CLIPPER GROUP A/S

Central Business Registration No 29 89 18 18
Annual Report 2018

The Annual General Meeting adopted the annual report on May 31, 2019
Chairman of the Annual General Meeting.

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 Pte. Ltd. CEO, Hafnia Pte. Ltd.. Member of the Board since 2014
Other board assignments include:
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, 2018.

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, 2018 and of their results and the consolidated cash flows for the financial year January 1 to December 31, 2018.

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.

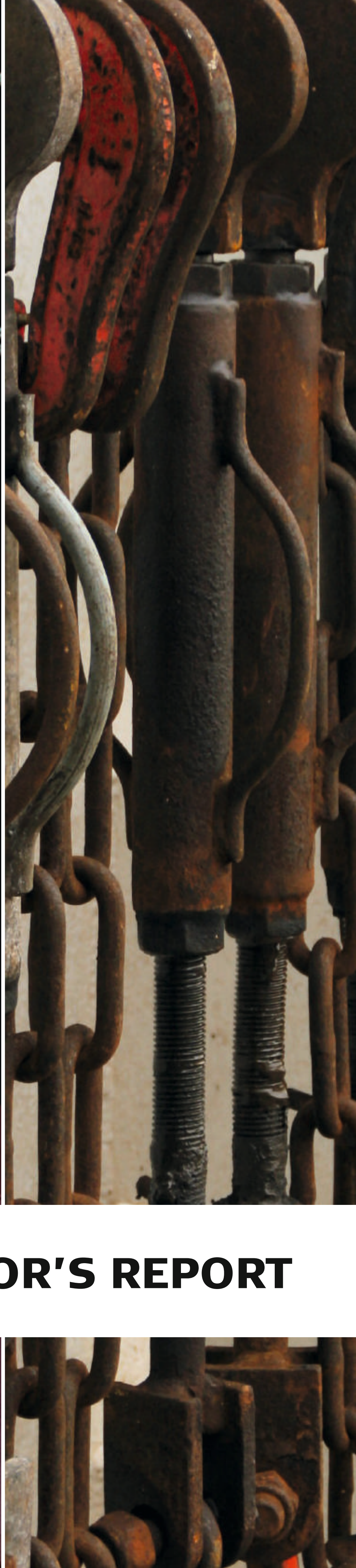
Copenhagen, May 31, 2019

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, 2018, 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, 2018, and of the results of their operations and the consolidated cash flows for the Group for the financial year January 1 to December 31, 2018 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 31, 2019

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

	2018*	2017	2016	2015	2014
	USD'000	USD'000	USD'000	USD'000	USD'000
Key figures					
Revenue	113,066	217,611	220,965	207,243	268,544
Operating profit/(loss) before depreciation etc. (EBITDA)	25,708	77,839	85,535	79,330	95,764
Impairment loss	-	(6,549)	-	(198)	(4,204)
Operating profit/(loss) (EBIT)	13,353	(11,790)	9,937	6,338	988
Net financials and gain/(loss) from other financial assets	(12,281)	(10,465)	(25,672)	3,256	(77)
Profit/(loss) for the year	378	(18,954)	(12,919)	13,332	3,173
Investments in vessel, property, plant and equipment	126,301	5,456	4,308	8,492	5,504
Interest-bearing debt	207,092	139,074	139,296	167,916	208,111
Equity	152,077	151,538	161,011	172,115	170,775
Assets, total	421,323	353,728	357,195	402,424	444,766
Ratios					
Profit margin (%)	11.8	(5.4)	4.5	3.1	0.4
Return on assets (%)	3.2	(3.3)	2.8	1.6	0.2
Return on equity (%)	0.2	(12.1)	(7.8)	7.8	1.8
Equity ratio (%)	36.1	42.8	45.1	42.8	38.4

Ratios

The ratios have been compiled applying the formulas listed below:

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

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

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

$$\text{Equity ratio} = \frac{\text{Equity} \times 100}{\text{Assets, total}}$$

* Significant changes to the composition of Clipper Group A/S took place in 2018 with the divestments of the activities in Ferry, Fleet Management and Bulk segments. Following these changes, Clipper Group A/S in 2018 effectively has become a holding company for Seatruck Ferries and some companies with no or limited activity. Comparative figures have not been restated to reflect these changes.

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 Clipper Bulk (dry bulk shipping) and Seatruck Ferries (ro-ro ferry services on the Irish Sea). Clipper Group is a privately-owned company, established in 1972. Clipper Group has offices in 8 countries and employs 240 employees (December 31, 2018).

