ANNUAL REPORT 2017

Crystal Nordic A/S

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CRYSTAL NORDIC

Contents

Key figures

USD '000	2017	2016
INCOME STATEMENT		
Revenue	66,381	58,667
Time charter equivalent earnings	37,741	35,731
Operating profit bef. depreciations etc. (EBITDA)	11,214	11,341
Depreciations, write-downs and gains/losses	10,543	8,931
Operating profit (EBIT)	928	2,558
Net financials	-596	-2,771
Result for the year	266	-248
Total comprehensive income	-139	-248
BALANCE SHEET		
Non-current assets	101,809	110,239
Total Assets	120,511	126,267
Equity	70,824	70,558
Invested capital	96,831	104,740
Net working capital	1,467	46
Net interest-bearing debt	32,444	39,692
Cash and securities	10,487	9,834
CASH FLOW		
Cash flow from operating activities	8,404	10,021
Cash flow from investing activities	-1,213	-2,150
Cash flow from financing activites	-7,007	2,478
Cash flow of the year	184	10,350
EMPLOYEES		
Seafarers	170	165
Land based employees	11	11
FINANCIAL AND ACCOUNTING RATIOS		
TCE-margin (%)	56.9%	60.9%
EBITDA-margin (%)	16.9%	19.3%
EBIT-margin (%)	1.40%	4.36%
Return on Invested Capital (%)	0.67%	2.23%
Return on Equity (%)	0.38%	-0.35%
Equity ratio	45.8%	56.3%
OTHER		
Total number of vessel days for the Group	3,907	3,495
USD/EUR rate at year-end	0.83	0.95
Average USD/EUR rate	0.89	0.90
USD/DKK rate at year-end	6.21	7.05
Average USD/DKK rate	6.60	6.73

Management review

Crystal Nordic business review

Crystal Nordic is a chemical tanker operator and ship-owner headquartered in Hellerup, Denmark, primarily operating in Northern Europe and the Baltic Sea. The Company was established on 1 February 2016 as a joint venture between Nordic Tankers and Borealis Maritime, each contributing with vessels to Crystal Nordic.

The core competence of Crystal Nordic is to own, manage and commercially operate chemical tankers with the highest focus on safety and quality.

On 28 December 2017, the founding shareholders entered into an agreement with Essberger, Germany for a sale of the company, with effect on that date.

Crystal Nordic has its own management, chartering and operations organization, comprising a staff of 11 employees at year-end 2017, while administration services are performed by Nordic Tankers under a Service Level Agreement. It is planned to continue the Service Level Agreement throughout 2018.

As per year-end 2017, the Crystal Nordic fleet was composed of 14 ice-class vessels, of which 10 were owned and 4 were partly owned. 10 of these vessels were under technical management with Dania Ship Management whilst 4 vessels were under technical management with the Crystal Pool.

During 2017, this fleet performed about 680 voyages and carried around 3 million metric tons of cargos composed of main cargoes such as Pygas (16%), Ethanol (15%), Caustic Soda (10%), LARD (6%) and Methanol (6%). 54% of these volumes were carried under contracts of affreightments.

Strategic focus

Crystal Nordic has a mission of building business based on relations and facilitating all its stakeholders to excel by enhancing their own performance. As an industrial player, Crystal Nordic truly believes that by improving the performance of its customers, the Company will expand business, as customers will reckon the value creation by having Crystal Nordic as their long-term partner.

With regard to internal stakeholders such as employees and service providers, Crystal Nordic believes that by supporting their performance and development, they will go the extra mile in order to support the Company and thereby enhance the value creation for customers.

The reason for focusing on building business on relations is that shipping is a people's business, where the vessels and the strict safety focus are a pre-requisite to be capable of being a trustworthy partner in the chemical tanker market. However, the true value creation lies in the long-term partnership focus, which is also reflected in the Company's vision "Together we will always be the better choice".

Management

The Board of Directors of Crystal Nordic consists of four members with long experience within management and the shipping industry. The Board should have a reasonable size, composition, diversity plus the competences necessary to ensure that they at any given time is qualified to attend to the managerial tasks as the upper management body of the Company.

The Board of Directors consists of:

- Bent Kemplar (chairman)
- Wilfried Fuhrmann (board member)
- Jan Hammer (board member)
- Jan Eghoej (board member)

The executive management consists of Jan Eghoej.

Key developments in 2017

Crystal Nordic was established on 1 February 2016 and 2017 was the first 12-month financial year of the Company.

During the first three quarters of 2017, the Company experienced a positive business climate in Europe, which, combined with a higher utilization of the fleet, had a positive effect on revenues during that period. In the fourth quarter of 2017, the market softened, which put some pressure on revenues.

As a consequence of the challenging market conditions in the last part of 2017, average Time-Charter Equivalent rates were slightly lower than anticipated, and the average TCE rates were also slightly lower than in 2016.

That being said, from an operational point of view, the Company continued to unleash synergies.

Subsequent events

On 6 March 2018, the vessel "Crystal Skye" was sold to KG Fünfundvierzigste OCEANIA Schiffahrtsgesellschaft mbH & Co.

Financial highlights of the Group in 2017

Comparative figures for 2016 (11 months) are displayed in brackets.

The Group reported a net result of USD 0.3 million for 2017 (USD -0.2 million), which is slightly below expectations.

Time charter equivalent earnings (TCE)

TCE amounted to USD 38 million (USD 33 million). The development was impacted by slightly lower TCE rates, but this was offset by more on-hire days, partly due to the chartering of Hanne Theresa (4,284 DWT) which entered the fleet in April 2016 and was redelivered to the owner on 21 December 2017.

Operating Expenses and charter hire

Total operating expenses amounted to USD 22 million (USD 20 million). Hereof, seafarer related expenses amounted to USD 11 million, while the remaining part related to maintenance and other operating expenses incurred in the operation of the owned fleet. Time charter hire expenses amounted to USD 2.6 million (USD 2.2 million), relating to one hire of Hanne Theresa.

Depreciation

Depreciation on the Group's owned vessels amounted to USD 11 million (USD 9 million).

Tax

The Group's tax payment is primarily calculated according to the rules and regulations of the Danish Tonnage Tax Act. For further information please refer to note 10 to the consolidated financial statements.

Assets, equity and liabilities

As per 31 December 2017, the Group's total assets amounted to USD 121 million (USD 126 million). Non-current assets (vessels) was USD 95 million (USD 105 million), while cash was USD 10 million (USD 10 million).

The Group's equity amounted to USD 71 million (USD 71 million). Total liabilities amounted to USD 50 million (USD 56 million), mainly composed of interest bearing debt.

Cash flow

Cash flow for the year was USD 0.2 million as cash flow from operations at USD 8 million was offset by investments in dockings (USD 1 million) and loan installments (USD 7 million).

Outlook for 2018

The market is expected to improve slightly compared to 2017 and the synergies from the Essberger acquisition of Crystal Nordic are expected to have a positive impact on the earnings as the increased fleet will provide more flexibility and better opportunities to combine cargoes.

Risk Management

Being a global player in the chemical tankers segment, Crystal Nordic is exposed to a variety of risks.

The Group pursues a finance policy that operates with a low risk profile, ensuring the foreign exchange, interest and credit risks arise only on the basis of commercial factors.

The executive management continuously monitors the potential risks considered to have the most significant effect on the Group's financial position and business performance. Measures deemed relevant to limit the Group's sensitivity to such risks are evaluated on an on-going basis. Risks and measures are reviewed at least annually with the Board of Directors.

Financial risks

Financing and Liquidity

Access to liquidity is an important factor in the execution of the strategy of the Group. The Group strives to have a strong balance sheet, thereby enhancing its credit profile towards its providers of financial debt (banks) and providers of tonnage (ship owners). At the end of 2017, the Group's equity ratio was 45,8% (56,3%).

Cash flow developments are monitored closely, including monthly updates and 12 months rolling forecasts to the Executive Management. Furthermore, the Group aims at having sufficient cash reserves in order to overcome a prolonged adverse market situation.

Financing the growth strategy (e.g. acquisition of core vessels) will be conducted by exploring financing possibilities from the bank sector as well as capital markets.

Current loan agreements includes customary financial covenants, which have been met in the course of 2017 and are expected to be met in 2018.

In 2018, Crystal Nordic expects to have sufficient liquidity for meeting its payment obligations for conducting the normal course of its operations without needing the support from its shareholder.

Interest rates

Crystal Nordic' gross interest bearing debt amounted to USD 43 million as per 31 December 2017 (USD 50 million). The debt was denominated in USD and carried floating interest rate.

Foreign exchange risks

Most of the revenues earned by Crystal Nordic are in the reporting currency EUR, while a portion of the operating expenses (processed by technical manager Dania Ship Management) as well as administrative expenses are incurred in other currencies, primarily in USD and DKK.

The effect on profit for the year and equity from sensitivity towards changes in exchange rates is approx. USD 0.1 million (2016: USD 0.2 million) for each percentage change in USD towards DKK and EUR combined.

Credit risk

It is Group policy to cooperate with recognized pool partners and only grant credit to oil majors and other first class customers in order to minimize credit risks. As such, the Group's credit risk relates to receivables from these first class customers and oil majors in the chemical tanker segment and from pool arrangements contracted with recognized business partners. The credit risk is deemed to be minimal and consequently receivables are not hedged. The Group's maximum credit risk associated with receivables corresponds to their carrying amounts.

For smaller customers and newer customers, it is Group policy to perform a credit assessment based on credit reports retrieved out of the database of one of the world's largest vendors. In most cases, such credit reports include a credit rating and information on potential payment delinquency. Furthermore, it is custom to require freight to be paid before cargo release. For customers with whom Crystal Nordic has a long lasting relationship, freight is typically paid after cargo release.

In 2017, Crystal Nordic did not suffer any significant losses from defaulting customers.

Price risks

Freight rates

Crystal Nordic' revenues are exclusively generated from activities in the oil and chemical tankers industry. The oil and chemical tanker industry is cyclical and volatile, which can lead to reductions in freight rates, volumes and ship values.

Fluctuations in freight rates result from changes in the supply and demand for vessel capacity and changes in the supply and demand for the large variety of products that we carry.

Crystal Nordic mitigates the risk of fluctuation in freight rates by managing the mix between Contracts of Affreightment and spot market business. Contracts tend to reduce volatility in freight rates. Spot market business, on the other hand, provide flexibility but exacerbate the impact of a downturn in the market. In general, Crystal Nordic has historically maintained a relatively high percentage of contract business.

Bunkers

Bunker fuel constitute the major cost component affecting time charter equivalent (TCE) earnings, and increasing prices can have a material impact on Crystal Nordic' results.

The Group is striving to reduce the impact of bunker price fluctuations by passing bunker fuel costs on to customers. Hence, in 2017 approximately half of freight earnings were derived from Contracts of Affreightment, the large majority of which include a bunker price clause that indexes freight rates with bunker prices.

The effect on profit for the year from a 10% price change will be approx. USD 0.7 million (2016: USD 0.6 million).

Other risks

The Group aims at minimizing its exposure to accidents on the vessels, pollution, damages to hull and machinery etc. by investing in modern vessels, managing the maintenance of the vessels as well as continuing education in its staff.

