to third parties.

### 6. Taxation

The Company's income tax is based on the tonnage tax regime for maritime transport activities in the Netherlands. In this regime, shipping profit is determined on the basis of the net tonnage of the sea-going vessels employed; the normal tax rates are applied to this lump sum.

### 7. Wages, salaries and social security contributions

The average number of staff on the Company's payroll in 2004 was 207 (2003: 218).

Staff can be divided into the following activities:

	2004	2003
Office employees	76	76
Crew on board of vessels	131	142
<b>Total average personnel</b>	<b>207</b>	<b>218</b>

The following amounts for wages, salaries and social security contributions are included in the income statement.

(x USD 1,000)	<b>2004</b>	<b>2003</b>	<b>2003 pro forma full year</b>
Wages and salaries	11,179	473	8,645
Social security contributions	1,036	63	1,145
Pension cost	1,943	81	1,472
	<b>14,158</b>	<b>617</b>	<b>11,262</b>
Of which relates to:			
Office employees	9,862	367	6,699
Crew on board of vessels	4,296	250	4,563
	<b>14,158</b>	<b>617</b>	<b>11,262</b>

## 8. Remuneration of the Board of Management

The total remuneration of the Board of Management from Dockwise group companies for the year 2004 amounted to USD 847 (2003: USD 720).

## 9. Remuneration of the Supervisory Board

The total remuneration of the Supervisory Board members from Dockwise group companies for the year 2004 amounted to USD 105 (2003: USD 103).



# Company balance sheet

as at 31 December (before appropriation of net profit for the year)

(x USD 1,000)	<u>2004</u>	<u>2003</u>
<b>Fixed assets</b>		
Financial fixed assets	208,121	4,493
<b>Current assets</b>		
Trade and other receivables	44	–
Receivables from group companies	–	170,000
Cash and cash equivalents	<u>193</u>	<u>62</u>
	237	170,062
<b>Current liabilities</b>	<u>33,388</u>	<u>–</u>
<b>Current assets less current liabilities</b>	<u>-33,151</u>	<u>170,062</u>
<b>Total assets less current liabilities</b>	<u>174,970</u>	<u>174,555</u>
<b>Financed as follows:</b>		
<b>Shareholders' equity</b>		
Issued and fully paid share capital	59	59
Share premium	161,097	173,795
Retained earnings	701	–
Unappropriated profit for the year	<u>13,113</u>	<u>701</u>
	174,970	174,555
	<u>174,970</u>	<u>174,555</u>



## Company income statement

(x USD 1,000)

	2004	for the period 14 October until 31 December 2003
Net income from subsidiaries after taxation	33,628	698
Other income (expenses) after taxation	4,487	3
<b>Net profit</b>	<b>38,115</b>	<b>701</b>



# Notes to the company financial statements

## General

Group companies of Dockwise Transport N.V. are:

Name and location group companies	Share in Equity
• Dockwise Transport B.V., Breda, The Netherlands	100 %
• Dockwise Shipping B.V., Breda, The Netherlands	100 %
• Holdingmaatschappij Bergbouw B.V., Amsterdam, The Netherlands	100 %
• Dockwise Yacht Transport Inc., Ft Lauderdale, United States of America	100 %
• Dockwise U.S.A. Inc., Houston, United States of America	100 %
• Latvian Manning Services Ltd., Riga, Latvia	100 %
• Dockwise B.V., Breda, The Netherlands	100 %
• Super Servant 3 B.V., Breda, The Netherlands	100 %
• Super Servant 4 B.V., Breda, The Netherlands	100 %
• Transshelf B.V., Breda, The Netherlands	100 %
• Mighty Servant 1 B.V., Breda, The Netherlands	100 %
• Mighty Servant 3 B.V., Breda, The Netherlands	100 %
• Dock Express 10 B.V., Breda, The Netherlands	100 %
• Dock Express 11 B.V., Breda, The Netherlands	100 %
• Dock Express 12 B.V., Breda, The Netherlands	100 %
• Swan B.V., Breda, The Netherlands	100 %
• Swift B.V., Breda, The Netherlands	100 %
• Teal B.V., Breda, The Netherlands	100 %
• Tern B.V., Breda, The Netherlands	100 %
• Black Marlin B.V., Breda, The Netherlands	100 %
• Blue Marlin B.V., Breda, The Netherlands	100 %
• Dockwise Enterprise B.V., Breda, The Netherlands	100 %
• Dockwise Explorer B.V., Breda, The Netherlands	100 %



## Notes to the company financial statements

### Accounting principles

#### General

In the context of the company financial statements, “the Company” refers to Dockwise Transport N.V.

