Ultrabulk A/S
2018
Annual Report

Ultrabulk

Ultrabulk A/S | Smakkedalen 6 |2820 Gentofte, Denmark | CVR.no. 38 28 37 15

Approved on the annual general meeting 26 March 2019

Chairman of the meeting

CONTENT

ABOUT ULTRABULK

Ultrabulk is a leading global dry bulk operator, servicing customers within the MPP, Handy, Supramax and Panamax segments. The business model's core element remains a strong focus on customer relations through a range of long-term partnerships, on cargoes as well as on tonnage. Over the years this has enabled the establishment of a considerable long-term book serving as the platform for future growth.

Ultrabulk also operates in several niche trades with substantial synergies to our core elements. It is a strategic focus to continue developing additional niche trades as they are very important elements in its future growth of the fleet of around 130-165 vessels.

Another important base in Ultrabulk's business platform is a well-proven risk management system covering various business risks. With improved technologies these risk management systems are being continuously improved. The new technologies likewise have increased the company's focus on improving the internal processes and data accuracy. The goal of this drive is to improve efficiency as well as ensure the best data to support business decisions going forward.

Continued investments in improving market surveillance and planning systems will support the business development process going forward, especially in relation to efforts to optimise the balance between cargo contracts and tonnage commitments.

The Company had 97 employees by the end 2018, strategically located in offices in Copenhagen (Head office), Santiago, Stamford, Rio de Janeiro, Hamburg, Singapore, Cape Town and Sydney (office opened in March 2018). The geographical spread of offices enables Ultrabulk to serve its partners in their own time zone in relation to both chartering and operations.

Throughout the entire organisation Ultrabulk is committed to perform as a "Partner you can trust".

Ultrabulk is confident that its ability to live up to this commitment has developed into an increasingly strong attribute, which its customers and partners acknowledges. With its comparatively balanced book, solid balance sheet and being part of a strong Group, Ultrabulk is confident that it will be able to consolidate its position further as a preferred counterpart, and to actively pursue the opportunities which will arise under prevailing market conditions.

Mission statement

A partner you can trust.

Vision statement

We strive to be your preferred partner in global dry bulk shipping.

Core values

Excellence

We constantly measure, analyze and adjust in order to enhance quality.

Integrity

We are committed to being reliable, trustworthy, and dependable.

Passion

We address challenges with passion and positive commitment.

Safety

We are committed to developing and stimulating a safe working culture onboard ships and ashore.

PART OF A LARGE AND DIVERSIFIED GROUP

Ultrabulk is part of the Ultranav Group ("Ultranav"). Ultranav is a privately owned shipowning and operating company headquartered in Santiago, Chile.

Through nine business units, Ultranav operates in five market segments: Oil, gas, dry bulk, coastal trades, and towage & offshore. Ultranav operates a fleet of gas and chemical carriers, tankers for crude oil and clean petroleum products, bulk carriers, feeder container ships, multipurpose vessels, harbour tugs, PSVs, AHTS, pusher tugs, barges and pilot boats.

Ultranav is focused on providing efficient, safe and environmentally friendly maritime transportation, harbour towage and maritime support services to the mutual benefit of its customers, employees and all relevant stakeholders. Ultranav aspires to be **"A Partner You Can Trust".**

Ultranav aims to support customers and partners in those segments and niches where it can develop long-term sustainable competitive advantages by adding value to its customers.

Ultranav focuses on customers who value mutually beneficial long-term relationships. Ultranav has a flexible organization managed by qualified professionals committed to providing the best services to the satisfaction of its customers.