Furthermore, risks in connection with the operation of the vessels, transport of cargo, personal injuries, environmental damages and war are being covered by insurances in internationally recognized insurance companies. The Group aims at minimizing its exposure by using multiple insurance companies.

The Group has established duplication of business critical IT systems and contingency plans in case of break-downs. Back-up of data is made in an external IT environment outside the Group's offices.

To cope with the rising threat of cyber crime, in 2017, the Group initiated an online cyber security training program targeted all employees. The training program included 12 modules concerning various cyber risks such as ransomware, fraud and phishing e-mails. The goal is to have as many employees as possible to complete and pass all modules before February 2018.

Corporate Social Responsibility

Crystal Nordic will actively initiate and participate in activities related to CSR and will incorporate CSR initiatives in its strategy at any given time. The key focus points of Crystal Nordic are areas related to health & safety, environment & climate and general welfare and training. Crystal Nordic will strive to continuously improve itself in these fields and communicate transparently with stakeholders about results and initiatives.

All of Crystal Nordic's CSR activities emerge from the Group's core business and strategy. The Group is committed to progress in business-driven CSR initiatives in order to deliver high quality and 'best in class' services while meeting own and customers' expectations in respect of responsible business practice. Management sees the business-driven approach as the only way forward when building a long-term sustainable business, where both the Group and society benefit.

Crystal Nordic's CSR policy is based on the ten guiding principles of the United Nations Global Compact (UNGC) that cover the areas of human & labor rights, environment & climate and anti-corruption as well as the principle of continuous improvement.

Safety Culture

Safety is Crystal Nordic's license to operate and embedded in the Group's DNA. All employees regardless of title and work responsibilities must at all times comply with Crystal Nordic's safety policy and regulations. A key focus area during 2017 was the continuation of the Safety Culture drive. The ambition of this initiative is to prevent all accidents, injuries and occupational illnesses through the active participation of each employee. Therefore, Crystal Nordic's safety initiatives are embedded, carried out and measured within the various business area. All employees regardless of title and work responsibilities must at all times comply with Crystal Nordic's safety policy and regulations. Results of the Safety Culture drive include increased knowledge sharing and fewer incidents. The Group continues to invest resources in this area to reach the goal of zero incidents.

Introduction of the safety culture program has had the positive result of decreasing the number of accidents on board the Group's vessels. The Group reached the target of nil Lost Time Incidents (LTI) in 2017. The goal for 2018 is also to reach 0 LTIs on vessels and in offices owned by Crystal Nordic.

Environment and Climate

Responsibility at sea

Crystal Nordic has formulated a Health, Safety and Environment (HSE) policy, which includes working towards a *"zero oil spill to sea"* by coordination of efforts of those ashore and on board vessels plus working towards a long-term goal of *"zero accidents and incidents"* by using KPIs to monitor performance. Generally, Crystal Nordic will comply with industry legislation that refers to health, safety and environment protection while focusing on global activities and ensuring continual environmental improvements through open dialogue with clients/customers. Their feedback will be used to revise existing procedures related to health, safety and environment issues.

The Group together with its technical manager, Dania Ship Management, actively collaborate with the Danish Ministry for Energy, Utilities and the Climate plus the Danish Technological Institute to develop a method for remote determination of Sulphur content in fuel oil on board ships. The project is named "Remote sensing of Sulphur and particle emission from ships" and was commenced in 2016.

A permanent sniffer has been installed on the Great Belt Bridge, which will be able to check the sulphur content in the exhaust gas emissions from the ships passing underneath and thereby, monitor the sulphur content in the fuel oil used onboard. The requirement for sulphur content in board fuel oil in the North Sea, Baltic Sea and US territory is a maximum 0.1%.

The role of Crystal Nordic in this regard is during the trial period to report whenever one of the Group's vessels will pass the Great Belt Bridge in order to monitor the exhaust gas fan and eventually be able to do the sulphur measuring from the bridge.

On an annual basis, the Group reports its fuel oil consumption on vessels to Danish Shipping. The fuel oil consumption can easily be converted to actual CO2 emissions, which, together with information about cargo intake and sailing distance, can be converted to CO2 emissions per transport work. From January 1 2018, the new EU legislation, Monitoring, Reporting and Verification (MRV), regarding CO2 emissions from ships will enter into force and replace the reporting to Danish Shipping. In 2017, Crystal Nordic has implemented systems to ensure reporting is done in full compliance with the new legislation.

For 2017, it was the target to have 0 groundings and 0 oil spills, both of which targets were achieved. Furthermore, it was the target to reduce the vessels' garbage volumes. The volumes have been reduced by 5% during 2017.

General purchasing terms and conditions

In addition to the HSE policy, the General Purchasing Terms and Conditions of Crystal Nordic specify that all suppliers and subsuppliers are required to live up to the rules and regulations applicable for Crystal Nordic.

Responsible tank cleaning

Crystal Nordic has initiated a new tank cleaning method, by using spectrometers. Applying spectrometers, the Group openly shares particulate contents of tank washing analysis with customers, surveyors and terminals. The new system ensures:

- A decrease of the number of man entries in tanks for wall wash, inspections etc., the occurrence of solvent handling used for wall wash medium and the number of third party, surveyor personnel, required to be on board the vessel.
- A reduction of the amount of excessive cleaning chemicals need and the disposal hereof and the cleaning time and unnecessary ship Co2 emissions.
- A goal for 2018 is to keep developing on tank cleaning safety and optimization.

Recycling

The Group does not have a need to recycle ships in the near future. However, in 2017, the Group introduced a policy for recycling of vessels in case of relevant in the long term. Should recycling of a vessel be considered, Crystal Nordic will through a comprehensive investigation and screening process ensure that any recycling is completed in full compliance with the Hong Kong convention. Crystal Nordic will ensure that before any agreement on recycling a vessel, the nominated yard must at minimum meet following requirements:

- Comply with the Hong Kong convention
- Produce an Inventory Hazardous Material certificate issued by Class (IACS)
- Issue a Ship Recycling Plan
- Issue a Green Recycling certificate

Social responsibilities and employee conditions

Operating in an international and cost-competitive environment, ensuring acceptable working conditions is an important goal for Crystal Nordic. The Group's HSE policy ensures that all employees work in a safe work environment both on the vessels and in the offices. It is the Group's ambition to operate in accordance with all applicable laws and regulations and to treat its employees with dignity and respect. The Group expects its suppliers to operate their businesses in the same way, and in order to ensure to this, it is explicitly stated in the Group's general purchasing terms and conditions that suppliers may not in any way be involved in or related to any form of slavery or forced labor, human trafficking or similar actively. Furthermore, suppliers shall treat all personnel with dignity and respect and shall not tolerate mental or physical abuse or coercion of employees. Nor may suppliers be engaged in or benefit from child labor. The management finds that the requirements are contributing positively to the employee conditions in the suppliers' companies.

It is not the goal to draw up a policy on human rights in 2018, as the Group believes the General Purchasing Terms and Conditions combined with their Code of Conduct to be adequate.

Anti-corruption

As a global Group in the maritime industry, Crystal Nordic is firmly committed to adherence to high ethical standards in addition to applicable laws hereunder anti-corruption. Crystal Nordic has an anti-corruption policy, which states that no employee of Crystal Nordic may be involved in corruption.

Crystal Nordic applies international rules and standards regarding facilitation payments. The Group wants to avoid making facilitation payments, and procedures are in place to resist paying in such.

All Crystal Nordic employees must on a regular basis complete the Crystal Nordic Anti-Corruption e-learning program developed in cooperation with MACN. A goal for 2018 is that the Group's anti-corruption e-learning program will become an integrated part of the onboarding process to ensure that all employees are informed of the policy.

Anti-money laundry

Crystal Nordic has implemented an Anti-Money Laundering (AML) Policy and Guidelines that further elaborated on the policy statement set out in the Group's CoC. This states that Crystal Nordic will not participate in any form of money laundering, and no member of management or any employee may facilitate, support, directly or indirectly, any payment or transfer of money, which is likely to constitute money laundering.

The responsibility to avoid Crystal Nordic getting involved in any money laundering or dubious transaction applies to all employees and involves all departments and throughout the entire activity chain from the choice of customer or business partner all the way to the execution of payments.

The policy and guidelines include a financial background check of customers/vendors plus a sanctions background check. It was the goal for 2017 that all employees were acquainted with the new policy and guidelines. All employees have received a copy of the policy plus the training necessary to identify the warning signs of money laundering and financial crime.

Whistleblowing

Crystal Nordic has implemented this whistleblowing policy and whistleblowing system (the "WBS") which applies worldwide. The purpose of the WSB is:

- A means of reporting information anonymously.
- To enable Crystal Nordic to take timely and appropriate action.

Crystal Nordic's WBS is visible and accessible through the Group's website.

Gender representation

Currently, the Board of Directors is made up by four men. The Group's target regarding gender representation is one female out of four board members to be obtained within next two financial years. It is, however, the Group's policy at all times to select the candidate with the strongest qualifications no matter their gender, nationality, religion or political conviction.

The Group was compliant with the target until the 28 December 2017 where a new board was instated.

The executive management of Crystal Nordic consists of one male. There has not been set up a policy regarding the gender composition of the executive management.

Consolidated financial statements

Page

Consolidated income statement

1 January - 31 December

USD '000	Note	2017	2016 11M
Revenue	3	66.381	58.667
Voyage related expenses		-28.640	-22.936
Time charter equivalent earnings		**37.741**	**35.731**
Other operating income		888	781
Charter hire		-2.669	-2.224
Operating expenses	4	-21.779	-19.543
Administrative expenses	4, 5	-2.967	-3.404
Operating profit before depreciation etc. (EBITDA)		**11.214**	**11.341**
Depreciation	6	-10.543	-8.931
Share of results of associated companies	7	257	148
Operating profit (EBIT)		**928**	**2.558**
Financial income	8	1.568	239
Financial expenses	9	-2.164	-3.010
Result before tax		**332**	**-213**
Tax	10	-66	-35
Net result		**266**	**-248**
OTHER COMPREHENSIVE INCOME			
Items which will be reclassified to the income statement:			
Other comprehensive income		**-**	**-**
Total comprehensive income		**266**	**-248**
Attributable to:			
Shareholders of Crystal Nordic A/S		266	-248
		266	**-248**

Consolidated balance sheet

at 31 December

USD '000	Note	2017	2016
ASSETS			
Vessels	11	95,364	104,606
Prepayments on vessels and dockings under construction	11	-	88
Tangible assets		**95,364**	**104,694**
Investments in associated companies	12	3,425	3,168
Other financial fixed assets	13	3,020	2,377
Financial assets		**6,445**	**5,545**
Non-current assets		**101,809**	**110,239**
Inventories		1,081	967
Trade receivables	14	4,109	3,656
Other receivables	15	778	425
Prepayments	16	2,247	1,146
Cash and cash equivalents	17	10,487	9,834
Current assets		**18,702**	**16,028**
Assets		**120,511**	**126,267**

