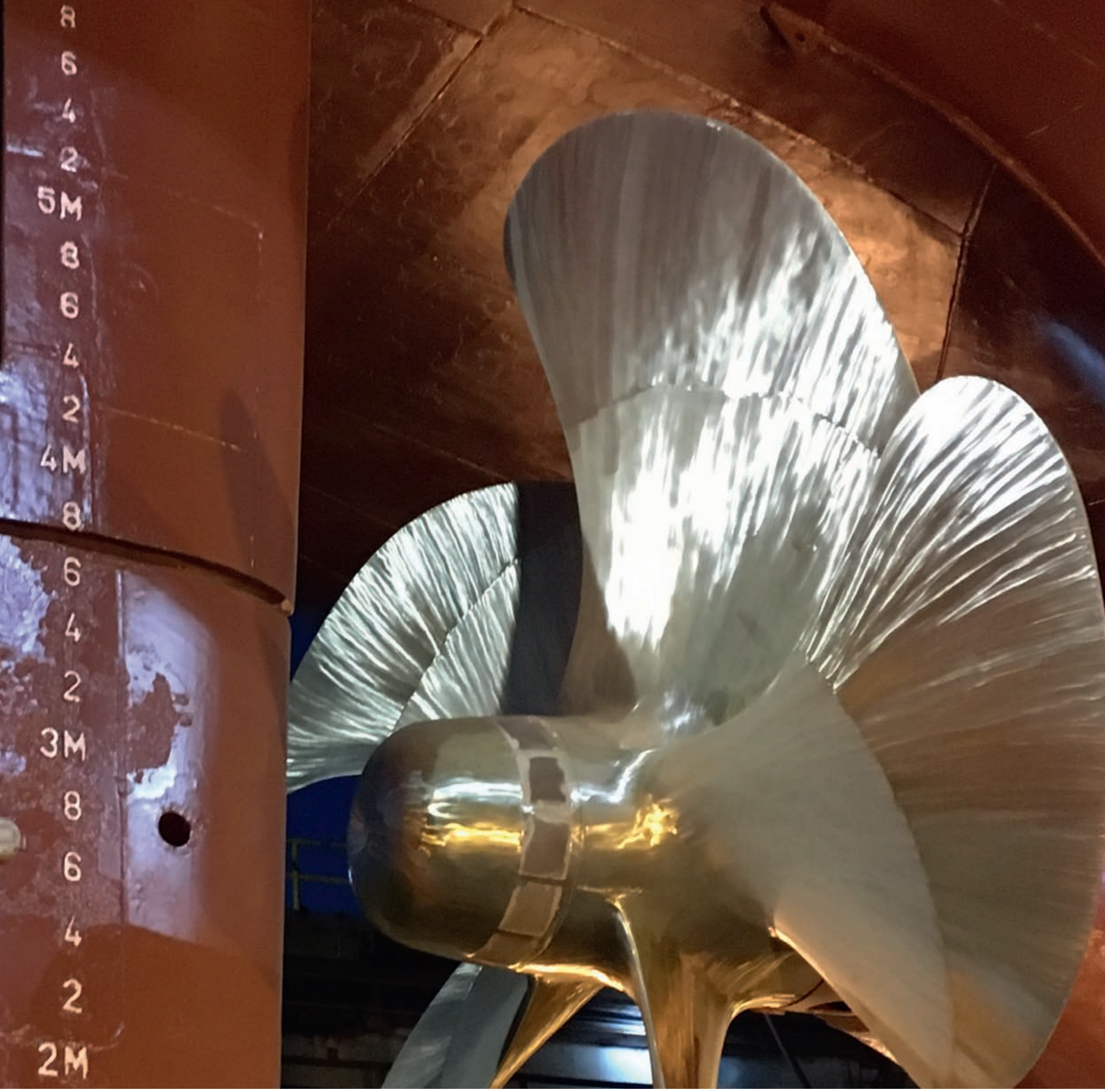

CLIPPER GROUP A/S

Central Business Registration No 29 89 18 18 Annual Report 2017

The Annual General Meeting adopted the annual report on May 29, 2018
Chairman of the Annual General Meeting.

Thomas Martinussen
Attorney at Law

CLIPPER GROUP A/S Clipper House | Sundkrogsgade 19 | 2100 Copenhagen, Denmark

COMPANY

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

Central Business Registration No. 29 89 18 18
Registered in: City of Copenhagen

Phone: +45 4911 8000
www.clipper-group.com

EXECUTIVE MANAGEMENT

Peter Norborg, Group CEO, Clipper Group (born 1966)

BOARD OF DIRECTORS

Peter Hald Appel, Chairman (born 1961)
Managing Partner, Gorrissen Federspiel. Member of the Board since 2013
Other board assignments include:
BIMCO Informatique A/S,
European Maritime Law Association

Frank Gülnar Jensen, Vice-Chairman (born 1966)
Partner & Group CEO, Clipper Group. Member of the Board since 2000
Other board assignments include:
Greystone Capital A/S

Torben Gülnar Jensen (born 1942)
Founder & Partner, Clipper Group. Member of the Board since 1985

Mikael Øpstun Skov (born 1963)
CEO, Hafnia Tankers. Member of the Board since 2014
Other board assignments include:
Hafnia Tankers and various affiliated
companies within the Hafnia Group
Danish Shipping
The Danish Maritime Fund
Kapitalforeningen BLS Invest

AUDITORS

Deloitte Statsautoriseret Revisionspartnerselskab

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STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

The Board of Directors and the Executive Management have today considered and approved the annual report of Clipper Group A/S for the financial year January 1 to December 31, 2017.

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

In our opinion, the consolidated financial statements and the Parent financial statements give a true and fair view of the Group's and the Parent's financial position at December 31, 2017 and of their results and the consolidated cash flows for the financial year January 1 to December 31, 2017.

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 29, 2018

Executive Management

Peter Norborg
Group CEO

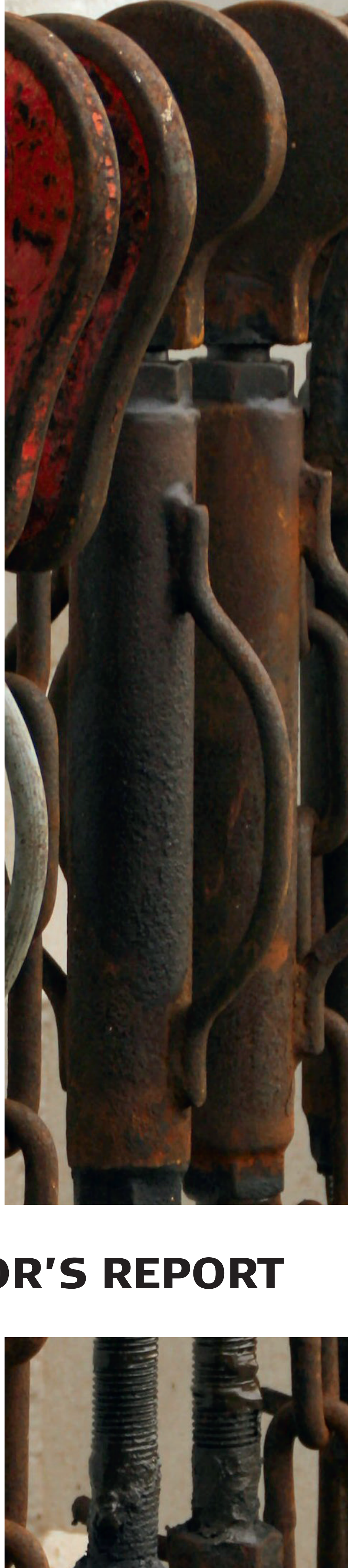
Board of Directors

Peter Hald Appel
Chairman

Frank Gülnar Jensen
Vice-Chairman

Torben Gülnar Jensen

Mikael Øpstun Skov



INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the shareholder of Clipper Group A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Clipper Group A/S for the financial year January 1 to December 31, 2017, which comprise the statements of profit and loss, financial position and changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement for the Group. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at December 31, 2017, and of the results of their operations and the consolidated cash flows for the Group for the financial year January 1 to December 31, 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent'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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group's and the Parent'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 consolidated financial statements and the parent 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 Group's and the Parent'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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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 29, 2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No. 33 96 35 56