Since its financial data are incorporated in the consolidated financial statements, the Company compiles an abridged profit and loss account in pursuance of Art. 402, Part 9, Book 2 of the Dutch Civil Code.

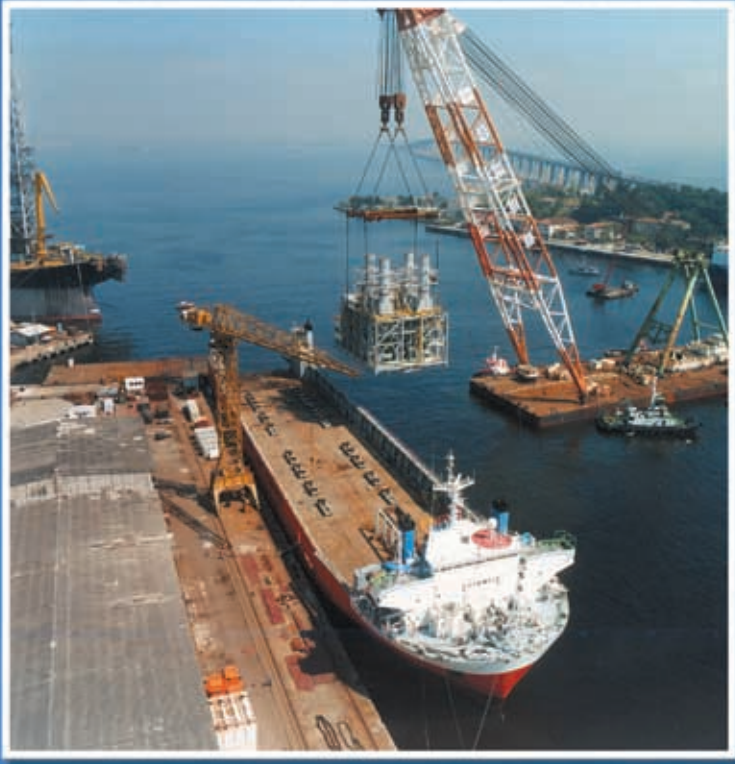
#### Financial fixed assets

The financial fixed assets comprise the participating interests.

Investments in group companies of Dockwise Transport N.V. are valued at net equity value. Loans to the group companies are included at nominal value less provisions, if considered necessary.

#### Other

For the accounting policies with regard to the valuation of other assets and liabilities as well as calculation of income, reference is made to the notes to the consolidated financial statements.



## Notes to the company balance sheet

### 1. Financial fixed assets

(x USD 1,000)	Investments in subsidiaries	Loans to subsidiaries	Total
<b>Balance as at 1 January 2004</b>	<b>4,493</b>	–	<b>4,493</b>
Net income from subsidiaries	33,628	–	33,628
Loans issued	–	170,000	170,000
<b>Balance as at 31 December 2004</b>	<b>38,121</b>	<b>170,000</b>	<b>208,121</b>

In a shareholder's resolution dated 30 December 2003, Dockwise Transport N.V. decided to declare a repayment of share premium and dividend in total amounting to USD 170,000 from Dockwise Transport B.V.

The short term receivable has been converted into a loan as per 5 February 2004.

- The final maturity date of this loan is 28 November 2013 and repayment will take place in full on expiry date, together with accrued interest and all other monies then outstanding in connection with the intercompany loan agreement.
- The applicable interest rate is 12-months LIBOR plus a margin of 2%.
- The rights of the Lender (Dockwise Transport N.V.) are subordinated to the rights of Danish Ship Finance and Fortis Bank (Nederland) N.V. concerning the reducing revolving credit facility agreement dated 20 January 2003.