Ultranav Business Units

- Ultratank
- Ultragas
- Ultrabulk
- Horizon
- Navitranso
- Antares Naviera
- Transmares
- Ultratug
- Wilson Sons / Ultratug Offshore

Figures and facts as per 2018

Number of vessels and tugs in our fleet

- 113 Tankers
- 15 MPP & Containers
- 20 Gas Carriers
- 166 Dry Cargo

Grand Total: 423

- 71 Harbor Tugs
- 23 PSV
- 3 AHTS
- 2 Pusher Tugs
- 5 Barges
- 5 Pilot/Crew Boats

2018 HIGHLIGHTS

The market during the first quarter of 2018 was lower than the average of 2018 as expected due to seasonality. The Baltic Supramax Index (BSI) which was average USD 9,345 per day in 2017 (up 40% from 2016) increased further to USD 12,023 per day by end of March 2018, ending the first quarter at average USD 10,729 per day. Second quarter improved to USD 11,503 per day and third quarter to USD 11,852 per day before a disappointing end of the year brought no further improvements in the rates which ended at average USD 11,867 per day on Q4. This resulted in an average for 2018 at USD 11,486 per day representing a 23% increase compared to 2017.

The Ultrabulk commercial team in the Asia-Pacific was strengthened during Q1 with the opening of an office in Sydney, Australia to increase the focus on clients from Australia and New Zealand. The activity had a good start and clients have received it in a positive way. Ultrabulk African Services, Ultrabulk Parcel Service and the specialized MPP Service which focuses on the Europe/Africa/Europe trades have had a good development in 2018. These additional services provide clients with an even more diversified product range and have resulted in cross segment synergies and opportunities.

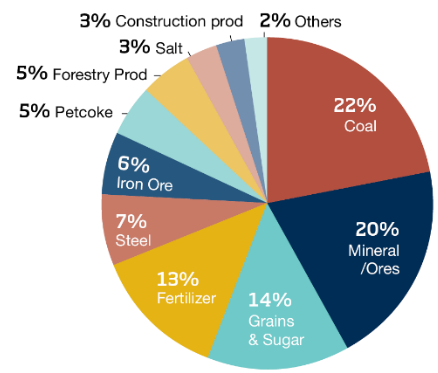
Ultrabulk operated an average of 144 vessels during 2018, which was in line with the number of vessels operated in 2017.

The long-term vessel portfolio slightly exceeds the company's long-term contractual cargo commitments. The long-term core fleet grew by 4 units in 2018 to reach 49. A further 7 vessels will be delivered by 2020. The fleet expansion includes units within all segments where the Company is active.

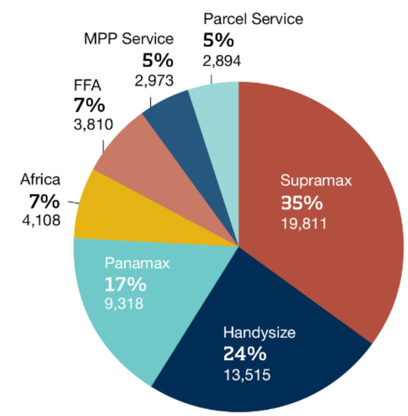
The total of physical ship days in 2018 was 52,619 days, in 2017 the total was 52,263 days. Cargo lifted was up 7% from 51.09 million tons in 2017 to 54.51 million tons in 2018.

The Board of Directors has proposed to pay a dividend of MUSD 5.0 for 2018.

