CLIPPER GROUP A/S

Central Business Registration No 29 89 18 18 Annual report 2015

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

Rasmus Bo
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 49 11 80 00
www.clipper-group.com

EXECUTIVE MANAGEMENT

Peter Norborg, Group CEO, Clipper Group (born 1966)
Flemming Steen, Group CFO, Clipper Group (born 1966)

BOARD OF DIRECTORS

Peter Appel, Chairman (born 1961)
Chairman, Gorrissen Federspiel. Member of the Board since 2014
Other board assignments include:
BIMCO Informatique A/S
European Maritime Law Association

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

Mikael Skov (born 1963)
CEO, Hafnia Tankers. Member of the Board since 2014
Other board assignments include: Danish Shipowners' Association, Hafnia Management A/S

AUDITORS

Deloitte Statsautoriseret Revisionspartnerselskab

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Flemming Steen and Peter Norborg

STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

The Board of Directors and the Executive Board have today considered and approved the annual report of Clipper Group A/S for the financial year January 1 to December 31, 2015.

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

In our opinion, the 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, 2015 and of their results and the consolidated cash flows for the financial year January 1 to December 31, 2015.

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

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

Copenhagen, May 30, 2016

Executive Management

Peter Norborg Group CEO	Flemming Steen Group CFO

Board of Directors

Peter Appel Chairman	Frank G. Jensen Vice-chairman
Torben G. Jensen	Mikael Skov

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the shareholder of Clipper Group A/S

Report on the consolidated financial statements and the parent financial statements

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, 2015, which comprise the statement of profit and loss, statement of financial position, statement of changes in equity, notes and accounting policies for the Group as well as the Parent and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility 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.

Auditor's responsibility

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

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements and the parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and parent financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the consolidated financial statements and the parent financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Our audit has not resulted in any qualification.

Opinion

In our opinion, the 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, 2015 and of the results of their operations and the consolidated cash flows for the financial year January 1 to December 31, 2015 in accordance with the Danish Financial Statements Act.

Statement on the management commentary

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

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

Copenhagen, May 30, 2016

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

Kim Mücke
State Authorized Public Accountant

Bjarne Iver Jørgensen
State Authorized Public Accountant

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	2015	2014	2013	2012	2011
	USD'00	USD'000	USD'00	USD'000	USD'00
Key figures					
Revenue	207,243	268,544	302,973	308,519	287,563
Operating profit/(loss) before depreciation etc.	79,330	95,764	90,408	71,862	66,704
Impairment loss	(198)	(4,204)	(8,461)	(22,976)	(23,862)
Operating profit/(loss)	6,338	988	(11,843)	(52,720)	(62,946)
Net financials and gain/(loss) from other financial assets	3,256	(77)	(12,224)	(6,122)	(42,198)
Profit/(loss) for the year	13,325	5,696	(18,772)	(69,747)	(112,821)
Investments in property, plant and equipment	8,492	5,504	6,979	45,190	196,506
Receivables	94,600	66,702	51,859	68,233	83,392
Interest-bearing debt	167,916	208,111	283,253	324,023	365,029
Equity	172,073	170,716	187,007	195,104	217,220
Assets, total	402,424	444,766	537,582	593,367	668,845
Ratios					
Profit margin (%)	3.1	0.4	(3.9)	(17.1)	(21.9)
Return on assets (%)	1.6	0.2	(2.2)	(8.9)	(9.4)
Return on equity (%)	7.8	3.2	(9.8)	(33.8)	(48.4)
Equity ratio (%)	42.8	38.4	34.8	32.9	32.5

Ratios
The ratios have been compiled applying the formulas listed below:

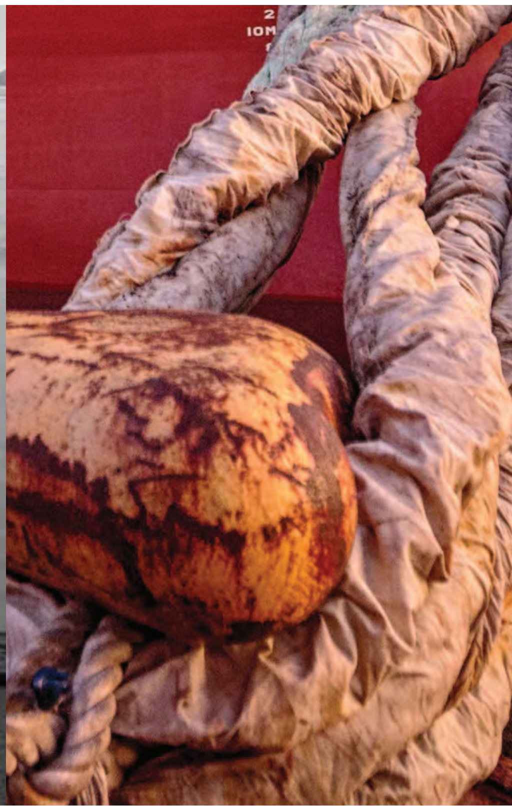
$$\text{Profit margin} = \frac{\text{Operating profit/(loss) x 100}}{\text{Revenue}}$$

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

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

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

MANAGEMENT COMMENTARY



CLIPPER GROUP A/S

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

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

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

Clipper Group Ltd. is incorporated in the Bahamas but with main business address in Denmark and subject to full Danish taxation. The core business area of Clipper Group Ltd. is dry bulk shipping, but only few areas related to bulk are included in Clipper Group A/S.

Clipper Group is a privately-owned company, established in 1972 as a ship operator. Since then, the company has grown to become a shipowner and an industry leader in dry bulk with substantial investments in other shipping segments as well, and an in-house technical management department. Clipper has offices in 10 countries and employs 286 employees (December 31, 2015, including Seatruck Ferries) and more than 1,000 seafarers. Peter Norborg, Group CEO, & Flemming Steen, Group CFO, constitute the Executive Management team of Clipper Group.

RESULTS

The net result developed positively in 2015 to a profit of USD 13 million (2014: profit of USD 6 million), in line with the expectations for 2015 as reported in the annual report 2014. The improved net result has further increased the equity ratio of Clipper Group A/S to 43% (2014: 38%).

The main driver in the improved result is our exit from chemical tankers where we have sold our last three vessels. In Seatruck Ferries and Danske Færger we have seen the expected improvements in net results from positive development in volumes and number of passengers on the routes. Because of the strengthened USD, both companies have declining net results when converting improved results from GBP and DKK into USD in this consolidated financial statement.

EBIT is USD 6 million (2014: USD 1 million). Strong EBIT contributions came from the ro-ro and ferry segments, whereas the tankers segment has contributed negatively to EBIT. Compared to 2014, the EBIT of the ro-ro and ferry segments decreased slightly due to the strengthened USD, whereas the EBIT of the tankers segment developed positively but still with a negative effect. The fleet management, bulk and multipurpose segments have all developed positively compared to 2014, but the contribution to EBIT is limited.

Leonora Christina, BornholmerFærgen

DEVELOPMENT BY SEGMENT

Ferry segment

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

The net result of Danske Færger A/S has improved further in 2015 to DKK 75 million (2014: DKK 68 million). The positive development is primarily related to increasing number of passengers and cars on the company's routes. When converting the result of Danske Færger A/S from DKK to USD and incorporating Clipper's 50% share, net result has decreased due to a strengthened USD.

Danske Færger A/S net result is expected to improve further in 2016.

Clipper Group A/S sold its shares in Mols-Linien (30% ownership) in June 2015 and realized a gain. The realized gain in 2015 is slightly below the unrealized gain on the Mols-Linien shares in 2014.

Ro-ro segment

This segment includes ro-ro liner activities on the Irish Sea under the brand Seatruck, and ro-ro charter activities.

Measured in GBP, Seatruck Ferries continued its high earnings and had an operating result for 2015 on par with 2014. Seatruck Ferries experienced a growth in volumes on all its three routes and utilization was kept on the same high level as in 2014. The strengthened USD has resulted in lower operating result and lower net result compared to 2014 when converted from GBP to USD. Contrary to the negative impact on result, we again in 2015, had a positive gain on currency, slightly below the gain on currency in 2014, related to EUR loans.

The ro-ro segment expects to increase the operating result in 2016 related to further growth in volumes and to increasing rates on the charter activities.

Tankers segment

This segment includes the last three chemical tankers which we sold in May, June and July 2015.

Compared to 2014, the result has improved significantly. The result in 2014 was influenced by a huge loss on operating the vessels due to very low rates in the market and an impact from impairment losses on vessels. In 2015, the market was also under pressure, but losses were limited to only operating three vessels and only in the first half of the year.

After the sale of the last vessels, this segment only consists of dormant companies, and the net result for 2016 is expected to be around zero.

Fleet Management segment

All of Clipper's technical management activities are placed and performed as a segment within the Clipper Group A/S structure.