Kim Takata Mücke
State Authorized Public Accountant
mne10944

Bjarne Iver Jørgensen
State Authorized Public Accountant
mne35659

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	2017	2016	2015	2014	2013
	USD'000	USD'000	USD'000	USD'000	USD'000
Key figures					
Revenue	217,611	220,965	207,243	268,544	302,973
Operating profit/(loss) before depreciation etc.	77,839	85,535	79,330	95,764	90,408
Impairment loss	(6,549)	-	(198)	(4,204)	(8,461)
Operating profit/(loss)	(11,790)	9,937	6,338	988	(11,843)
Net financials and gain/(loss) from other financial assets	(10,465)	(25,672)	3,256	(77)	(12,224)
Profit/(loss) for the year	(18,954)	(12,919)	13,332	3,173	(21,297)
Investments in property, plant and equipment	5,456	4,308	8,492	5,504	6,979
Receivables	133,949	124,788	94,600	66,702	51,859
Interest-bearing debt	139,074	139,296	167,916	208,111	283,253
Equity	151,538	161,011	172,115	170,775	189,611
Assets, total	353,728	357,195	402,424	444,766	537,582
Ratios					
Profit margin (%)	(5.4)	4.5	3.1	0.4	(3.9)
Return on assets (%)	(3.3)	2.8	1.6	0.2	(2.2)
Return on equity (%)	(12.1)	(7.8)	7.8	1.8	(10.9)
Equity ratio (%)	42.8	45.1	42.8	38.4	35.3

Ratios

The ratios have been compiled applying the formulas listed below:

$$\text{Profit margin} = \frac{\text{Operating profit/(loss) x 100}}{\text{Revenue}}$$

$$\text{Return on assets} = \frac{\text{Operating profit/(loss) x 100}}{\text{Assets, total}}$$

$$\text{Return on equity} = \frac{\text{Profit/(loss) for the year x 100}}{\text{Average equity}}$$

$$\text{Equity ratio} = \frac{\text{Equity x100}}{\text{Assets, total}}$$

MANAGEMENT COMMENTARY

CLIPPER GROUP A/S

Clipper Group A/S is a Danish fully owned subsidiary of Clipper Group Ltd.

Clipper Group Ltd. is a company registered in the Bahamas but with main business address and headquarter in Denmark and subject to full Danish taxation.

The core business of Clipper Group Ltd. is bulk (dry bulk shipping) and ro-ro ferry services (on the Irish Sea). Clipper Group is a privately-owned company, established in 1972. Clipper Group Ltd. has offices in 10 countries and employs 289 employees (December 31, 2017).

The primary activity of Clipper Group A/S are ro-ro ferry services on the Irish Sea (Seatruck Ferries), ferry services in Denmark (Danske Færger), as well as commercial management and administrative services for other companies in Clipper Group Ltd.

In 2nd half 2017, Clipper Group A/S sold its two remaining vessels in the bulk segment and from then on the areas within our bulk segment in Clipper Group A/S are related to only commercial management and administrative services.

In December 2017, Clipper Group A/S reached an agreement to enter its fleet management activities, namely Clipper Fleet Management A/S, into a partnership with Dania Ship Management. The Group remains in the fleet management segment as shareholder only.

RESULTS

The net result decreased in 2017 to a loss of USD 19 million (2016: loss of USD 13 million). Although the net result decreased, the equity ratio of Clipper Group A/S is still solid at 43% (2016: 45%).

The net result was heavily impacted by impairment losses of USD 7 million (2016: USD nil) relating to one ro-ro vessel and incurred losses of USD 13 million primarily relating to the sale of two bulk vessels (2016: USD 6 million).
In addition, the result is impacted by an unrealized exchange rate loss of USD 2 million (2016: loss of USD 17 million).

EBIT is USD negativ 11 million (2016: USD positive 10 million). Of the negative variance in EBIT, USD 14 million relates to loss on sale of assets/impairment loss. Strong contributions to EBIT are still achieved in the ro-ro segment and in the ferry segment although both dropped in 2017. The ro-ro EBIT dropped due to a lower result in the chartering activity from selling vessels and due to operational issues especially related to lock outage in Liverpool

Danske Færger A/S improved further in both number of passengers and number of transported cars and continued to be a strong contributor to the Group's operating profit. EBIT for Danske Færger A/S decreased in 2017 merely related to reservations related to closing down the Bornholm concession. Apart from selling vessels, the bulk segment's EBIT for 2017 was negatively impacted by reservations related to the reorganization of our bulk organization into three hubs; Copenhagen, Houston and Hong Kong and closed a number of offices.

FINANCING

Clipper has in 2017 concluded the terms of a new long-term financing agreement. As of the date of approval these consolidated financial statements, the finalization of the documentation was still in progress, but the new financing agreement is in principle already operational.

With the new financing agreement in place the Group has adequate capital resources available and in place for the coming years.

DEVELOPMENT BY SEGMENT

Ferry segment

This segment includes the domestic ro-pax ferry activities in the joint-venture Danske Færger A/S (Danish Ferries) – owned jointly (50/50) with the Danish State.

The net result of Danske Færger A/S in 2017 was DKK 124 million (2016: DKK 44 million). In total 4,465 million passengers and 1,195 million cars were transported, which are increases of respectively 4.3% and 6.3% compared to 2016. The result is positively affected by the sale of one vessel during 2017.

Despite the very positive commercial development, the operating result decreased in 2017. The main reason for the decrease is extraordinary reservations for closing the Bornholm routes in August 2018.

With the closing of the Bornholm Routes in August 2018, Danske Færger A/S is expected to have a smaller, yet still very positive result ranging around DKK 50 million in 2018.

Ro-ro segment

The segment includes the Seatruck Ferries' three ro-ro routes on the Irish Sea as well as the ro-ro chartering activities.

The net result for 2017 is satisfactory despite EBIT going down compared to 2016. The reason for a lower EBIT relates to impairment loss, lower operating profit in the chartering activity from a reduction of two vessels and operational issues related to the lock in Liverpool. From a commercial perspective, 2017 turned out to be another year with growth, with total volumes growing 6% compared to 2016. Seatruck Ferries now holds 19.6% (2016: 17.9%) of the total ro-ro market on the Irish Sea and has had the largest growth in market share amongst its competitors during 2017. Especially the routes out of Dublin have proven to be successful and the traffic from these ports has grown much faster than from the ports in Northern Ireland.

The movement in EUR/USD exchange rates continues to cause unrealized losses on loans denominated in EUR, and thereby impacts the net result negatively.

Seatruck Ferries expects to continue its positive commercial development, although the operating result is expected to decrease slightly compared to 2017. The main reason is a lower chartering result.

Fleet Management segment

In 2017, Clipper Group had in average 30 vessels in technical management which was on par with 2016. The net result is slightly negative but improved compared to 2016.

In December 2017, Clipper Group entered into an agreement with Dania Ship Management Holding A/S to sell the majority of the shares in Clipper Fleet Management A/S. The subsidiary Clipper Fleet Management India Pvt. Ltd. was not a part of the transaction and has been transferred to another Clipper entity and will subsequently be shut down. The sale of shares had effect per January 31, 2018 and will accomplish a gain in net result in 2018.

Bulk segment

For the bulk segment, most activities are performed outside Clipper Group A/S in other parts of the Clipper Group.