2018 Lifting's 54.51 M/tons



2018 Trading days (56,429) by segment & area



2019 OUTLOOK

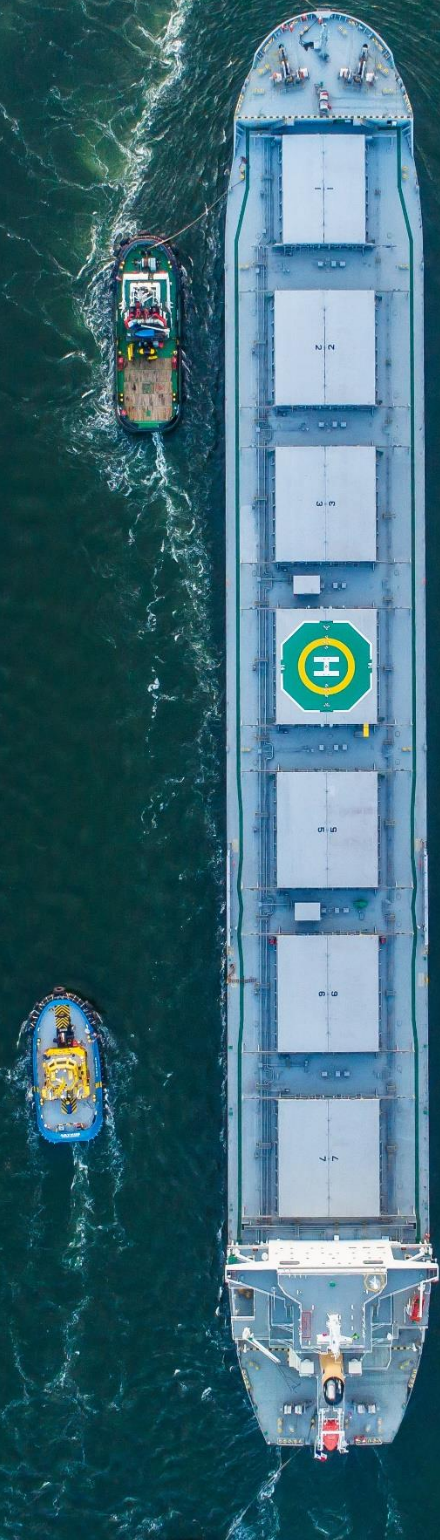
Ultrabulk is confident that it will be able to maintain and develop its market position and it is well positioned to address the opportunities that will arise under present market conditions. Our more general market outlook for 2019 is described on page 8. Based on the Company's current coverage, and while acknowledging the very volatile market conditions, a positive EBITDA and a positive Net Profit is expected for 2019.

GROUP KEY FIGURES & RATIOS

KEY FIGURES (USD '000)	2018	2017*	2016*	2015*	2014*	2013*
INCOME STATEMENT						
Revenue	1.060.090	903.916	598.191	652.190	886.016	884.625
Gross profit (Net earnings from shipping activities)	43.905	24.286	26.424	27.957	30.903	45.613
Operating profit before depreciation, amortization and impairment loss (EBITDA)	19.301	1.625	4.298	5.522	5.918	21.880
Operating profit (EBIT)	18.714	-1.648	2.657	3.773	5.257	11.628
Net financials	-1.679	667	1.004	-1.038	338	1.224
Profit before tax	17.035	-981	3.661	2.735	5.595	12.851
Net profit	15.525	-2.416	2.645	1.399	5.385	12.076
Profit for the year for the Ultrabulk Shareholders	15.525	-2.416	2.645	1.492	5.374	12.067
STATEMENT OF FINANCIAL POSITION						
Non-current assets	118.328	99.540	89.065	104.196	77.913	47.041
Current assets	181.597	174.947	160.417	160.505	187.619	202.397
Total assets	299.925	274.487	249.482	264.701	265.532	249.438
Equity, excl. non-controlling interests	159.811	148.841	149.125	139.528	135.229	148.584
Non-controlling interests	64	64	64	64	345	334
Non-current liabilities	51.673	40.496	38.614	50.630	32.709	0
Current liabilities	88.377	85.086	61.679	74.479	97.249	100.520
Net interest-bearing (liabilities)/assets	27.576	32.133	65.691	57.955	63.112	65.539
Cash and securities	74.395	69.355	93.179	88.337	79.648	65.539
CASH FLOW						
From operating activities	17.231	-14.268	13.759	12.845	3.771	25.498
From investing activities	-19.808	-19.264	-4.899	-16.316	-6.149	11.629
- of which relates to investment in tangible assets	18.221	20.098	5.024	48.362	24.200	0
From financing activities	7.617	9.710	-4.019	12.160	16.488	0
Total net cash flow	5.040	-23.822	4.842	8.689	14.109	37.127
FINANCIAL RATIOS AND PER SHARE DATA						
Gross profit margin (Net earnings from shipping activities margin)	4,1%	2,7%	4,4%	4,3%	3,5%	5,2%
EBITDA margin	1,8%	0,2%	0,7%	0,8%	0,7%	2,5%
Return on equity (ROE)	10,1%	-1,6%	1,8%	1,1%	3,8%	8,4%
Payout ratio	32,2	0,0	0,0	0,0	0,0	0,0
Equity ratio	53,3	54,2	59,8	52,7	50,9	59,6
USD/DKK rate year-end	651,94	620,77	705,28	683,00	612,14	541,27
Average USD/DKK rate	631,74	659,53	673,27	672,69	561,90	561,60
Total number of physical ship days	52.619	52.263	41.143	37.788	42.013	40.602
Average number of employees	97	94	94	94	88	94
Proposed dividend (DPS)	0,1845	0	0	0	0	0