This segment has improved the result in 2015 and has become profitable. The improvement mainly relates to cost savings. In average 26 vessels were in technical management in 2015, which is five vessels below the 2014 average. The reduction is due to the sale of a number of Clipper's multipurpose vessels and the sale of Clipper's chemical tanker vessels. As in 2014, we succeeded in obtaining two external bulk vessels in technical management also in 2015, to offset some of the reduction from vessels sold.

Although we saw a positive development in the result for 2015, a step back in the result is expected for 2016, due to slightly lower activity.

Bulk segment

In the bulk segment, most activities are performed outside Clipper Group A/S, in other parts of the Clipper Group, and, therefore, this segment has only limited impact on the profit and loss for Clipper Group A/S.

The earnings of the segment have been under huge pressure in 2015. With uncertainty on the demand side and fleet growth on the supply side, rates dropped to record low in the first quarter of 2015. The rates picked up slowly towards the end of summer, but have then been declining again until February 2016, where we have seen a significant recovery.

In 2016, we expect to see the upturn in the rates to continue, as deliveries of new tonnage remain at very low levels and scrapping remains robust.

Multipurpose segment

As is the case for bulk, the majority of the activities in the multipurpose segment is performed outside Clipper Group A/S, in other parts of the Clipper Group, and the impact from this segment on the profit & loss for Clipper Group A/S is very limited.

The multipurpose market remained difficult in 2015, but as growth in demand is projected to be higher than supply, earnings are expected to improve during 2016 and onwards.

Outlook for 2016

Overall, Clipper Group A/S expects to improve the operating result for 2016 compared to 2015.

Events after the balance sheet date

Clipper has in April 2016 reduced the ownership in the associated company STC Shipping Pte Ltd from 20% to 10%.

2015 HIGHLIGHTS

Clipper Group has a dual business model, where two strong complementary businesses – ro-ro and ferry services – complement our core business, namely dry bulk shipping. The ro-ro and ferry businesses, which are placed in the Danish subsidiary Clipper Group A/S, continued to show progress and stability in 2015. With the dry bulk market hugely challenged throughout 2015, our dual business model has once again proven its worth to the Group.

Increased traffic on Danish Ferry routes

Our ferry services are represented by Danske Færger A/S, which manages seven ferry routes in Denmark. Danske Færger connects the mainland to a number of Danish islands, namely Bornholm, Samsø, Langeland, Als and Fanø. The traffic on three of the seven routes broke their all-time traffic records in 2015. Compared to 2014, the traffic on all routes increased in 2015 by 4.3% on cars and 1.1% on passengers. However, Danske Færger A/S stopped sailing the Samsø West route in October 2014, which means that the overall number of transported passengers decreased slightly, from 4,415,067 passengers in 2014 to 4,134,660 in 2015.

The positive development in the traffic on the ferry routes attests mainly to an increased tendency among Danes to travel in their own country, accelerated by the development of the local communities and tourism on the islands.

Clipper has been a co-owner of Danske Færger A/S together with the Danish State since 2010. In 2016, the concessions on both the Bornholm and the Langeland routes were up for tender. On May 10, 2016, the Danish Ministry of Transport and Building decided to grant the concession of the Bornholm routes to Mols-Linien. Until September 2018, Danske Færger A/S will continue to operate the Bornholm routes under the current concession. The net result and the valuation of assets in Clipper Group A/S for 2015 are not affected by this change. Neither is the change expected to have any impact on net results for 2016 or 2017.

In July 2015, Clipper sold its shares in another Danish ferry line, Mols-Linien A/S. Clipper has held these shares since 2008 but it has been a passive investment and we have not been represented on the Board of Directors.

Growing ro-ro activities on the Irish Sea

Clipper's ro-ro activities are placed in Seatruck Ferries, which specializes in carrying unaccompanied trailer freight across the Irish Sea. 2015 was yet another record-breaking year when it comes to number of units transported. Overall transported units increased by 3.4% compared to 2014, to 290,000 units.

Six ro-ro ferries sail between Ireland and England on three routes: Warrenpoint – Heysham, Dublin – Heysham and Dublin – Liverpool. In November 2015, Seatruck added another vessel on the growing Dublin – Liverpool route. This instantly attracted significant flows of new traffic and Seatruck Ferries switched to a vessel with more capacity on the route already in March 2016, as a direct response to increased demand. Alistair Eagles, who has been with Seatruck since 1996, was appointed CEO of Seatruck Ferries in May 2015. Clipper has been the sole owner of Seatruck Ferries since 2005.

Positive notes in a challenged dry bulk market

With dry bulk being the core focus of the entire Clipper Group (though only a minor part of Clipper Group A/S), the development within this segment is imperative to the entire Group. The dry bulk market was extremely challenged throughout 2015 with record low rates.

That said, we have in 2015 seen a number of upsides as well. Our chartering teams around the globe continued to outperform the market in both the handysize and the supramax segments. Clipper's fleet is becoming more competitive and our average long-term charter fleet cost has decreased compared to 2014. This is mainly the result of two factors: many of our most expensive long-term charters have expired, and we have the ability to source new vessels at rates that are competitive to the current market level.

Since 1996, Clipper has had significant activities within pool management, where we manage and operate groups of similar vessels, both vessels from our owned and in-chartered fleet and vessels owned by our partners. We saw a significant growth in our pool business during 2015 with 15 externally owned vessels entering. In December 2015, our five distinct pools counted 58 vessels in total, whereof 25 owned by partners.

Our general dry bulk activities are also complemented by specialized niche businesses. The most notable is Clipper Steel Services (CSS), which runs steel liner services from Europe and Brazil to US, Mexico and North Coast South America, as well as a steel shuttle express service from Mobile, Alabama to Altamira, Mexico. In 2015, Clipper Steel Services transported more than 2.2 million tons of steel, celebrated the first anniversary of the shuttle express, and succeeded in prolonging two important long-term contracts with clients in Europe and the US.

Dry docks and technical modifications in Clipper Fleet Management

For Clipper Fleet Management (CFM), 2015 was a busy year with a number of new vessels coming in and some going out. CFM's technical superintendents handled no less than 14 dry dockings during the year, mainly performed at Turkish and Chinese yards. Towards the end of the year, Clipper had 30 vessels in technical management.

Ballast water treatment and Sulphur emission control were two issues that stood on the top of the agenda for technical management in 2015. The International Maritime Organization (IMO) adopted a Ballast Water Management Convention in 2004 to regulate discharges of ballast water and to reduce the risk of spreading invasive species. Parallel to the IMO Resolution, the US Environmental Protection Agency (EPA) has developed their own ballast water regulation in 2012, maintained by the U.S. Coast Guard (USCG) authorities. The IMO Convention has so far not been ratified and no equipment has been type approved by the USCG. Clipper continues to follow the development closely and study the market and technology development in order to be well prepared to take action when the time comes.

From January 1, 2015, MARPOL Annex VI entered into full effect, enforcing stricter requirements on the maximum Sulphur emissions from vessels in so-called Emission Control Areas (ECA). In order to comply with the new regulations, vessels may experience added costs and delays due to frequent bunker operations. To prevent this and to ensure better sustainability, Clipper converted one Heavy Fuel Oil tank on six of our 30,000 dwt Trader-type bulk carriers into Marine Gas Oil tanks during 2015.

Monitoring performance of a growing number of external vessels through COACH

COACH, Clipper's software solution for monitoring and improving vessel performance, has been offered to external clients since 2013. No hardware is installed and this keeps the set-up simple and affordable, and possible pitfalls in measuring are avoided. The crew on board the vessel reports the necessary data, such as position, bunkers, and consumption, to COACH once a day. Assisted by the monitoring team onshore, COACH analyzes the ship's current performance – compared to a mathematic model of the ship as well as the weather conditions. In this way, it is often possible to pin point areas that need further attention.

During 2015, the number of vessels using COACH grew from 160 to more than 300. Most of these vessels are from external shipping companies, business partners and competitors alike, from all over the world. COACH is able to compare data from the 300 vessels, and by using big data to look for possible patterns and deviations, which can benefit all clients. All vessels in Clipper's management and pools have COACH installed. Being able to operate our vessels more efficiently allows us to reduce expenses while also contributing to a more climate responsible mindset.

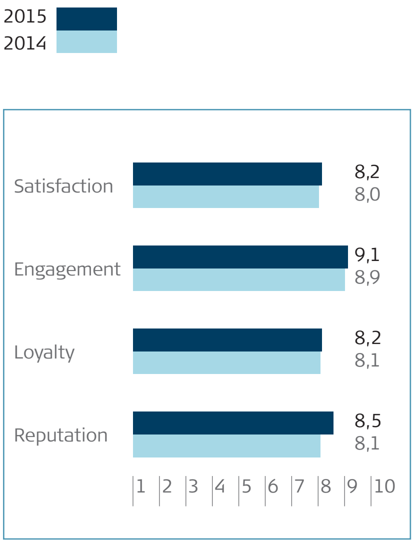
Last chemical tanker sold

In July 2015, Clipper Group A/S sold its last chemical tanker, the Clipper Bourgogne. Together with the selling of the Mols-Linien A/S shares, this marked an important milestone in Clipper's journey towards our 20|20 Vision. Clipper wants to be present only in segments and businesses where we have influence and can make a difference. Our 20|20 Vision, which we launched in December 2013, guides us towards 2020 with a clear focus on dry bulk and stable support from our activities within ro-ro and ferries.