In general, the bulk market improved significantly in 2017 compared to 2016. The earnings of the segment in Clipper Group A/S where heavily impacted of the sale of the two remaining bulk carriers in the 2nd half of 2017. Furthermore, reservations were made related to reorganizing and consolidation of our global commercial structure with three strong hubs in Copenhagen, Houston and Hong Kong with the result of closing down several other offices.

In 2018, the Group has continued the consolidation and reorganization of the Clipper Group. Clipper Group A/S has therefore sold some of its bulk-related entities to Clipper Group Ltd. at a price equal to book value.

With the changes made in the Bulk segment in 2017 and 2018 in Clipper Group A/S, the operating result for 2018 is expected to be around zero.

Outlook for 2018

Overall, Clipper Group A/S expects a positive operating result in 2018.

Events after the balance sheet date

At January 31, 2018 the Group has sold the majority of its investment in Clipper Fleet Management A/S. (Name changed to Dania Ship Management Bulk A/S).

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to several operational and financial risks of which the following are the most significant:

- Market development in freight rates for the Irish Sea ro-ro market
- Market development in volumes for ro-ro ferry services on the Irish Sea
- Market development in bunker prices (price of crude oil)
- Foreign exchange risks
- Interest rate risks
- Intellectual capital resources
- IT security

A number of the risks are further explained below.

Bunker risks

Bunker costs are a large part of the Group's costs.

In the ro-ro segment, changes in bunker prices are partly covered by a separate Bunker Adjustment Factor (BAF). The ferry segment is exposed to changes in the bunker price and this exposure is covered by hedging more than 75% of the coming 12 months expected bunker consumption.

Overall, this provides the Group with a relatively minor bunker risk.

Foreign exchange risks

The Group's functional currency is USD and the consolidated financial statements are presented in USD. The Group's result and equity are mainly affected by exchange rate developments in DKK, EUR and GBP. The Group's revenue is primarily denominated in GBP and DKK, but also partly in USD and EUR. The foreign exchange risk is as far as possible mitigated by having expenses in the same currencies. In addition, traditional hedging tools might be applied.

Interest rate risks

Due to its investing and funding activities, the Group is exposed to interest rate fluctuations. The primary exposure is LIBOR fluctuations. The Group assesses and considers the development in the financial markets continuously and hedges the interest rate risk in relation to the expected developments and the Group's strategy.

It is the policy of the Group to hedge the interest rate risks on its loans when interest rate levels are deemed hedgeable at a satisfactory level. The Group's interest rate risks are usually managed through applying derivatives, according to which the exposure of certain of the floating-rate loans is reduced.

Intellectual capital resources

Skilled and engaged staff is a key to the success of the Group, which is why we always focus on attracting the best people from the industry and subsequently maintain a dedicated and targeted effort to further develop and retain our employees. We offer fair and globally aligned working conditions, all employees have annual development reviews with their managers, and we support training opportunities and job development to the extent that is possible.

IT Security

As the Group's business model is very much based on electronical communication and industry specific software, the availability of our IT infrastructure is crucial to our day-to-day operations. The Group mitigates this risk by ensuring that we always monitor servers, clients and infrastructure for malicious activities, using state of the art solutions and software combined with an disaster recovery model. The disaster recovery model mirrors all our crucial IT systems and gives us the ability to start up all critical services instantly at any time. In addition, all our critical servers are segmented individually, which means, that in the event of one server being infected, this server will not further infect any other servers.

Risk management and internal controls

The Group's Executive Management and Board of Directors continuously seek to ensure that the Group's management structure and control systems remain appropriate and function satisfactorily. Policies and procedures have been developed and are being developed with a view to ensure active and sound management in the Group.

The Group regularly engages in identifying, analyzing and managing all significant risks to optimize the Group. The Board of Directors and the Executive Management consider all risks and the individual risk factors involved in the Group's activities. Guidelines for key risk areas have been drawn up.

CORPORATE SOCIAL RESPONSIBILITY

Clipper Group participates in the **UN Global Compact,** thereby committing to 10 universal principles on human rights, labor, environment and anti-corruption. To us, participating in UNGC does not signify a change of mindset, but rather a continuation of what we have always been doing, within a more structured process and reporting model. We commit ourselves to making the UNGC principles an integral part of our business strategy, day-to-day operations, and organizational culture, and to communicate annually about the progress made.

In Clipper Group's CSR report for 2017, we describe the Group's CSR activities and the progress we have made on the goals set in our CSR Strategy for 2015-2017.

Clipper Group's CSR report is available on our website: www.clipper-group.com/about-us/about-clipper/corporate-social-responsibility

FINANCIAL STATEMENTS CONSOLIDATED

Statement of profit and loss for the Group

	Notes	2017 USD'000	2016 USD'000
Net revenue	2	217,611	220,965
Operating expenses		(116,993)	(117,502)
Other external expenses		(22,779)	(17,928)
Operating profit/(loss) before depreciation etc.		**77,839**	**85,535**
Staff costs	3	(55,328)	(50,451)
Net gain/(loss) on sale of vessels, property and equipment		(12,799)	(5,585)
Depreciation and amortization	4,5	(14,953)	(19,562)
Impairment loss	5	(6,549)	-
Operating profit/(loss)		**(11,790)**	**9,937**
Profit/(loss) from investments in associates	6	881	999
Gain/(loss) from other financial assets	6	(1,372)	(198)
Financial expenses, net	7,8	(9,093)	(25,474)
Profit/(loss) before taxes		**(21,374)**	**(14,736)**
Tax on profit/(loss) for the year	9	2,420	1,817
Profit/(loss) for the year		**(18,954)**	**(12,919)**
Profit/(loss) for the year attributable to:			
Equity holders of the Parent		(18,943)	(12,918)
Non-controlling interests		(11)	(1)
Profit/(loss) for the year	10	**(18,954)**	**(12,919)**

Statement of financial position for the Group

	Notes	2017 USD'000	2016 USD'000
Goodwill		6,889	6,569
Port rights		1,171	1,394
Software		860	608
Intangible assets	4	**8,920**	**8,571**
Land and buildings		3,483	3,727
Other plant and operating equipment		4,381	5,619
Vessels		134,487	169,275
Tangible assets	5	**142,351**	**178,621**
Investments in associates	6	4,961	4,382
Other financial assets	6	10,290	7,585
Other receivables		1,732	1,537
Financial assets		**16,983**	**13,504**
Fixed assets		**168,254**	**200,696**
Bunkers and stock		**2,276**	**2,250**
Trade receivables		22,073	22,380
Receivables from related parties		104,936	93,622
Prepaid expenses and other receivables	11	6,940	8,786
Receivables		**133,949**	**124,788**
Other securities		**9,493**	**8,447**
Cash		**39,756**	**21,014**
Current assets		**185,474**	**156,499**
Assets		**353,728**	**357,195**

Statement of financial position for the Group, continued

	Notes	2017 USD'000	2016 USD'000
Share capital		171,596	171,596
Exchange rate adjustments		(5,609)	(14,383)
Value adjustment of hedging instruments		(292)	(994)
Retained earnings		(14,190)	4,753
Equity attributable to equity holders of the Parent		151,505	160,972
Non-controlling interest		33	39
Equity		**151,538**	**161,011**
Trade payables		-	1,212
Finance leases		6,933	2,516
Non-current liabilities	12	**6,933**	**3,728**
Current portion of non-current liabilities	12	132,141	135,568
Trade payables		15,382	12,013
Payables to related parties		26,742	25,085
Other payables		20,992	19,790
Current liabilities		**195,257**	**192,456**
Liabilities		**202,190**	**196,184**
Equity and liabilities		**353,728**	**357,195**

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Statement of changes in equity for the Group