Consolidated balance sheet

at 31 December

USD '000	Note	2017	2016
EQUITY AND LIABILITIES			
Share capital	18	1.462	1.462
Retained earnings		69.362	69.096
Equity		**70.824**	**70.558**
Loans	19	35.452	42.519
Non-current liabilities		**35.452**	**42.519**
Loans	19	7.479	7.007
Trade payables	20	5.552	5.553
Current tax liabilities		8	35
Other payables	21	1.196	595
Current liabilities		**14.235**	**13.190**
Liabilities		**49.687**	**55.709**
Equity and liabilities		**120.511**	**126.267**

Changes to accounting policies and significant accounting policies	1
Significant accounting estimates, assumptions and uncertainties	2
Operating lease liabilities	24
Unrecognized contingent assets and liabilities	25
Mortgages and securities	26
Financial risks	27
Related party disclosures and transactions with related parties	28
Companies in the Group	29
Subsequent events	30
Accounting policies	31

Consolidated statement of changes in equity

1 January - 31 December 2017

USD '000	Share capital	Retained earnings	Total
Equity at 1 January 2017	**1.462**	**69.096**	**70.558**
Comprehensive income for the year			
Profit for the year	-	266	266
Total comprehensive income for the year	**-**	**266**	**266**
Changes in equity	**-**	**266**	**266**
Equity at 31 December 2017	**1.462**	**69.362**	**70.824**

14 January - 31 December 2016

USD '000	Share capital	Retained earnings	Total
Equity at 14 January 2016	**-**	**-**	**-**
Comprehensive income for the year			
Profit for the year	-	-248	-248
Total comprehensive income for the year	**-**	**-248**	**-248**
Transactions with shareholders for the year			
Issue of share capital	73	-	73
Capital increase	1,389	69,344	70,733
Total transactions with shareholders for the year	**1,462**	**69,344**	**70,806**
Changes in equity	**1,462**	**69,096**	**70,558**
Equity at 31 December 2016	**1,462**	**69,096**	**70,558**

Consolidated statement of cash flow

1 January - 31 December

USD '000	Note	2017	2016 11M
Operating profit (EBIT)		928	2.558
Reversal of depreciation		10.543	8.931
Reversal of share of results of associated companies and joint ventures		-257	-148
Reversal of other non-cash items		409	379
Change in working capital excl. accrued interest and tax liabilities	22	-1.405	-341
Interest etc. received		29	-
Interest etc. paid		-1.744	-1.357
Tax paid		-99	-
Cash flow from operating activities		**8.404**	**10.021**
Additions in prepayments on vessels, dockings etc.		-1.213	-2.150
Cash flow from investing activities		**-1.213**	**-2.150**
Proceeds from issue of share capital		-	1.462
Proceeds from borrowing		-	6.271
Installments/repayments on loans	23	-7.007	-5.255
Cash flow from financing activities		**-7.007**	**2.478**
Net cash flow		**184**	**10.350**
Cash and cash equivalents at beginning of the year		9.834	-
Exchange rate adjustments		469	-516
Net cash flow		184	10.350
Cash and cash equivalents at end of the year		**10.487**	**9.834**

Notes to the consolidated financial statements

Note 1. Changes to accounting policies and significant accounting policies

The annual report for the period 1 January – 31 December 2017 with comparative figures comprises the consolidated financial statements of Crystal Nordic A/S and its subsidiaries (the "Group" or "Crystal Nordic").

The consolidated financial statements of Crystal Nordic A/S for 2017 has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and additional requirements from the Danish Financial Statements Act. Crystal Nordic is a Limited Liability Company with its registered office in Denmark.

The consolidated financial statements are presented in United States Dollars (USD), which is the presentation currency of the Group activities and the functional currency of the parent company.

The consolidated financial statements are presented on the basis of historical cost prices.

The most important elements of accounting policies and changes are compared to last year as a result of new and amended standards which are described below. Applied accounting policies are also included in note 31.

Compared to the annual report for 2016, below reclassifications have been made in the income statement and balance sheet:

- Management fees related to the management of 3rd party vessels have been moved from the line "Revenue" to a new line "Other operating income".
- Commissions related to voyages have been reclassified from "Revenue" to "Voyage related expenses".
- "Share of results of associated companies" has been included in the operating profit (EBIT).
- Accrued income has been reclassified from "Other receivables" to "Trade receivables".
- Prepayments have been reclassified from "Trade receivables" and "Other receivables" to a new line "Prepayments".
- Accrued costs have been reclassified from "Other payables" to "Trade payables".

Comparative figures have been restated.

The implementation of new or amended IFRS standards

Crystal Nordic has adopted all new, amended standards, revised accounting standards and interpretations (IFRIC) as endorsed by the EU which are effective for the financial year 1 January 2017 - 31 December 2017.

With effect from 1 January 2017, Annual improvements to IFRS 2014-2016 cycle, the amended IAS 7, Changes in liabilities from financing activities, and the amended IAS 12, Recognition of Deferred Tax assets for Unrealized losses, with relevance for the Group was implemented.

Crystal Nordic has implemented these standards, which had no material impact on the financial statements for the current or future years.

Accounting standards and interpretations not yet adopted

The IASB has issued a number of new or amended financial reporting standards and interpretations, which have been adopted by the EU, and which potentially could have an effect on Crystal Nordic:

- IFRS 9 on financial instruments – New standard on recognition measurement of financial assets and liabilities, impairment, and hedge accounting, replacing the current standard IAS 39, effective on the 1 January 2018.
- IFRS 15 on revenue recognition – New standard on revenue recognition that replaces the current standards IAS 11 and IAS 18, effective on the 1 January 2018.
- IFRS 16 on Leases – New standard on the recognition of lease contracts that replaces the current standard IAS 17, effective on the 1 January 2019.

IFRS 9, financial instruments

IFRS 9 replaces the current IAS 39, and specifies the accounting treatment of financial assets and liabilities in relation to classification and measurement, impairment and hedge accounting.

Changes to accounting treatment of classification and measurements of financial assets and liabilities are not expected to affect the Group, as the Group's financial assets and liabilities historically are held-to-maturity, and therefore treated as amortized costs.

Changes to accounting treatment of impairment will change the method of calculating the provisions on all receivables and are estimated not to have a significant impact the income statement or balance sheet.

Changes to accounting treatment of hedge accounting eases the requirements of documented efficiency on hedge accounting. Changes to hedge accounting does not impact the Group as the Group does not currently apply hedge accounting. The Group's policies on risk management is described in the management review.

IFRS 9 will be implemented on the 1 January 2018 without adjustments of comparative figures in accordance with the transitional provisions of the Standard.

IFRS 15, revenue recognition

IFRS 15 emphasizes that revenue must be recognized as the customer receives the service agreed upon (control principle). According to current practice, recognition of freight income is commenced earlier according to the discharge-to-discharge method. It is the Group's interpretation that the freight income according to IFRS 15 must be recognized over the period of time when the cargo is being transported. At the same, costs will be recognized according to the matching principle, and will be capitalized and amortized over the course of the transportation period. The transition to IFRS 15 is expected to have an impact on the Group, and it is expected that the comparative figures in the 2018 annual report will be adjusted with -249 tUSD on Revenue, -118 tUSD on Voyage related expenses, -249 tUSD on Trade Receivables, -118 tUSD on Trade payables and -132 tUSD on Equity.

The Group is implementing the standard on the 1 January 2018, and due to the impact, it is expected that the transitions will result in an adjustment to comparative figures, and the result of the adjustment will be adjusted under equity.

IFRS 16, leasing

IFRS 16 implies that virtually all leases are to be recognized in the balance sheet in the leasee's accounts in the form of a lease obligation and an asset representing the lessee's right to use the underlying asset.

The Group will implement IFRS 16 on 1 January 2019 by applying the smoother transitional provision. This provision does not require that comparative figures are adjusted and allows the effect of the implementation to be recognized in retained earnings the 1 January 2019. In addition, it is expected that the Group will use the other available exemptions as far as possible, regarding leased assets with low value and leases with a residual maturity of less than 12 months.

The impact of IFRS 16 for the consolidated financial statements has been analyzed and it is the management's expectations that the implementation will not have an impact on the Crystal Nordic Group, with the current portfolio of vessels.

Note 2. Significant accounting estimates, assumptions and uncertainties

In applying the Group's accounting policies described in Note 1 and Note 31, management is required to make estimates, as well as assumptions for the carrying amount of assets and liabilities that cannot be directly derived from other sources. These estimates and assumptions are based on historical experience and other relevant factors. The actual outcome may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the accounting period in which the change takes place and in future accounting periods if the change affects both the period during which the change takes place and subsequent accounting periods.

Significant accounting estimates associated with accounting policies

In connection with the application of the accounting policies described in note 31, the management has made the following accounting assessments, with a significant effect on the amounts recognized:

- Voyage revenues and costs
- Measurement of tangible assets

Voyage revenues and costs

Voyage revenues and costs are recognized in accordance with the percentage of completion method with operating revenues and expenses recognized for each voyage. This recognition is based on estimated voyage revenues and costs that are reviewed and updated at each period end.

Measurements of tangible assets

The Group evaluates the carrying amount of vessels and other net assets to determine whether events have occurred that would indicate the potential for an adjustment to the recognized value of the net assets. The impairment tests are based on a discounted future cash flow model, which is compared to the carrying amount of the assets within the cash generating units.

The impairment tests are prepared based on assumptions including future freight rates, earnings from vessels and management activities as well as discount rates. All of these factors have been historically volatile.

In addition to the discounted cash flow model, external valuations of the vessels are retrieved from one or more ship brokers.

Note 3. Revenue

USD '000	2017	2016 11M
Freight revenue	59,342	54,114
Time charter revenue	152	-
Other voyage related revenue	6,887	4,553
Revenue	**66,381**	**58,667**

Note 4. Staff costs

USD '000	2017	2016 11M
Land based employees (included in administrative expenses)		
Wages and salaries	1.294	1.175
Pensions, defined contribution plans	119	105
Other social security expenses	-	1
Other staff expenses	37	59
Total staff costs	**1.450**	**1.340**

Average employees	2017	2016 11M
Land based employees	11	11
	11	**11**

USD '000	2017	2016 11M
Board of Directors		
Remuneration to the Board of Directors	-	-
CEO and key management personnel *)		
Salaries	575	524
Pensions, defined contribution plans	20	21
Total remuneration	**595**	**545**

*) Including key personnel provided under Service Level Agreement and Advisory Service Agreement

Persons in the Board of Directors and key management, average	2017	2016 11M
Board of Directors	4	4
CEO and key management personnel	1	1
	5	**5**

Note 5. Fees to the auditor appointed at the general meeting

USD '000	2017	2016 11M
Audit	20	24
Tax consultancy	5	15
Other services	28	-
Total	**53**	**39**

Note 6. Depreciations

USD '000	2017	2016 11M
Depreciation of tangible assets, ref. note 11	-10,543	-8,931
Depreciations	**-10,543**	**-8,931**

Note 7. Result of associated companies

USD '000	2017	2016 11M
Results in associated companies, ref. note 12	472	148
Depreciation of purchase price allocation, note 12	-215	-
Results of associated companies	**257**	**148**

Note 8. Financial income

USD '000	2017	2016 11M
Interest income	328	239
Exchange rate gains	1,241	-
Financial income	**1,568**	**238**

Note 9. Financial expenses

USD '000	2017	2016 11M
Interest expenses on mortgage debt	1,877	2,002
Other interest expenses	266	232
Exchange rate losses	-	756
Other financial expenses	21	21
Financial expenses	**2,164**	**3,010**

Note 10. Tax

USD '000	2017	2016 11M
Tax on the results for the year	65	35
Adjustments of tax regarding previous years	1	-
Tax for the year recognized in the income statement	**66**	**35**

The majority of the Group's income tax base is located in Denmark, and therefore subject to the Danish tonnage tax scheme. The Group entered the tonnage tax scheme on 14 January 2016, with a binding period of 10 years, and it's the Group's expectation to continue to participate in the tonnage tax scheme after the binding periode expires, with an equivalent or higher activity level compared to the time where the Group entered the tonnage tax scheme.

