



Clipper Bulk A/S

Sundkrogsgade 19
2100 København Ø
CVR No. 21289086

Annual report 2019

The Annual General Meeting adopted the
annual report on 31.08.2020

Thomas Martinussen

Chairman of the General Meeting

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Entity details

Entity

Clipper Bulk A/S
Sundkrogsgade 19
2100 København Ø

CVR No.: 21289086
Registered office: København
Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Frank Gülnar Jensen, Chairman
Henrik Lund Dal
Peter Norborg

Executive Board

Peter Norborg

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P. O. Box 1600
0900 Copenhagen C

Statement by Management

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 01.01.2019 - 31.12.2019.

The annual report is presented 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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, 31.08.2020

Executive Board

Peter Norborg

Board of Directors

Frank Gülnar Jensen
Chairman

Henrik Lund Dal

Peter Norborg

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 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 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, 31.08.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Kim Takata Mücke

State Authorised Public Accountant
Identification No (MNE) mne10944

Bjarne Iver Jørgensen

State Authorised Public Accountant
Identification No (MNE) mne35659

Management commentary

Financial highlights

| | 2019 USD'000 | 2018 USD'000 | 2017 USD'000 | 2016 USD'000 | 2015 USD'000 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Key figures | | | | | |
| Revenue | 34,225 | 34,016 | 12,686 | 13,513 | 0 |
| Gross profit/loss | 17,082 | 14,530 | (1,075) | 5,213 | 9,002 |
| Operating profit/loss | 1,154 | 660 | (1,138) | 1,905 | 1,641 |
| Net financials | (160) | 83 | 6 | (36) | (27) |
| Profit/loss for the year | 1,369 | 22,956 | (20,003) | 4,169 | (6,147) |
| Total assets | 31,797 | 45,252 | 35,959 | 31,400 | 24,684 |
| Investments in property, plant and equipment | 1,764 | 3,402 | 0 | 0 | 0 |
| Equity | 24,526 | 23,144 | 266 | 20,263 | 18,413 |
| Ratios | | | | | |
| Profit margin (%) | 3,37 | 1,94 | -8,97 | 14,10 | 0 |
| Return on assets | 3,63 | 1,46 | -3,16 | 6,07 | 6,65 |
| Return on equity (%) | 5.74 | 196.12 | (194.88) | 21.56 | 0 |
| Equity ratio (%) | 77.13 | 51.14 | 0.74 | 64.53 | 74.59 |

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

In 2019 Clipper Bulk A/S has changed reporting class from B to C-medium.

Profit margin (%):

$\frac{\text{Operating profit (loss)}}{\text{Revenue}} * 100$

Revenue

Return on assets (%):

$\frac{\text{Operating profit (loss)}}{\text{Total assets}} * 100$

Total assets

Return on equity (%):

$\frac{\text{Profit/loss for the year}}{\text{Average equity}} * 100$

Average equity

Equity ratio (%):

$\frac{\text{Equity}}{\text{Total assets}} * 100$

Total assets

Primary activities

The Company's primary activities involve commercial management of vessels globally as well as owning the subsidiaries Clipper Bulk Maritimos Transportes Ltd., SARL Clipper Agency Algeria and Clipper Fleet Management India Pvt. Ltd.

Furthermore, the Company owns 18,38 % in Steel Connect Cooperatief U.A., which has part ownership in a steel terminal in Altamira, Mexico.

Development in activities and finances

As a reaction to the negative trend in the global bulk market, an organizational downsizing took place in May 2019 covering a substantial reduction of number of employees and a significant reduction of the lease for the headquarter in Copenhagen, Denmark.

The profit for the year is USD 1,275k and the Company has an equity of USD 24,786k at December 31, 2019. The result of the year is considered satisfying.

Uncertainty relating to recognition and measurement

No specific uncertainties relating to recognition and measurement has been identified.

Outlook

The market outlook remains uncertain due to the extraordinary nature of the COVID-19 situation and the possibility of a second wave.

Overall, for 2020 Clipper Bulk A/S expects an operating result in line with 2019.

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.

Covid-19 pandemic has had a negative impact on the Bulk market with historical low rates in second quarter of 2020.

Markets have since May 2020 seen some recovery, which also is reflected in the forward rates seen for third and fourth quarter 2020.