	Share capital	Exchange rate adjustmens	Value adjustment of hedging instruments	Retained earnings	Equity attributable equity holders of the Parent	Non-controlling interests	Total equity
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Balance at January 1, 2017	**171,596**	**(14,383)**	**(994)**	**4,753**	**160,972**	**39**	**161,011**
Profit/(loss) for the year	-	-	-	(18,943)	(18,943)	(11)	(18,954)
Exchange rate adjustments of investments in companies using a functional currency other than USD	-	8,774	-	-	8,774	5	8,779
Value adjustment of hedging instruments, net after tax	-	-	702	-	702	-	702
Balance at December 31, 2017	**171,596**	**(5,609)**	**(292)**	**(14,190)**	**151,505**	**33**	**151,538**

Statement of cash flows for the Group

	Notes	2017 USD'000	2016 USD'000
Operating profit/(loss)		(11,790)	9,937
Adjustments for:			
Net (gain)/loss on sale of tangible assets		12,799	5,585
Depreciation, amortization and impairment losses		21,502	19,562
Change in provisions		2,503	(75)
Change in trade receivables and other receivables		4,028	(2,614)
Change in trade payables and other payables		4,105	989
Interest income received	6	149	242
Interest expenses paid	7	(4,842)	(4,711)
Taxes paid		(136)	(32)
Cash from/(used in) operating activities		**28,318**	**28,883**
Acquisition of intangible assets	4	(568)	(304)
Acquisition of vessels	5	(3,987)	(3,102)
Acquisition of property and operating equipment		(1,469)	(1,026)
Sale of property, operating equipment and vessels		24,433	23,789
Sale of other financial assets		-	412
Dividend from other financial assets		1,612	1,452
Dividend from investments in associates		507	1,825
Loans to related parties and associates		(7,101)	(26,702)
Cash flows from/(used in) investing activities		**13,427**	**(3,656)**
Repayment of loans		(23,535)	(26,802)
Cash flows from/(used in) financing activities		**(23,535)**	**(26,802)**
Change in cash and cash equivalents		**18,210**	**(1,575)**

Statement of cash flows for the Group, continued

	Notes	2017 USD'000	2016 USD'000
Cash and cash equivalents at January 1		29,566	32,973
Change in cash and cash equivalents for the year		18,210	(1,575)
Effects of exchange rate changes		1,578	(1,832)
Cash and cash equivalents at December 31		**49,354**	**29,566**
Cash and cash equivalents comprise of:			
Cash		39,756	21,014
Cash collateral		105	105
Other securities		9,493	8,447
		49,354	**29,566**

CONSOLIDATED NOTES

Notes, consolidated

1. Capital resources

In 2017, Clipper Group Ltd. concluded the terms of a new financing agreement with its financial lenders. As of the date of the approval of these consolidated financial statements, the finalization of the documentation was still in progress, but the new financing agreement is in principle already operational.

With the new financing agreement in place the Group has adequate capital resources available to meet its obligations as they fall due in 2018 and, therefore, Management has concluded that it is appropriate to report the consolidated financial statements for 2017 according to the going-concern principle.

2. Revenue

Pursuant to the Danish Financial Statements Act, revenue is not broken down by business segments and geographical segments for competitive reasons; see section 96 of the Act.

3. Staff costs

	2017	**2016**
	USD'000	USD'000
Staff costs are composed as follows:		
Wages and salaries	48,759	44,003
Pension	3,979	3,850
Other social security costs	2,590	2,598
	55,328	**50,451**
Number of employees	565	557

The number of employees includes the crew engaged by Danske Færger A/S, whereas other crew has been engaged externally and the related costs are included in operating expenses.

	2017	**2016**
	USD'000	USD'000
Of this, salaries, remuneration and fees to the Executive Management and the Board of Directors amount to:		
Executive Management	2,395	1,890
Board of Directors	1,492	1,527
	3,887	**3,417**

4. Intangible assets

	Goodwill	Port rights	Software
	USD'000	USD'000	USD'000
Cost at January 1	13,448	4,430	3,369
Additions for the year	-	-	568
Exchange rate adjustments for the year	1,376	434	385
Cost at December 31	**14,824**	**4,864**	**4,322**
Amortization at January 1	6,879	3,036	2,761
Amortization for the year	541	343	367
Exchange rate adjustments for the year	515	314	334
Amortization at December 31	**7,935**	**3,693**	**3,462**
Carrying amount at December 31	**6,889**	**1,171**	**860**

Goodwill and port rights related to the Group's Ferry and ro-ro segments, respectively.

5. Tangible assets

	Land and buildings	Other plant and operating equipment	Vessels
	USD'000	USD'000	USD'000
Cost at January 1	11,800	23,802	297,752
Additions for the year	42	1,427	3,987
Disposals for the year	-	(130)	(83,583)
Exchange rate adjustments for the year	1,580	1,913	26,645
Cost at December 31	**13,422**	**27,012**	**244,801**
Depreciation at January 1	8,073	18,183	128,477
Impairment for the year	-	1,027	5,522
Depreciation for the year	728	1,866	11,108
Disposals for the year	-	(119)	(46,531)
Exchange rate adjustments for the year	1,138	1,674	11,737
Depreciation and impairment loss at December 31	**9,939**	**22,631**	**110,314**
Carrying amount at December 31	**3,483**	**4,381**	**134,487**
Carrying amount of assets provided as security	23	1,371	99,002
Finance leases	70	-	9,658

The Group has assessed estimated net selling prices and value in use of vessels. The review of estimated net selling prices was made with reference to prices provided by internationally acknowledged shipbrokers and value in use derived from discounted cash flow calculations, determined on the basis of an assumption of earnings from continued operation of the vessels. These assessments have given rise to a write-down for impairment of USD 6.5 million (2016: USD nil).

6. Financial assets

	Investments in associates	Other financial assets
	USD'000	USD'000
Cost at January 1	13,768	29,266
Addition for the year	-	5,688
Dividends and disposals for the year	-	(615)
Cost at December 31	**13,768**	**34,339**
Value adjustments, net at January 1	(9,386)	(21,681)
Net shares of profit/(loss) after tax	881	-
Disposals for the year	-	(996)
Dividend	(507)	-
Market value adjustment for the year taken to statement of profit/loss	-	(1,372)
Exchange rate adjustments for the year recognized in equity	205	-
Value adjustments, net at December 31	**(8,807)**	**(24,049)**
Carrying amount at December 31	**4,961**	**10,290**
Carrying amount of assets provided as security	-	1,237

Investments in associates can be specified as follows:

Name	**Registered in**	**Ownership**	**Share of profit/(loss)** USD'000	**Share of equity** USD'000
Steel Connect Coorperatief U.A.	The Netherlands	37.50%	883	4,962
SARL Clipper Agencia Algeria	Algeria	49.00%	(2)	(1)
			881	**4,961**

7. Financial income

	2017	2016
	USD'000	USD'000
Interest on bank deposits	53	53
Gains on securities	-	3
Other financial income	96	189
	149	**245**

8. Financial expenses

	2017	2016
	USD'000	USD'000
Interest on payables to banks and credit institutions	6,937	8,546
Currency translation loss, net	1,874	17,089
Other financial expenses	431	84
	9,242	**25,719**

9. Income taxes

	2017	2016
	USD'000	USD'000
Taxes paid abroad	(136)	(32)
Current tax	2,235	1,375
Compensation from other group companies for utilizing part of the Group's tax loss carry forwards	321	474
Tax on profit/(loss) for the year	**2,420**	**1,817**

Clipper Group A/S and it's Danish taxable subsidiaries are jointly taxed with the principal shareholder Clipper Group Ltd. and it's Danish taxable subsidiaries.

The shipping activities in Clipper Group Ltd. are subject to tonnage tax regime in the countries where the activities are considered resident for tax purposes. For companies which fulfill the Danish tonnage tax conditions the Danish tonnage tax regime is binding until December 31, 2021.

