

**Report 1 quarter 2017  
World Wide Supply AS**

**Events in 2017**

The 6 vessels were sold January 27<sup>th</sup>.

On February 3 USD 23.967.335,63 was distributed to the bond holders.

Subsequent all the Dutch entities have been emptied for cash after having paid all debt, except to the parent.

At the time of writing WWS group is in possession of close to USD 5 million in cash awaiting a final decision regarding Brazilian legal actions.

**Organisation**

In Holland the company had at the beginning of 2017 22 subsidiaries and 2 employees. All employees have been terminated on an agreed basis and the companies will now be liquidated.

In Norway the Company has 4 subsidiaries. If we are to pursue the claims, see below, WWS and one subsidiary must remain. The rest will be liquidated as soon as possible.

**Financial situation in 2017**

The 6 vessels were sold on January 27<sup>th</sup> for an en bloc total price of USD 27,5 mill. On February 2 Nordic trust distributed USD 23.967.335,63 to the bondholders after having repaid the capitalization of WWS Recovery AS with USD 6.181.090,25 including interest.

At present the Company has a very limited balance sheet where the main issue is the approx. USD 5 million in cash. The claims in Brazil, described below, is not included in the balance sheet due to the nature of collecting claims in Brazil.

We are not presenting a full set of figures as they are less meaningful. The company still has close to 30 companies and a fully consolidated set of accounts will cost work not worth the information it will give. The main item is the cash.

**Astro Maritime Internacional SA (Astro) and United Offshore Support gmbh (UOS)**

Astro has been our local content provider, hiring crew and operating the ship.

The time charter which was entered into with Petrobras was not between WWS and Petrobras directly but through UOS, as Petrobras refused to have a contract with a new entity (WWS) while UOS was an old relationship. For this UOS was paid 1,25% commission.

The contract structure was then a charter from WWS Shipping AS to UOS, and an onward charter from UOS to Petrobras and in parallel a service agreement between WWS Shipping AS and Astro. The Charter hire was paid partly in USD to pay for "capital" and partly in RBL to pay for "operations". All USD was paid to UOS while all RBL was paid to Astro who held the money in one account for each vessel always with a minimum balance of USD 200.000 on each account.

At the end of the Charters Astro started repaying the balances, always making sure they could pay outstanding bills on our behalf.

On December 16<sup>th</sup> 2016 Astro filed for bankruptcy protection seeking a financial restructuring, a local Chapter 11. We were not notified until January 2017.

At the time of seeking protection the balances towards us were down to BRL 1.077.179,61. We did however have disbursements to reimbursed by Petrobras of BRL 271.723,25 in addition which we may have to seek recovery for through Astro, which may cause the money to be stuck in the legal proceedings.

**The claims in Brazil**

**The claim against Astro**

These amounts are fairly small and stuck in the bankruptcy proceedings. WWS will most likely not invest time and money on this claim.

### **Disbursements**

These are expenses we have paid and should be recovered from Petrobras. Usually it would be collected by Astro and credited our account. Given the present situation of Astro that is unlikely to yield much. The Company's local law firm, Kincaid, has stated there is a possibility to claim Petrobras direct which should be explored. We will ask Kincaid to do so if the chance of success without going to court can defend the costs.

### **Wrongful collected Import duty.**

When the four vessels were imported to Brazil in 2014 the State of Rio demanded import duty. It was paid but contested. Last May we won in the lower court. Several bigger claims like from Boeing, had also earlier won their cases. Our case has been appealed. It is run by the law firm Kincaid on a contingency fee basis. Even if we win it will take years to receive any money. Once you have a final verdict, no appeals, there is a market for such awards but the discounts reflect the time and risk of not receiving the money.

The claim is in RBL and earns a high interest rate, but the currency is falling as well. At the moment, the claim is around USD 3 million.