Improved Organizational Survey results, more training and better communication

In September 2015, Clipper carried out its annual Organizational Survey, and the positive results from 2014 continued and were even surpassed. We saw an increase on all four objective indicators (Satisfaction, Loyalty, Engagement and Reputation), and obtained improved results on all main drivers (Executive Management, Immediate Manager, Daily Work, Employee Development etc.). There are, of course, local variances on the results, which our managers work with on a team level.

Main results (Organizational Survey)



One outcome of the 2014 survey was the need for more focus on employee development. In 2015, we, therefore, initiated a number of global training initiatives for both employees and managers. We call these "Taking Charge of Your Career" and "Leadership Touchpoints". By the end of 2015, 90 employees had participated in or signed up for these training modules.

On the communication front, important steps were taken during 2015. This was the first full year where all employees used video- and screen sharing-enabled Skype for Business as a daily communication tool, substituting fixed telephone lines. In December 2015, we launched our new internal communication platform Clipper Bridge - a social communication tool where all employees can create and share content and news as well as establish relevant workgroups. Clipper Bridge also substituted our old intranet.

Change in company structure
As of 1 January 2015, Clipper Management A/S merged with Clipper Group A/S. All employees previously employed by Clipper Management were automatically transferred to Clipper Group A/S, and Clipper Group A/s assumed all obligations towards employees from Clipper Management A/S. The merger was a purely administrative matter, and a step in the simplification of our company structure, where we strive to minimize the number of legal entities in the Clipper Group.

Changes in leadership

Clipper Group's former dual CEOs, Kristian Morch and Gary Vogel, left the Group respectively in May and June 2015, and Frank G. Jensen stepped in as Group CEO for Clipper on July 1, 2015.

In July 2015, Clipper also announced a new Chairman of the Board of Clipper Group A/S, namely Peter Appel, Chairman of the Board of the law firm Gorrissen Federspiel. Peter Appel took over the position from Frank G. Jensen, who remains Chairman of the Board of Clipper Group Ltd, and member of the Board of Clipper Group A/S. The change in the Board of Directors of Clipper Group A/S was a natural consequence after Frank G. Jensen stepped in as Group CEO.

In December 2015, Clipper announced that Peter Norborg will start as the Group CEO of the company on April 1, 2016. Peter Norborg has a solid experience from the dry bulk industry, most recently with 4 years at Gearbulk and prior to that 14 years at D/S Norden. Peter Norborg took over the position as Group CEO from Frank G. Jensen, who continues in his role as Chairman of the Board of Clipper Group Ltd.

OPERATING AND FINANCIAL RISKS

Operating risks

The following operating risk factors have a significant influence on the Group's operating results:

- Market development in volumes for ro-ro ferry services on the Irish Sea and for the Danish ro-pax ferry services
- Market development of freight and charter rates in international bulk, and in ro-ro, multipurpose and chemical tankers shipping
- Market development of bunker prices (price of crude oil)
- Number of vessels in commercial and technical management
- Development in prices of tonnage (vessels)

Foreign exchange risks

Clipper's functional currency is USD and the consolidated financial statements are presented in USD.

Clipper's results and equity are mainly affected by exchange rate developments in DKK, EUR and GBP.

Clipper's revenue is denominated in USD, GBP, DKK and EUR. The foreign exchange risk is as far as possible mitigated by also having expenses in the same currencies. Apart from this, traditional hedging tools might be applied.

Interest rate risks

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

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

Bunker risks

Bunker costs are a large part of Clipper's costs in all segments. For the majority of the contracts within bulk, chemical tankers and multipurpose segments, changes in bunker costs are indirectly reflected in the pricing structure. Thereby Clipper is, to a large extent, hedged against changes in bunker costs and does not benefit from lower bunker costs, nor do higher bunker costs have a negative impact on the results.

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 80% of the coming 12 months' expected bunker consumption.

Overall, this provides Clipper with a relatively minor bunker risk, which is mitigated by bunker hedging.

Intellectual capital resources

Skilled and engaged staff is a key to the success of Clipper, which is why we, at all times, focus on attracting the best people from the industry and subsequently on making a dedicated and targeted effort to develop and retain our employees.

Ambitious programs on employee and leadership development have been carried out, and again in 2015 the Organizational Survey gave valuable input to further initiatives.

Risk management and internal controls

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

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

CORPORATE SOCIAL RESPONSIBILITY

Clipper has always strived to make a positive impact on the surrounding communities and it has been a priority that our business activities are based on sustainable and ethical principles. Throughout the existence of the company, we have carried out a number of activities to this effect. In recent years, we have established a more structured process for framing these activities:

- CSR Policy adopted in 2014
- CSR Strategy with goals for progress 2015-17 developed in 2015
- Becoming a member of the UN Global Compact (UNGC) in January 2016

To us, participating in UNGC will not signify a change of mindset, but rather a continuation of what we are already doing – within a more structured process and reporting model. By becoming a participant of the UNGC, we commit ourselves to make 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. We have already prepared for this through our CSR Strategy, which follows the structure of the 10 UNGC principles within 1) Human rights and labor standards, 2) Environment and 3) Anti-corruption.

Clipper CSR Policy

As a significant player in the maritime industry with a global presence at sea and on shore, we recognize our social and environmental responsibility:

- We never compromise the safety of our employees at sea or ashore
- We recognize our responsibility towards the environment, and endeavor to constantly reduce our environmental footprint

Human rights and labor standards

Working conditions for employees on shore and at sea differ significantly, and we have therefore divided our strategy within this area in two. On shore, we focus on diversity, trainee education, employee satisfaction and employee retention rate. At sea, on seafarers' retention rate, safety and safety training. Furthermore, we wish to ensure that any recycling of Clipper's vessels is done in a responsible way safeguarding the environment and the workers working on the recycling.

ON SHORE: Diversity / Women in management

Clipper believes that diversity at all levels of the organization gives us the largest possible recruitment base and creates an innovative and inclusive work environment. Encouraging diversity is about providing equal opportunities for all candidates and ensuring that the right person is always chosen for the job, based on his/her capabilities. In 2014, we adopted a Diversity Policy, published at our corporate website.

We have decided to focus our efforts on increasing the number of women in management, as we believe this is where Clipper has the largest improvement potential. Female underrepresentation in business and technical divisions as well as on management level is inherent to the entire shipping industry and not only an issue for Clipper. Important to us as a company is to ensure that there are no barriers within our company that hinder women to join or to be promoted due to their gender. In our organizational survey, we have, therefore, included a question about equal career opportunities regardless of gender. We have not yet reached our goal of a 9.0 rating but are content to see a small progress from 2014 (from 8.3 to 8.4) and especially that the gap between men and women's perceptions has decreased significantly.

We have set an ambitious goal that 25% of our people managers should be female by the end of 2017, and currently, we have only seen a small progress from 12% in 2014 to 14% in 2015.

We have taken several initiatives to promote gender diversity at all levels in Clipper. These include new staff clubs, female mentors for female trainees, gender numbers included in monthly HR reporting, and the commitment to invite both male and female applicants for first interviews in all recruitment processes – if at all possible, and especially in regards to management positions.

The shareholders and the Clipper Group A/S Board have set a goal that one female board member shall be appointed before the end of year 2016; currently the board counts 4 members. The chairman of the board has searched for a potential female board member and meetings have been held with potential candidates. Until now it has not been possible to identify a female candidate with the required qualifications.

ON SHORE: Trainee education

Clipper supports and participates in the Danish shipping trainee education, managed by the Danish Shipping Academy under the Danish Shipowners' Association. Due to business needs, we did not take in new trainees in 2015, but in September 2016, we will onboard two trainees, and it is our goal that at least one of these should be female. In September 2015, one trainee graduated from Clipper. Two trainees had started their education in September 2013, but one of them chose to pursue another career before graduating. Currently, we have three second year trainees working in our Chartering and Operations departments.

In 2015, we also started cooperation with a student from the new Bachelor in International Shipping & Trade at Copenhagen Business School. This student will start an internship in Clipper in September 2016.

ON SHORE: Employee satisfaction

In our strategic guidelines, we have defined our ambitions within people development:

- We drive performance and talent management through deployment of truly value driving objectives, creating a work environment which encourages professional and personal development
- We keep Clipper an attractive workplace in every respect and for every employee, with high focus on attraction and retention of staff and a competitive remuneration

To make these ambitions credible and effective, we need to know the opinion of our employees, and we, therefore, measure employee satisfaction in Clipper annually. The results of the Organizational Survey in 2015 were very positive, and showed a significant increase from the already high level in 2014. We believe that increased communication and increased focus on training and development can explain part of the increase.