* Comparative figures have not been restated to reflect the implementation of IFRS 9 and IFRS 15.

THE FLEET



Total fleet: 130 to 165 vessels

MPP
Up to 25,000 dwt – Up to 10 vessels

Handysize
25,000-45,000 dwt – Up to 55 vessels

Supramax
45,000-65,000 dwt – Up to 60 vessels

Panamax
65,000-85,000 dwt – Up to 40 vessels

MARKET REVIEW & 2019 OUTLOOK

2018 saw mixed developments with good market conditions in the winter, bad in the spring, great in the summer, and a disappointing market in the last quarter. By the end of 2017 the forward FFA estimates for 2018 was 11,500 usd/day for Panamax and Supramax. The final annual average ended up being about 11,500 usd/day for the two segments. 2018 saw Chinese iron ore inventories build and then fall, steel production increase 7 pct without any increase in iron ore imports, coal imports spiked and then were banned, real estate prices lose momentum and then increase at runaway rates. The Capesize segment had great market conditions in the summer and a bad Q4. Focus was on the trade war that turned out not to affect dry bulk; Brazil and alternative trades replaced all the US soybeans no longer going to China. And focus was also on the 2020 low-sulphur fuel issues that might boost vessel demand growth through congestion and lower speed end 2019 through 2020. Meanwhile the dwt-demand cycle hit zero pct end of the year 2018.

Growth pct.	2014	2015	2016	2017	2018	2019 f
World GDP	3.6	3.4	3.2	3.7	3.7	3.4
Adv.Econ	2.1	2.2	1.7	2.4	2.4	2.1
Emg.Econ	4.7	4.3	4.3	4.7	4.7	4.5
Fleet	5.2	3.1	2.1	3.3	2.5	2.6
Demand	3.8	-1.5	1.5	9	3.7	3.1

China increased coal production to the level of 2015 and more, reversing the coal mine capacity cuts of 2016. And the global economic cycle turned down, dry bulk commodity prices held up fairly well, however.

Usd/day	2014	2015	2016	2017	2018	2019 ffa
C4TC	13.8	7	6.4	14	16	16
P4TC	7.7	5.6	5.6	9.7	11.6	9.7
S6TC	9.8	7	6.2	9.1	11.4	9.7
BHSI6TC	7.7	5.4	5.2	7.6	8.7	8.3

Iron ore inventories in China now pose a threat to shipping demand. With a setback in steel prices but not so much in ore prices, steel profits are down. With lower steel profits demand for lower grade iron ore seems to be waking up again in China.

Coal is expected to see another import ban later in 2019. Chinese coal traders have so far in January pretty much ignored the lifting of the previous ban from Q4.

US grain trade may have taken a hit from the US government shutdown; vessel earnings took their hardest hit in the USG in January. With the trade dispute ongoing, grain trades from the US are expected to be lacklustre, while Brazil and Argentina may benefit like in 2018.

Fleet growth was boosted by lower demolitions of just 5 mdwt. Deliveries were however lower year-on-year with about 28 mdwt vs about 38 mdwt in 2017. 2019 is expected to see about 35 mdwt delivered.