### **Wrongful deducted tax.**

This is a claim against Petrobras. In 2015 a law was enacted adding a certain tax on the USD hire if the "owner", in this case UOS, had common ownership with the local content provider, in this case Astro. Petrobras did not bother to check the facts on anybody and simply deducted the tax from everybody. This caused a strong reaction. We have USD 159.430,57 in such tax resting with Petrobras to be paid to UOS and on to us. This will not require court proceedings but Kincaid has started a collection procedure. Many have already received their tax and we should at one point be in line.

### **Offhire**

As you may recall the CAA (the certificate that enables a foreign flag vessel to operate in Brazil) on Opal and Peridor expired in June 2015. Petrobras claimed they could not use the vessel but did not terminate the charter. WWS claimed we were on hire. On September 9<sup>th</sup> the two vessels were officially terminated. Kincaid has advised that this claim should have a good chance of succeeding against Petrobras in light of some recent rulings. They are willing to take it on at a small cash fee (USD 100.000) and the rest on a contingency fee basis of 5 % of what is actually recovered in USD paid to us. The claim is USD 3,3 plus RBL 2,9 mill as the vessel was waiting with full crew.

### **Damages**

From the 9<sup>th</sup> of September 2015 on Peridot and Opal and August 31. 2016 on Emerald and October 10<sup>th</sup> 2016 on Sapphire runs a period until the original termination of the charter parties which was set for June 2018. In this period, we have no operating costs. In theory, we would had our lay up costs but on the other hand the opposite party would claim we made more than Opex. So to keep it simple we have calculated the USD element of the hire and reached a claim of USD 63,6 mill. This claim will, if pursued, be included in the cost package deal made with Kincaid referred to above.

### **Other risk**

In Brazil if one loose a case you will have to pay the other parties costs. As a rule of thumb that is 10% of the claim, could be up to 20%. Given our total claim it can be staggering. WWS would however not have money to pay. When a foreign company sues in Brazil they must put up a bond for costs. That is 10% of the claim. However. Since a claim is difficult to assess at the outset, says our lawyers, and we start with say 3 million USD and the bond would be USD 300.000. Later, when the totality of the claim is revealed, USD 66 million, it is not the custom to ask for the bond to be increased. According to Kincaid.

Last but not least, even if we win, when do we get the money? If we win we will probably get the money from Petrobras within a matter of months, not years. If we win against the state of Rio we must assume that even if we win and there is no appeal it will take at least two years before the state is obligated to pay. We will not bore you with details but that is the way the system works.

### **Transfer of claim**

It has been suggested that claims can be transferred to the buyer of the fleet and that company can pursue the claims. We have been advised that this would probably require Petrobras approval, which is unlikely to be forthcoming, and in general weaken the claims. If they are to be pursued it must be done from the Norwegian end through UOS.



This raises the question of maintaining a Norwegian entity. If it is simply to keep the company alive and let lawyers handle the issues the maintenance will be very low. If one wants Remoy or the present boards continued involvement it will increase the costs somewhat, but not sufficient to make a claim of several million USD uninteresting. In order to pursue claims under the Charter party we are however dependent upon cooperation with UOS. They are at present in a structural process including recapitalization, and their decision to move ahead must await the outcome of this process.

#### Conclusion

It should be fairly easy to

- Check on collecting the reimbursable directly
- Collect the wrongful tax
- Let the case for import duty go on

The issue is whether to press forward with the

- Offhire claim
- Claim for damages

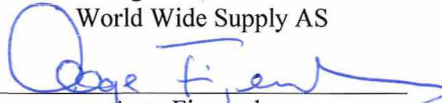
Are more difficult to asses. Kincaid says the first claim is stronger than the second. The second claim have a parallel claim at present in the court system where a ruling is expected within short.

Depending upon which claims it is decided to pursue, a sufficient amount to pay for costs should be withheld.

This is a report as where we stand today on these issues. It is still a work in progress.

Fosnavåg/Oslo, 13. June 2017

World Wide Supply AS

  
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