


Clipper Bulk A/S
Sundkrogsgade 19
2100 Copenhagen Ø

Central Business Registration No: 21 28 90 86

Annual report 2016
(18th financial year)

The Annual General Meeting adopted the annual report on May 30, 2017

Chairman of the General Meeting



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Company details

Company

Clipper Bulk A/S

Clipper House

Sundkrogsgade 19

2100 Copenhagen Ø, Denmark

Central Business Registration No 21 28 90 86

Registered in: City of Copenhagen

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Board of Directors

Henrik Lund Dal (Chairman)

Peter Norborg

Frank Gülnar Jensen

Flemming Lorents Steen

Executive Board

Peter Norborg

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Clipper Bulk A/S for the financial year January 1 to December 31, 2016.

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

In our opinion, the annual report gives a true and fair view of the Company's financial position at December 31, 2016 and of its financial performance for the financial year January 1 to December 31, 2016.

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

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

Copenhagen, May 30, 2017

Executive Board



Peter Norborg
Chief Executive Officer

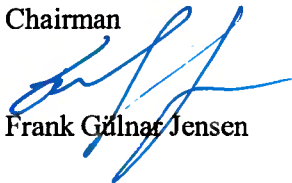
Board of Directors



Henrik Lund Dal
Chairman



Peter Norborg



Frank Gjalna Jensen



Flemming Lorents Steen

Independent auditor's report

To the shareholder of Clipper Bulk A/S

Opinion

We have audited the financial statements of Clipper Bulk A/S for the financial year January 1 to December 31, 2016, which comprise the income statement, balance sheet and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at December 31, 2016 and of the results of its operations for the financial year January 1 to December 31, 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Copenhagen, May 30, 2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56



Kim Takata Mücke
State-Authorised
Public Accountant



Bjarne Iver Jørgensen
State-Authorised
Public Accountant

Management commentary

Activities

The Company's primary activities involve commercial management of vessels globally as well as owning the subsidiaries Clipper Group (Singapore) Pte. Ltd. and Clipper Bulk Maritimos Transportes Ltd.

Furthermore, the Company owns 37,5% in Steel Connect Cooperatief U.A., which has part ownership in a steel terminal in Altamira, Mexico.

Development in activities and finances

Loss for the year is USD 4,169k, which is not satisfactory.

The loss is mainly due to the loss of USD 7,937k realized by the subsidiary, Clipper Group (Singapore) Pte. Ltd.

An improved financial performance is expected for 2017. However, the Company is still expected to realize a loss.

Particular risks

The developments in freight rates for the bulk market pose a particular risk to the Company's activities.

Events after the balance sheet date

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

Accounting policies

Basis of accounting

The annual report of Clipper Bulk A/S has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises.

As the Company's functional currency is USD, the annual report has been presented using USD as the reporting currency. The exchange rate used for DKK against USD is 7,05 at December 31, 2016 (2015: 6.83).

Referring to section 112(1) of the Danish Financial Statement Act, Clipper Bulk A/S has not prepared consolidated financial statements.

Recognition and measurement

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

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

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

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

Income is recognized in the income statement when earned, whereas costs are recognized by the amounts attributable to this financial year. Value adjustments of financial assets and liabilities are recognized in the income statement as financial income or financial expenses.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognized in the balance sheet and loss as financial income or financial expenses.

For the foreign subsidiaries, the income statement is translated using average exchange rates for the year and the items of the balance sheet are translated using the exchange rates at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at balance sheet date, exchange rates as well as the difference from translating the income statement from average rates to year-end rates, are recognized directly in equity.

Income statement

Revenue

Revenue comprise commercial management fee.

Pursuant to section 32 of the Danish Financial Statement Act, Management has decided to aggregate revenue and costs incurred to generate gross profit in the income statement.

Administrative expenses

Administrative expenses comprise expenses for management and administration of the Company, including office expenses.

The terms of employment governing all of the Company's employees are managed by Clipper Group A/S, which allocate current resource requirements for the operation of the Company. Related costs are recognized in "Administrative expenses".

The majority of the Company's administrative expenses are held by Clipper Group A/S. The costs are allocated from Clipper Group A/S to the Company based on the actual use of resources.

Income from investments in subsidiaries

Income from investments in subsidiaries comprises the proportionate share of the individual subsidiaries' profit/loss.

Income from investments in associates

Income from investments in associates comprises dividends etc. received from the individual associates in the financial year.

Financial income and expenses

Financial income and expenses include interest as well as realized and unrealized foreign exchange rate translation gains and losses.

Tax

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

The Company participates in a joint taxation arrangement. Current taxes for the jointly taxed companies are allocated according to the full costing method.

Assets**Receivables**

Receivables are measured at amortized cost less write-downs for bad and doubtful debts.

Investments in subsidiaries

Investments in subsidiaries are recognized and measured according to the equity method. This means that investments are measured at the proportionate share of the enterprises' equity.

Subsidiaries with negative equity are measured at USD 0, and any receivables from these companies are written down by the Company's share of negative equity value if they are deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognized under provisions if the Company has a legal or constructive obligation to cover the subsidiaries debt.

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

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

Investments in associates

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

Financial liabilities

Financial liabilities are recognized at amortized cost, which usually equals nominal value.

Income statement

	<u>Notes</u>	<u>2016</u> <u>USD'000</u>	<u>2015</u> <u>USD'000</u>
Gross profit		13,513	9,002
Administrative expenses	1	<u>(11,608)</u>	<u>(7,361)</u>
Operating result		1,905	1,641
Loss from investments in subsidiaries	3	(7,863)	(8,805)
Income from investment in associates		1,825	972
Financial expenses		<u>(36)</u>	<u>(27)</u>
Loss before tax		(4,169)	(6,219)
Tax on loss of the year	2	<u>-</u>	<u>72</u>
Loss for the year		<u>(4,169)</u>	<u>(6,147)</u>
 Proposed distribution of loss			
Retained earnings		<u>(4,169)</u>	
		<u>(4,169)</u>	

Balance sheet at 31.12.