The Group did not own any vessels upon entering the tonnage tax scheme; consequently, the Group has no deferred, or contingent, taxes from the transitional period.

Under the tonnage tax scheme, income and expenses from shipping activities are not subject to direct taxation and accordingly an effective rate reconciliation has not been provided as it would not provide any meaningful information. Instead, the taxable income is calculated from:

- The net tonnage of the vessels used to generate the income from shipping activities
- A rate applicable to the specific net tonnage of the vessel based on a sliding scale

Due to the provisions of the tonnage tax scheme, the effective tax rate of the group is 19,6% (2016: -16,4%)

No deferred tax assets or liabilities are recognized at 31 December 2017. The tax asset of non-recognized tax losses and tax credits carried forward, with certain limitations in subsidiaries and time, amounts to 0 tUSD (2016: 0 tUSD) for the Group. There are no unrecognized tax liabilities associated with investments in foreign subsidiaries and jointly controlled companies.

Note 11. Tangible assets

USD '000	Vessels	Prepay-ments on vessels and dockings	Total
2017			
Cost at 1 January 2017	113,537	88	113,625
Additions during the year	-	1,213	1,213
Transfers to/from other items	1,301	-1,301	-
Cost at 31 December 2017	**114,838**	**-**	**114,838**
Accumulated depreciations at 1 January 2017	-8,931	-	-8,931
Depreciations for the year	-10,543	-	-10,543
Depreciations at 31 December 2017	**-19,474**	**-**	**-19,474**
Carrying amount at 31 December 2017	**95,364**	**-**	**95,364**
2016			
Cost at 1 January 2016	-	-	-
Additions during the year	111,475	2,150	113,625
Transfers to/from other items	2,062	-2,062	-
Cost at 31 December 2016	**113,537**	**88**	**113,625**
Accumulated depreciations at 1 January 2016	-	-	-
Depreciations for the year	-8,931	-	-8,931
Depreciations at 31 December 2016	**-8,931**	**-**	**-8,931**
Carrying amount at 31 December 2016	**104,606**	**88**	**104,694**

As of 31 December 2017, Management has made an impairment test of the recoverable amount of the Group's fleet. The fleet is seen as one cash-generating unit (CGU).

According to the Group's accounting policy, a write-down is made to the higher of the sales price (less costs to sell) and the value in use.

The estimated sales price less costs to sell is based on indicative broker valuations.

The value in use is estimated based on the net present value of the future cash flows generated by the fleet. The cash flows for the period 2018-2022 are based on the expectation of Management that TCE rates will improve considerably due to very limited new building activities. For 2018 the Group's budget has been applied. After the 5 years period, TCE rates, operating and administrative costs are expected to increase by a constant inflation rate over the respective vessels' remaining economic life times. The key assumptions of the value in use calculation are disclosed below:

	2017	2016
Average annual growth in TCE rates in the 5 year period, percent p.a.	7.2	8.4
Average annual growth in TCE rates after the 5 year period, percent p.a.	2.0	1.5
Expected lifetime of vessels, years	24.5	25.0
Weighted average cost of capital (WACC) after tax, percent p.a.	7.2	8.2

Based on the impairment test, Management has concluded that there is not a need to write down the carrying amount of the fleet.

Please refer to note 31 for further information.

Note 12. Investments in associated companies

USD '000	Associated companies	Total
2017		
Cost at 1 January 2017	3,020	3,020
Cost at 31 December 2017	**3,020**	**3,020**
Revaluation at 1 January 2017	148	148
Share of result for the year	472	472
Depreciation of purchase price allocation	-215	-215
Revaluation at 31 December 2017	**405**	**405**
Carrying amount at 31 December 2017	**3,425**	**3,425**
2016		
Cost at 14 January 2016	-	-
Acquisitions for the year	3,020	3,020
Cost at 31 December 2016	**3,020**	**3,020**
Revaluation at 14 January 2016	-	-
Share of result for the year	148	148
Revaluation at 31 December 2016	**148**	**148**
Carrying amount at 31 December 2016	**3,168**	**3,168**

Company	Nature of investment	2017		2016	
		Share of result	Carrying amount	Share of result	Carrying amount
		USD '000	USD '000	USD '000	USD '000
BKR Tankers K/S, Norway	45,3% owned associated company	201	1,698	8	1,596
BKR Carriers K/S, Norway	46,8% owned associated company	271	1,727	140	1,573
		472	**3,425**	**148**	**3,168**

Note 13. Other financial fixed assets

USD '000	2017	2016
Receivables from associated companies	3,020	2,377
Other financial fixed assets	**3,020**	**2,377**

Note 14. Trade receivables

USD '000	2017	2016
Receivables from freight and management services	3,339	3,237
Accrued income	785	420
Provisions for bad debt	-15	-1
Trade receivables	**4,109**	**3,656**
Hereof:		
Not due	1,136	1,277
Overdue 1-90 days	1,811	1,828
Overdue more than 90 days	392	132
	3,339	**3,237**

The fair value of trade receivables approximates the carrying amount.

A provisioning account is used to reduce the carrying amount of receivables from sales and services whose value is impaired due to loss risk.

Direct provision is made for loss of receivables if the value is impaired, based on an individual assessment of the individual debtors, e.g. by suspension of payments, bankruptcy etc. Write-downs are made at the estimated net realizable value. Based on historical experience, amounts on the provision account are impaired with 50% when receivables has been due for six months and fully impaired when receivables has been due for more than twelve months.

Note 15. Other receivables

USD '000	2017	2016
Deposits	557	150
Insurance claims and other claims	53	247
Miscellaneous receivables	168	29
Other receivables	**778**	**425**

Note 16. Prepayments

USD '000	2017	2016
Prepayments regarding time charter and bareboat charter agreements	126	47
Insurance prepayments	87	135
Other prepayments to suppliers etc.	2,034	964
Prepayments	**2,247**	**1,146**

Note 17. Cash and cash equivalents

USD '000	2017	2016
USD	7,628	1,025
EUR	2,551	8,645
DKK	255	164
Other currencies	53	-
Cash and cash equivalents	**10,487**	**9,834**

Note 18. Share capital

	2017			2016		
	Number of shares	Nominal value USD	Share capital USD	Number of shares	Nominal value USD	Share capital USD
Share capital	100,000	14.62	1,462,395	100,000	14.62	1,462,395
Share capital 31 Dec.	**100,000**	**14.62**	**1,462,395**	**100,000**	**14.62**	**1,462,395**

Note 19. Loans

USD '000	2017	2016
Current portion of non-current debt with maturities within 1 year	7,479	7,007
Non-current debt with maturities between 1 and 5 years	35,452	42,519
Total	**42,931**	**49,526**
Hereof:		
Loans denominated in USD with floating interest rate	37,738	44,745
Loans denominated in USD with fixed interest rate	5,493	5,232
Borrowing costs	-300	-451
Total	**42,931**	**49,526**

The fair value of the loans with floating interest rate approximates the carrying amount.

The loan agreements include minimum requirements (financial covenants) for liquidity and other requirements. The requirements were met throughout 2016 and 2017.

Note 20. Trade payables

USD '000	2017	2016
Trade payables	5,552	5,553
Trade payables	**5,552**	**5,553**
Hereof:		
Accrued costs	3,603	3,325

Note 21. Other payables

USD '000	2017	2016
Employees' withheld income taxes, pensions, social contributions etc.	350	189
Accrued interest	279	295
Miscellaneous payables	567	111
Other payables	**1,196**	**595**

Note 22. Changes in working capital

USD '000	2017	2016
Change in inventories	114	967
Change in trade receivables	453	3,656
Change in other receivables	353	425
Change in prepayments	1,101	1,146
Change in trade payables	1	-5,553
Change in other payables excl. accrued interest and tax liabilities	-617	-300
Change in working capital excl. accrued interest and tax liabilities	**1,405**	**341**

Note 23. Reconciliation of liabilities arising from financing activities

USD '000	1 Jan. 2017	Financing cash flow (i)	Non-cash changes: Aquisition or disposals of subsidiaries	Non-cash changes: Fair value adjustments	Other changes (ii)	31 Dec. 2017
Bank loans (Note 21)	44,294	-7,007	-	-	150	37,438
Loans from related parties	5,232	-	-	-	261	5,493
	49,526	-7,007	-	-	411	42,931

(i) The cash flows from bank loans from related parties and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

(ii) Other changes include amortization, interest accruals and payments.

Note 24. Operating lease liabilities

USD '000	2017	2016
Bareboat and time charter agreements		
The Group has entered into bareboat and time charter agreements falling due until 2026.		
Bareboat and time charter obligations with maturities within 1 year	-	679
Total	**-**	**679**
Other contractual obligations		
The Group has contractual obligations to IT service partners.		
Contractual obligations with maturities within 1 year	520	1,059
Total	**520**	**1,059**

Note 25. Unrecognized contingent assets and liabilities

The Group is not involved in any lawsuits involving claims against the Group. However, claims have been made against the Group regarding demurrage etc. It is Management's opinion that the outcome of these disputes will not have any material impact on the Group's financial position, result or cash flow.

The Group is not involved in any lawsuits, disputes etc. involving claims from the Group against third parties.

The Group has not issued any guarantees.

Note 26. Mortgages and security

USD '000.000	2017	2016
Loans secured by mortgages in vessels	38	44
Carrying amount of vessels being mortgaged	81	88
Value of securities	98	98

Note 27. Financial risks

Due to the nature of Crystal Nordic' operations, the Group is mainly exposed to risks relating to fluctuations in interest rates, currency rates, freight rates and bunker prices.

Interest rates

As of 31 December 2017, the Group's interest bearing debt amounted to USD 42.9 million. The majority of the debt carries floating interest, based on LIBOR. As a result, the Group's interest expenses are affected by fluctuations in LIBOR.

USD '000	2017	2016
Sensitivity re. interest rates: Effect of 100 basis points increase in LIBOR		
Change in profit before tax	-406	-476
Change in equity	-406	-476

Currency rates

The majority of the Group's revenue is denominated in EUR while parts of the costs are denominated in other currencies, mainly USD and DKK. Consequently, the Group is exposed to fluctuations in currency rates, in particular the USD/EUR rate.