In line with the strategy to focus on dry bulk and ro-ro, significant changes to Clipper Group Ltd.'s corporate structure took place in 2018 where the Clipper Group exited non-strategic segments and consolidated all dry bulk activities in a seperate sub-group (Clipper Bulk) in Clipper Group Ltd., while all ro-ro activities (Seatruck Ferries) were consolidated in Clipper Group A/S. As a consequence, no active companies within Clipper Group A/S are involved in Clipper Bulk. Furthermore, four ro-ro vessels previously owned by Clipper Group Ltd. – but outside Clipper Group A/S – have in December 2018 been purchased by Seatruck Ferries, and have consequently become a part of Clipper Group A/S. The Seatruck Ferries – Group, fully owned by Clipper Group A/S, now owns all 7 ro-ro vessels operating on the Irish Sea plus one additional ro-ro vessel which is chartered out externally.

Clipper Group A/S's 50 percent ownership in Danske Færger A/S was sold in 2018 with impact from January 1, 2018 and 80 percent ownership in Clipper Fleet Management A/S was sold with impact from January 31, 2018.

By the end of 2018 the activity in Clipper Group A/S became a holding company for Seatruck Ferries (via 100 percent ownership of Seatruck Ferries Holding Ltd.) and a number of legal entities with limited activity. We expect to liquidate a major part of the legal entities in Clipper Group A/S – outside Seatruck Ferries Holding Ltd. – within the coming year.

RESULTS

The net result improved in 2018 to a profit of USD 0.4 million (2017: loss of USD 18.9 million). The equity ratio of Clipper Group A/S is 36% (2017: 43%). The decreased equity ratio relates to an equity at same level as in 2017 but with an increase in total assets from the internal transfer of four ro-ro vessels to Clipper Group A/S.

The net result improvement is impacted by volume growth and improved earnings in Seatruck Ferries and not having impairment losses or losses on sale of assets in 2018 (2017: losses of USD 7 million and (net) losses of USD 13 million).

EBIT is USD 13 million (2017: USD -11 million). With the corporate changes in Clipper Group A/S the operating profit obtained in 2018 by and large relates to Seatruck Ferries. The positive deviation from 2017 EBIT also relates to less impairment losses/loss on sale of assets compared to 2017.

FINANCING

Clipper Group has in December 2018 finalized a new agreement with our banks securing long term financing.

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

BUSINESS UPDATE

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. After the internal purchase of four ro-ro vessels from Clipper Group Ltd., Seatruck Ferries now owns 8 ro-ro vessels of which 7 vessels are used on own routes on the Irish Sea and one vessel is charted externally.

2018 was a satisfactory year with growth in both net result and in EBIT compared to 2017. Seatruck Ferries had a growth in volumes of 7.5% in a market where total volume growth was 2.7%. Seatruck Ferries now holds 19.9% (2017: 19.6%) of the total ro-ro market on the Irish Sea and had the fastest growing route Liverpool – Dublin, which is now the second busiest route on the Irish Sea. The continued shortage and switch to unaccompanied shipments on longer sea routes, is driving this growth.

Compared to 2017 net result for 2018 is positive impacted by not having any impairment loss (2017: loss of USD 5.5 million) and by unrealized exchange gain from the fluctuation in EUR/USD on loans denominated in EUR.

Seatruck Ferries expects to continue its positive commercial development and the operating result is expected to increase slightly in 2019 compared to 2018. Net result for 2019 is expected below 2018 related to higher interest costs on loans and higher depreciation from the purchase of the four ro-ro vessels.

Ferry segment

The domestic ro-pax ferry joint-venture Danske Færger A/S – owned jointly (50/50) with the Danish State – was sold to Mols Linien A/S with closing in October 2018, but with effect from January 1, 2018. The sale resulted in a loss in the net result in 2018.

Clipper Group A/S has now exited this segment.

Fleet Management segment

The sale of shares in Clipper Fleet Management A/S (technical management of vessels) to Dania Ship Management Holding A/S had effect per January 31, 2018. The sale resulted in a gain in the net result in 2018. The minority share in Dania Ship Management Bulk A/S (former Clipper Fleet Management A/S) has been transferred to a sister company outside Clipper Group A/S.

Clipper Group A/S has now exited this segment.

Bulk segment

For the bulk segment, most activities have historically been performed outside Clipper Group A/S by other parts of the Clipper Group Ltd.

