

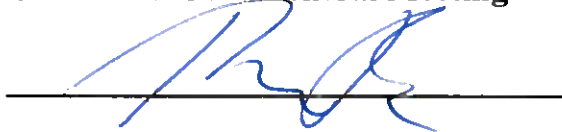
Clipper Bulk A/S
Sundkrogsgade 19
2100 Copenhagen Ø

Central Business Registration No: 21 28 90 86

Annual report 2015
17th financial year

The Annual General Meeting adopted the annual report on May 30, 2016

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

Phone: +45 49 11 80 00

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Board of Directors

Henrik L. Dal (Chairman)

Flemming L. Steen

Frank G. Jensen

Executive Board

Frank G. Jensen

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, 2015.

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, 2015 and of its financial performance for the financial year January 1 to December 31, 2015.

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, 2016

Executive Board




Frank G. Jensen
Chief Executive Officer

Board of Directors



Henrik L. Dal
Chairman



Flemming L. Steen



Frank G. Jensen

Independent auditor's reports

To the shareholder of Clipper Bulk A/S

Report on the financial statements

We have audited the financial statements of Clipper Bulk A/S for the financial year January 1 to December 31, 2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at December 31, 2015 and of the results of its operations for the financial year January 1 to December 31, 2015 in accordance with the Danish Financial Statements Act.

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Copenhagen, May 30, 2016

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56



Kim Mücke
State Authorized Public Accountants



Bjarne Iver Jørgensen
State Authorized Public Accountants

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 6,147k, which is not satisfactory.

The loss is mainly due to the loss of USD 8,647k realized by the subsidiary, Clipper Group (Singapore) Pte. Ltd.

An improved financial performance is expected for 2016. 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 6.83 at December 31, 2015 (2014: 6.12).

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 are 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 revenue in 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 adjustments.

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 it is 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 subsidiary 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>2015 USD'000</u>	<u>2014 USD'000</u>
Gross profit		9,002	4,992
Administrative expenses	1	<u>(7,361)</u>	<u>(4,754)</u>
Operating loss		1,641	238
Loss from investments in subsidiaries	3	(8,805)	(4,132)
Income from investment in associates		972	786
Financial expenses		<u>(27)</u>	<u>(26)</u>
Loss before tax		(6,219)	(3,134)
Tax on loss of the year	2	<u>72</u>	<u>146</u>
Loss for the year		<u>(6,147)</u>	<u>(2,988)</u>
 Proposed distribution of loss			
Retained earnings		<u>(6,147)</u>	
		<u>(6,147)</u>	

Balance sheet

	<u>Notes</u>	<u>12/31/15</u> <u>USD'000</u>	<u>12/31/14</u> <u>USD'000</u>
Investments in subsidiaries	3	5,383	14,421
Investments in associates	4	<u>5,570</u>	<u>5,420</u>
Fixed assets investments		<u>10,953</u>	<u>19,841</u>
Fixed assets		<u>10,953</u>	<u>19,841</u>
Receivable from subsidiaries		12,460	5,965
Other receivables		<u>344</u>	<u>363</u>
Receivables		<u>12,804</u>	<u>6,328</u>
Cash		<u>927</u>	<u>410</u>
Current assets		<u>13,731</u>	<u>6,738</u>
Assets		<u><u>24,684</u></u>	<u><u>26,579</u></u>

Balance sheet

	<u>Notes</u>	<u>12/31/15</u> <u>USD'000</u>	<u>12/31/14</u> <u>USD'000</u>
Share capital	5	35,243	35,243
Retained earnings		<u>(16,830)</u>	<u>(10,607)</u>
Equity		<u>18,413</u>	<u>24,636</u>
Payable to subsidiaries		6,266	1,916
Other payables		<u>5</u>	<u>27</u>
Current liabilities other than provisions		<u>6,271</u>	<u>1,943</u>
Liabilities other than provisions		<u>6,271</u>	<u>1,943</u>
Equity and liabilities		<u>24,684</u>	<u>26,579</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 31.12.2014	35,243	(10,607)	24,636
Loss for the year	-	(6,147)	(6,147)
Exchange rate adjustment of investments in subsidiaries	-	(76)	(76)
Equity at 31.12.2015	<u>35,243</u>	<u>(16,830)</u>	<u>18,413</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.

	<u>2015</u> <u>USD'000</u>	<u>2014</u> <u>USD'000</u>
2. Tax		
Tax for the year	-	(72)
Adjustment concerning prior years	<u>72</u>	<u>218</u>
	<u>72</u>	<u>146</u>

The Company holds a tax asset of USD 1,826k on tax loss carryforwards.

The tax asset has not been recognized in the financial statements as it is subject to uncertainty as regards future use.

Notes

	12/31/15 USD'000
3. Fixed assets – investments in subsidiaries	
Cost at 01.01.	108,234
Disposals	<u>(407)</u>
Cost at 31.12	<u>107,827</u>
Value adjustments at 01.01.	(93,813)
Net share of profit/loss after tax	(8,898)
Disposals	343
Exchange rate adjustment	<u>(76)</u>
Value adjustments at 31.12.	<u>(102,444)</u>
Carrying amount at 31.12.	<u>5,383</u>

<u>Name</u>	<u>Ownership</u>	<u>Share of</u> <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%	(8,647)	5,288
Clipper Bulk Transportes Maritimos Ltda, Brazil	99.99%	49	95
Tropical Agencia Maritima Ltda., Brazil*	100%	<u>(300)</u>	<u>-</u>
		<u>(8,898)</u>	<u>5,383</u>
Gain from sale of Tropical Agencia Maritima Ltda.		<u>93</u>	<u>-</u>
		<u>(8,805)</u>	<u>5,383</u>

*The subsidiary has been sold.

Notes

	12/31/15 USD'000
4. Fixed assets – investments in associates	
Cost at 01.01.	5,420
Additions	<u>150</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%	2,085	12,944
SARL Clipper Agency Algeria, Algeria**	49%	N/A	N/A

* Information according to latest available published financial statements.

** No financial statement is published.

	2015 USD'000	2014 USD'000
5. Share capital		
Share capital at January 1	<u>35,243</u>	<u>35,243</u>
Share capital at December 31	<u>35,243</u>	<u>35,243</u>

The share capital consists of 180,000 shares at DKK 1,000.

The shares have not been divided into classes.

In 2012, a capital increase of DKK 10,000k nominal was effected. There have been no other changes in share capital in the past five years.

6. Ownership

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

Notes

7. Assets charged and collateral

Assets totaling USD 20,279k have been provided as security for group loans.

The Company has joined the refinancing agreement for Clipper Group Ltd.

As a co-signatory, the Company guarantees the lenders of the agreement that the other group companies' obligations assumed under the refinancing agreement will be met.

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.