The first quarter is not expected to see any strong cyclones in Queensland nor heavy rains in Brazil, but there has already been another tragic mud-slide in Brazil knocking out an annual 28 mln tons iron ore production. The Capesize segment, that have not yet been pulled down much in January, now take a hit.

IMF downgraded its economic forecast in January and expect to downgrade again in April.

The real estate cycle in China has shown itself to be somewhat unpredictable, but credit is so tight a slowdown is the expectation.

2019 is expected to see demand growth of about 3 pct and fleet growth of about 2.5 pct. With 2019 starting with a drastic setback for subcapes, consecutive quarterly developments are expected to be an improvement from this level in January, with high hopes for the 2nd half of the year. Events determining the 2nd half of 2019 have not yet transpired.

FINANCIAL REVIEW

Results

EBITDA was USD 19.3 million (USD 1.6 million in 2017), corresponding to an EBITDA margin of 1.8% (0.2% in 2017). Net Profit amounted to USD 15.5 million (USD -2.4 million in 2017), which is almost in line with expected.

Revenues in 2018 were USD 1,067 million, considerably over the level in 2017 (USD 904 million) as a consequence of higher market rates.

Gross profit was USD 43.9 million in 2018 corresponding to a gross margin of 4.1%, against 2.7% in 2017.

Profit on sales of vessel of USD 3.1 million is related to the exercising of a purchase option on a vessel with the subsequent sale of the vessel during the year.

Depreciation totalled USD 4.5 million, up from USD 3.3 million in 2017, reflecting the investing activities in 2018 and 2017.

Share of results from joint ventures and associated companies totalled USD -0.3 million, against USD 0.3 million in 2017.

Net financial items amounting to USD -1.4 million (USD 0.4 million in 2017). The financial expenses of USD 2.0 million (USD 1.2 million in 2017) are mainly related to interest on loans for vessels financing and reflecting the investment activities.

The financial income in 2018 was mainly related to income from sale of shares received as compensation for hire reductions and currency adjustments.

Income tax at USD 1.5 million is mainly tonnage tax.

Balance sheet

Total assets amounted to USD 299.9 million, against USD 274.5 million in 2017.

Non-current assets totalled USD 118.3 million against USD 99.5 million in 2017. The increase of USD 18.8 million relates mainly to investment in a new vessel.

Current assets totalled USD 181.6 million against USD 174.9 million in 2017, due to increase in inventories, contract assets and cash and short-term deposits partly set off of a decrease in trade and other receivables, prepayments and derivative financial instruments. The cash and short-term deposits are USD 74.4 million as of 31st December 2018 (USD 69.4 million as of 31st December 2017).

Total liabilities amounted to USD 140.0 million compared to USD 125.5 million in 2017. The increase is mainly related to trade and other payables and a new loan for financing of the new vessel.

Total equity totalled USD 159.8 million (USD 148.9 million in 2017), the development driven by a net result of USD 15.5 million and other comprehensive income of USD -4.5 million. Return on equity was 10.1%, and equity ratio was 53.3% at the end of 2018 compared to 53.8% at end of 2017.

At the Annual General Meeting, the Board of Directors will propose to pay out dividends for 2018 of USD 5.0 million.

Cash flow

Cash and cash equivalents at year end were USD 74.4 million, up by USD 5.0 million from 2017.

Cash flow from operating activities was positive by USD 17.2 million, mainly related to cash generated from the shipping activities and changes in the net working capital.

Cash flow from investing activities netted USD -19.8 million (USD -19.3 million in 2017) reflecting investment in a new vessel. Cash flow from financing activities totalled USD 7.6 million (USD 9.7 million in 2017) reflecting new loan and repayment of loans including interest.

CORPORATE GOVERNANCE

The Board of Directors and Executive Management of Ultrabulk are convinced that efficient and clear division of responsibilities as well as transparent decision-making processes are prerequisites of a Company's long-term value creation. Ultrabulk therefore reviews at least annually the Company's corporate governance practices and principles in accordance with legislation, customs and recommendations. As part of this process, the Board and Executive Management review the Company's strategy, organisation, business processes, risks, control mechanisms and relations with its shareholders, customers, employees and other stakeholders.