USD '000	2017	2016
Sensitivity re. currency rates: Effect of 1% increase in USD/EUR rate		
Change in profit before tax	271	230
Change in equity	271	230

Freight rates

Freight rates have historically been volatile. Voyages made in the spot market are fully exposed to changes in freight rates, while voyages made under a contract of affreightment have fixed freight rates as stipulated in the contracts, thus reducing the effect of fluctuations in the freight rates. In 2017, approx. 50% of the freight revenue was under contracts of affreightment.

USD '000	2017	2016
Sensitivity re. freight rates: Effect of 1% increase in freight rates (spot)		
Change in profit before tax	305	262
Change in equity	305	262

Bunker prices

Bunker prices have historically been volatile. Voyages made in the spot market are fully exposed to changes in bunker prices. Contracts of affreightment often include bunker clauses stating that in the event of large changes in the bunker price compared to the price at the contracting time a part of the change (both price increases and price drops) is to be passed on the customer. The specific terms vary from contract to contract. Smaller changes in the bunker price will have full effect on the Group's result.

USD '000	2017	2016
Sensitivity re. bunker prices: Effect of 1% increase in bunker price		
Change in profit before tax	-128	-92
Change in equity	-128	-92

Note 28. Related party disclosures and transactions with related parties

Related parties with controlling influence

As from December 28, 2017 related parties with controlling influence consists of the boards of:

1) Coral Tankers ApS, Denmark (100% shareholding in Crystal Nordic A/S, affiliate),
2) Coral Tankers Holding GmbH, Hamburg / Germany (100% shareholding in Coral tankers ApS, affiliate) and
3) von Rantzau & Co. Handels- und Beteilgungsgesllschaft GmbH (100% shareholding in Coral Tankers Hodling Gmbh, affiliate)

Associated companies and joint-ventures

For a list of associated companies, see note 29.

Transactions with related parties

The related parties comprise the Executive Board, members of the Board of Directors, as well as their close relatives. Related parties also include companies in which the above-mentioned persons have significant interests as well as companies and foundations, which have direct or indirect considerable influence through shareholding.

Remuneration of the Board of Directors and the Executive Management are disclosed in note 4.

In the financial year, in addition to paying dividends, the Group had the following transactions with related parties:

USD '000	Key personnel in manage-ment	Other related parties*	Total
2017			
Charter hire (Income)	-	101	101
Administive services (expense)	-	-916	-916
Remunerations etc. ref. note 4	595	-	595
Net financials	-	259	259
Trade receiveables	-	70	70
Shareholder loan	-	-261	-261
Trade payables	-	-57	-57
2016			
Charter hire (expense)	-	-87	-87
Administive services (expense)	-	-809	-809
Remunerations etc. ref. note 4	545	-	545
Net financials	-	-232	-232
Trade receiveables	-	3	3
Shareholder loan	-	-5,232	-5,232
Trade payables	-	-87	-87

*Other related parties consists of former owner Trition, and Triton affiliated companies.

Transactions with subsidiaries have been eliminated in the consolidated financial statements in accordance with the accounting policies applied.

Note 29. Companies in the Group

Company	Country	Registration number	Owner-ship	Voting rights
Crystal Nordic A/S	Denmark	37369306	100%	100%
Crystal Nordic shipowning K/S	Denmark	37371548	100%	100%
Crystal Nordic shipowning Partner ApS	Denmark	37369675	100%	100%
Associated Companies				
BKR Tankers K/S	Norway	988581089	45.3%	45.3%
BKR Carriers K/S	Norway	957840412	46.8%	46.8%

Note 30. Subsequent events

On 6 March 2018, the vessel "Crystal Skye" was sold to KG Fünfundvierzigste OCEANIA Schiffahrtsgesellschaft mbH & Co.

Note 31. Accounting policies

Accounting policies in addition to those described in note 1, is as described below.

Consolidated financial statements

The consolidated financial statements include Crystal Nordic A/S. (parent company) and the enterprises (subsidiaries) which are controlled by the parent company. Control is achieved when the company:

- has the power of the investee
- is exposed or has the right to variable returns from involvement with the investee
- has the ability to use its power to affect its returns

The Group's joint control or significant influence over an entity or activity is subject to an assessment of power and exposure to variability in returns. When assessing joint control, an analysis is carried out to determine which decisions require unanimity and whether these concern the activities that significantly affects return. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement, which is typically relevant for the pool arrangements in which some of the Group's vessels operate. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Basis of consolidation

The consolidated financial statements have been prepared on the basis of the accounts of Crystal Nordic A/S and its subsidiaries and joint arrangements. The consolidated financial statements have been prepared by adding together items of a uniform nature. The accounts used for consolidation purposes have been prepared in accordance with the Group's accounting policies. Intercompany income and expenses, intercompany balances and dividends as well as profit and loss from intercompany transactions have been eliminated on consolidation. Subsidiaries' items are recognized in full in the consolidated financial statements. Investments in joint arrangements are recognized and measured in the consolidated financial statements based on the equity method. The proportionate share of the results of the entities after tax and elimination of unrealized proportionate intercompany profits and losses is recognized in the income statement.

Business combinations

Newly acquired or formed entities are recognized in the consolidated financial statements from the date of acquisition or formation. The date of acquisition is the date on which control over the entity is effectively transferred.

When purchasing new entities where the Group has a controlling influence over the acquired business, the acquisition method is used, after which the entities' assets, liabilities, contingent liabilities are measured at fair value at acquisition date. Non-current assets, which are acquired with intention to sale, are measured at fair value withdrawn expected sales costs. Restructuring costs are recognized in the acquisition balance, only if they constitute a liability for the acquired entity. The tax effect of the revaluations is taken into account.

The consideration for a company consists of the fair value of the consideration paid for the acquired entity. If the final determination of the consideration is conditional on one or more future events, these are recognized at their fair value at the acquisition date. Costs relating to the acquisition are recognized in the income statement at the time of the event.

Positive differences (goodwill) between the acquisition cost of the acquired entity, the value of minority interests in the acquiree and the fair value of previously acquired interests and the fair value of the acquired assets, liabilities and contingent liabilities are recognized as an asset in intangible assets and tested at least once a year for impairment. If the carrying amount of the asset exceeds its recoverable amount, it is depreciated to the lower recoverable amount.

In the case of negative differences (negative goodwill), the estimated fair values are recalculated purchase consideration for the enterprise, the value of minority interests in the acquired company and the fair value of previously acquired shareholdings. If the difference is still negative, the difference is recognized as an extraordinary income in the income statement.

If, at the time of acquisition, uncertainty exists regarding the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the purchase consideration, first recognition is based on preliminary values. The provisionally calculated values can be adjusted or additional assets or liabilities are recognized up to 12 months after the acquisition, if new information has been obtained regarding circumstances existing at the acquisition date that would have affected the valuation of the acquisition date if the information was known.

Subsequent changes in estimates of conditional purchase remuneration are generally recognized directly in profit or loss.

Profits or losses on the sale or settlement of subsidiaries and associates

Profits or losses of sale or settlement of subsidiaries and associates that result in termination of control and significant influence are calculated as the difference between the fair value of the sales proceeds or the settlement amount and the fair value of any remaining equity interests and, on the other hand, the carrying amount of the net assets at the disposal or settlement date, including goodwill, withdrawn any minority interests. The realized profit or loss is recognized in the income statement as well as accumulated exchange rate adjustments previously recognized in other comprehensive income.

Foreign currency translation

The functional and presentation currency of the Group is USD. On initial recognition, transactions in currencies other than the functional currency of each entity are translated using the exchange rate at the date of the transaction. Receivables, payables and other monetary items in foreign currencies, which have not been settled at the balance sheet date, are translated using the rate of exchange at the balance sheet date. Any exchange differences arising between the rate of exchange at the date of the transaction and the rate of exchange at the date of payment and the balance sheet date, respectively, are recognized in the income statement as financial income and expenses. Property, plant and equipment, intangibles, inventories and other non-monetary assets purchased in foreign currencies and measured using historical costs are translated using the rate of exchange at the date of the transaction.

Income statement

Revenue

Income, including revenue, is recognized in the income statement when:

- The income generating activities have been carried out on the basis of a binding agreement
- The income can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the Group
- Costs relating to the transaction can be measured reliably

Revenue comprises freight, demurrage and management fees. Revenue is recognized when it meets the general criteria mentioned above and the stage of completion can be measured reliably. The stage of completion is based on the number of onhire days completed divided by the expected total voyage days for the individual voyage. Accordingly, freight revenue is recognized at selling price multiplied by stage of completion for voyages in progress at year-end.

Voyage related expenses

These are expenses related to voyages performed by the Group's vessels. Voyage related expenses consist mainly of bunkers, port expenses and commissions. Voyage related expenses are recognized concurrently with the voyage..

Charter hire

Lease payments relating to charter hire (operating leases) are recognized using the straight-line method in the income statement over the term of the leases.

Operating expenses

Operating expenses include costs relating to the operation and maintenance of vessels, including costs relating to crew. Operating expenses are recognized as incurred.

Administrative expenses

Administrative expenses include the cost of offices, personnel costs and administrative costs. Staff costs comprise wages and salaries, social security and pension costs, etc. and are recognized as incurred.

Depreciation and impairment losses

Depreciation and impairment losses comprise depreciation of tangible fixed assets for the period as well as the impairment of the value of assets by the amount by which the carrying amount of the asset exceeds its recoverable amount. In the event of indications of impairment, the carrying amount is assessed, and the value of the asset is impaired to its recoverable amount equal to the higher of value in use based on net present value of future earnings from the assets and its net selling price.

Financial items

Financial items comprise interest income and expenses, realized and unrealized gains and losses on securities, liabilities and foreign currency transactions, dividends, estimated interest expenses relating to amortization allowances or deductions relating to mortgage debt etc. as well as surcharges and allowances under the Danish Corporate Tax Scheme.

Interest income and expenses are accrued on the basis of the principal and the effective interest rate. The effective interest rate is the discount rate that will be used to discount the expected future payments that are linked to the financial asset or financial liability so that their present value corresponds to the carrying amount of the asset and liability.

Dividends from investments in equity interests are recognized when a final right has been acquired for the dividend. This will typically be stated at the time of the general meeting's approval of the distribution from the company in question. However, in the consolidated financial statements, this does not apply to investments in associates that are measured using the equity method.

Tax

As the Group is mainly operating in Denmark, the Group's current tax of the year consist of estimated tax according to the Danish Tonnage Tax Act for all shipping activities, and according to general tax regulations for net financial income and other activities. Other activities consist of the Group's management activities. Shipping activities are taxed on the basis of the net tonnage (vessels) which the Group has at its disposal.

Based on the Group's planned use of vessels and recovery of reversed depreciation, the tonnage tax regime does not result in a deferred tax liability, but is merely incorporated as a contingent liability.

Balance sheet

Intangible assets

Intangible assets pertain to developed software which is measured at cost less amortization. The cost comprises the cost of acquisition and any expenses directly related to the acquisition until the time when the asset is ready for use. Developed software is amortized straight-line over a period of 3 years (36 month).