Clipper Group Ltd. with all it's subsidiaries has a tax loss of USD 15,6 million which has not been recognized as deferred tax asset as the Group Management has evaluated that the tax losses will not be utilized within foreseeable future.

10. Proposed distribution of profit/(loss)

	2017	2016
	USD'000	USD'000
Retained earnings	(18,943)	(12,918)
	(18,943)	**(12,918)**

11. Prepaid expenses and other receivables

	2017	2016
	USD'000	USD'000
Fair value, derivative financial instruments	384	1,107
Receivable from sale of buildings	-	169
Prepaid expenses related to operations	956	4,637
VAT receivable	2,312	600
Insurance	495	320
Other	2,793	1,953
	6,940	**8,786**

12. Non-current liabilities

	2017	2016
	USD'000	USD'000
Installments due within 1 year	132,141	135,568
Installments due within 1-5 years	3,489	1,567
Installments due after 5 years	3,444	2,161
	139,074	**139,296**
Non-current liabilities falling due after 5 years are relating to the following financial statement items:		
Finance leases	3,444	2,161
	3,444	**2,161**
Debt covered by refinancing agreement of the Clipper Group	130,625	124,873
Danske Færger A/S, pro-rata share	8,449	14,423
	139,074	**139,296**

In 2017, Clipper Group Ltd. has concluded the terms of a new long-term financing agreement to replace the current financing agreement, which was agreed to expire early 2018. The disclosures made in note 12 reflect the financial arrangements under the financing agreement expiring early 2018, whereby interest-bearing loans have been reported as current debt at December 31, 2017.

13. Assets pledged and guarantees

Vessels have been provided as security for the bank loans. At December 31, 2017, the carrying amount of vessels provided as security for bank loans totalled USD 99,002 thousand (2016: USD 156,075 thousand), hereof leased vessels of USD 9,658 thousand (2016: USD 9,429 thousand). In addition, investments in associates and other financial assets, other tangible assets and receivables from related parties of a total of USD 107,544 thousand have been provided as security for bank loans (2016: USD 97,926 thousand).

In accordance with the terms in the new agreement (refer to note 1), the Group will provide security in its tangible assets for the bank facilities, for the Group entities covered by the agreement, with details in accordance with documentation under finalization.

14. Contractual obligations

The Group has assumed lease commitments totalling USD 499 thousand at December 31, 2017 (2016: USD 615 thousand). The lease contracts have terms of up to 48 months.

At December 31, 2017, the Group has rental commitments totaling USD 8,802 thousand (2016: USD 9,555 thousand).

At December 31, 2017, the Group has time charter commitments totalling USD 10,023 thousand (2016: USD 9,992 thousand).

The Group has provided a guarantee for USD 2,007 thousand to the Danish Transport Authority for the performance of the contract for serving the Bornholm ferry routes up until August 31, 2018 (2016: USD 1,772 thousand).

Via Danske Færger A/S, the Group has a contractual obligation to dismantle and dispose of harbor facilities at some of the harbours serviced by Danske Færger A/S vessels. A liability has been recognized for the expected obligations.

In 2009, the Group terminated through Danske Færger A/S its contracts on the delivery of ferries by a Greek shipyard. A number of cases are pending with counterclaims by the Greek shipyard due to the termination of contracts. The Group believes that it will not be liable in excess of the amount recognized in the statement of financial position and the amount also covers the expected costs for closing down the former subsidiary in Greece.

Via Danske Færger A/S, the Group has staff members employed on public servant contracts, for which an increased pension contribution is made to the central government up until the employees' retirement. In the event of dismissal, the Group may be liable for paid leave and for pension contributions thereof to the persons in question.

Clipper Group A/S and a number of subsidiaries are subject to a 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 jointly taxed companies are, therefore, liable from July 1, 2012 for obligations, if any, relating to withholding tax on interest, royalties and dividend for the jointly taxed companies. From January 1, 2013, the jointly taxed companies are also liable for income taxes under the joint taxation arrangement.

15. Derivative financial instruments

The Group has entered into the following financial agreements:

Swaps for the hedging of the interest rate on loans raised through Danske Færger A/S. The market value of the swap represents an unrealized loss of USD 600 thousand (2016: Unrealized loss of USD 32 thousand).

Agreements for the hedging of bunker purchases for the period 2016 - 2021 relating to future ferry activities to be managed by Danske Færger A/S. The market value represents an unrealized loss of USD 76 thousand (2016: Unrealized loss of USD 1,915 thousand).

As regards to agreements for the hedging of foreign currency held by Danske Færger A/S, the market value of the hedging agreement represents an unrealized gain of USD 384 thousand (2016: Unrealized gain of USD 1,107 thousand).

All amounts have been recognized directly in equity.

16. Fees to auditors appointed at the annual general meeting and other auditors

	2017	**2016**
	USD'000	USD'000
Statutory audit services, Deloitte	161	263
Statutory audit services, other auditors	57	58
Tax services, Deloitte	189	78
Tax services, other auditors	67	45
Other non-audit services, Deloitte	14	175
Other non-audit services, other auditors	11	8
	499	**627**

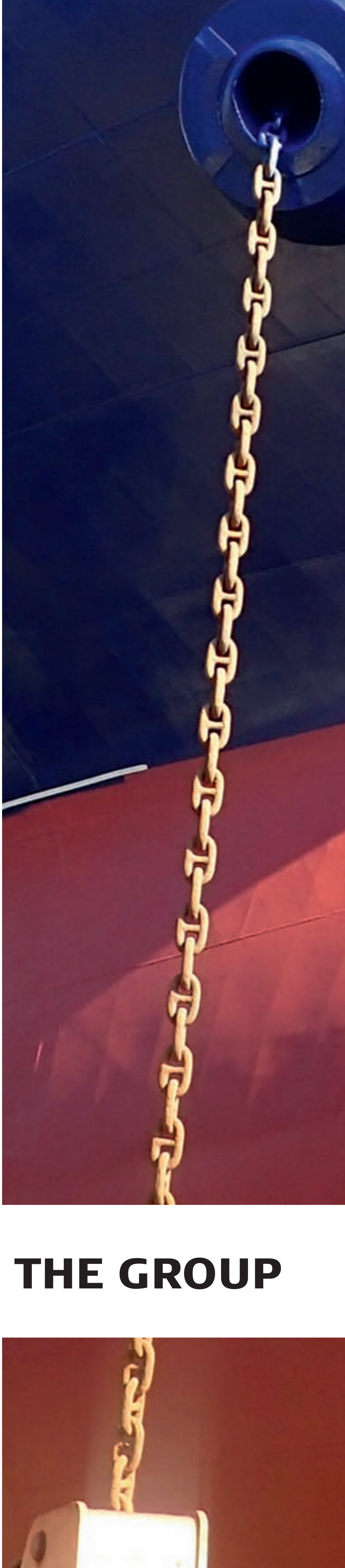
17. Transactions with related parties

The Group is wholly owned by Clipper Group Ltd., Bahamas. All transactions with related parties take place at arm's length terms.

18. Events after the balance sheet date

At January 31, 2018 the Group has sold the majority of its investment in Clipper Fleet Management A/S. (Name changed to Dania Ship Management Bulk A/S).

In 2018, the Group has sold some of its Bulk-related entities (please refer to page 37) to Clipper Group Ltd. at a price equal to book value.