	<u>Notes</u>	<u>2016 USD'000</u>	<u>2015 USD'000</u>
Investments in subsidiaries	3	370	5,383
Investments in associates	4	<u>5,570</u>	<u>5,570</u>
Fixed assets investments		<u>5,940</u>	<u>10,953</u>
Fixed assets		<u>5,940</u>	<u>10,953</u>
Receivables from group enterprises		25,004	12,460
Other receivables		<u>344</u>	<u>344</u>
Receivables		<u>25,348</u>	<u>12,804</u>
Cash		<u>112</u>	<u>927</u>
Current assets		<u>25,460</u>	<u>13,731</u>
Assets		<u><u>31,400</u></u>	<u><u>24,684</u></u>

Balance sheet at 31.12.

	<u>Notes</u>	<u>2016 USD'000</u>	<u>2015 USD'000</u>
Share capital	5	35,385	35,243
Retained earnings		(20,978)	(16,830)
Reserves		<u>5,856</u>	<u>-</u>
Equity		<u>20,263</u>	<u>18,413</u>
Provisions relating to investments	3	<u>2,645</u>	<u>-</u>
Accrued provisions		<u>2,645</u>	<u>-</u>
Payables to group enterprises		7,800	6,266
Other payables		<u>692</u>	<u>5</u>
Current liabilities other than provisions		<u>8,492</u>	<u>6,271</u>
Liabilities other than provisions		<u>8,492</u>	<u>6,271</u>
Equity and liabilities		<u><u>31,400</u></u>	<u><u>24,684</u></u>
Other notes:			
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Statement of changes in equity

	Share capital USD'000	Retained earnings USD'000	Total equity USD'000
Equity at 01.01.2016	35,243	(16,830)	18,413
Capital increase	142	5,856	5,998
Loss for the year	-	(4,169)	(4,169)
Exchange rate adjustment of investments in subsidiaries	-	21	21
Equity at 31.12.2016	<u>35,385</u>	<u>(15,122)</u>	<u>20,263</u>

Notes

1. Staff costs

The Company had no employees in the financial year, nor did it pay salaries to the directors or remunerate the executives.

2. Tax

Adjustment concerning prior years

	<u>2016</u> <u>USD'000</u>	<u>2015</u> <u>USD'000</u>
	-	<u>72</u>
	-	<u>72</u>

The Company holds a tax asset of USD 0 on tax loss carryforwards.

Notes

	2016 USD'000
3. Fixed assets – investments in subsidiaries	
Cost at 01.01.	107,827
Additions	<u>184</u>
Cost at 31.12	<u>108,011</u>
Value adjustments at 01.01.	(102,444)
Net share of profit/loss after tax	(7,863)
Exchange rate adjustment	<u>21</u>
Value adjustments at 31.12.	<u>(110,286)</u>
Carrying amount at 31.12.	<u>(2,275)</u>
Incorporated in the balance sheet as follows:	
Investments in subsidiaries with a positive value	370
Negative investment in subsidiaries incorporated as provision in the balance sheet	(2,645)

<u>Name</u>	<u>Ownership</u>	Share of	
		<u>Profit/loss</u> <u>USD'000</u>	<u>Equity</u> <u>USD'000</u>
Investments in subsidiaries include:			
Clipper Group (Singapore) Pte. Ltd., Singapore	100%	(7,937)	(2,645)
Clipper Bulk Transportes Maritimos Ltda, Brazil	99.99%	<u>74</u>	<u>370</u>
		<u>(7,863)</u>	<u>(2,275)</u>

Notes

	2016 USD'000
4. Fixed assets – investments in associates	
Cost at 01.01.	<u>5,570</u>
Cost at 31.12.	<u>5,570</u>

<u>Name</u>	<u>Ownership</u>	<u>profit/loss</u> <u>USD'000</u>	<u>equity</u> <u>USD'000</u>
Investments in associates include:			
Steel Connect Cooperatief U.A., the Netherlands*	37,5%	2,575	12,928
SARL Clipper Agency Algeria, Algeria**	49%	N/A	N/A

* Information according to latest available published financial statements.

** No financial statements are published.

	2016 USD'000	2015 USD'000
5. Share capital		
Share capital at January 1	<u>35,385</u>	<u>35,243</u>
Share capital at December 31	<u>35,385</u>	<u>35,243</u>

In 2016, a capital increase of DKK 1,000k nominal was effected.

The share capital now consists of 181,000 shares at DKK 1,000.

The shares have not been divided into classes.

6. Ownership

The Company is wholly owned by Clipper Group A/S, Copenhagen, Denmark.

Notes

7. Assets charged and collateral

Assets totaling USD 24,526k have been provided as security for group loans.

As a co-signatory of the Clipper Group Ltd's financing agreement existing at 31 December 2016, the Company guarantees the lenders of the agreement that the other companies' obligations assumed under the financing agreement will be met. Clipper Group Ltd has in 2017 concluded the terms of a new long term financing agreement. The securities to be provided under this new financing agreement will be detailed in the documentation under finalization.

8. Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which Clipper Group Ltd. serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from July 1, 2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies and from January 1, 2013 for income taxes for the joint taxed companies.

9. Consolidation

Clipper Bulk A/S is included in the consolidated financial statements of:

Clipper Group A/S
Clipper House
Sundkrogsgade 19
2100 Copenhagen Ø, Denmark.

The ultimate parent company, Clipper Group Ltd., Nassau, the Bahamas, does not publish its financial statements.