In 2018, the corporate structure was changed and consequently all active Clipper Bulk-related entities in Clipper Group A/S were sold to Clipper Group Ltd. at a price equal to book value. The transfer of companies from Clipper Group A/S included the commercial management company in Denmark; Clipper Bulk A/S, the two hub's in Houston and in Hong Kong; Clipper Americas Inc. and Clipper Group (Hong Kong) Ltd. and the performance management software company; COACH Solutions ApS.

Clipper Group A/S has now exited this segment.

After the reporting period, Clipper Bulk implemented a series of initiatives to strengthen its business platform, including agreements to strengthen the company's financial position, downsizing of organization and office network, other cost savings, changes to Senior Management as well as a more focused market approach.

Outlook for 2019

Overall, Clipper Group A/S expects to slightly increase the operating profit in 2019.

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 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 few of the risks are further explained below.

Bunker risks

Bunker costs are a large part of Clipper Group A/S's costs.

In the ro-ro segment, changes in bunker prices are partly covered by a separate Bunker Adjustment Factor (BAF). Consequently, this provides Clipper 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, but also partly in EUR and USD. 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, Clipper Group A/S 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 Clipper Group's strategy.

It is the policy of Clipper Group A/S to hedge the interest rate risks on its loans when interest rate are feasible to hedge at a satisfactory level. The Group's interest rate risks are usually managed through applying derivatives, resulting in reduced exposure to certain of the floating-rate loans.

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 maintaining 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. We support training opportunities and job development to the extent possible, and we are participating in an ongoing education program for shipping trainees.

IT Security

As the Group's business model is very much based on electronical communication and industry specific software, availability of our IT infrastructure is crucial for the Group's 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 a 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 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 2018, we describe the Group's CSR activities and the progress we have made on the goals set in our CSR Strategy for 2015-2018.

Our CSR report covers the financial year 2018 and represents our statutory reporting on CSR, cf. sections 99a and b of the Danish Financial Statements Act

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	2018 USD'000	2017 USD'000
Net revenue	2	113,066	217,611
Operating expenses		(83,527)	(116,993)
Other external expenses		(3,831)	(22,779)
Operating profit/(loss) before depreciation etc.		**25,708**	**77,839**
Staff costs	3	(6,356)	(55,328)
Net gain/(loss) on sale of vessels, property and equipment		(806)	(12,799)
Depreciation and amortization	4,5	(5,193)	(14,953)
Impairment loss	5	-	(6,549)
Operating profit/(loss)		**13,353**	**(11,790)**
Profit/(loss) from investments in associates	6	-	881
Gain/(loss) from other financial assets	6	(3,608)	(1,372)
Financial expenses, net	7,8	(8,673)	(9,093)
Profit/(loss) before taxes		**1,072**	**(21,374)**
Tax on profit/(loss) for the year	9	(694)	2,420
Profit/(loss) for the year		**378**	**(18,954)**
Profit/(loss) for the year attributable to:			
Equity holders of the Parent	10	377	(18,943)
Non-controlling interests		1	(11)
Profit/(loss) for the year		**378**	**(18,954)**

Statement of financial position for the Group

	Notes	2018 USD'000	2017 USD'000
Goodwill		-	6,889
Port rights		761	1,171
Software		240	860
Intangible assets	4	**1,001**	**8,920**
Land and buildings		128	3,483
Other plant and operating equipment		1,439	4,381
Vessels		214,324	134,487
Tangible assets	5	**215,891**	**142,351**
Investments in associates	6	-	4,961
Other financial assets	6	863	10,290
Other receivables		-	1,732
Financial assets		**863**	**16,983**
Fixed assets		**217,755**	**168,254**
Bunkers and stock		**1,699**	**2,276**
Trade receivables		20,832	22,073
Receivables from related parties		162,944	104,936
Prepaid expenses and other receivables	11	2,480	6,940
Receivables		**186,256**	**133,949**
Other securities		**-**	**9,493**
Cash		**15,613**	**39,756**
Current assets		**203,568**	**185,474**
Assets		**421,323**	**353,728**

Statement of financial position for the Group, continued

	Notes	2018 USD'000	2017 USD'000
Share capital		171,596	171,596
Exchange rate adjustments		(5,414)	(5,609)
Value adjustment of hedging instruments		-	(292)
Retained earnings		(14,105)	(14,190)
Equity attributable to equity holders of the Parent		152,077	151,505
Non-controlling interest		-	33
Equity		**152,077**	**151,538**
Bank loans		192,595	-
Finance leases		-	6,933
Non-current liabilities	12	**192,595**	**6,933**
Current portion of non-current liabilities	12	14,497	132,141
Trade payables		8,194	15,382
Payables to related parties		46,892	26,742
Other payables		7,068	20,992
Current liabilities		**76,651**	**195,257**
Liabilities		**269,246**	**202,190**
Equity and liabilities		**421,323**	**353,728**