ON SHORE: Employee retention rate

Retention rate is an important measure of employee satisfaction and engagement. Retention rate can vary quite substantially from month to month, from team to team and from country to country.

Throughout 2015, we have on a monthly basis measured our retention rate (number of resignations divided by the average number of employees over the last running 12 months). In December 2015, Clippers overall retention rate was 93.8%, which is very satisfactory.

AT SEA: Retention rate

Clipper Fleet Management's main asset is its highly valued staff trading the oceans. Our staff has the right to be organized, which is arranged under our collective bargaining agreement and paid for by Clipper. The retention rate among seafarers improved through 2015. We believe this is due to a combination of the general worldwide employment trend and our maintained focus on the HR principles outlined in the CSR and company policies.

We prioritize personal development for our sea-going staff, which is achieved through feedback as well as shore-based and onboard training. In the second half of 2015, Clipper Fleet Management introduced leadership training for Senior Officers as a front-runner to a new Personal Performance Feedback System, which will be introduced to all seafarers during 2016. The intention is to create increased focus on individual development and performance and thereby improve the general job satisfaction.

In addition, we have improved general welfare onboard, e.g. by increasing the daily budget for meals onboard and introducing an improved daily news feed from the crew members' national sphere. Clipper is also in progress of installing internet for crew onboard the vessels in its technical management.

AT SEA: Safety

We strive to have a crew who always maintain high safety standards by adopting our Safety Culture while on board or on vacation, and we wish to develop a work environment which facilitates knowledge sharing and communication. Increased event reporting allows us to recognize current trends, as well as to proactively identify future work environment hazards. Event reporting also illuminates potential safety concerns, and any increase in such reporting should be seen as a healthy safety indicator. We are therefore pleased to see a significant increase in event reporting during 2015, while both incident frequency and port state control deficiencies have decreased.

We continuously train and advice our crew through safety campaigns and seminars and wish to create a culture where everyone takes responsibility for the well-being of his or her colleagues.

Recycling

In December 2014, Clipper decided to sell the vessel M/V Clipper Concord for recycling at the coast of Alang in India. The Concord was a 9,000 dwt multipurpose vessel, built in 2000, which we were not able to sell for continued operation. We spent considerable time and effort to ensure that the recycling would be handled in a responsible way safeguarding the environment and the workers during on the recycling.

It was extremely important to us that we were actively involved in the entire process, also after the delivery of the vessel to the buyer and yard, and likewise that the recycling was done in accordance with the principles of the Hong Kong Convention, although this has not yet been ratified by the UN (IMO). This meant among other things that we:

- Used the BIMCO standard recycle contract (RECYCLECON), which implements the principles of the Hong Kong Convention
- Had an Inventory of Hazardous Materials (IHM) made by an independent third party
- Ensured that the yard made and followed a Ship Recycling Plan and that the findings in the IHM were handled responsibly
- Visited the yard before and during the recycling process, four times in total

The yard we used, Leela Ship Recycling, documented to us a very responsible and thorough approach to ship recycling. In December 2015, the yard achieved a statement of compliance with the Hong Kong Convention from ClassNK, along with three other recycling yards in Alang.

During the entire process, we worked closely together with the Danish Shipowners' Association, and we also had ongoing dialogue with the

NGO Shipbreaking Platform. During the Danish Maritime Days in October 2015, we presented the Concord case at a seminar about sustainable shipping.

Clipper operates a modern fleet, and we have not planned to recycle other vessels in the near future. However, following our experience with the Concord, we formulated in December 2015 a Recycling Policy for future reference. The policy is published at our website, clipper-group.com.

Environment

Although shipping is the most eco-friendly form of mass long-distance transportation, we acknowledge our environmental footprint. Our objective is to constantly increase energy and fuel efficiency for Clipper vessels and other vessels in our management.

The fuel used for propulsion is the single largest contributor to our vessels' environmental footprint. It is our aim that our vessels operate with the right speed at any time, i.e. consuming as little fuel as possible while taking cost vs. available time into consideration. Our vessels' speed and consumption are closely monitored by our performance management solution COACH, which is installed on all vessels in Clipper's management and pools. In addition to speed and consumption, many additional parameters are monitored in COACH allowing us to identify abnormally high energy use and take appropriate actions.

Fuel efficiency does not just come down to technical improvements, such as paint or ship design. Communication, processes and people play a huge role in increasing efficiencies. We continuously measure our performance and experiment with new ways of increasing fuel efficiency.

In January 2013, Clipper Fleet Management was certified in ISO 50001 (Energy) and 14001 (Environment). Clipper Group was among the first shipping companies to receive the ISO 50001 certification. Among the environmental focus areas included and controlled in our ISO certification and vessel specific SEEMP plans (Ship Energy Efficiency Management Plan) are:

- Voyage planning (speed setting)
- Ship handling (trim optimization, ballast optimization, heating on bunker tanks/storage tanks, heating on settling and service tanks, auto pilot setting)
- Machinery and equipment (diesel engine performance monitoring, auxiliary engine load, exhaust gas boiler/economizer, cooling water pumps, main engine lubrication oil pump, engine room ventilation, cargo hold ventilation, incinerator usage, lights, navigational equipment)
- Hull and propeller (anti-fouling, underwater polish)

Review of speed percentage

By monitoring the daily reporting of speed and consumption (speed percentage), we can ensure that we notice any deviations in a vessel's performance. This can for example be an indication of a fouled vessel or a

misalignment of engine adjustments. The average speed percentage in 2015 was 96.4%, an improvement compared to 95.5% in 2014.

Consumption of electricity on vessels

By monitoring the daily electrical load on board our vessels, we can train our staff to switch off equipment when not needed. This is a tangible way to ensure that our staff has high focus on reducing our environmental footprint. In 2015, we were able to reduce consumption of electricity on our vessels by 2.22% mainly through changes in behavior.

Trim optimization

A vessel is designed for a given draft condition and any deviation from this draft might increase the fuel consumption. By using trim optimization, vessels can save fuel e.g. by moving ballast or fuel or loading the cargo differently. In 2015, 68.6% of all voyages performed minimum one trim optimization per voyage (2014: 85%). The decrease in trim optimizations performed was mainly due to the partial sale of our multipurpose fleet. Compared to other vessel types, multipurpose vessels can often benefit from more frequent trim optimization – mainly due to the great variety of cargo types they carry.

Anti-corruption

As an international shipping company sailing worldwide, Clipper is exposed to requests for facility payments and similar corrupt practices. An anti-corruption policy was adopted by the Clipper Board in August 2012. The policy confirms that Clipper has a zero tolerance towards traditional bribery such as kickbacks.

Facility payments (small payments for services that the company is already entitled to) are a separate challenge, and given to some of the areas we operate in, Clipper is not yet able to implement a zero tolerance policy in this regard. In some areas of the world, facility payments are an integrated part of the social structure and a zero tolerance policy would create a number of irresolvable deadlock situations.

It is, however, a high priority to actively fight facility payments in whatever form or shape those appear. In 2015, we, therefore, commenced a global anti-corruption training program for all our employees. We started with senior management, followed by Clipper Fleet Management in Mumbai. 33 employees were trained in 2015, and the program continues in 2016. The training material and online test have been developed by the Maritime Anti-Corruption Network (MACN), of which Clipper continues to be an active member.

In 2015, Clipper was also represented on a sub-committee in BIMCO that developed an anti-corruption clause for charter parties. The clause was adopted by BIMCO in December 2015. When applied, it ensures that cargo owner and shipowner cooperate and take joint responsibility of the fight against corruption.

CORPORATE SOCIAL RESPONSIBILITY

UN GLOBAL COMPACT

Sign up for UN Global Compact during 2015

Prepare format for and file annual communication on progress in 2015, 2016 and 2017.

Joined Jan 2016

To be filed end 2016

UN GLOBAL COMPACT WE SUPPORT

HUMAN RIGHTS AND LABOR STANDARDS

DIVERSITY/WOMEN IN MANAGEMENT

33% of all employees shall be female (end 2017).
Benchmark 2014: 33%
End 2015: **32%**

1 female member should be nominated to the Board of Clipper Group A/S by the end of 2016.
Benchmark 2014: 0 female members of the Board
End 2015: **0**

In Organizational Survey, rating of question "In Clipper, we have equal career opportunities regardless of gender" shall increase to 9.0 end 2017 (overall). In addition, the gap between male and female rating of this question shall decrease.

	Benchmark 2014	End 2015
All employees	8.3	**8.4**
Females	7.7	**8.1**
Males	8.7	**8.5**

TRAINEE EDUCATION

Hire min. 2 trainees/year in Cph, of which min. 1 female.
Benchmark 2014: 3 trainees hired Sep 2014, 1 female
End 2015: **None hired 2015**

All admitted trainees must graduate
Benchmark 2014: 3 out of 3 trainees graduated Sep 2014
End 2015: **1 of 2 trainees graduated Sep 2015**
(2nd trainee had left in 2013)

EMPLOYEE SATISFACTION

Carry out organizational surveys in 2015, 2016 and 2017.
Benchmark 2014: Carried out Oct. 2014
End 2015: **Carried out Sep 2015**

Maintain ratings of above 8.0 on all 4 objective indicators.