Remuneration of Board of Directors and Executive Management

The Danish Public Companies Act provides that shareholders adopt, at the general meeting, guidelines for incentive pay to members of the Company's Board and its Executive Management. Such guidelines have been adopted. The main elements of the current guidelines are set out in the following:

Board of Directors

The Board of Directors has refrained from receiving any compensation for their work in 2018, unchanged from 2017. In 2019, the members of the Board of Directors will also refrain from receiving any compensation for their work. If the Company activities require a temporary, but extraordinary workload by the Board, a fee may be authorised. The members of the Board receive no incentive pay for their work on the Board.

Executive Management

Members of the Executive Management are employed under executive service contracts, and all terms are fixed by the Board of Directors based on the guidelines approved by the general meeting. The Executive Management of Ultrabulk consists of the CEO, CFO and three Executive Vice Presidents.

Members of Executive Management receive a competitive remuneration package consisting of the following elements: A fixed salary, benefits such as company car and phone, and an incentive payment in terms of cash bonus. Performance criteria for the cash bonus is tied to earnings and business targets. In 2018 a total remuneration package of USD 1.5 million was paid to the Executive Management.

Risk management

Main risk exposures and risk management processes are described in note 21.

Corporate Social Responsibility

As of 2018 Ultrabulk reports on all CSR relevant activities according to the new requirements in the Danish Financial Statements Act §99a. The report is a joint report between the Danish Ultranav companies; Ultrabulk A/S, Ultragas ApS, UltraShip ApS and Ultranav Business Support ApS. The report is published online and is to be found on the following URL: www.ultrabulk.com/content/csr.

According to the requirements in Danish Financial Statement Act § 99b Ultrabulk must report on gender composition in the management. Ultrabulk applies a policy stating that gender composition of management shall reflect the gender balance of society as a whole – with due regard to the specific conditions in the shipping business.

Objective for the gender composition of the Board of Directors, unchanged from last year, is for shareholder-elected women on the Board to reach at least 20% by 2020 (1 out of 5). Today all 4 members of the BOD are men. It is assessed that the current members possess the relevant competences.

In management both genders are represented since early 2015 (1 woman), however not with equal representation. The representation of women in the management team has not increased in 2018 and the aim is to increase the female representation in the coming years.

Ultrabulk policy states and ensures equal career opportunities for men and women and is actively used as a tool for recruiting and working with both genders, and equality in general. In the recruiting processes, it is the target to have both genders presented in the final stage of selection.

STATEMENT OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT ON THE ANNUAL REPORT

The Board of Directors and Executive management have prepared the 2018 Annual Report. The Annual Report was considered and adopted today.

The Annual Report for the Group has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further disclosure requirements according to the Danish Financial Statements Act. The financial statement of the Parent Company is prepared in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate and the accounting estimates made reasonable, and in our opinion the consolidated financial statements and the financial statement of the Parent Company provide the relevant information for assessing the financial position of the Group and the Parent Company. In our opinion the consolidated financial statements and the financial statement of the Parent Company give a true and fair view of the assets, liabilities and financial position of the Group and the Parent Company, the results of the Group's and the Parent Company's operations and the Group's cash flows for the period 1 January - 31 December 2018.

In our opinion the Management's review in the preceding pages gives a true and fair presentation of the development in the activities and the financial position of the Group and the Parent Company, the results for the year and of the Group's and the Parent Company's financial position in general. Further, in our opinion the Management's review describes the most significant risks and uncertainties that may affect the Group and the Parent Company.

We recommend that the Annual Report is adopted at the annual general meeting.