Assets pledged and guarantees	13
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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, 2018	**171,596**	**(5,609)**	**(292)**	**(14,190)**	**151,505**	**33**	**151,538**
Profit/(loss) for the year	-	-	-	377	377	1	378
Dividend	-	-	-	-	-	(34)	(34)
Exchange rate adjustments of investments in companies using a functional currency other than USD	-	195	-	-	195	-	195
Value adjustment of hedging instruments, net after tax	-	-	292	(292)	-	-	-
Balance at December 31, 2018	**171,596**	**(5,414)**	**-**	**(14,105)**	**152,077**	**-**	**152,077**

Statement of cash flows for the Group

	Notes	2018 USD'000	2017 USD'000
Operating profit/(loss)		13,353	(11,790)
Adjustments for:			
Net (gain)/loss on sale of tangible assets		806	12,799
Depreciation, amortization and impairment losses		5,193	21,502
Change in provisions		-	2,503
Change in trade receivables and other receivables		3,790	4,028
Change in trade payables and other payables		(5,014)	4,105
Financial income received	7	(754)	149
Financial expenses paid	8	(919)	(4,842)
Income taxes paid/received		(18)	(136)
Cash from/(used in) operating activities		**16,437**	**28,318**
Acquisition of intangible assets	4	(157)	(568)
Acquisition of vessels	5	(125,481)	(3,987)
Acquisition of property and operating equipment		(820)	(1,469)
Sale of property, operating equipment and vessels		38,747	24,433
Sale of other financial assets		143	-
Dividend from other financial assets		755	1,612
Dividend from investments in associates		-	507
Cash flows from used in investing activities		**(86,813)**	**13,427**
Proceeds from loans		124,145	-
Repayment of loans		(16,238)	(23,535)
Dividend paid to non-contolling interests		(34)	-
Change in financial receivables/payables with related parties		(66,329)	(7,101)
Cash flows from financing activities		**41,544**	**(23,535)**
Change in cash and cash equivalents		**(28,832)**	**18,210**

Statement of cash flows for the Group, continued

	Notes	2018 USD'000	2017 USD'000
Cash and cash equivalents at January 1		49,354	29,566
Change in cash and cash equivalents for the year		(28,832)	18,210
Effects of exchange rate changes		(4,909)	1,578
Cash and cash equivalents at December 31		**15,613**	**49,354**
Cash and cash equivalents comprise:			
Cash		15,613	39,756
Cash collateral		-	105
Securities		-	9,493
		15,613	**49,354**

CONSOLIDATED NOTES

Notes, consolidated Page

1. Capital resources

In 2018, the Group has concluded a new financing agreement with its financial lenders.

With the new financing agreement in place, the Group has adequate capital resources available to meet its obligations as they fall due in 2019 and, therefore, Management has concluded that it is appropriate to report the consolidated financial statements for 2018 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

	2018	**2017**
	USD'000	USD'000
Staff costs are composed as follows:		
Wages and salaries	5,436	48,759
Pension	317	3,979
Other social security costs	603	2,590
	6,356	**55,328**
Number of employees	90	565

The number of employees for 2017 includes the crew engaged by Danske Færger A/S, which was sold effectively January 1, 2018. Other crew has been engaged externally and the related costs are included in operating expenses.

	2018	**2017**
	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
Board of Directors	-	1,492
	-	**3,887**

Effective January 1, 2018, payment of salaries, remuneration and fees to the Executive Management and Board of Directors have been moved to another part of Clipper Group.

4. Intangible assets

	Goodwill USD'000	Port rights USD'000	Software USD'000
Cost at January 1	14,824	4,864	4,322
Additions for the year	-	-	157
Disposals for the year	(11,379)	-	(2,783)
Exchange rate adjustments for the year	-	(298)	(97)
Cost at December 31	**3,445**	**4,566**	**1,599**
Amortization at January 1	7,935	3,693	3,462
Amortization for the year	-	357	167
Disposals for the year	(4,490)	-	(2,181)
Exchange rate adjustments for the year	-	(245)	(89)
Amortization at December 31	**3,445**	**3,805**	**1,359**
Carrying amount at December 31	**-**	**761**	**240**

Goodwill and port rights relate to the Group's Ferry and ro-ro segments.

