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Nordic Tankers A/S

Tuborg Havnevej 15
2900 Hellerup
Central Business Registration No
34466696

Annual report 2016

The Annual General Meeting adopted the annual report on 18.05.2017

Chairman of the General Meeting

Name: Carl Willem Henrik Moltke

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Chairman of the General Meeting

Name: C. MONTRE

Contents

Entity details

Entity
Nordic Tankers A/S
Tuborg Havnevej 15
2900 Hellerup

Central Business Registration No: 34466696
Registered in: Hellerup
Financial year: 01.01.2016 - 31.12.2016

Board of Directors
Terje Askvig, chairman
Fredrik Behrens Brynildsen
Terje Morten Tollefsen
Björn Erik Nilsson
Jan Marceli Kopernicki
Klaus Kjærulff
Per Sylvester Jensen

Executive Board
Per Sylvester Jensen, Chief Executive Officer

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

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Nordic Tankers A/S for the financial year 01.01.2016 - 31.12.2016.

The annual report is presented in accordance with the Danish Financial Statements Act, however with early adoption of some of the provisions of the Danish Financial Statements Act of 2015.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

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, 22.03.2017

Executive Board

Per Sylvester Jensen
Chief Executive Officer

Board of Directors

Terje Askvig chairman	Fredrik Behrens Brynildsen	Terje Morten Tollefsen
Björn Erik Nilsson	Jan Marceli Kopernicki	Klaus Kjærulff
Per Sylvester Jensen		

Independent auditor's report

To the shareholders of Nordic Tankers A/S

Opinion

We have audited the financial statements of Nordic Tankers A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 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 exits. 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:

Independent auditor's report

- 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.

Independent auditor's report

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, 22.03.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Henrik Hjort Kjelgaard
State-Authorised Public Accountant

Management commentary

Primary activities

The Company's business activity consist of handling of their investments in a number of subsidiaries that on the whole operate shipping activities globally with own and chartered tank vessels with a focus on safety, quality and thus with climate and environmental friendly transport at sea.

Development in activities and finances

The Company's activities and the result for the year 2016 have been better than expected. The result for the year is USD 3.6 million and equity as of 31 December 2016 amounts to USD 63.7 million.

On 1st of February 2016, the Nordic Tankers Group (Nordic Tankers LuxCo S.C.A.) established a 50%-50% joint-venture called Crystal Nordic with Embarcadero Maritime (Borealis Maritime and KKR) in order to form a strong player in the ice class chemical tanker trade in the Baltic and North-Western European market, controlling a fleet of 15 vessels. In connection with this transaction, Nordic Tankers Group contributed with 6 fully owned stainless steel vessels and 2 minority shareholdings in 2 Norwegian limited partnerships who owned two stainless steel vessels each. The injection of the 6 fully owned vessels into Crystal Nordic also included the remaining debt relating to the vessels (a total of USD 27.5 million in interest bearing debt).

From inception, Crystal Nordic was capitalized with USD 80 million in equity (entailing an equity ratio of 61.5%) and obtained a new senior secured bank financing, which is non-recourse against its shareholders.

The six vessels injected into Crystal Nordic do not affect the financial performance of Nordic Tankers from 1 February 2016.

As per 1 February 2016, Nordic Tankers entered into a Service Level Agreement with Crystal Nordic A/S for the management of administrative functions.

In December 2016, the Company completed a merger with its immediate Parent, Nordic Tankers Holding AB. The merger has led to a reduction of equity of USD 18.8 million.

On 19 December 2016, Nordic Tankers acquired the Nordic Marita, a 19,908 dwt stainless steel chemical tanker (built 2012), thereby strengthening its Inter-Americas trade lane. Simultaneously, Nordic Tankers undertook a refinancing of its senior secured bank debt. Besides providing financing for the acquisition of the Nordic Marita, the objective of new senior secured term loan facility (which will mature in December 2022) was to bring terms and conditions up to a substance that reflects the significant improvement in the financial performance of the Company over the last two years.

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.

Income statement for 2016

	Notes	2016 USD'000	2015 USD'000
Other operating income		3.287	0
Other external expenses		(1.153)	(324)
Operating profit/loss		**2.134**	**(324)**
Income from investments in group enterprises		4.500	6.116
Income from investments in associates		33	92
Other financial income	1	282	8.510
Other financial expenses	2	(1.787)	(111)
Profit/loss before tax		**5.162**	**14.283**
Tax on profit/loss for the year	3	151	(1.364)
Profit/loss for the year		**5.313**	**12.919**
Proposed distribution of profit/loss			
Retained earnings		5.313	12.919
		5.313	**12.919**