LIST OF SUBSIDIARIES OF THE GROUP

Companies included in the consolidation:

Name and registered office	Ownership interest
Parent	
Clipper Group A/S, Denmark	
Holding companies and other companies	
HH2 A/S, Denmark	75%
K/S Clipper Air Transport, Denmark	100%
Komplementarselskabet Clipper Air Transport ApS, Denmark	100%
Coach Solutions ApS, Denmark	100%
Ferry segment	
Danske Færger A/S, Denmark (pro rata)	50%
Ro-ro segment	
Seatruck Ferries Holding Ltd., United Kingdom	100%
Seatruck Ferries Ltd., United Kingdom	100%
Seatruck Ferries (Ireland) Limited, Ireland	100%
Seatruck Panorama Ltd., United Kingdom	100%
Seatruck Pennant Ltd., United Kingdom	100%
Pace & Point Shipping Ltd., United Kingdom	100%
Tankers segment	
Clipper Tankers (UK) Ltd., United Kingdom	100%
Clipper Wonsild Tankers (UK) Ltd., United Kingdom	100%
Bourgogne Shipping Limited, United Kingdom	100%
Burgundy Shipping Limited, United Kingdom	100%
Clipper Marine Services Ltd., United Kingdom	100%
Clipper Fourth ApS, Denmark	85%
Fourth Invest ApS, Denmark	60%
Fleet Management segment	
Clipper Fleet Management A/S, Denmark	100%
Clipper Fleet Management (India) Private Limited, India	100%

Companies included in the consolidation, continued

Name and registered office	Ownership interest
Bulk segment	
Clipper Bulk A/S, Denmark	100%
Clipper Group (USA) Inc., USA	100%
Clipper Holding (The Netherlands) B.V., The Netherlands	100%
Clipper Group (Singapore) Pte. Ltd., Singapore	100%
Clipper Bulk Shipping Pte. Ltd., Singapore	100%
Clipper Group (Hong Kong) Ltd., Hong Kong	100%
Clipper Group (Japan) Ltd., Japan	100%
Clipper Forest Carriers Pte. Ltd., Singapore	100%
Clipper Bulk Transportes Maritimos Ltda., Brazil	100%
Valour Shipping Company Limited, Bahamas	100%
Clipper Americas Inc., USA	100%
Multipurpose segment	
Clipper Projects A/S, Denmark	100%
Clipper Lines A/S, Denmark	100%

FINANCIAL STATEMENTS PARENT

Statement of profit and loss

	Notes	2017 USD'000	2016 USD'000
Net revenue		15,628	16,978
Other external expenses		(7,568)	(8,130)
Operating profit/(loss) before depreciation etc.		**8,060**	**8,848**
Staff costs	1	(17,035)	(17,544)
Net gain/(loss) on sale of property and equipment		-	(22)
Depreciation and amortization	2,3	(916)	(953)
Operating profit/(loss)		**(9,891)**	**(9,671)**
Profit/(loss) from investments in subsidiaries	4	(23,024)	(7,954)
Profit/(loss) from investments in associates	4	9,792	3,860
Gain/(loss) from other financial assets	4	(1,372)	(198)
Financial income/(expenses), net	5,6	2,875	(866)
Profit/(loss) before taxes		**(21,620)**	**(14,829)**
Tax on profit/(loss) for the year	7	2,677	1,911
Profit/(loss) for the year	8	**(18,943)**	**(12,918)**

Statement of financial position

	Notes	2017 USD'000	2016 USD'000
Software		261	19
Intangible assets	2	**261**	**19**
Other plant and operating equipment		1,795	2,692
Tangible assets	3	**1,795**	**2,692**
Investments in subsidiaries	4	10,559	576
Investments in associates	4	75,813	57,226
Other financial assets	4	4,614	7,585
Financial assets		**90,986**	**65,387**
Fixed assets		**93,042**	**68,098**
Receivables from related parties		81,798	100,591
Other receivables		2,548	1,953
Receivables		**84,346**	**102,544**
Cash		**187**	**34**
Current assets		**84,533**	**102,578**
Assets		**177,575**	**170,676**

Statement of financial position, continued

	Notes	2017 USD'000	2016 USD'000
Share capital	9	171,596	171,596
Retained earnings		(20,091)	(10,624)
Equity		**151,505**	**160,972**
Provisions regarding subsidiaries	4	14,202	-
Non-current liabilities		**14,202**	**-**
Trade payables		1,834	760
Payables to subsidiaries		5,021	5,430
Other payables		5,013	3,514
Current liabilities		**11,868**	**9,704**
Liabilities		**26,070**	**9,704**
Equity and liabilities		**177,575**	**170,676**

Assets pledged and guarantees	11
Contractual obligations	12
Ownership	13
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Transaction with related parties	15

Statement of changes in equity

	Share capital USD'000	**Retained earnings** USD'000	**Total equity** USD'000
Balance at January 1, 2017	**171,596**	**(10,624)**	**160,972**
Profit/(loss) for the year	-	(18,943)	(18,943)
Exchange rate adjustments of investments in subsidiaries and associates	-	8,774	8,774
Value adjustment of hedging instruments in subsidiaries and associates, net after tax	-	702	702
Balance at December 31, 2017	**171,596**	**(20,091)**	**151,505**

NOTES PARENT

Notes, Parent

1. Staff costs

	2017	2016
	USD'000	USD'000
Staff costs are composed as follows:		
Wages and salaries	15,467	15,885
Pension	1,147	1,139
Other social security costs	421	520
	17,035	**17,544**
Number of employees	77	77
Of this, salaries, remuneration and fees to the Executive Management and the Board of Directors amount to:		
Executive Management	2,395	1,890
Board of Directors	1,492	1,527
	3,887	**3,417**

2. Intangible assets

	Software
	USD'000
Cost at January 1	111
Addition for the year	261
Cost at December 31	**372**
Amortization for the year at January 1	92
Amortization for the year	19
Amortization at December 31	**111**
Carrying amount at December 31	**261**

3. Tangible assets

	Other plant and operating equipment
	USD'000
Cost at January 1	7,126
Cost at December 31	**7,126**
Depreciation at January 1	4,434
Depreciation for the year	897
Depreciation and impairment loss at December 31	**5,331**
Carrying amount at December 31	**1,795**

4. Financial assets

	Investments in subsidiaries USD'000	Investments in associates USD'000	Other financial assets USD'000
Cost at January 1	392,557	115,311	29,266
Addition for the year	-	-	12
Dividends and disposals for the year	-	-	(615)
Cost at December 31	**392,557**	**115,311**	**28,663**
Value adjustment, net at January 1	(391,981)	(58,085)	(21,681)
Net share of profit/(loss) after tax	(23,024)	9,792	-
Disposals for the year	-	-	(996)
Dividends received	(13,284)	-	-
Market value adjustment for the year taken to statement of profit/(loss)	-	-	(1,372)
Value adjustment of hedging transaction, net after tax	-	702	-
Exchange rate adjustments	682	8,093	-
Investment in subsidiaries with negative book value transferred to provisions	14,202	-	-
Investment in subsidiaries with negative book value netted in receivables	31,407	-	-
Value adjustment, net at December 31	**(381,998)**	**(39,498)**	**(24,049)**
Carrying amount at December 31	**10,559**	**75,813**	**4,614**
Carrying amount of assets provided as security	10,518	-	1,237

4. Financial assets, continued

Name	Registered in	Ownership
Investments in subsidiaries can be specified as follows:		
Clipper Bulk A/S	Denmark	100%
Clipper Projects A/S	Denmark	100%
HH2 A/S	Denmark	75%
Fourth Invest ApS	Denmark	60%
Coach Solutions ApS	Denmark	100%
Clipper Group (USA) Inc.	USA	100%
Clipper Americas Inc.	USA	100%
K/S Clipper Air Transport	Denmark	100%
Komplementarselskabet Clipper Air Transport ApS	Denmark	100%
Clipper Fourth ApS	Denmark	85%
Seatruck Ferries Holding Ltd.	United Kingdom	100%
Clipper Tankers (UK) Ltd.	United Kingdom	100%
Clipper Holding (The Netherlands) B.V.	The Netherlands	100%
Investments in associates can be specified as follows:		
Clipper Fleet Management (India) Pvt. Ltd.	India	10%
Danske Færger A/S	Denmark	50%

K/S CEC Delta was liquidated during April 2017

5. Financial income

	2017	**2016**
	USD'000	USD'000
Interest income from subsidiaries and associates	1,462	1,281
Market value adjustment of securities	-	3
Currency translation gain, net	1,485	-
Other financial income	2	-
	2,949	**1,284**

6. Financial expenses

	2017	2016
	USD'000	USD'000
Interest on bank debt	-	7
Market value adjustment of securities	32	19
Other financial expenses	42	12
Currency translation loss, net	-	2,112
	74	**2,150**

7. Tax

Clipper Group A/S and it's Danish taxable subsidiaries are jointly taxed with the principal shareholder Clipper Group Ltd. and it's Danish taxable subsidiaries.