	Benchmark 2014	End 2015
Satisfaction	8.0	**8.2**
Loyalty	8.1	**8.2**
Engagement	8.9	**9.1**
Reputation	8.1	**8.5**

EMPLOYEE RETENTION RATE - ON SHORE

On shore employee retention >90 in 2015, 2016 and 2017.
Benchmark 2014: 88.6%
End 2015: **93.8%**

RETENTION RATE - AT SEA

Senior officer retention >90 in 2015, 2016 and 2017.
Benchmark 2014: 93%
End 2015: **93.3%**

Junior officer retention >85 in 2015, 2016 and 2017.
Benchmark 2014: 81%
End 2015: **98%**

Rating retention >80 in 2015, 2016 and 2017.
Benchmark 2014: 85%
End 2015: **89%**

SAFETY/EVENT REPORTING

Ensure that all vessels report at least 6 events per month in average.
Benchmark 2014: 24%
End 2015: **77%**

SAFETY/LOST TIME INCIDENTS

Lost time incidents frequency rate to decrease in average for each of the years 2015, 2016 and 2017.
Benchmark 2014: 1.9 frequency rate
End 2015: **1.72** frequency rate

SAFETY/PORT STATE CONTROL DEFICIENCIES

Port state control deficiencies to be below 1.0 for all relevant vessels in average during 2015, 2016 and 2017.
Benchmark 2014:
Deficiencies/inspection 1.05

End 2015: **0.88** deficiencies/inspection

ENVIRONMENT

SCRAPPING POLICY

Prepare and adopt scrapping policy during 2015.
Benchmark 2014: In progress
End 2015:
Approved Dec 2015

SPEED PERCENTAGE

Continue to monitor, analyze and take actions on deviations in the speed percentage at any time.
Benchmark 2014:
95.5%
End 2015:
96.4%

CONSUMPTION OF ELECTRICITY

Average consumption of electricity on vessel to decline for each of the years 2015, 2016 and 2017.
Benchmark 2014:
2% reduction per year
End 2015:
2.22%
reduction

TRIM OPTIMIZATION

Perform minimum one trim optimization per voyage.
Benchmark 2014:
85% of all voyages
End 2015:
68.6%
of all voyages

ANTI-CORRUPTION

Carry out training of all employees on shore and crew on vessels under technical management with Clipper (during 2015).
Benchmark 2014: Outstanding
End 2015:
33
employees trained

Continue active membership of MACN.
Benchmark 2014: Active membership
End 2015:
Yes

Continue participation in BIMCO sub-committee on anti-corruption.
Benchmark 2014: Active participation
End 2015:
Finalized
Clause adopted Dec 2015


SEATRUCK

FINANCIAL STATEMENTS CONSOLIDATED

Statement of profit and loss for the Group

	Notes	2015 USD'000	2014 USD'000
Net revenue	1	207,243	268,544
Operating expenses		(110,640)	(151,479)
Other external expenses		(17,273)	(21,301)
Operating profit/(loss) before depreciation etc.		**79,330**	**95,764**
Staff costs	13	(48,856)	(58,614)
Net gain/(loss) on sale of vessels, property and equipment		(877)	(1,157)
Depreciation and amortization	6,7	(23,061)	(30,801)
Impairment loss	7	(198)	(4,204)
Operating profit/(loss)		**6,338**	**988**
Profit/(loss) from investments in associates	8	120	1,792
Gain/(loss) from other financial assets	8	7,766	5,644
Financial expenses, net	2,3	(4,510)	(5,721)
Profit/(loss) before taxes		**9,714**	**2,703**
Tax on profit/(loss) for the year	4	3,618	470
Profit/(loss) before minority interests		**13,332**	**3,173**
Minority interests' share of profit/(loss) for the year	5	(7)	2,523
Profit/(loss) for the year		**13,325**	**5,696**

Proposed distribution of profit/(loss)			
Retained earnings		13,325	5,696
		13,325	**5,696**

Statement of financial position for the Group

	Notes	2015 USD'000	2014 USD'000
Goodwill		7,305	8,733
Port rights		2,071	2,589
Software		741	650
Intangible assets	6	**10,117**	**11,972**
Land and buildings		4,388	4,379
Other plant and operating equipment		6,994	7,825
Vessels		233,546	277,461
Tangible assets	7	**244,928**	**289,665**
Investments in associates	8	8,305	9,886
Other financial assets	8	9,802	24,482
Other receivables		3,487	7,401
Receivables from related parties		-	194
Financial assets		**21,594**	**41,963**
Fixed assets		**276,639**	**343,600**
Bunkers and stock		**1,727**	**2,258**
Trade receivables		18,967	22,364
Receivables from related parties		67,024	34,840
Prepaid expenses and other receivables	9	8,609	9,498
Receivables		**94,600**	**66,702**
Other securities	10	**8,943**	**10,096**
Cash		**20,515**	**22,110**
Current assets		**125,785**	**101,166**
Assets		**402,424**	**444,766**

Statement of financial position for the Group, continued

	Notes	2015 USD'000	2014 USD'000
Share capital		171,596	171,596
Exchange rate adjustments		(8,107)	(2,276)
Value adjustment of hedging instruments		(9,081)	(7,181)
Retained earnings		17,665	8,577
Equity		**172,073**	**170,716**
Minority interests	5	**42**	**39**
Various provisions		218	243
Provisions	11	**218**	**243**
Bank loans		146,690	177,742
Finance leases		8,400	10,101
Non-current liabilities	12	**155,090**	**187,843**
Current portion of non-current liabilities	12	12,826	20,268
Trade payables		10,269	12,202
Payables to related parties		25,189	24,146
Other payables		26,717	29,309
Current liabilities		**75,001**	**85,925**
Liabilities		**230,091**	**273,768**
Equity and liabilities		**402,424**	**444,766**

Assets pledged and guarantees	14
Contractual obligations	15
Derivative financial instruments	16
Fees to auditors appointed at the Parent company's annual general meeting and other auditors	17

Statement of changes in equity for the Group

	Share capital	Exchange rate adjustmens	Value adjustment of hedging instruments	Retained earnings	Total equity
	USD'000	USD'000	USD'000	USD'000	USD'000
Balance at December 31, 2014	171,596	(2,276)	(7,181)	8,577	170,716
Effect of intra-group merger	-	4,138	-	(4,138)	-
Balance at January 1, 2015	**171,596**	**1,862**	**(7,181)**	**4,439**	**170,716**
Profit/(loss) for the year	-	-	-	13,325	13,325
Exchange rate adjustments of investments in companies using a functional currency other than USD	-	(9,969)	-	(99)	(10,068)
Value adjustment of hedging instruments, net after tax	-	-	(1,900)	-	(1,900)
Balance at December 31, 2015	**171,596**	**(8,107)**	**(9,081)**	**17,665**	**172,073**

Statement of cash flows for the Group

	Notes	2015 USD'000	2014 USD'000
Operating profit/(loss)		6,338	988
Adjustments for:			
Net (gain)/loss on sale of tangible assets		877	1,157
Depreciation, amortization and impairment losses		23,259	35,005
Change in provisions		(25)	(1,224)
		24,111	**34,938**
Working capital changes			
Change in trade receivables and other receivables		15,740	7,556
Change in trade payables and other payables		(7,810)	(9,134)
		7,930	**(1,578)**
Interest income received	2	1,055	1,863
Interest expenses paid	3	(4,142)	(7,861)
Taxes paid		(337)	(228)
Cash from/(used in) operating activities		**34,955**	**28,122**
Acquisition of intangible assets	6	(464)	(398)
Sale of intangible assets		1	4
Acquisition of vessels	7	(4,883)	(2,261)
Acquisition of property and operating equipment		(3,609)	(3,243)
Sale of property, operating equipment and vessels		12,161	46,617
Acquisitions of other financial assets		(57)	(110)
Sale of other financial assets		21,457	-
Investments in subsidiaries		-	(602)
Investments, distributions and proceeds from disposals of associates		-	149
Loans to related parties and associates		(30,947)	(6,510)
Cash flows from/(used in) investing activities		**(6,341)**	**33,646**
Repayment of loans		(27,755)	(57,198)
Cash flows from/(used in) financing activities		**(27,755)**	**(57,198)**
Change in cash and cash equivalents		**859**	**4,570**

Statement of cash flows for the Group, continued

	Notes	2015 USD'000	2014 USD'000
Cash and cash equivalents at January 1		33,907	33,309
Change in cash and cash equivalents for the year		859	4,570
Effects of exchange rate changes		(1,793)	(3,972)
Cash and cash equivalents at December 31		**32,973**	**33,907**
Cash and cash equivalents comprise			
Cash		20,515	22,110
Cash collateral receivable	14	3,515	1,701
Other securities	10	8,943	10,096
		32,973	**33,907**

CONSOLIDATED NOTES

Notes, consolidated Page

1. 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.