Property, plant and equipment, vessels and dry-docking

Property, plant and equipment, vessels, upgrade costs, dockings and office and IT equipment, are measured at cost less accumulated depreciation and impairment losses. The cost comprises the cost of acquisition and any expenses directly related to the acquisition until the time when the asset is ready for use, including interest expenses incurred during the period of construction. Other borrowing costs are taken to the income statement. Depreciation is charged over the expected economic lives of the assets, and the depreciation methods, expected lives and residual values are reassessed individually for the assets at the end of each financial year.

Vessels

Vessels are measured at cost less accumulated depreciation and write-downs. All major components of vessels except for dry-docking assets are depreciated on a straight-line basis to the estimated residual value over their estimated useful lives, which the Group estimates to be 25 years. Depreciation is based on cost less the estimated residual value. Residual value is estimated as the light weight tonnage of each vessel multiplied by scrap value per ton. The useful life and 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. Moreover, the Group evaluates the carrying amount of the vessels to determine whether events have occurred that indicate impairment and would require an adjustment of the carrying amounts. Prepayments on vessels under construction are recognized as instalments paid.

Dry-dockings

The fleet of own vessels is required to undergo planned dry dockings for major repairs and maintenance, which cannot be carried out while the vessels are operating. Dry-dockings are generally required every 30-60 months depending on the nature of the work, and the age of the vessel. Costs relating to dry-dockings are capitalized and depreciated on a straight-line basis over a period of 60 months or to the next dock if within 30 months. The residual value is estimated at zero. A portion of the cost of acquiring a new vessel is allocated to the components which are expected to be replaced or refurbished at the next dry-docking. For new buildings, the initial dry-docking asset is estimated on the basis of the expected costs related to the first-coming docking, which is based on experience with similar vessels. At subsequent dry-dockings, the asset comprises the actual docking costs incurred.

Office and IT equipment

Office and IT equipment is depreciated on a straight-line basis over the estimated useful lives, which does not exceed 5 years.

Impairment tests

The carrying amounts of property, plant and equipment with finite useful lives are evaluated at the balance sheet date to determine whether there are indications of impairment. If an indication of impairment is identified, the recoverable amount of the asset is estimated in order to determine the need for recognizing an impairment loss and the extent hereof. If an asset does not generate cash flows that are independent from other assets, the recoverable amount is determined for the smallest cash-generating unit to which the asset belongs. The Group is considered as one cash generating unit. The recoverable amount is defined as the higher of the fair value of the asset or the cash generating unit less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money, the risks specific to the asset or the cash-generating unit for which the estimates of future cash flows have not been adjusted. For vessels, the fair value is usually determined based on the estimated selling price less costs to sell. If the recoverable amount of the asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount.

An impairment loss for cash-generating units is allocated to the assets of the unit, but no asset will be reduced to a lower value than its fair value deducted expected costs to sell. Impairment losses are recognized in the statement of comprehensive income.

If an impairment loss subsequently is reversed as a result of changes in the assumptions used to determine the recoverable amount, the carrying amount of the asset or cash-generating unit is increased to the revised recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a jointly controlled entity where the ventures have a contractual arrangement that establishes joint control of the entity and the ventures rights to the net assets of the entity. The agreement requires unanimous consent of the ventures.The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognized in the statement of financial position for the Group at cost and adjusted thereafter to recognize the Group's share of the profit and loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses.

Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. An investment in an associate or joint venture is accounted for using the equity method from the date on which the investee becomes an associate or joint venture.

When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value deducted costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The entities are all engaged in shipping activities. The profit or loss from these investments is included in "Profit/loss" from investments in associates and joint ventures" in the statement of profit/loss for the Group.

Other financial fixed assets

Other financial fixed assets consists of loans with maturities longer than 12 months after the reporting period. Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans are initially measured at fair value and subsequently at amortized cost, which usually equals the nominal value less provisions for bad debts. Impairment is assessed individually using a provisions account.

Deposits are considered a non-current asset, when the lease agreements is interminable within 12 months from the balance sheet date.

Other investments are presented as non-current, unless Management intends to dispose of the investments within 12 months from the balance sheet date.

Inventories

Inventories are measured at cost according to the FIFO method, or net realizable value if lower. Inventories consist of bunkers and lubricants etc. The cost of bunkers and lubricants includes the purchase price and delivery costs.

Receivables

Receivables comprise trade receivables (including accrued income) and other receivables. Receivables are classified as receivables that are financial assets, with fixed or determinable payments, which are not quoted in an active market and which are not derivative financial instruments. Receivables are initially measured at fair value and subsequently at amortized cost, which usually equals the nominal value less provisions for bad debts. Impairments is assessed at an individual level, as well as at a portfolio level using an accrued account.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Assets held for sale

Assets held for sale and related liabilities are presented separately from other assets and liabilities and measured at the lower value of its carrying amount and fair value less cost to sell.

Dividends

Dividend are recognized as a liability at the time of approval by the General Meeting. Dividends proposed by Management in respect of the year are stated under equity.

Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured as the best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions with an expected maturity of more than one year from the balance sheet date are measured at present value.

Non-current and current financial liabilities (interest bearing debt)

Finance loans are initially measured at fair value less any transaction costs. Finance loans are subsequently measured at amortized cost. This means that the difference between the amount on initial recognition and the redemption value is recognized in the income statement as a financial expense over the term of the loan using the effective interest method.

Other liabilities

Other liabilities comprise trade payables (including accrued costs) and other payables to public authorities, etc. Other liabilities are initially measured at fair value less any transaction costs. Liabilities are subsequently measured at amortized cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognized in the income statement as a financial expense over the term of the liability.

Cash flow statement

The consolidated cash flow statements are presented using the indirect method and show cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are stated as the operating profit or loss, adjusted for non-cash operating items and changes in working capital, less corporation tax paid attributable to operating activities.

Cash flows from investing activities include payments in connection with the acquisition and divestment of enterprises and financial assets and the acquisition, development, improvement and sale, etc. of intangibles and property, plant and equipment.

Cash flows from 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 sale. Cash flows from financing activities comprise changes in the parent company's share capital and related costs as well as raising and repayment of loans, instalments on interest bearing debt, acquisition of treasury shares and payment of dividend. Cash flows in other currencies than the functional currency are recognized in the cash flow statement using average exchange rates for the respective months, unless these deviate materially from the actual exchange rates ruling at the dates of the transactions. If so, the actual exchange rates are used.

Parent company financial statements

Page

Parent company income statement

1 January – 31 December

USD '000	Note	2017	2016 11M
Revenue	3	4.872	3.700
Voyage related expenses		-2.019	-1.323
Time charter equivalent earnings		**2.853**	**2.377**
Other operating income		3.930	3.540
Charter hire		-2.648	-2.146
Administrative expenses	4,5	-2.939	-3.053
Operating profit before depreciation etc. (EBITDA)		**1.196**	**718**
Share of results of subsidiary companies	6	-1.605	-637
Share of results of associated companies	6	257	148
Operating profit (EBIT)		**-152**	**228**
Financial income	7	1.039	238
Financial expenses	8	-555	-681
Result before tax		**332**	**-214**
Tax	9	-66	-34
Net result		**266**	**-248**
OTHER COMPREHENSIVE INCOME			
Items which will be reclassified to the income statement:			
Adjustment to revalueation reserve according to the equity method		-	-
Other comprehensive income		**-**	**-**
Total comprehensive income		**266**	**-248**

Parent company balance sheet

at 31 December

USD '000	Note	2017	2016
ASSETS			
Investments in subsidiary companies	10	66.118	67.721
Investments in associated companies	10	3.425	3.168
Other financial fixed assets	11	3.020	2.377
Financial assets		**72.563**	**73.266**
Non-current assets		**72.563**	**73.266**
Inventories		62	54
Trade receivables	12	786	304
Other receivables	13	98	279
Prepayments	14	180	66
Cash and cash equivalents	15	3.843	2.484
Current assets		**4.969**	**3.187**
Assets		**77.532**	**76.453**

Parent company balance sheet

at 31 December

USD '000	Note	2017	2016
EQUITY AND LIABILITIES			
Share capital	16	1.462	1.462
Retained earnings		69.362	69.096
Equity		**70.824**	**70.558**
Loans	17	5.493	5.232
Non-current liabilities		**5.493**	**5.232**
Trade payables	18	603	111
Current tax liabilities		7	34
Other payables	19	605	518
		1.215	**663**
Liabilities		**6.708**	**5.895**
Equity and liabilities		**77.532**	**76.453**

Changes to accounting policies and significant accounting policies	1
Significant accounting estimates, assumptions and uncertainties	2
Unrecognized contingent assets and liabilities	22
Mortgages and securities	23
Financial risks	24
Related party disclosures and transactions with related parties	25
Subsequent events	26

Parent company statement of changes in equity

1 January - 31 December 2017

USD '000	Share capital	Reserves	Retained earnings	Total
Equity at 1 January 2017	**1.462**	**-**	**69.096**	**70.558**
Comprehensive income for the year				
Profit for the year	-	-	266	266
Total comprehensive income for the year	**-**	**-**	**266**	**266**
Changes in equity	**-**	**-**	**266**	**266**
Equity at 31 December 2017	**1.462**	**-**	**69.362**	**70.824**

14 January - 31 December 2016

USD '000	Share capital	Retained earnings	Total
Equity at 14 January 2016	**-**	**-**	**-**
Comprehensive income for the year			
Profit for the year	-	-248	-248
Total comprehensive income for the year	**-**	**-248**	**-248**
Transactions with shareholders for the year			
Issue of share capital	73	-	73
Capital increase	1.389	69.344	70.733
Total transactions with shareholders for the year	**1.462**	**69.344**	**70.806**
Changes in equity	**1.462**	**69.096**	**70.558**
Equity at 31 December 2016	**1.462**	**69.096**	**70.558**

Parent company cash flow statement

1 January - 31 December

USD '000	Note	2017	2016
Operating profit (EBIT)		-152	228
Adjustment for share of results of associated companies and joint ventures		1.348	489
Adjustment for other non-cash items		-25	513
Change in working capital excl. accrued interest and tax liabilities	20	155	-74
Interest etc. received		4	-
Interest etc. paid		-1	-
Tax paid		-99	-
Cash flow from operating activities		**1.230**	**1.157**
Proceeds from issue of share capital		-	1.462
Cash flow from financing activities	21	**-**	**1.462**
Net cash flow		**1.230**	**2.619**
Cash and cash equivalents at beginning of the year		2.484	-
Exchange rate adjustments		129	-135
Net cash flow		1.230	2.619
Cash and cash equivalents at end of the year		**3.843**	**2.484**

Notes to the parent company financial statements

Note 1. Changes to accounting policies and significant accounting policies

The parent company's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. Crystal Nordic A/S is a Limited Liability Company with its registered office in Denmark.

The Parent Company basically uses the same accounting policies for recognition and measurement as the Group. The cases where the Parent Company's accounting policies differ from the Group are described below. For a detailed description of the Parent Company's accounting policies, see Note 31 to the Consolidated Financial Statements.