Copenhagen, 8 March 2019

EXECUTIVE MANAGEMENT

Per Lange
CEO

Francisco Larrain
CFO

Hans Christian Olesen
EVP - Head of Panamax & Supramax

BOARD OF DIRECTORS

Dag von Appen
Chairman

Enrique Ide
Vice chairman

Jan Vermeijj

Peter Stokes

INDEPENTENT AUDITOR’S REPORT

To the shareholders of Ultrabulk A/S

Opinion

We have audited the consolidated financial statements and the Parent Company financial statements of Ultrabulk A/S for the financial year 1 January – 31 December 2018, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies for the Group and the Parent Company, and a consolidated statement of comprehensive income and a consolidated cash flow statement. The consolidated 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, and the Parent Company’s financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2018 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Further, in our opinion, the Parent Company financial statements give a true and fair view of the financial position of the Parent Company at 31 December 2018 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 Company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the international Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Statement on the Management’s review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the Parent Company financial statements does not cover the Management’s review, and we do not express any assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the Parent Company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements and the Parent Company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we concluded that the Management's review is in accordance with the consolidated financial statements and the Parent Company 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's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated 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 the preparation of Parent Company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act.

Moreover, Management is responsible for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and the Parent Company financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the Parent Company financial statements 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 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 the financial statements.

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

► Identify and assess the risk of material misstatement of the consolidated financial statements and the Parent Company 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 Company'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 Company 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 Company'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 Company 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 Parent Company to cease to continue as a going concern.

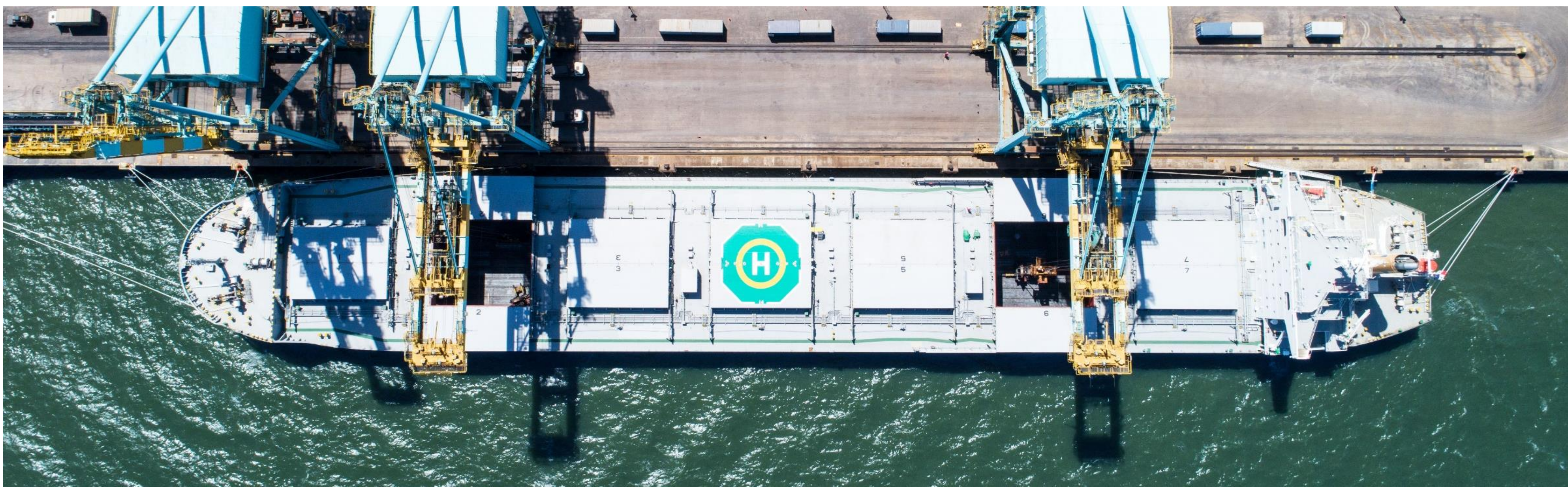
► Evaluate the overall presentation, structure and contents of the consolidated financial statements and the Parent Company financial statements, including the note disclosures, and whether the consolidated financial statements and the Parent Company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