2. Financial income

	2015	2014
	USD'000	USD'000
Interest on bank deposits	22	16
Interest on receivables from related parties	6	264
Currency translation gain, net	5,285	6,705
Dividend income	-	14
Gains on securities	-	14
Financial gain on sale of activity	-	5,306
Other financial income	55	397
	5,368	**12,716**

3. Financial expenses

	2015	2014
	USD'000	USD'000
Interest on payables to banks and credit institutions	8,591	12,519
Interest on payables to related parties	26	103
Losses on securities	12	62
Loss on loan to third party	1,000	5,042
Other financial expenses	249	711
	9,878	**18,437**

4. Income taxes

	2015	2014
	USD'000	USD'000
Taxes paid abroad	(337)	(228)
Current tax	1,425	644
Compensation from other group companies for utilizing part of the Group's tax loss carry forwards	2,530	54
Tax on profit/(loss) for the year	**3,618**	**470**

4. Income taxes, continued

Clipper Group A/S and other subsidiaries participating in the joint taxation arrangement have considerable tax loss carry forwards, the value of which has not been recognized in the balance sheet.

The Group's shipping activities are subject to tonnage tax schemes in the countries from which the shipping activities are operated.

For the Danish shipping activities, taxation under the tonnage tax scheme is binding up to and including 2021.

5. Minority interests

Minority interests represent 25% of the results of HH2 A/S, 40.25% of Fourth Invest ApS and 0.001% of Clipper Bulk Transportes Maritimos Ltda.

	2015	**2014**
	USD'000	USD'000
Minority interests at January 1	39	2,604
Share of profit/(loss) for the year	7	(2,523)
Exchange rate adjustments	(4)	(42)
Minority interests at December 31	**42**	**39**

6. Intangible assets

	Goodwill	**Port rights**	**Software**
	USD'000	USD'000	USD'000
Cost at January 1	14,986	5,593	3,109
Additions for the year	-	-	464
Disposals for the year	-	-	(3)
Exchange rate adjustments for the year	(1,208)	(266)	(235)
Cost at December 31	**13,778**	**5,327**	**3,335**
Amortization at January 1	6,253	3,004	2,459
Amortization for the year	530	407	332
Disposals for the year	-	-	(2)
Exchange rate adjustments for the year	(310)	(155)	(195)
Amortization at December 31	**6,473**	**3,256**	**2,594**
Carrying amount at December 31	**7,305**	**2,071**	**741**

7. Tangible assets

	Land and buildings	Other plant and operating equipment	Vessels
	USD'000	USD'000	USD'000
Cost at January 1	12,147	28,040	436,103
Additions for the year	1,332	2,277	4,883
Disposals for the year	(76)	(524)	(44,118)
Exchange rate adjustments for the year	(1,247)	(1,500)	(24,800)
Cost at December 31	**12,156**	**28,293**	**372,068**
Depreciation at January 1	7,768	20,215	158,642
Depreciation for the year	876	2,544	18,372
Impairment loss for the year	-	-	198
Disposals for the year	(59)	(338)	(29,709)
Exchange rate adjustments for the year	(817)	(1,122)	(8,981)
Depreciation and impairment loss at December 31	**7,768**	**21,299**	**138,522**
Carrying amount at December 31	**4,388**	**6,994**	**233,546**
Carrying amount of assets provided as security	33	2,010	221,005
Finance leases	-	307	-
Leased assets are recognized by	-	-	9,415

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 0.2 million (2014: USD 4.2 million).

8. Financial assets

	Investments in associates USD'000	Other financial assets USD'000
Cost at January 1	17,048	121,685
Addition for the year	-	179
Disposals for the year	-	(83,280)
Exchange rate adjustments for the year recognized in equity	-	(741)
Cost at December 31	**17,048**	**37,843**
Value adjustments, net at January 1	(7,162)	(97,202)
Adjustments	(5)	-
Net shares of profit/(loss) after tax	2,651	-
Impairment loss	(2,531)	-
Addition for the year	-	(122)
Disposals for the year	-	61,823
Dividend	(972)	(206)
Market value adjustment for the year taken to statement of profit/(loss)	-	7,766
Exchange rate adjustments for the year recognized in equity	(724)	(100)
Value adjustments, net at December 31	**(8,743)**	**(28,041)**
Carrying amount at December 31	**8,305**	**9,802**
Carrying amount of assets provided as security	-	3,055

Clipper has in April 2016 reduced the ownership in the associated company STC Shipping Pte Ltd from 20% to 10%.

Name	**Registered in**	**Ownership**	**Share of profit/(loss)** USD'000	**Share of equity** USD'000
Investments in associates can be specified as follows:				
Steel Connect Coorperatief U.A.	The Netherlands	37.50%	1,983	5,770
STC Shipping Pte. Ltd.	Singapore	20.00%	666	2,531
SARL Clipper Agencia Algeria	Algeria	49.00%	(3)	4
Others			5	-
			2,651	**8,305**

9. Prepaid expenses and other receivables

	2015	2014
	USD'000	USD'000
Fair value, derivative financial instruments	1,749	1,142
Receivable from sale of buildings	175	195
Prepaid expenses related to operations	3,667	4,552
VAT receivable	513	620
Insurance	505	623
Other	2,000	2,366
	8,609	**9,498**

10. Other securities

	2015	2014
	USD'000	USD'000
Unlisted shares	-	10
Listed bonds and shares	8,943	10,086
	8,943	**10,096**

11. Provisions

	2015	2014
	USD'000	USD'000
Expected to be payable within 1 year	190	218
Expected to be payable within 2-5 years	28	25
Expected to be payable after 5 years	-	-
	218	**243**

12. Non-current liabilities

	2015	2014
	USD'000	USD'000
Installments due within 1 year	12,826	20,268
Installments due within 1-5 years	142,225	163,917
Installments due after 5 years	12,865	23,926
	167,916	**208,111**

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

Bank loans	7,767	16,869
Finance leases	5,098	7,057
	12,865	**23,926**

Debt covered by refinancing agreement	125,717	150,079
Danske Færger A/S	42,199	52,387
Other debt	-	5,645
	167,916	**208,111**

Clipper finalized an agreement in 2013 with its banks for refinancing of the majority of its debt.

The refinancing agreement matures on January 1, 2018. Until January 1, 2018, repayment of loans covered by the agreement will be limited to excess cash above a defined minimum threshold. In the balance sheet at December 31, 2015, the allocation of debt relating to the refinancing agreement between current and non-current liabilities is based on Management's cash flow projections for the next twelve months.

The refinancing agreement contains certain customary financial covenants, all of which have been met throughout the year.

13. Staff costs

	2015	2014
	USD'000	USD'000
Staff costs are composed as follows:		
Wages and salaries	42,539	50,732
Pension	4,036	4,916
Other social security costs	2,281	2,966
	48,856	**58,614**
Number of employees	546	560

The number of employees includes the crew engaged by Danske Færger A/S, whereas other crew has been engaged externally.

	2015	2014
	USD'000	USD'000
Of this, salaries, remuneration and fees to the Executive Management and the Board of Directors amount to:		
Executive Management	1,198	1,354
Board of Directors	1,609	1,363
	2,807	**2,717**

14. Assets pledged and guarantees

Vessels have been provided as security for the bank loans. At December 31, 2015, the carrying amount of vessels provided as security for bank loans totalled USD 221,005 thousand (2014: USD 263,455 thousand), hereof leased vessels of USD 9,736 thousand (2014: USD 12,743 thousand). In addition, investments in associates and other financial assets, other tangible assets and receivables from related parties of a total of USD 72,089 thousand have been provided as security for bank loans (2014: USD 56,963 thousand).

All of Clipper Group Ltd. and fully owned subsidiaries including Clipper Group A/S, that are party to the financing agreement guarantee the compliance of all facilities covered under the financing agreement.

In financial fixed assets is included a cash deposit of USD 2,112 thousand which is pledged as security for a loan related to a high-speed craft ferry in Danske Færger A/S (2014: 1,701 thousand).

In receivables is included a cash deposit of USD 1,403 thousand which is pledged as security for negative value on certain financial instruments in Danske Færger A/S (2014: USD nil).

15. Contractual obligations

The Group has assumed lease commitments totalling USD 678 thousand at December 31, 2015 (2014: USD 485 thousand). The lease contracts have terms of up to 48 months.

At December 31, 2015, the Group has rental commitments totalling USD 11,536 thousand (2014: USD 17,437 thousand).

At December 31, 2015, the Group has time charter commitments totalling USD 9,143 thousand (2014: USD 10,051 thousand).