The implementation of new or amended standards and interpretations that have entered into force has not resulted in changes in accounting policies in the parent company's financial statements.

At the time of publication of this annual report, there are a number of new or amended standards and interpretations that have not yet come into effect and are therefore not incorporated in the parent company's annual accounts. Management believes that these will not have a material impact on the financial statements for the coming financial years.

The new or amended standards and interpretations mainly consists of:

- IFRS 9 on Financial Instruments
- IFRS 15 on Revenue recognitions
- IFRS 16 on Leases

For detailed descriptions of the new or amended standards and interpretation, see note 1.

IFRS 9 is implemented using same method as described in note 1 in the consolidated financial report, and is expected to not have a material impact on the financial statements.

IFRS 15 emphasizes that revenue must be recognized as the customer receives the service agreed upon (control principle). According to current practice, recognition of freight income is commenced earlier according to the discharge-to-discharge method. It is the Group's interpretation that the freight income according to IFRS 15 must be recognized over the period of time when the cargo is being transported. At the same, costs will be recognized according to the matching principle, and will be capitalized and amortized over the course of the transportation period. The transition to IFRS 15 is expected not to have a material impact on the parent company.

The parent company is implementing the standard on the 1 January 2018.

IFRS 16 is not relevant for the parent company, as the parent company is currently not exposed to any lease contract, as either lesee or lessor that is impacted by IFRS 16.

Cases where the parent company's accounting policies differ from the Group

Results from investments in subsidiaries

Results from investments in subsidiaries comprises the individual entities' earnings after full elimination of internal gains and losses.

Conversion of foreign currency

Exchange rate adjustments of receivables from or liabilities to subsidiaries, which are considered part of the parent company's investment in the subsidiary, are recognized in the income statement under financial items. In the consolidated financial statements, value adjustments are recognized in other comprehensive income.

Investments in subsidiaries

Investments in subsidiaries are recognized and measured according to the equity method.

In the balance sheet under the items "investments in subsidiaries", the proportional ownership share of the companies' net asset value is recognized.

The total net revaluation of investments is subsidiaries is transferred through the distribution of profits to "Reserve for net revaluation according to equity method" under equity. The reserve is reduced by dividend payments to the parent company and is adjusted with other changes in equity in subsidiaries.

Subsidiaries with negative net asset value are recognized at 0 tUSD, and a provision to cover the negative balance is recognized if such a present obligation for this purpose exists.

Note 2. Significant accounting estimates, assumptions and uncertainties

For a description of significant accounting estimates, assumptions and uncertainties, see Note 2 of the consolidated financial statements.

Note 3. Revenue

USD '000	2017	2016 11M
Freight revenue	4,325	3,441
Time charter revenue	152	-
Other voyage related revenue	395	259
Revenue	**4,872**	**3,700**

Note 4. Staff costs

USD '000	2017	2016 11M
Land based employees (included in administrative expenses)		
Wages and salaries	1,294	1,175
Pensions, defined contribution plans	119	105
Other social security expenses	-	1
Other staff expenses	37	59
Total staff costs	**1,450**	**1,340**

Average employees	2017	2016 11M
Land based employees	11	11
	11	**11**

USD '000	2017	2016 11M
Board of Directors		
Remuneration to the Board of Directors	-	-
CEO and key management personnel *)		
Salaries	575	524
Pensions, defined contribution plans	20	21
Total remuneration	**595**	**545**

*) Including key personnel provided under Service Level Agreement and Advisory Service Agreement

Persons in the Board of Directors and key management, average	2017	2016 11M
Board of Directors	4	4
CEO and key management personnel	1	1
	5	**5**

Note 5. Fees to the auditor appointed at the general meeting

USD '000	2017	2016 11M
Audit	4	4
Tax consultancy	3	-
Other services	28	-
Total	**35**	**4**

Note 6. Share of results in subsidiaries and associated companies

USD '000	2017	2016 11M
Share of result in subsidiary companies, ref. note 10	-1,605	-637
Share of result in associated companies, ref. note 10	472	148
Depreciation of purchase price allocation, ref. Note 10	-215	-
Total	**-1,348**	**-489**

Note 7. Financial Income

USD '000	2017	2016 11M
Interest income	303	238
Exchange rate gains	736	-
Financial income	**1,039**	**238**

Note 8. Financial expenses

USD '000	2017	2016 11M
Interest expenses on mortgage debt	-	197
Other interest expenses	261	232
Exchange rate losses	276	244
Other financial expenses	18	7
Financial expenses	**555**	**681**

Note 9. Tax

USD '000	2017	2016 11M
Tax on the results for the year	65	34
Adjustments of tax regarding previous years	1	-
Tax for the year recognized in the income statement	**66**	**34**

Tax on the results for the year is calculated with a tax rate of 22 % (2016: 22%)

Tax on the result for the year can be explained as follows:

Result before tax of continuing operations	**332**	**-214**
Calculated tax with a tax rate of 22% (2016: 22%)	73	-47
Tax value of tax-transparent entities	289	105
Tax value of non-deductible costs	-	9
Tax value of non-taxable income from equity interests in subsidiaries, associated companies and joint-ventures	-297	-33
	65	34
	0	-0

Note 10. Investments in subsidiaries and associated companies

USD '000	Subsidia-ries	Associated companies	Total
Cost at 1 January 2017	68,358	3,020	71,378
Additions during the year	2	-	2
Cost at 31 December 2017	**68,360**	**3,020**	**71,380**
Revaluations at 1 January 2017	-637	148	-489
Share of profit/loss for the year	-1,605	472	-1,133
Depreciation of purchase price allocation	-	-215	-215
Write-downs at 31 December 2017	**-2,242**	**405**	**-1,432**
Carrying amount at 31 December 2017	**66,118**	**3,425**	**69,543**
Cost at 14 January 2016	-	-	-
Additions during the year	68,358	3,020	71,378
Cost at 31 December 2016	**68,358**	**3,020**	**71,378**
Revaluations at 14 January 2016	-	-	-
Share of profit/loss for the year	-637	148	-489
Write-downs at 31 December 2016	**-637**	**148**	**-489**
Carrying amount at 31 December 2016	**67,721**	**3,168**	**70,889**

Company	Nature of investment	2017		2016	
		Share of result USD '000	Carrying amount USD '000	Share of result USD '000	Carrying amount USD '000
Crystal Nordic Shipowning Partner ApS, Denmark	100% owned subsidiary company	-0	2	-7	-0
Crystal Nordic Shipowning K/S, Denmark	100% owned subsidiary company	-1,605	132,233	-630	67,721
BKR Tankers K/S, Norway	45,3% owned associated company	201	1,698	8	1,595
BKR Carriers K/S, Norway	46,8% owned associated company	271	1,727	140	1,573
		-1,133	**135,659**	**-489**	**70,889**

Note 11. Other financial fixed assets

USD '000	2017	2016
Receivables from associated companies	3,020	2,377
Other financial fixed assets	**3,020**	**2,377**

Note 12. Trade receivables

USD '000	2017	2016
Receivables from freight and management services, incl. accrued income	786	306
Provisions for bad debt	-	-1
Trade receivables	**786**	**304**

The fair value of trade receivables approximates the carrying amount.

A provisioning account is used to reduce the carrying amount of receivables from sales and services whose value is impaired due to loss risk.

Direct provision is made for loss of receivables if the value is impaired, based on an individual assessment of the individual debtors, e.g. by suspension of payments, bankruptcy etc. Write-downs are made at the estimated net realizable value. Based on historical experience, amounts on the provision account are impaired with 50% when receivables has been due for six months and fully impaired when receivables has been due for more than twelve months.

Note 13. Other receivables

USD '000	2017	2016
Deposits	25	-
Miscellaneous receivables	73	279
Other receivables	**98**	**279**

Note 14. Prepayments

USD '000	2017	2016
Prepayments regarding time charter and bareboat charter agreements	126	47
Insurance prepayments	21	2
Other prepayments to suppliers etc.	33	16
Prepayments	**180**	**66**

Note 15. Cash and cash equivalents

USD '000	2017	2016
USD	2,902	347
EUR	709	2,092
DKK	232	45
Cash and cash equivalents	**3,843**	**2,484**

Note 16. Share capital

	2017			2016		
	Number of shares	Nominal value USD	Share capital USD	Number of shares	Nominal value USD	Share capital USD
Share capital	100,000	14.62	1,462,395	100,000	14.62	1,462,395
Share capital 31 Dec.	**100,000**	**14.62**	**1,462,395**	**100,000**	**14.62**	**1,462,395**

Note 17. Loans

USD '000	2017	2016
Non-current debt with maturities between 1 and 5 years	5,493	5,232
Total	**5,493**	**5,232**
Hereof:		
Loans denominated in USD with fixed interest rate	5,493	5,232
Total	**5,493**	**5,232**

Note 18. Trade payables

USD '000	2017	2016
Trade payables	603	111
Trade payables	**603**	**111**
Hereof:		
Accrued costs	246	283

Note 19. Other payables

USD '000	2017	2016
Employees' withheld income taxes, pensions, social contributions etc.	236	218
Miscellaneous payables	369	300
Other payables	**605**	**518**

Note 20. Changes in working capital

USD '000	2017	2016
Change in inventories	9	54
Change in trade receivables	482	304
Change in other receivables	-181	279
Change in prepayments	114	66
Change in trade payables	-492	-111
Change in other payables excl. accrued interest and tax liabilities	-87	-518
Change in working capital excl. accrued interest and tax liabilities	**-155**	**74**

Note 21. Reconciliation of liabilities arising from financing activities

USD '000	1 Jan 2017	Financing cash flow (i)	Aquisition or disposals of subsidiaries (Note 8)	Fair value adjustments	Other changes (ii)	31 Dec 2017
Loans from related parties	5,232	-	-	-	261	5,493
	5,232	-	-	-	261	5,493

(i) The cash flows from related parties make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

(ii) Other changes include amortization, interest accruals and payments.

Note 22. Unrecognized contingents assets and liabilities

See note 25 in the consolidated financial statement.

Note 23. Mortgages and securities

See note 26 in the consolidated financial statement.

Note 24. Financial risks

See note 27 in the consolidated financial statement.

Note 25. Related party disclosures and transactions with related parties

See note 28 in the consolidated financial statement.

Note 26. Subsequent events

Reference is made to note 30 of the consolidated financial statements for a description of events after the balance sheet date.

Statement by the Board of Directors and Executive Management

The Board of Directors and the Executive Management have today considered and approved the consolidated financial statement of Crystal Nordic A/S for the financial year 1 January to 31 December 2017.

The consolidated financial statement is prepared in accordance with International Financial Reporting Standards as approved by the EU and additional requirements stated in the Danish Financial Statements Act. The financial statements of the parent company is prepared in accordance with International Financial Reporting Standards as approved by the EU and additional requirements stated in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the financial statements of the parent company give a true and fair view of the financial position at the 31 December 2017 of the Group and the parent company's operations and the Groups consolidated cash flow for the financial year 2017.

In our opinion the managements commentary provides a fair review of the development in the operations and financial circumstances of the Group and the parent company, of the results for the year and of the financial position of the Group and the parent company as well as a description of the most significant risks and elements of uncertainty which the Group and the parent company are facing.