As a reaction to Covid-19 pandemic impact, Clipper Bulk has in April 2020 further downsized the organization, office network and initiated other cost saving programs

Income statement for 2019

| | Notes | 2019 USD'000 | 2018 USD '000 |
|--|-------|-----------------|------------------|
| Revenue | | 34,225 | 34,016 |
| Other external expenses | | (17,143) | (19,486) |
| Gross profit/loss | | 17,082 | 14,530 |
| Staff costs | 2 | (15,128) | (13,081) |
| Depreciation, amortisation and impairment losses | | (800) | (789) |
| Operating profit/loss | | 1,154 | 660 |
| Income from investments in group enterprises | | 786 | 21,566 |
| Income from investments in associates | | 0 | 704 |
| Other financial income | | 415 | 449 |
| Other financial expenses | | (575) | (366) |
| Profit/loss before tax | | 1,780 | 23,013 |
| Tax on profit/loss for the year | | (411) | (57) |
| Profit/loss for the year | 3 | 1,369 | 22,956 |

Balance sheet at 31.12.2019

Assets

| | Notes | 2019 USD'000 | 2018 USD'000 |
|--|-------|-----------------|-----------------|
| Other fixtures and fittings, tools and equipment | | 2,818 | 1,677 |
| Leasehold improvements | | 759 | 936 |
| Property, plant and equipment | 4 | 3,577 | 2,613 |
| Investments in group enterprises | | 334 | 458 |
| Investments in associates | | 5,569 | 5,569 |
| Other financial assets | 5 | 5,903 | 6,027 |
| Fixed assets | | 9,480 | 8,640 |
| Receivables from group enterprises | | 20,984 | 34,207 |
| Other receivables | | 1,117 | 1,801 |
| Receivables | | 22,101 | 36,008 |
| Cash | | 216 | 604 |
| Current assets | | 22,317 | 36,612 |
| Assets | | 31,797 | 45,252 |

Equity and liabilities

| | Notes | 2019 USD'000 | 2018 USD'000 |
|--|--------------|-------------------------|-------------------------|
| Contributed capital | | 35,385 | 35,385 |
| Retained earnings | | (10,859) | (12,241) |
| Equity | | 24,526 | 23,144 |
| Provisions for investments in group enterprises | | 6 | 5 |
| Provisions | | 6 | 5 |
| Other payables | | 291 | 0 |
| Non-current liabilities other than provisions | | 291 | 0 |
| Payables to group enterprises | | 4,042 | 18,369 |
| Other payables | | 2,932 | 3,734 |
| Current liabilities other than provisions | | 6,974 | 22,103 |
| Liabilities other than provisions | | 7,265 | 22,103 |
| Equity and liabilities | | 31,797 | 45,252 |
| Events after the balance sheet date | 1 | | |
| Unrecognised rental and lease commitments | 7 | | |
| Contingent liabilities | 8 | | |
| Non-arm's length related party transactions | 9 | | |
| Group relations | 10 | | |

Statement of changes in equity for 2019

| | Contributed capital USD'000 | Retained earnings USD'000 | Total USD'000 |
|---------------------------|--|--|--------------------------|
| Equity beginning of year | 35,385 | (12,241) | 23,144 |
| Exchange rate adjustments | 0 | 13 | 13 |
| Profit/loss for the year | 0 | 1,369 | 1,369 |
| Equity end of year | 35,385 | (10,859) | 24,526 |

Notes

1 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.

Covid-19 pandemic has had a negative impact on the Bulk market with historical low rates in second quarter of 2020.

Markets have since May 2020 seen some recovery, which also is reflected in the forward rates seen for third and fourth quarter 2020.

As a reaction to Covid-19 pandemic impact, Clipper Bulk has in April 2020 further downsized the organization, office network and initiated other cost saving programs.

2 Staff costs

| | 2019 | 2018 |
|---------------------------------------|----------------|----------------|
| | USD'000 | USD'000 |
| Wages and salaries | 13,621 | 12,126 |
| Pension costs | 878 | 887 |
| Other social security costs | 107 | 68 |
| Other staff costs | 522 | 0 |
| | 15,128 | 13,081 |
| Average number of full-time employees | 121 | 123 |

CEO and Board of Directors do not receive any remuneration from the entity.