5. Tangible assets

	Land and buildings	Other plant and operating equipment	Vessels
	USD'000	USD'000	USD'000
Cost at January 1	13,422	27,012	244,801
Additions for the year	129	691	125,481
Disposals for the year	(13,282)	(20,035)	(66,023)
Exchange rate adjustments for the year	(8)	(679)	(9,766)
Cost at December 31	**261**	**6,989**	**294,493**
Depreciation at January 1	9,939	22,631	110,314
Impairment for the year	-	-	-
Depreciation for the year	23	354	4,292
Disposals for the year	(9,822)	(16,829)	(30,538)
Exchange rate adjustments for the year	(7)	(606)	(3,899)
Depreciation and impairment loss at December 31	**133**	**5,550**	**80,169**
Carrying amount at December 31	**128**	**1,439**	**214,324**
Carrying amount of assets provided as security	128	1,439	214,324

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 not given rise to a write-down for impairment at December 31, 2018. (2017: USD 6.5 million).

6. Financial assets

	Investments in associates	Other financial assets
	USD'000	USD'000
Cost at January 1	13,768	34,339
Adjustment	-	749
Dividends and disposals for the year	(13,768)	(5,944)
Cost at December 31	**-**	**29,144**
Value adjustments, net at January 1	(8,807)	(24,049)
Adjustment	-	(749)
Disposals for the year	8,807	125
Dividend	-	(755)
Market value adjustment for the year taken to statement of profit/loss	-	(2,853)
Value adjustments, net at December 31	**-**	**(28,281)**
Carrying amount at December 31	**-**	**863**
Carrying amount of assets provided as security	-	863

As described in Management Commentary, Clipper Bulk A/S was sold to a sister company in 2018 with its investments in Steel Connect Cooperatief U.A. and SARL Clipper Agencia Algeria at book value.

7. Financial income

	2018	2017
	USD'000	USD'000
Interest on bank deposits	1	53
Other financial income	-	96
	1	**149**

8. Financial expenses

	2018	2017
	USD'000	USD'000
Interest on payables to banks and credit institutions	4,659	6,937
Currency translation loss, net	3,915	1,874
Other financial expenses	100	431
	8,674	**9,242**

9. Income taxes

Tax on profit for the year

	2018	2017
	USD'000	USD'000
Current tax	711	(2,235)
Current tax from jointly taxed companies for use of tax losses	(17)	(321)
Other taxes, withholding taxes	-	136
	694	**(2,420)**

Explanation of the Group's effective tax rate relative to the Danish corporate income tax rate

	2018	2018
	USD'000	%
Profit before tax	**1,072**	
Tax on profit for the year	236	22.0
Tax effect of:		
Differences in the income tax rate of foreign subsidiaries from the Danish corporate income tax rate	(63)	(5.9)
Non-deductible expenses/non-taxable income and other permanent differences	1,396	130.2
Tax effect of interest limitation	252	23.5
Change in valuation of net tax assets	(1,127)	(105.1)
Effective tax/tax rate for the year	**694**	**64.7**

9. Income taxes, continued

	2018	2017
	USD'000	USD'000
Deferred tax		
Fixed assets	2,874	3,973
Tax losses carried forward	6,135	6,217
Non-recognized tax assets	(9,009)	(10,136)
Other	-	(54)
	-	**-**

	2018
	USD'000
Unrecognized deferred tax assets	10,136
Unrecognized deferred tax assets at 1 January	183
Additions	(1,310)
Utilized	
Unrecognized deferred tax assets at 31 December	**9,009**

Clipper Group A/S and its Danish taxable subsidiaries are jointly taxed with Clipper Group Ltd. as management company.

The shipping activities in Clipper Group A/S and subsidiaries 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 31 December 2021.

Clipper Group A/S with all its subsidiaries has two losses carried forward with a tax value of USD 6,1 million (2017; USD 6,2 million) which has not been recognized as deferred tax asset as the Group Management has evaluated that it is not likely that the tax losses will be utilized within foreseeable future.