Clipper Group A/S has a tax loss of USD 25,232 thousand (tax value USD 5,551 thousand) which has not been recognized as deferred tax asset as the Group Management has evaluated that the tax losses will not be utilized within foreseeable future.

8. Proposed distribution of profit/(loss)

	2017	2016
	USD'000	USD'000
Retained earnings	(18,943)	(12,918)
	(18,943)	**(12,918)**

9. Share capital

	2017	2016
The share capital is composed as follows:		
Share capital (DKK'000)	983,000	983,000
Share capital (USD'000), translated at historical rates	171,596	171,596

The shares have not been divided into classes.

Changes in share capital for the last five years:

In 2013, the share capital was changed from DKK 982,500 thousand to DKK 983,000 thousand by conversion of debt.

10. Assets pledged and guarantees

Investments in subsidiaries, associates and other financial assets with a value of USD 11,755 thousand have been provided as security for bank loans (2016: USD 3,047 thousand).

In accordance with the terms in the new agreement (Refer to note 1), the Group will provide security in its tangible assets for the bank facilities, for the Group entities covered by the agreement, with details in accordance with documentation under finalization.

11. Contractual obligations

The Company has assumed lease commitments totaling USD 499 thousand at December 31, 2017 (2016: USD 615 thousand). The lease contracts have a term of up to 48 months.

The Company has entered into an interminable lease contract effective until December 31, 2020. The lease commitments total USD 6,315 thousand (2016: USD 7,336 thousand).

The Company has provided a guarantee for USD 2,007 thousand to the Danish Transport Authority for the performance of the contract for serving the Bornholm ferry routes up until August 31, 2018 (2016: USD 1,772 thousand).

The Company is jointly and severally liable with Danske Færger A/S for any claims that may be filed against Danske Færger A/S relating to the subsidiary's liabilities in respect of staff employed on public service contracts.

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 withholding tax on interest, royalties and dividend for the jointly taxed companies. From January 1, 2013, the jointly taxed companies are also liable for income taxes under the joint taxation arrangement.

12. Ownership

The Company is wholly owned by Clipper Group Ltd., Bahamas.

13. Consolidation

Clipper Group Ltd., 205 Church Street, Sandyport, P.O. Box CB-13048, Nassau, the Bahamas, does not publish its financial statements.

14. Transactions with related parties

We refer to note 17 in the consolidated financial statements.

ACCOUNTING POLICIES

Statement of compliance

The annual report of the Parent has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium), whereas the consolidated financial statements have been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

Due to changes in the Danish Financial Statements Act effective 2016 Non-controlling interests are included in Equity. Comparative figures have been adjusted accordingly.

Basis of preparation

Due to the international nature of the Group's activities and the fact that the Group transacts most of its business in USD, the Group's financial statements are prepared in USD. The DKK exchange rate against USD applied is 6.2077 at December 31, 2017 (2016: 7.0528).

Recognition and measurement

Assets are recognized in the statement of financial position when it is probable as a result of a prior event that future economic benefits will flow to the Group, and the value of the assets can be measured reliably.

Liabilities are recognized in the statement of financial position when the Group 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 Group, and the value of the liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is affected 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 end of the reporting period are considered at recognition and measurement.

Income is recognized in the statement of profit and loss 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 statement of profit and loss as financial income or financial expenses.

Basis of consolidation

The consolidated financial statements comprise Clipper Group A/S (Parent) and the enterprises (subsidiaries) that are directly or indirectly controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, exercises significant but not controlling influence are regarded as associates. Enterprises in which the Group holds 50% of the voting rights and participates in joint management are consolidated on a pro rata basis.

The consolidated financial statements are prepared by combining uniform items. On consolidation, intragroup income and expenses, intra-group accounts, dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognized in full in the consolidated financial statements. Minority interests' pro rata shares of profit/loss and net assets are disclosed as separate items in the statement of profit and loss and the statement of financial position.

Business combinations

Newly acquired or newly established enterprises are recognized in the consolidated financial statements from the time of acquiring or establishing such enterprises.

The acquisition method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Allowance is made for the tax effect of any restatement made to the carrying amounts of assets and liabilities of the enterprise acquired.

The pooling of interests method is applied when Management assess that the conditions according to section 121 (2) of the Danish financial Statements Act are met.

When using the pooling of interest method the opening balance is calculated by aggregating the companies' assets and liabilities measured at carrying amounts, adjusted for any differences in accounting policies and accounting estimates.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the net assets taken over are recognized under intangible assets in the consolidated financial statements, and amortized systematically over the statement of profit and loss based on an individual assessment of their useful lives, however, no more than 20 years.

Negative goodwill is recognized over the average remaining life of property, plant and equipment of the subsidiary, to which negative goodwill is attributable.

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 end of the reporting period are translated using the exchange rate at the end of the reporting period. 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 end of the reporting period are recognized in the statement of profit and loss as financial income or financial expenses. Fixed assets purchased in foreign currencies are translated using historical rates.

For the purpose of presenting the consolidated financial statements, the financial statements of subsidiaries, pro rata consolidated entities and associates with another financial currencies than USD are translated to USD as follows: The statements of profit and loss are translated using average exchange rates, and statement of financial position items are translated using the exchange rates at the end of the reporting period. Exchange differences arising out of the translation of foreign entities' equity at the beginning of the year at exchange rates applicable at the end of the reporting period, as well as out of the translation of statements of profit and loss from average rates applicable to the exchange rates at the end of the reporting period are recognized directly in equity.

Assessment of vessels' carrying amounts and onerous contracts

The Group reviews the fleet of vessels and chartered vessels for any impairment and any provision for onerous contracts for vessels on a portfolio basis. This review is made when events or changes in circumstances occur which could indicate that the carrying amount of vessels exceeds the vessels' recoverable amount, and when the liabilities of chartered vessels exceed the value in use of the future earnings in the remaining contract periods. In such cases, either an impairment loss of vessels or a provision for onerous contracts is recognized based on the difference between the carrying amounts and the higher value of value in use and net selling price for own vessels or the value in use of the estimated future earnings of chartered vessels, respectively.

Derivative financial instruments

On initial recognition in the statement of financial position, derivative financial instruments are measured at cost and subsequently at fair value under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging of the fair value of a recognized asset or a recognized liability are recorded in the statement of profit and loss together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognized directly in equity. When the hedged transactions are realized, the changes are recognized in the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognized currently in the statement of profit and loss.

Statement of profit and loss

Revenue recognition

Time and bareboat charter revenue is recognized over the term of the charter.

Income from voyage charters is recognized in accordance with the percentage-of-completion method where the percentage of completion is determined as the percentage of the estimated duration of the voyage completed at the end of the reporting period.

For losses estimated on the completion of voyages and time charters in progress at the end of a reporting period, a provision is recognized to cover the anticipated net loss.

Demurrage revenue is recognized when reimbursement under the claim is considered probable.