At December 31, 2015, the Group has guarantee commitments totalling a maximum of USD 13,415 thousand concerning loans relating to five tankers vessels (2014: USD 16,862 thousand), which have been released as of February 1, 2016. The guarantee commitments were part of the transaction with Nordic Shipholding A/S (formerly Nordic Tankers A/S) made in 2010.

The Group has provided a guarantee for USD 9,151 thousand to the Danish Transport Authority for the performance of the contract for serving the Bornholm ferry routes up until August 31, 2017 (2014: USD 10,210 thousand).

Via Danske Færger A/S, the Group has a contractual obligation to dismantle and dispose of harbor facilities at some of the harbors serviced by Danske Færger A/S's vessels. No provision has been made for this due to the considerable uncertainty as to the size of the financial commitment and the timing of its realization.

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.

16. 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 1,068 thousand (2014: Unrealized loss of USD 1,751 thousand).

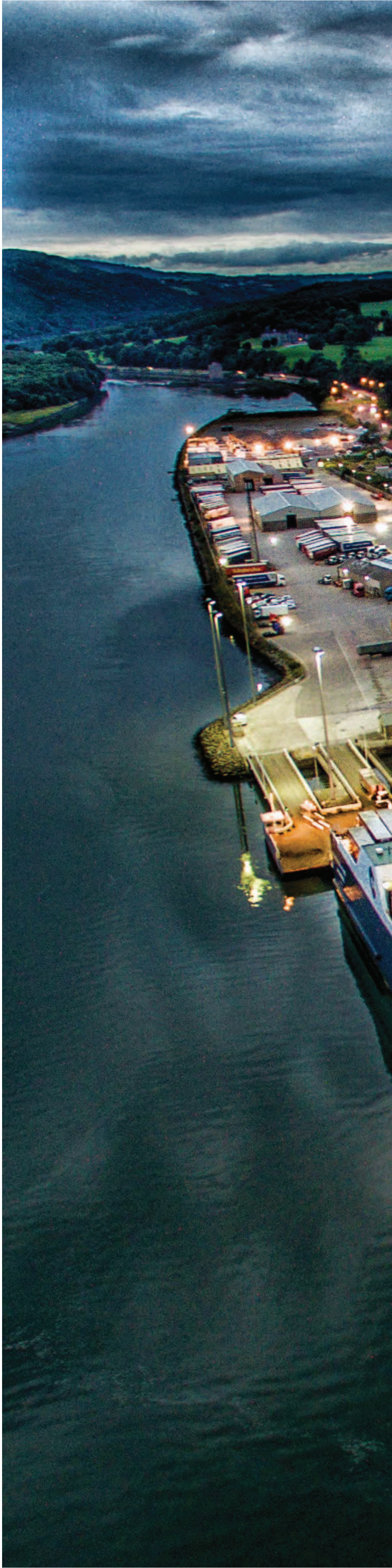
Agreements for the hedging of bunker purchases for the period 2016 – 2017 relating to future ferry activities to be managed by Danske Færger A/S. The market value represents an unrealized loss of USD 9,327 thousand (2014: Unrealized loss of USD 6,067 thousand).

As regards 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 1,749 thousand (2014: Unrealized gain of USD 1,142 thousand).

All amounts have been recognized directly in equity.

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

	2015 USD'000	2014 USD'000
Statutory audit services, Deloitte	221	332
Statutory audit services, other auditors	20	36
Tax services, Deloitte	90	121
Tax services, other auditors	5	27
Other non-audit services, Deloitte	43	65
Other non-audit services, other auditors	16	16
	395	**597**



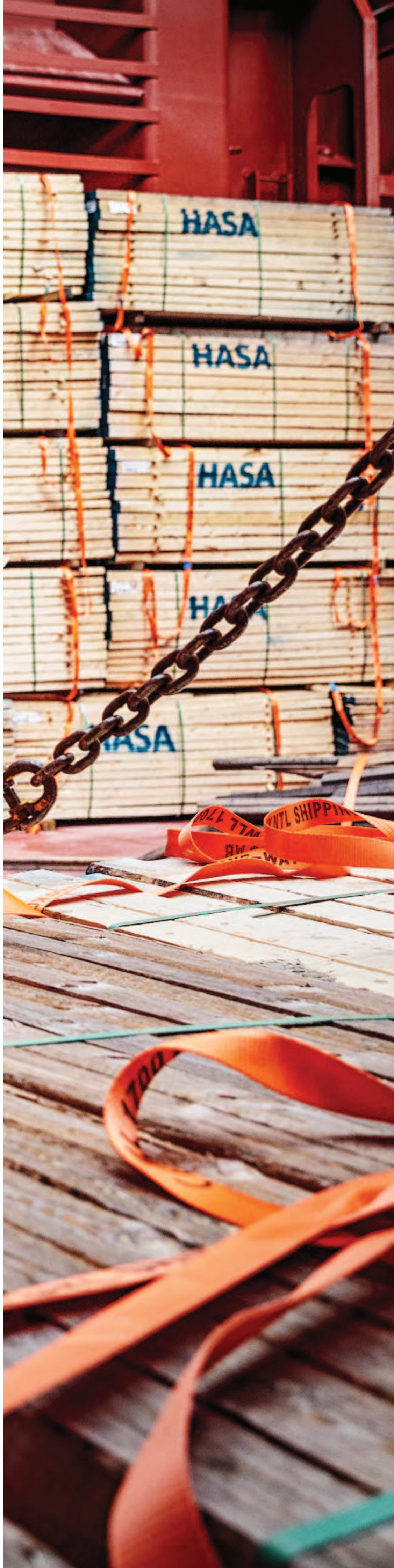
LIST OF SUBSIDIARIES OF THE GROUP

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%
Clipper Americas Inc., USA	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) BV, The Netherlands	100%
Clipper Group (Singapore) Pte. Ltd., Singapore	100%
Clipper Bulk Shipping Pte. Ltd., Singapore	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%
Multipurpose segment	
Clipper Projects A/S, Denmark	100%
K/S CEC Delta and Komplementarselskabet CEC Delta ApS, Denmark	100%
Clipper Lines A/S, Denmark	100%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FINANCIAL STATEMENTS PARENT

Statement of profit and loss

	Notes	2015 USD'000	2014 USD'000
Net revenue		15,387	27,194
Other external expenses		(7,971)	(9,891)
Operating profit/(loss) before depreciation etc		**7,416**	**17,303**
Staff costs	1	(15,918)	(18,138)
Depreciation and amortization	5,6	(812)	(839)
Operating profit/(loss)		**(9,314)**	**(1,674)**
Profit/(loss) from investments in subsidiaries	7	4,980	(2,658)
Profit/(loss) from investments in associates	7	5,618	6,023
Gain/(loss) from other financial assets	7	7,766	5,644
Financial expenses, net	2,3	459	(2,170)
Profit/(loss) before taxes		**9,509**	**5,165**
Tax on profit/(loss) for the year	4	3,816	531
Profit/(loss) for the year		**13,325**	**5,696**

Proposed distribution of profit/(loss)			
Retained earnings		13,325	5,696
		13,325	**5,696**

Statement of financial position

	Notes	2015 USD'000	2014 USD'000
Software		41	63
Intangible assets	5	**41**	**63**
Other plant and operating equipment		3,275	3,266
Tangible assets	6	**3,275**	**3,266**
Investments in subsidiaries	7	29,626	48,152
Investments in associates	7	47,782	50,113
Other loans		-	3,000
Other financial assets	7	9,802	24,483
Financial assets		**87,210**	**125,748**
Fixed assets		**90,526**	**129,077**
Receivables from related parties		84,845	55,149
Loan to associate		-	5,241
Other receivables		1,970	3,189
Receivables		**86,815**	**63,579**
Other securities		**213**	**258**
Cash		**4,974**	**869**
Current assets		**92,002**	**64,706**
Assets		**182,528**	**193,783**

Statement of financial position, continued

	Notes	2015 USD'000	2014 USD'000
Share capital	8	171,596	171,596
Retained earnings		477	(880)
Equity		**172,073**	**170,716**
Bank loans	9	407	10,268
Non-current liabilities		**407**	**10,268**
Current portion of non-current liabilities	9	-	623
Trade payables		1,229	845
Payables to subsidiaries		4,786	7,182
Other payables		4,033	4,149
Current liabilities		**10,048**	**12,799**
Liabilities		**10,455**	**23,067**
Equity and liabilities		**182,528**	**193,783**
Assets pledged and guarantees	10		
Contractual obligations	11		
Ownership	12		
Consolidation	13		

Statement of changes in equity

	Share capital USD'000	Retained earnings USD'000	Total equity USD'000
Balance at December 31, 2014	171,596	(880)	170,716
Effect of intra-group merger	-	-	-
Balance at January 1, 2015	**171,596**	**(880)**	**170,716**
Profit/(loss) for the year	-	13,325	13,325
Exchange rate adjustments of investments in subsidiaries and associates	-	(10,068)	(10,068)
Value adjustment of hedging instruments in subsidiaries and associates, net after tax	-	(1,900)	(1,900)
Balance at December 31, 2015	**171,596**	**477**	**172,073**

NOTES PARENT

Notes, Parent

1. Staff costs

	2015	2014
	USD'000	USD'000
Staff costs are composed as follows:		
Wages and salaries	14,386	16,311
Pension	1,101	1,297
Other social security costs	431	530
	15,918	**18,138**
Number of employees	75	74
Of this, salaries, remuneration and fees to the Executive Management and the Board of Directors amount to:		
Executive Management	1,198	1,354
Board of Directors	1,609	1,363
	2,807	**2,717**

2. Financial income

	2015	2014
	USD'000	USD'000
Interest on bank deposits	13	13
Interest income from subsidiaries and associates	1,222	2,405
Market value adjustment of securities	-	14
Dividend	-	14
Currency translation gain, net	634	1,575
	1,869	**4,021**

3. Financial expenses

	2015	2014
	USD'000	USD'000
Interest on bank debt	310	569
Market value adjustment of securities	12	62
Write-down of loan to third party	1,000	5,042
Other financial expenses	88	518
	1,410	**6,191**

4. Tax

Clipper Group A/S is subject to a joint taxation arrangement.