10. Proposed distribution of profit/(loss)

	2018	2017
	USD'000	USD'000
Retained earnings	377	(18,943)
	377	**(18,943)**

11. Prepaid expenses and other receivables

	2018	2017
	USD'000	USD'000
Fair value, derivative financial instruments	-	384
Prepaid expenses related to operations	29	956
VAT receivable	211	2,312
Insurance	321	495
Other	1,919	2,793
	2,480	**6,940**

12. Non-current liabilities

	2018	2017
	USD'000	USD'000
Installments due within 1 year	14,497	132,141
Installments due within 1-5 years	192,595	3,489
Installments due after 5 years	-	3,444
	207,092	**139,074**

Non-current liabilities falling due after 5 years are relating to the following financial statement items:

Finance leases	-	3,444
	-	**3,444**

In 2018, the Group concluded a new long-term financing agreement to replace the current financing agreement.

13. Assets pledged and guarantees

Vessels have been provided as security for the bank loans. At December 31, 2018, the carrying amount of vessels provided as security for bank loans totalled USD 214,324 thousand (2017: USD 99,002 thousand), hereof leased vessels of USD nil (2017: USD 9,658 thousand). In addition, investments in associates and other financial assets, other tangible assets and receivables from related parties of a total of USD 164,716 thousand have been provided as security for bank loans (2017: USD 107,544 thousand).

14. Contractual obligations

The Group has no lease commitments at December 31, 2018 (2017: USD 499 thousand).

At December 31, 2018, the Group has rental commitments totaling USD 5,604 thousand (2017: USD 8,802 thousand).

At December 31, 2018, the Group has time charter commitments totalling USD 99,623 thousand (2017: USD 10,023 thousand).

Clipper Group A/S and a number of subsidiaries are subject to a joint taxation arrangement in which Clipper Group Ltd. serves as the management 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.

As part of the sales agreement for Danske Færger A/S, the Group took over 50 percent of the risk relating to some specific legal cases. Accruals for the related risks are included in the calculation of loss from the sale and are included in other accrued liabilities.

15. Derivative financial instruments

Dansk Færger A/S was sold effectively January 1, 2018 and therefore the Group have no hedging of the interest rate on loans at December 31, 2018. The market value of the swap represented an unrealized loss of USD 600 thousand at December 31, 2017.

As regards to agreements for the hedging of foreign currency held by Danske Færger A/S, the market value of the hedging agreement represented an unrealized gain of USD 384 thousand at December 31, 2017.

All amounts have been recognized directly in equity.

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

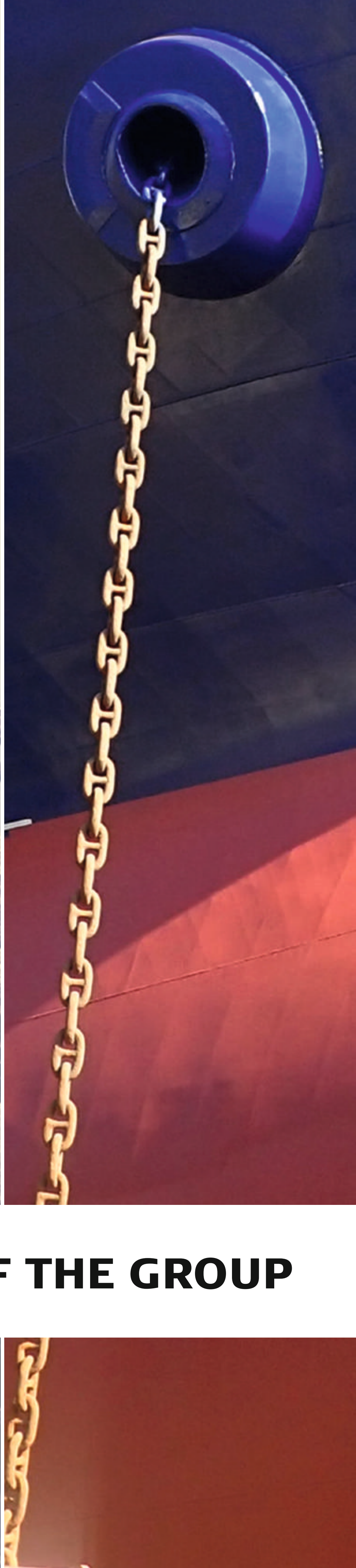
	2018	**2017**
	USD'000	USD'000
Statutory audit services, Deloitte	31	161
Statutory audit services, other auditors	61	57
Tax services, Deloitte	30	189
Tax services, other auditors	79	67
Other non-audit services, Deloitte	10	14
Other non-audit services, other auditors	2	11
	213	**499**

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

No material changes.



