

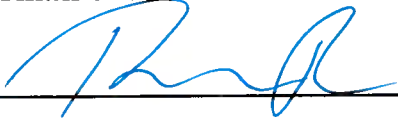
Clipper Lines A/S
Sundkrogsgade 19
2100 Copenhagen Ø

Central Business Registration No: 29 93 05 70

Annual report 2016

The Annual General Meeting adopted the annual report on May 30, 2017

Chairman of the General Meeting



Contents

	<u>Page</u>
Company details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Accounting policies	7
Income statement	9
Balance sheet at 31.12.	10
Statement of changes in equity	12
Notes	13

Company details

Company

Clipper Lines A/S
Sundkrogsgade 19
2100 Copenhagen Ø, Denmark

Central Business Registration No 29 93 05 70
Registered in: City of Copenhagen

Phone: +45 49 11 80 00

Fax: +45 49 11 80 01

Board of Directors

Frank Gülnar Jensen, Chairman
Henrik Lund Dal
Flemming Lorents Steen

Executive Board

Flemming Lorents Steen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Clipper Lines A/S for the financial year January 1 to December 31, 2016.

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

In our opinion, the annual report gives a true and fair view of the Company's financial position at December 31, 2016 and of its operations for the financial year January 1 to December 31, 2016.

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, 2017

Executive Board




Flemming Lorents Steen

Board of Directors



Frank Günar Jensen
Chairman



Flemming Lorents Steen



Henrik Lund Dal

Independent auditor's report

To the owner of Clipper Lines A/S

Opinion

We have audited the financial statements of Clipper Lines A/S for the financial year January 1 – December 31 2016, which comprise the income statement, balance sheet and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at December 31, 2016 and of the results of its operations for the financial year January 01 – December 31 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the financial statements* section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, May 30, 2017

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56



Kim Takata Mücke
State Authorized Public Accountants



Bjarne Iver Jørgensen
State Authorized Public Accountants

Management commentary

Primary activities

The Company was engaged in shipping and chartering of vessels within the liner business. The Company mainly operated services between Africa and South America.

Development in activities and finances

The financial year shows a profit of USD NIL, which is considered satisfactory.

The Company has a negative equity at December 31 2016, which is covered by debt by group companies.

As the Company has divested its activities during 2016, the Company will decide whether the share capital is to be recovered or if the Company must be dissolved.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Accounting policies

Reporting class

The annual report of Clipper Lines A/S has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises.

As the Company's functional currency is USD, the annual report has been presented using USD as the reporting currency. The exchange rate used for DKK against USD is 7.05 at December 31, 2016 (2015: 6.83).

The accounting policies applied for these financial statements are consistent with those applied last year.

Recognition and measurement

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

Liabilities are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a prior event and it is probable that future economic benefits will flow out of the Company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognized in the income statement when earned, whereas costs are recognized by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognized in the income statements as financial income or financial expenses.

Income statement

Administrative expenses

Administrative expenses comprise expenses incurred for management and administration of the Company, including expenses for administrative staff and management, stationery and office supplies.

Other financial expenses

Other financial expenses comprises interest expenses as well as realized and unrealized foreign exchange losses.

Income tax

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

The Company participates in a joint taxation arrangement. Current taxes for the jointly taxed companies are allocated according to the full costing method.

Assets

Receivables

Receivables are measured at amortized cost, usually equaling nominal value less write-downs for bad and doubtful debts.

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

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

Income statement

	<u>Notes</u>	<u>2016</u> <u>USD'000</u>	<u>2015</u> <u>USD'000</u>
Administrative expenses	1	<u>0</u>	<u>59</u>
Operating profit/loss		0	59
Other financial expenses		<u>0</u>	<u>(1)</u>
Loss before tax		0	58
Tax on profit/loss of the year	2	<u>0</u>	<u>270</u>
Loss for the year		0	328
		<u>0</u>	<u>328</u>
Proposed distribution of loss			
Retained earnings		<u>0</u>	<u>328</u>
		<u>0</u>	<u>328</u>

Balance sheet at 31.12.