The Group generates its revenue from shipping activities which to some extent are conducted through pools. Total pools' revenue is generated from each vessel participating in the pools in which the Group participates and is based on either voyage or time charter parties. The pools measure net revenues based on the contractual rates and the duration of each voyage, and net revenue is recognized in accordance with the terms and conditions of the charter parties.

In the Group's ferry segment, income from ticket sales is recognized at the date of transport, and contract remuneration is recognized over the term of the contracts.

Income from management and administration services is recognized concurrently with delivery of services.

Operating expenses
Operating expenses include costs relating to the operation of the Group's own and chartered vessels, including time and bareboat charter costs, port charges, bunker costs, maintenance costs, insurance costs, crew wages and other vessel-operating expenses. Vessel-operating costs are recognized concurrently with receipt of services in accordance with the charter parties concluded.

Other external expenses
Other external expenses comprise expenses for marketing, administration, premises, etc.

Staff costs
Staff costs comprise salaries and wages as well as social security costs, pension contributions, etc. for the Group's staff.

Financial income and expenses
Financial income and financial expenses comprise interest, unrealized and realized market value adjustments of securities as well as realized and unrealized exchange rate adjustments.

Taxation
Income tax expense/income represents the sum of the tax currently payable/receivable and changes in deferred tax.

Current tax
Income tax is recognized in the statement of profit and loss by the portion attributable to the profit/loss for the year and recognized directly in equity by the portion attributable to entries directly in equity. Current tax for the year comprises tonnage tax for shipping activities.

The current tax payable or receivable is recognized in the statement of financial position, based on tax calculated on this year's taxable income, adjusted for prepaid tax.

Clipper Group A/S and subsidiaries that are subject to Danish taxation are included under a Danish joint taxation scheme. The current income tax is allocated among the jointly taxed enterprises proportionally to their taxable income (full allocation with a refund concerning tax losses).

Deferred tax
Deferred tax is recognized and measured in accordance with the balance sheet liability method of all temporary differences between the carrying amount and tax-based value of assets and liabilities. The tax-based value of the assets is calculated based on the planned use of each asset.

Deferred tax is measured based on the tax regulations and tax rates of the relevant countries that will be in effect according to law at the end of the reporting period when the deferred tax is estimated to be triggered as current tax. Changes in deferred tax resulting from changed tax rates are recognized in the statement of profit and loss.

Deferred tax assets are recognized in the statement of financial position at their estimated realizable value, either as a set-off against deferred tax liabilities or as net tax assets. The amount of net tax loss carry forwards is recognized in the administration company.

Statement of financial position

Goodwill
Goodwill is amortized over its estimated life which is fixed based on the experience gained by Management for each business area. The amortization period is up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile.

The carrying amount of goodwill is assessed on a current basis and written down to a recoverable amount if the carrying amount exceeds the present value of the estimated future net income from the enterprise or activity to which the goodwill is related.

Port rights
Port rights are measured at cost less accumulated amortization and impairment losses. The amortization period is between 10 to 20 years.

Software
Software is measured at cost less amortization and impairment losses. Amortization is initiated when the asset is put into operation, after which straight-line amortization is made over a five-year period.

Property, plant and equipment
Buildings, vessels, tools and equipment are measured at cost less accumulated depreciation and write-downs. Cost comprises the acquisition price and costs directly attributable to the acquisition up until the time when the asset is ready for use. Dry-docking costs are capitalized as part of vessel costs.

The basis of depreciation is calculated as the excess of cost over the estimated scrap value. The scrap value of vessels is determined based on the market price per lightweight ton for scrapping of the vessel. The useful life and the residual value of the vessels are reviewed at least at each financial year-end based on market conditions, regulatory requirements and the Group's business plans. Residual value of dry-docking is nil.

The basis of depreciation is allocated on a straight-line basis over the estimated useful lives of the assets as follows

Vessels, generally	20 years
Ferries	25-30 years
Dry-docking costs	30 months
Other plant and operating equipment	3-10 years
Buildings	20-50 years
Software	7 years

The depreciation period for second hand vessels is determined on the basis of the condition and age of the vessels at the time of acquisition.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the vessels.

Prepayments on newbuildings are measured at costs incurred and recognized in assets as vessels under construction as payments are made.

Gains and losses from the sale of property, plant and equipment are calculated as the difference between selling price less selling costs and the carrying amount at the time of sale.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount

Investments in subsidiaries and associates
Investments in subsidiaries and associates are recognized and measured in the Parent's financial statements using the equity method. Associates that are jointly controlled enterprises are included in the consolidated financial statements by pro rata consolidation. In the Parent's financial statements such associates are accounted for using the equity method.

The Parent's share of the subsidiaries' or the pro rata share of the associates' profit/loss after tax and after elimination of the pro rata share of unrealized intra-group profits and losses for the year is recognized in the items "Profit/loss from investments in subsidiaries" and "Profit/ loss from investments in associates".

In the statement of financial position, the items "Investments in subsidiaries" and "Investments in associates" include the pro rata ownership interest in the subsidiaries' or the associates' equity value.

Receivables
Receivables are measured at the lower of amortized cost using the effective interest method and net realizable value, which corresponds to the nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Prepaid expenses and other receivables
Prepayments comprise incurred costs relating to subsequent financial years.

Other financial assets
Other financial assets are presented in fixed asset investments and consist of assets that are measured at market value and which may be considered long-term investments in accordance with the Company's investment policy. Value adjustments to acquisition cost are included under income from other financial assets in the statement of profit and loss.

Other securities
Other securities are presented in current assets and are measured at market prices at the end of the reporting period. Value adjustments to acquisition cost are included under financial income or financial expenses in the statement of profit and loss. Other securities consist of listed bonds and sharess.

Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of an event occurring at the end of the reporting period at the latest, and it is probable that future economic benefits will flow out of the Group to meet this obligation, although uncertainty exists as to the size of amount and time of payment.

Provisions for losses on contracts are calculated on the basis of forecasted results for the individual contracts for the remaining contract period, discounted at present value using the marginal borrowing rate.

Non-current liabilities

Non-current liabilities are recognized at the time the loans are obtained in the amount of the proceeds after deduction of transaction costs. In subsequent periods, such loans are recognized at amortized cost, equivalent to the capitalized value applying the effective rate of interest at the inception of the loan, to the effect that the difference between the proceeds and the nominal value is recognized as an interest expense in the statement of profit and loss over the term of the loan. Fees and other changes paid to set up a credit facility are recognized as transaction costs to the extent that it is probable that the facility will be utilized. To the extent that it is not probable that the facility will be partially or fully utilized, fees and other charges are recognized as a prepayment for making the facility available and amortized over the term of the credit facility.

Other liabilities, comprising trade payables and other payables, are measured at amortized cost, corresponding substantially to nominal value.

Cash flow statement

The consolidated cash flow statement is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the Group's cash and cash equivalents at the beginning and end of the financial year.

Cash flows from the acquisition and divestment of enterprises are shown separately under cash flows from investing activities. Cash flows from acquired enterprises are recognized in the cash flow statement from the time of their acquisition, and cash flows from divested enterprises are recognized up to the time of divestment.

Cash flows from operating activities are calculated as operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises and activities as well as acquisition and sale of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, installments on interest-bearing debt, and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk.

No separate cash flow statement has been prepared for the Parent as it is included in the cash flow statement of the Group.

VALUES

DYNAMIC
We have the drive and enthusiasm to take action and make a difference.

DEPENDABLE
We strive to ensure professional and consistent execution of our commitments.

INNOVATIVE
We embrace change and challenge ourselves to be proactive and develop optimal solutions.

HANDS-ON
We make it our priority to know and care for people and our business.

VISION

To be one of the leading shipping companies in the world.

MISSION

To facilitate world trade and global development while generating long term value for our shareholders.

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