Clipper Group A/S has tax losses carried forward, the value of which has not been recognized in the balance sheet.

5. Intangible assets

	Software
	USD'000
Cost at January 1	111
Cost at December 31	**111**
Amortization for the year at January 1	48
Amortization for the year	22
Amortization at December 31	**70**
Carrying amount at December 31	**41**

6. Tangible assets

	Other plant and operating equipment
	USD'000
Cost at January 1	8,394
Additions for the year	889
Disposals for the year	(90)
Cost at December 31	**9,193**
Depreciation at January 1	5,128
Depreciation for the year	790
Depreciation and impairment loss at December 31	**5,918**
Carrying amount at December 31	**3,275**

7. Financial assets

	Investments in subsidiaries USD'000	Investments in associates USD'000	Other financial assets USD'000
Cost at January 1	392,050	115,311	121,685
Addition for the year	-	-	179
Disposals for the year	507	-	(83,280)
Exchange rate adjustments	-	-	(741)
Cost at December 31	**392,557**	**115,311**	**37,843**
Value adjustment, net at January 1	(343,898)	(65,198)	(97,202)
Net share of profit/(loss) after tax	7,511	5,618	-
Impairment loss	(2,531)	-	-
Addition for the year	-	-	(122)
Disposals for the year	-	-	61,823
Dividends received	(20,638)	-	(206)
Market value adjustment for the year taken to statement of profit/(loss)	-	-	7,766
Value adjustment of hedging transaction, net after tax	-	(1,999)	-
Exchange rate adjustments	(3,375)	(5,950)	(100)
Value adjustment, net at December 31	**(362,931)**	**(67,529)**	**28,041**
Carrying amount at December 31	**29,626**	**47,782**	**9,802**
Carrying amount of assets provided as security	29,500	-	3,055

7. Financial assets, continued

Investments in subsidiaries can be specified as follows:

Name	Registered in	Ownership
Clipper Bulk A/S	Denmark	100%
Clipper Projects A/S	Denmark	100%
HH2 A/S	Denmark	75%
Fourth Invest ApS	Denmark	60%
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%
K/S CEC Delta	Denmark	10%
Danske Færger A/S	Denmark	50%

8. Share capital

	2015	2014
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.
In 2012, the share capital was changed from DKK 955,000 thousand to DKK 982,500 thousand by conversion of debt.
In 2011, the share capital was changed from DKK 910,000 thousand to DKK 955,000 thousand by conversion of debt.

9. Bank loans

	2015	2014
	USD'000	USD'000
Installments due within 1 year	-	623
Installments due within 1-5 years	407	10,268
	407	**10,891**

The Group's refinancing agreement will mature on January 1, 2018. Repayment of loans is limited to excess cash above a certain minimum threshold. In the balance sheet at December 31, 2015, the allocation of debt between current and non-current liabilities is based on Management's cash flow projections for the next twelve months.

10. Assets pledged and guarantees

Investments in subsidiaries, associates and other financial assets of USD 32,555 thousand have been provided as security for bank loans (2014: USD 68,824 thousand).

As a subsidiary of Clipper Group Ltd., the Company is a party to the Group's refinancing agreements and guarantees with other borrowers included in the refinancing agreement the punctual performance by all members of Clipper Group Ltd.

11. Contractual obligations

The Company has assumed lease commitments totaling USD 678 thousand at December 31, 2015 (2014: USD 485 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 9,391 thousand (2014: USD 14,809 thousand).

At December 31, 2015, the Company has guarantee commitments totalling a maximum of USD 13,415 thousand concerning loans relating to five tanker vessels, which have been released as of February 1, 2016. The guarantee commitments were part of the transaction with Nordic Shipholding A/S (formerly Nordic Tankers A/S) made in 2010 (2014: USD 16,862 thousand).

The Company has provided a guarantee for USD 9,151 thousand to the Danish Transport Authority for the performance of the contract for serving the Bornholm ferry routes up until August 31, 2017 (2014: USD 10,210 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., Pineapple Grove, Unit 3, Old Fort Bay, Nassau, the Bahamas, does not publish its 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).

Merger with Clipper Management A/S and Clipper Ferry Invest A/S

Effective January 1, 2015 the parent company merged with the wholly-owned subsidiaries Clipper Management A/S and Clipper Ferry Invest A/S. The merger was carried out using the pooling of interests method, and the financial statements, including comparative figures for 2014, have been restated to reflect the merger as if the activities of Clipper Management A/S and Clipper Ferry Invest A/S had always been carried out in Clipper Group A/S.

As a consequence of the merger, the total assets at December 31, 2014 has decreased by USD 4 million while the merger has no effect on the profit for the year and the total equity at December 31, 2014.

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 6.8300 at December 31, 2015 (2014: 6.1214).

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 effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the 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.

The pooling of interests method is applied when Management assess that the conditions according to sec-tion 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 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 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

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.

Profits 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.

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.

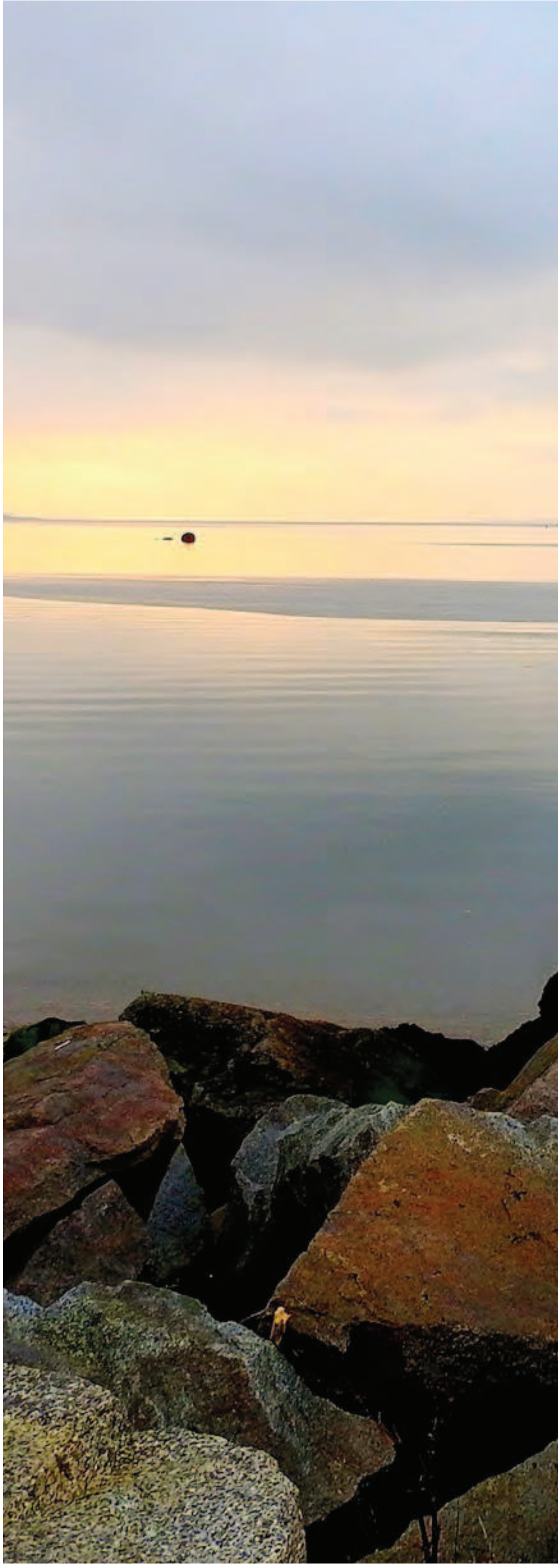
HANDS-ON
We make it our priority to know and care for people and our business.

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.



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

clipper-group.com