Balance sheet at 31.12.2016

	Notes	2016 USD'000	2015 USD'000
Investments in group enterprises		65.043	78.543
Receivables from group enterprises		0	22.698
Investments in associates		490	457
Fixed asset investments	4	**65.533**	**101.698**
Fixed assets		**65.533**	**101.698**
Receivables from group enterprises		8	1.645
Other receivables		51	47
Receivables		**59**	**1.692**
Cash		**5.528**	**204**
Current assets		**5.587**	**1.896**
Assets		**71.120**	**103.594**

Balance sheet at 31.12.2016

	Notes	2016 USD'000	2015 USD'000
Contributed capital	5	1.089	1.089
Retained earnings		67.511	65.347
Equity		**68.600**	**66.436**
Liabilities other than provisions		**2.520**	**37.158**
Equity and liabilities		**71.120**	**103.594**
Contingent liabilities	6		
Related parties with controlling interest	7		
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Statement of changes in equity for 2016

	Contributed capital USD'000	Retained earnings USD'000	Total USD'000
Equity beginning of year	1.089	84.344	85.433
Effect of mergers and business combinations	0	(18.810)	(18.810)
Extraordinary dividend paid	0	(3.976)	(3.976)
Group contributions etc	0	640	640
Profit/loss for the year	0	5.313	5.313
Equity end of year	**1.089**	**67.511**	**68.600**

Notes

	2016 USD'000	2015 USD'000
1. Other financial income		
Financial income arising from group enterprises	282	2.329
Interest income	0	5
Exchange rate adjustments	0	73
Other financial income	0	6.103
	282	**8.510**

	2016 USD'000	2015 USD'000
2. Other financial expenses		
Exchange rate adjustments	107	111
Other financial expenses	1.680	0
	1.787	**111**

	2016 USD'000	2015 USD'000
3. Tax on profit/loss for the year		
Tax on current year taxable income	(136)	1.477
Adjustment concerning previous years	(15)	(113)
	(151)	**1.364**

Notes

	Investments in group enterprises USD'000	Investments in associates USD'000
4. Fixed asset investments		
Cost beginning of year	122.245	100
Additions	112.587	0
Disposals	(96.522)	0
Cost end of year	**138.310**	**100**
Revaluations beginning of year	0	357
Share of profit/loss for the year	0	33
Revaluations end of year	**0**	**390**
Impairment losses beginning of year	(43.702)	0
Share of profit/loss for the year	4.500	0
Dividend	(64.015)	0
Reversal regarding disposals	29.950	0
Impairment losses end of year	**(73.267)**	**0**
Carrying amount end of year	**65.043**	**490**

	Number	Par value USD'000	Nominal value USD'000
5. Contributed capital			
Share capital	1.088.805	1	1.089
	1.088.805		**1.089**

6. Contingent liabilities

The Company is a management company being party to a national Danish international joint taxation scheme. 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 for obligations, if any, relating to withholding of tax on interest, royalties and dividend for the jointly taxed companies. The total amount of income taxes payable is evident from the annual report of Nordic Tankers A/S.

7. Related parties with controlling interest

Related parties with a controlling interest:

Nordic Tankers A/S is 100% owned by Nordic Tankers LuxCo S.C.A., Luxembourg, which has a controlling interest in the Company.

Notes

8. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Nordic Tankers LuxCo S.C.A., Luxembourg

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

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

Consolidated financial statements

Referring to 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

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

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

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

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

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

Business combinations

In December 2016, the Company completed a merger with its immediate Parent, Nordic Tankers Holding AB. The merger has led to a reduction of equity of USD 18.8 million. The comparative figures are adjusted accordingly by pooling of accounts.

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 one in effect at the payment date or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Accounting policies

Related parties

Only information on transactions with related parties that are not carried-out normal marked-related terms are mentioned, cf. the exemption in the Danish Financial Statements Act section 98 c.

Income statement

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including rental income and gains from the sale of intangible assets and property, plant and equipment.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Income from investments in group enterprises

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

Income from investments in associates

Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after elimination of internal profits or losses.

Other financial income

Other financial income comprises, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities.

Tax on profit/loss for the year

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

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

Balance sheet

Investments in group enterprises

Accounting policies

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity plus or minus unamortised positive, or negative, goodwill and minus or plus unrealised intra-group profits or losses.

Group enterprises with negative equity are measured at DKK 0, and any receivables from these enterprises are written down by the Parent's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

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

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

Investments in associates
Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity plus or minus unamortised positive, or negative, goodwill and minus or plus unrealised pro rata internal profits and losses.

Associates with negative equity are measured at DKK 0, and any receivables from these associates are written down by the share of such negative equity if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if there is a legal or constructive obligation to cover the liabilities of the relevant associate.

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

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

Receivables
Receivables are measured at amortised cost, usually equalling 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 amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable
Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.