LIST OF SUBSIDIARIES OF THE GROUP

Companies included in the consolidation:

Name and registered office	Ownership interest
Parent	
Clipper Group A/S, Denmark	
Seatruck 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%
Seatruck Shipholding I Ltd., United Kingdom	100%
Seatruck Shipholding II Ltd. United Kingdom	100%
Seatruck Shipholding III Ltd. United Kingdom	100%
Seatruck Shipholding IV Ltd. United Kingdom	100%
Seatruck Shipholding V Ltd. United Kingdom	100%
Other segment	
K/S Clipper Air Transport, Denmark	100%
Komplementarselskabet Clipper Air Transport ApS under frivillig likvidation, Denmark	100%
Clipper Group (Singapore) Pte. Ltd., Singapore	100%
Clipper Bulk Shipping Pte. Ltd., Singapore	100%
Clipper Forest Carriers Pte. Ltd., Singapore	100%
Valour Shipping Company Limited, Bahamas	100%
Clipper Tankers (UK) Ltd., United Kingdom	100%
Yellow Tankers II Limited (Clipper Wonsild Tankers (UK) Ltd.), United Kingdom	100%
Yellow Tankers III Limited (Clipper Marine Services Ltd.), United Kingdom	100%
Bourgogne Shipping Limited, United Kingdom	100%
Burgundy Shipping Limited, United Kingdom	100%
Clipper Fourth ApS, Denmark	85%
Fourth Invest ApS, Denmark	60%
Clipper Projects A/S, Denmark	100%
Clipper Lines A/S, Denmark	100%

FINANCIAL STATEMENTS PARENT

Statement of profit and loss

	Notes	2018 USD'000	2017 USD'000
Net revenue		3,062	15,628
Other external expenses		(280)	(7,568)
Operating profit/(loss) before depreciation etc.		**2,782**	**8,060**
Staff costs	1	(1,558)	(17,035)
Net gain/(loss) on sale of assets and activities		(947)	-
Depreciation and amortization	2,3	(49)	(916)
Operating profit/(loss)		**228**	**(9,891)**
Profit/(loss) from investments in subsidiaries	4	5,879	(23,024)
Profit/(loss) from investments in associates	4	(357)	9,792
Gain/(loss) from other financial assets	4	(3,608)	(1,372)
Financial income/(expenses), net	5,6	(1,215)	2,875
Profit/(loss) before taxes		**927**	**(21,620)**
Tax on profit/(loss) for the year	7	(550)	2,677
Profit/(loss) for the year	8	**377**	**(18,943)**

Statement of financial position

	Notes	2018 USD'000	2017 USD'000
Software		-	261
Intangible assets	2	**-**	**261**
Other plant and operating equipment		-	1,795
Tangible assets	3	**-**	**1,795**
Investments in subsidiaries	4	6,881	10,559
Investments in associates	4	-	75,813
Other financial assets	4	863	4,614
Financial assets		**7,744**	**90,986**
Fixed assets		**7,744**	**93,042**
Receivables from related parties		170,021	81,798
Other receivables		974	2,548
Receivables		**170,995**	**84,346**
Cash		**11,161**	**187**
Current assets		**182,156**	**84,533**
Assets		**189,900**	**177,575**

Statement of financial position, continued

	Notes	2018 USD'000	2017 USD'000
Share capital	9	171,596	171,596
Retained earnings		(19,519)	(20,091)
Equity		**152,077**	**151,505**
Provisions regarding subsidiaries	4	28,393	14,202
Non-current liabilities		**28,393**	**14,202**
Trade payables		952	1,834
Payables to subsidiaries		4,775	5,021
Other payables		3,703	5,013
Current liabilities		**9,430**	**11,868**
Liabilities		**37,823**	**26,070**
Equity and liabilities		**189,900**	**177,575**
Assets pledged and guarantees	10		
Contractual obligations	11		
Ownership	12		
Consolidation	13		
Transaction with related parties	14		

Statement of changes in equity for Parent

	Share capital USD'000	Retained earnings USD'000	Total equity USD'000
Balance at January 1, 2018	**171,596**	**(20,091)**	**151,505**
Profit/(loss) for the year	-	377	377
Exchange rate adjustments of investments in subsidiaries and associates	-	195	195
Balance at December 31, 2018	**171,596**	**(19,519)**	**152,077**

NOTES PARENT

Notes, Parent Page

1. Staff costs

	2018	2017
	USD'000	USD'000
Staff costs are composed as follows:		
Wages and salaries	1,378	15,467
Pension	96	1,147
Other social security costs	84	421
	1,558	**17,035**
Number of employees*	-	77
Of this, salaries, remuneration and fees to the Executive Management and the Board of Directors amount to:		
Executive Management	-	2,395
Board of Directors	-	1,492
	-	**3,887**

* All staff has been transferred to a sister company in 2018.