We recommend that the annual report be adopted at the annual general meeting.

Hellerup, the 20 march 2018

Executive management

Jan Eghøj
Chief executive officer

Board of Directors

Bent Kemplar
Chairman

Wilfried Fuhrmann
Board member

Jan Hammer
Board member

Jan Eghøj
Board member

Independent auditor's report

To the shareholders of Crystal Nordic A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Crystal Nordic A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 31.12.2017, and of the results of their operations and cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the

Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

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

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

Copenhagen, 20.03.2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Henrik Hjort Kjelgaard	Bjarne Iver Jørgensen
State-Authorised	State-Authorised
Public Accountant	Public Accountant
MNE no. 29484	MNE no. 35659

Definitions and glossary

Ratios

Key figures and key ratios are defined and calculated in accordance with the Danish Association of Financial Analyst's "Recommendations and Financial Ratios 2015":

Key ratios	Calculation formula	Comments
TCE-margin (%)	$\frac{\text{TCE earnings}}{\text{Revenue}}$	The key figure reflects the percentage of revenue, minus voayge related costs, that cover capacity costs, net financing costs, taxes and profit.
EBITDA-margin (%)	$\frac{\text{EBITDA}}{\text{Revenue}}$	The key figure reflects the entity's operational profitability
EBIT-margin (%)	$\frac{\text{EBIT}}{\text{Revenue}}$	The key figure reflects the entity's true business costs.
Return on Invested Capital (%	$\frac{\text{EBITA}}{\text{Avg. invested capital}}$	The Key figure reflects the entity's ability to generate return on invested capital through operations.
Return on Equity (%)	$\frac{\text{Result of the year}}{\text{Avg. equity}}$	The key figure reflects an entity's ability to generate returns to shareholders when taking into account the entity's capital base.
Equity ratio	$\frac{\text{Net interest-bearing debt}}{\text{Equity}}$	The key figure reflects the financial gearing of the entity, expressed as the sensitivity to fluctuations in interest rates, etc. A high financial gearing translates into a high financial risk.

Glossary

A **Active Core** Fleet Owned vessels and vessels chartered for more than 13 months (long-term chartered vessels)

Active fleet Owned vessels, vessels chartered for more than 13 months (long-term chartered vessels) and vessels chartered for less than 13 months (short-term chartered vessels).

B **Ballast** Amount of unpaid cargo carried in order to provide sufficient weight to keep a vessel stable.

Ballast leg Voyage with no cargo on board, to position a ship for the next load port or dry-docking.

Ballast tank Tank that can be filled with ballast, to provide stability for the vessel.

Bareboat-charter (BB) An arrangement involving the hiring of a vessel, under which the party that hires the vessel covers crew costs and all other operating expenses, including docking and maintenance, in addition to all voyage-related costs. On its return, the ship shall be in the same condition as when delivered, normal wear and tear expected.

Barging Transfer of cargo to/from a vessel from/to a barge.

Broker An intermediary in the process of negotiating freight contracts between owners and charterers, the sale and purchase of ships and similar transactions.

Bloomberg Provider of financial news and data.

Bunker Engine fuel, to power a vessel.

C **CBM** Cubic meter, volume measurement = 1 meter high x 1 meter wide x 1 meter deep = 1 m^3 = 1.000 liters.

CDP Platform for collecting and presenting companies' environmen-tal data to stakeholders.

Charter party (C/P) Agreement between a ship owner and a charterer, outlining terms and conditions governing the trans-action. The agreement may be for one or several voyages, or for a certain period.

Charterer The party hiring and paying for vessels or vessel space. This may be the cargo owner, an intermediary or the receiver of the cargo.

Chemical tank Transport of Organic products, inorganic products, Vegetable oils and others.

CO_2 Carbon dioxide.

COA (Contract of Affreightment) Agreement to transport cargo for a predetermined period - 3 months, 5 years, 10 years etc. - and at a predetermined price per ton.

Coating Paint protecting the inside of a vessel's tanks. Usually epoxy- or zinc-based paints.

Commercial management Agreement to operate a vessel on the account and risk of the ship-owner.

Coverage Securing employment of a vessel for a longer period of time (see spot market)

CSR (Corporate Social Responsibility) Companies' responsible business practices.

D **Deadweight tonne (dwt)** Measure of the weight-carrying capacity of the vessel.

Deep-sea trade Sea-borne trade along intercontinental trade routes.

Demurrage Compensation paid by the charterer, supplier or receiver of the cargo for time spent during port call in excess of the lay-time stipulated in the Charter Party for loading/discharging operations.

Double Hull Vessels destined with an inner and outer hill, to enhance safety by allowing leakages to be contained in the event of potential groundings or collisions. The space between the inner and outer hull may also be used as ballast tank.

Dry-dock Putting a vessel into dry—dock for inspection and repairs of underwater parts, and painting of the vessel bottom. Usually carried out every 2½th or 5th year.

E **EBIT** Earnings before Interest and Tax.

EBITA Earnings before Interest, Tax and Amortization

EBITDA Earnings before Interest, Tax, Depreciations and Amortization

Eco vessel Vessel with improved fuel efficiency

EEOI (Energy Efficiency Opera-tional Indicator) Calculation and analysis system used when measuring CO2 emissions from the vessels.

F **FFA (Forward Freight Agreement)** Forward agreement to purchase or sell the transport of cargo for a particular type of vessel and route at a predetermined price.

Forward rate Market expectations for future rate levels.

G **Gross fleet** Owned vessels, vessels chartered for more than 13 months (long-term chartered vessels), vessels chartered for less than 13 months (short-term chartered vessels) and vessels for delivery.

Gross gearing The ration of the Group's net commitments to equity before deduction of contractually secured cash flows.

I **IAS** International Accounting Standards.

IEA International Energy Agency.

IFRS International Financial Reporting Standards.

IMF International Monetary Fund.

IMO International Maritime Organization - Shipping organization under the UN.

IMOS Shipping system that supports chartering, operations and accounting related functions for the Group's fleet of chemical tanker vessels.

Inorganic chemicals Chemicals with molecular structure containing no carbon atoms (other than as part of a carbonate group) and which are derived from sources other than hydrocarbons, such as sulphuric acid, phosphoric acid and caustic soda.

INTERTANKO International association of independent tanker owners.

ISMC International Safety Management Code. The first formalized initiative by IMO to provide a universal standard for vessels safety managements systems.

L **LIBOR** London Interbank offered Rate. The average of interest rates estimated by each of the leading banks in London that it would be charged were it to borrow from other banks.

Liner shipping Voyages with fixed routes.

Long-Term charter Agreement to charter a vessel for more than 13 months.

LTIF (Lost time injury frequency) Number of work-related injuries that make employees unable to work the next workday times one million divided by total number of working hours.

LPG Liquefied petroleum gas.

M **MACN** Maritime Anti-Corruption Network.

MARPOL IMO's international regulations for the prevention of pollution by garbage from ships.

M/T Motor tanker.

MT Metric tonne.

NH3 Ammonia

NOX Mono-nitrogen oxides. Nitrogen combined with oxygen to from a variety of compounds.

N **Net Asset Value (NAV)** Booked equity adjusted for the market value of the fleet.

Net gearing The ratio of the Group's net commitments to equity after deduction of contractually secured cash flows.

O **OECD** Organization for Economic Co-operation and Development.

Offhire The time a vessel is prevented from being gainfully employed for its owner or charterer, e.g. time used for repairs.

Onhire The time a vessel is gainfully employed for its owner or charterer, e.g. time used on voyages.

Operating expenses Expenses for crew as well as all other expenses directly connected with the running of the ship, including maintenance and insurance.

Operator activities Combination of cargoes and available vessels in the market.

Operator profit Value added compared to earnings if employed at forward rates at the beginning of the year.

Organic chemicals Chemicals containing carbon-based molecules. Often referred to as petrochemicals when derived from hydrocarbon sources such as oil, gas and coal.

P **Petrochemicals** See organic chemicals.

Pool Group of vessels with different owners but commercially operated together.

Port State Control The countries' technical inspection of foreign vessels calling at their ports.

PPM Parts per million (1 ppm = 0,000001 or 1 mg/kg).

Purchase option A right, but not obligation, to purchase a vessel at an agreed price.

R **RoE** Return on Equity.

RoIC Return on Invested Capital.

S **Segregation** Division of a vessel's cargo space to allow different cargoes being kept completely segregated during the entire voyage, including during loading and unloading.

Short-sea trade Sea-borne trade within a particular trading area (i.e. not intercontinental).

Short-term charter Agreement to charter a vessel for less than 13 months.

SIRE (Ship Inspection Report Programme) The oil companies' inspection of the safety and operational standard of the product tankers.

Solvents Liquids that can dissolve other substances.

SOx The Sulphur oxides SO and SO_2.

Spot Market Day-to-day market for cargo contracts.

Spot rate Cargo freight rate not governed by a contract of Affreightment, usually based on the current market level.

STCW International convention on standards of training, certifications, and watch-keeping of seafarers.

T **Time-charter (T/C)** Lease of a vessel whereby the vessel is hired for a short or long period.

TCE (time-charter earnings) Gross freight revenues minus voyage costs divided by number of trading days usually expressed in USD per day.

Technical management Agree-ment to manage a vessel's technical operations and crew at the account and risk of the ship-owner.

Tonne Gross registered tonne is a volume of 100 cubic feet (2,83 cubic meters). Gross registered tonnage is the volume of the vessels closed areas, excluding the bridge, the galley and a few other areas. Net registered tonnage is the gross tonnage less volumes needed for the operation of the vessel (deck, storage room, engine room etc.), i.e. the volume available for cargo.

Tonne-mile A measure of demand for capacity. Calculated as the freight amount times the transport distance in nautical miles.

Trade Geographical area where a vessel mainly trades.

Trading days Days a ship is not off-hire.

Transshipment Transfer of cargo from one vessel to another, e.g. from a vessel within global trade to a coaster or barge within regional trade bound for final destination.

Triton Triton Managers III Limited, Triton III Funds, Triton III F&F Limited and Triton III F&F Funds.

U **UN Global Compact** The UN's corporate sustainability initiative.

USDA United States Department of Agriculture

V **Vessel days** Total number of days with available vessel capacity.

Vetting Collective term for the many kinds of inspections of chemical tankers – including SIRE inspections – which the oil companies carry out themselves or demand to have carried out.

Voyage charter Agreement for the transportation of cargo from the port(s) of loading to the port(s) of unloading. Payment is normally per tonne of cargo, and the ship owner pays for bunkers, port and canal charges and other voyage-related costs.

Voyage expenses Expenses dire-ctly relating to the voyage, such as bunkers, port charges, canal dues, etc.

Company information

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Group structure
Please refer to note 29 in the consolidated financial statement.

Board of Directors and management

BOARD OF DIRECTORS – Crystal Nordic A/S

- Bent Kemplar - Chairman of the Board
- Jan Hammer
- Wilfried Fuhrmann
- Jan Eghøj

KEY MANAGEMENT PERSONEL
- Jan Eghøj – Chief Executive Officer