### 2. Shareholders' equity

Movements in Shareholders' equity during 2004, before appropriation of net profit for the year.

(x USD 1,000)	Share capital issued and fully paid	Share premium	Retained earnings	Unappro- priated profit	Total
<b>Balance as at 1 January 2004</b>	<b>59</b>	<b>173,795</b>	–	<b>701</b>	<b>174,555</b>
Issue of shares	–	–	–	–	–
Appropriation of net result	–	–	701	-701	–
Dividend	–	-12,698	–	-25,002	-37,700
Net profit for the year	–	–	–	38,115	38,115
<b>Balance as at 31 December 2004</b>	<b>59</b>	<b>161,097</b>	<b>701</b>	<b>13,113</b>	<b>174,970</b>



## Notes to the company balance sheet

Per 31 December 2004 the authorised share capital comprises 9,000,000 ordinary shares of EUR 0.01 each, amounting to a total nominal value of EUR 90,000. 4,921,698 shares were issued and fully paid up.

### 3. Current liabilities

Current liabilities relate largely to a short term payable to group companies (USD 32,371), caused by advances from group companies which have been used to pay the dividend in 2004.

### 4. Personnel

Throughout 2004, the Company employed one Chief Executive Officer, whereas on 14 December 2004 Mr. S.A. Malfliet has been appointed as Chief Financial Officer.

### 5. Guarantees, commitments and contingencies

The Company is the Head Company in a Dutch fiscal unity, which includes all other Dockwise Group companies in the Netherlands. As the Head Company, the Company is liable for the payment of the corporate income taxes and VAT of the companies included in the fiscal unity, in addition to its own corporate income taxes and VAT.

Breda, 18 March 2005

### Board of Management

A. Goedée  
S.A. Malfliet

### Supervisory Board

E.J. Nederkoorn (chairman)  
P.H. Heerema  
K. Damen  
S. Galtung  
J.E. Dyvi



# Other Information

## Articles of association governing profit appropriation

Article 24 of the statutory provisions concerning the appropriation of profit state the following:

1. The amount of distributable profits shall be at the unrestricted disposal of the general meeting of shareholders, to be used for distribution of dividends, to be carried to reserves or to be used for such other ends fitting the Company's objects as that meeting may resolve. In calculating the amount of profits to be distributed on each share, only the amount of compulsory payments on the nominal price of the shares shall be regarded.
2. The Company shall only be capable of making distributions to shareholders and other persons who are entitled to profits that qualify for distribution if the Company's equity is in excess of the paid and called-up portion of the share capital increased by the reserves that must be set aside under the provisions of the law. In the calculation of the distribution of profits the shares which the Company holds in its own share capital shall be disregarded.
3. Distribution of profits shall take place after confirmation and adoption of the Financial Statements showing this is allowed.
4. The general meeting of shareholders shall have power, with due observance of what has been provided in the second paragraph hereof, to make one or more interim dividends payable.
5. Unless the general meeting of shareholders decides on a different date, dividends shall be made payable immediately after they have been declared.
6. The claim for payment of dividends shall lapse on the expiry date of a period of five years.

## Appropriation of net result

The Board of Management proposes to pay an additional cash dividend of USD 2.65 per share to the shareholders (in total USD 13,042) and to add the remaining net profit of USD 71 for the year to the retained earnings.

Together with the interim dividend already declared and paid in 2004, the total declared dividend for 2004 amounts to USD 38,044 (2003:USD 12,698).

# Auditors' Report



## Auditors' report

### Introduction

We have audited the financial statements of Dockwise Transport N.V., Curaçao, for the year 2004. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2004 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Rotterdam, 18 March 2005

*KPMG Accountants N.V.*



KPMG Accountants N.V., KPMG Accountants N.V., registered under number 33263683 with the Chamber of Commerce in Amsterdam, is a member of KPMG International, a Swiss cooperative.





**DOCKWISE**

**Dockwise Transport N.V.**

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