	<u>Notes</u>	<u>2016</u> <u>USD'000</u>	<u>2015</u> <u>USD'000</u>
Receivable from group enterprises		<u>727</u>	<u>1,986</u>
Receivables		<u>727</u>	<u>1,986</u>
Cash		<u>4</u>	<u>14</u>
Current assets		<u>731</u>	<u>2,000</u>
Assets		<u>731</u>	<u>2,000</u>

Balance sheet at 31.12.

	<u>Notes</u>	<u>2016 USD'000</u>	<u>2015 USD'000</u>
Contributed capital	3	901	901
Retained earnings		<u>(2,252)</u>	<u>(2,252)</u>
Equity		<u>(1,351)</u>	<u>(1,351)</u>
Trade payables		86	92
Debt to group enterprises		1,953	3,053
Other payables	4	<u>43</u>	<u>206</u>
Current liabilities other than provisions		<u>2,082</u>	<u>3,351</u>
Liabilities other than provisions		<u>2,082</u>	<u>3,351</u>
Equity and liabilities		<u><u>731</u></u>	<u><u>2,000</u></u>
Other notes:			
Contingent assets	5		
Contingent liabilities	6		
Assets charged and collateral	7		
Consolidation	8		

Statement of changes in equity for 2016

	Share capital USD'000	Retained earnings USD'000	Total equity USD'000
Equity beginning of year	901	(2,252)	(1,351)
Profit/loss for the year	<u>0</u>	<u>0</u>	<u>0</u>
Equity end of year	<u>901</u>	<u>(2,252)</u>	<u>(1,351)</u>

Notes

1. Administrative expenses

Apart from the Executive Board, the Company has had no employees. The Board of Directors and Executive Board have not received remuneration in the financial year.

The Company's commercial management and administration is handled by group related companies.

In 2013, the Company recorded a liability of USD 2,000 thousand to cover the cost relating to close down, of which a proportion was reversed in 2016.

	<u>2016</u> <u>USD'000</u>	<u>2015</u> <u>USD'000</u>
2. Tax		
Adjustment concerning prior years	<u>0</u>	<u>(270)</u>
	<u>0</u>	<u>(270)</u>

	<u>Number</u>	<u>Nominal value</u> <u>USD'000</u>
3. Contributed capital		
Ordinary shares	<u>5,350</u>	<u>901</u>
	<u>5,350</u>	<u>901</u>

	<u>2016</u> <u>USD'000</u>	<u>2015</u> <u>USD'000</u>	<u>2014</u> <u>USD'000</u>	<u>2013</u> <u>USD'000</u>	<u>2012</u> <u>USD'000</u>
Changes in contributed capital					
Contributed capital beginning of year	901	901	901	883	883
Increase of capital	<u>0</u>	<u>0</u>	<u>0</u>	<u>18</u>	<u>0</u>
Contributed capital end of year	<u>901</u>	<u>901</u>	<u>901</u>	<u>901</u>	<u>883</u>

Notes

	<u>2016</u> <u>USD'000</u>	<u>2015</u> <u>USD'000</u>
4. Other short-term payables		
Accrued to cover close down costs	41	203
Miscellaneous expenses payable	<u>2</u>	<u>3</u>
	<u>43</u>	<u>206</u>

5. Contingent assets

The Company has made claims in various legal proceedings in which income will be recognized concurrently with amounts eventually being awarded and paid.

6. Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which Clipper Group Ltd. Serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

7. Assets charged and collateral

Assets totaling USD 525k have been provided as security for group loans.

As a co-signatory of the Clipper Group Ltd's financing agreement existing at 31 December 2016, the Company guarantees the lenders of the agreement that the other companies' obligations assumed under the financing agreement will be met. Clipper Group Ltd has in 2017 concluded the terms of a new long term financing agreement. The securities to be provided under this new financing agreement will be detailed in the documentation under finalization.

8. Consolidation

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

The ultimate parent company, Clipper Group Ltd., Nassau, the Bahamas, does not publish its financial statements.

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

Clipper Lines A/S is included in the consolidated financial statements of Clipper Group A/S, Central Business Registration No 29 89 18 18.