2. Intangible assets

	Software
	USD'000
Cost at January 1	372
Disposal for the year	(372)
Cost at December 31	**-**
Amortization for the year at January 1	111
Disposal for the year	(111)
Amortization at December 31	**-**
Carrying amount at December 31	**-**

3. Tangible assets

	Other plant and operating equipment
	USD'000
Cost at January 1	7,126
Disposal for the year	(7,126)
Cost at December 31	**-**
Depreciation at January 1	5,331
Depreciation for the year	50
Disposal for the year	(5,381)
Depreciation and impairment loss at December 31	**-**
Carrying amount at December 31	**-**

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	28,663
Adjustment	-		749
Addition for the year	-	-	-
Dividends and Disposals for the year	(37,270)	(115,311)	(268)
Cost at December 31	**355,287**	**-**	**29,144**
Value adjustment, net at January 1	(381,998)	(39,498)	(24,049)
Adjustment	-	-	(749)
Net share of profit/(loss) after tax	5,879	(357)	-
Dividends received	(9,987)	(44,107)	(755)
Disposals for the year	15,609	83,962	125
Market value adjustment for the year taken to statement of profit/(loss)	-	-	(2,853)
Exchange rate adjustments	195	-	-
Investment in subsidiaries with negative book value transferred to provisions	14,190	-	-
Investment in subsidiaries with negative book value netted in receivables	7,706	-	-
Value adjustment, net at December 31	**(348,406)**	**-**	**(28,281)**
Carrying amount at December 31	**6,881**	**-**	**863**
Carrying amount of assets provided as security	6,881	-	863

Name	**Registered in**	**Ownership**
Investments in subsidiaries can be specified as follows:		
Clipper Projects A/S	Denmark	100%
Clipper Bulk (Singapore) Pte. Ltd.	Singapore	100%
Fourth Invest ApS	Denmark	60%
K/S Clipper Air Transport	Denmark	100%
Komplementarselskabet Clipper Air Transport ApS under frivilig likvidation	Denmark	100%
Clipper Fourth ApS	Denmark	85%
Seatruck Ferries Holding Ltd.	United Kingdom	100%
Clipper Tankers (UK) Ltd.	United Kingdom	100%

5. Financial income

	2018	2017
	USD'000	USD'000
Interest on bank deposit	1	-
Interest income from subsidiaries and associates	869	1,462
Currency translation gain, net	-	1,485
Other financial income	-	2
	870	**2,949**

6. Financial expenses

	2018	2017
	USD'000	USD'000
Interest expenses from subsidiaries and associates	99	32
Other financial expenses	21	42
Currency translation loss, net	1,965	-
	2,085	**74**

7. Tax

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

Clipper Group A/S has a tax loss of USD 19,499 thousand (tax value USD 4,279 thousand) which has not been recognized as deferred tax asset as Group Management has evaluated that it is not likely that the tax losses will be utilized within the foreseeable future (2017: USD 25,232 thousand (tax value USD 5,551 thousand)).

8. Proposed distribution of profit/(loss)

	2018	2017
	USD'000	USD'000
Retained earnings	377	(18,943)
	377	**(18,943)**

9. Share capital

	2018	2017
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.

10. Assets pledged and guarantees

Investments in subsidiaries, associates, other financial assets and receivables from related parties with a total carrying value of USD 177,765 thousand have been provided as security for bank loans (2017: USD 172,784 thousand).

11. Contractual obligations

The Company has entered into an interminable lease contract effective until December 31, 2020. The lease commitments total USD 4,272 thousand (2017: USD 6,315 thousand). The Company has no other lease commitments at December 31, 2018 (2017: USD 499 thousand).

The Company participates in a Danish joint taxation arrangement in which Clipper Group Ltd. serves as the management 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.

As part of the sales agreement for Danske Færger A/S, the Group took over 50 percent of the risk relating to some specific legal cases. Accruals for the related risks are included in the calculation of loss from the sale and are included in other payables.

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 (large), 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).

Basis of preparation

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 6.5194 at December 31, 2018 (2017: 6.2077).

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, intra-group 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.

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 require-ments 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 instru-ments classified as and complying with the require-ments 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.

In the Group's ro-ro segment, revenue is recognized upon the completion of the sailing of vessels. Revenue is recognized on a daily basis for external charters.

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.

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 adjust-ments 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 taxbased 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 carryforwards 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 seven-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 shares.

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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