3 Proposed distribution of profit and loss

| | 2019 | 2018 |
|-------------------|----------------|----------------|
| | USD'000 | USD'000 |
| Retained earnings | 1,369 | 22,956 |
| | 1,369 | 22,956 |

4 Property, plant and equipment

| | Other fixtures and fittings, tools and equipment USD'000 | Leasehold improvements USD'000 |
|---|--|--------------------------------------|
| Cost beginning of year | 2,307 | 1,095 |
| Additions | 1,764 | 0 |
| Disposals | (288) | 0 |
| Cost end of year | 3,783 | 1,095 |
| Depreciation and impairment losses beginning of year | (630) | (159) |
| Depreciation for the year | (623) | (177) |
| Reversal regarding disposals | 288 | 0 |
| Depreciation and impairment losses end of year | (965) | (336) |
| Carrying amount end of year | 2,818 | 759 |

5 Financial assets

| | Investments in group enterprises USD'000 | Investments in associates USD'000 |
|--------------------------------------|---|---|
| Cost beginning of year | 729 | 5,569 |
| Cost end of year | 729 | 5,569 |
| Impairment losses beginning of year | (271) | 0 |
| Exchange rate adjustments | 15 | 0 |
| Share of profit/loss for the year | (139) | 0 |
| Impairment losses end of year | (395) | 0 |
| Carrying amount end of year | 334 | 5,569 |

| Investments in subsidiaries | Registered in | Corporate form | Equity interest % |
|--|----------------------|---------------------------|----------------------------------|
| Clipper Fleet Management India Pvt. Ltd. | India | Ltd. | 90 |
| Clipper Bulk Transportes Maritimos Ltda | Brazil | Ltda | 99 |
| Investments in associates | | | Equity interest % |
| Steel Connect Coöperatief U.A. | | | 18,38 |
| Clipper Agencies Algeria S.a.r.l. | | | 49 |

6 Provisions for investments in group enterprises

Provision for investments in group enterprises comprises entities with negative equity.

7 Unrecognised rental and lease commitments

| | 2019 USD'000 | 2018 USD'000 |
|--|-----------------|-----------------|
| Liabilities under rental or lease agreements until maturity in total | 6,471 | 3,698 |

8 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Clipper Group Ltd. serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

9 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

10 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Clipper Group Ltd.

29 Charlotte Island

Old Fort Bay

P.O. Box CB-13048

Nassau, The Bahamas

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Clipper Bulk Shipping Ltd.

29 Charlotte Island

Old Fort Bay

P.O. Box CB-13048

Nassau, The Bahamas

None of the consolidated financial statements are publicly available.

Accounting policies

Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

In 2019 Clipper Bulk A/S has changed reporting class from B to C-medium. The accounting policies applied to these financial statements are consistent with those applied last year.

Foreign currency translation

As the Company's functional currency is in USD, the annual report has been prepared in USD as the reporting currency. The exchange rate for DKK against USD is 6,67 at December 31, 2019 (2018: 6,52).

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 recognised in the income statement as financial income or financial expenses.

When recognising foreign subsidiaries and associates, the income statements are translated at average exchange rates for the year. Balance sheet items are translated using the exchange rates at the balance sheet date. The difference in exchange are recognised in the income statement as financial income or financial expenses.

Consolidated financial statements

Referring to section 114(3) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

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

Liabilities are recognised in the balance sheet when the Entity 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 Entity, 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 recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Income statement

Revenue

Revenue comprise commercial management fee. Income from management and administration services is recognized concurrently with delivery of services.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, IT costs, etc.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Income from investments in associates

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

Other financial income

Other financial income include interest and foreign exchange rate translation gains.

Other financial expenses

Other financial expenses include interest and foreign exchange rate translation losses.

Tax on profit/loss for the year

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

The Entity partilipates in a joint taxation. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of

the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

| | |
|--|------------|
| Other fixtures and fittings, tools and equipment | 3-10 years |
| Leasehold improvements | 3-10 years |

For leasehold improvements, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

Group enterprises with negative equity value are measured at USD 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

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

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

Investments in associates

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

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Cash

Cash comprises cash in hand and bank deposits.

Other provisions

Other provisions relate to negative value in subsidiaries as described under "Investments in group enterprises".

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, the cash flow statement is omitted from the annual report.