► Obtain sufficient and 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, 8 March 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Thomas Bruun Kofoed State Authorised Public Accountant mne28677	Mie Boesen State Authorised Public Accountant mne44117



CONSOLIDATED FINANCIAL STATEMENTS

Income Statement

Figures in USD '000	Note	2018	2017
Revenue	3	1.060.090	903.916
Voyage related expenses		-415.266	-357.414
Time-charter hire		-600.919	-522.216
Gross profit (Net earnings from shipping activities)		**43.905**	**24.286**
Other external expenses	4	-9.995	-9.659
Staff costs	5	-14.609	-13.002
Operating profit before depreciation, and impairment loss (EBITDA)		**19.301**	**1.625**
Profit on sale of vessels etc.		3.110	0
Depreciation	6	-4.512	-3.256
Share of joint ventures' profit after tax	13	815	-17
Operating profit (EBIT)		**18.714**	**-1.648**
Share of associates' profit after tax	12	-275	306
Other financial items, net	7	-1.404	361
Profit before tax		**17.035**	**-981**
Tax	8	-1.510	-1.435
Net profit		**15.525**	**-2.416**

Statement of Comprehensive Income

Figures in USD '000	Note	2018	2017
Profit/loss (-) for the year		**15.525**	**-2.416**
Other comprehensive income			
Items that will be reclassified subsequently to the consolidated income statement, when specific conditions are met:			
Value adjustments of hedging instruments		-4.016	2.160
Tax effect		0	0
Value adjustments of hedging instruments after tax		**-4.016**	**2.160**
Exchange adjustments of foreign entities		-567	4
Other comprehensive income for the year, net of tax		**-4.583**	**2.164**
Total comprehensive income for the year, after tax		10.942	-252
Attributable to:			
Equity holders of the parent		10.942	-252
Non-controlling interests		0	0
		10.942	-252

CONSOLIDATED BALANCE SHEET

ASSETS			
Figures in USD '000	**Note**	**2018**	**2017**
Vessels	9	84.697	64.565
New building contracts	10	1.508	5.506
Fixtures, fittings and equipment	11	873	187
Total tangible assets		**87.078**	**70.258**
Investment in associates	12	1.476	2.318
Investment in joint ventures	13	25.582	24.766
Intercompany loan receivable		2.500	0
Derivative financial instruments		1.553	1.735
Deferred tax assets	14	139	463
Financial assets, non-current		**31.250**	**29.282**
Total non-current assets		**118.328**	**99.540**
Inventories	15	23.371	20.185
Trade and other receivables	16	69.793	63.365
Prepayments		13.162	16.957
Derivative financial instruments		876	5.085
Cash and short-term deposits	17	74.395	69.355
Current assets		**181.597**	**174.947**
TOTAL ASSETS		**299.925**	**274.487**

EQUITY AND LIABILITIES			
Figures in USD '000	**Note**	**2018**	**2017**
Share capital	18	5.134	5.134
Retained earnings		162.080	151.527
Other reserves		-12.403	-7.820
Proposed dividend		5.000	0
Total equity of majority interest		**159.811**	**148.841**
Non-controlling interests		64	64
Total equity		**159.875**	**148.905**
Interest bearing loans and borrowings	19	41.563	33.140
Derivative financial instruments		10.110	7.356
Total non-current liabilities		**51.673**	**40.496**
Trade and other payables	20	75.326	72.968
Interest-bearing loans and borrowings	19	5.256	4.082
Intercompany payables		3.692	2.292
Derivative financial instruments		2.490	4.704
Income tax payable		1.613	1.040
Total current liabilities		**88.377**	**85.086**
Total liabilities		**140.050**	**125.582**
TOTAL EQUITY AND LIABILITIES		**299.925**	**274.487**

CONSOLIDATED CASH FLOW STATEMENT

Figures in USD '000	Note	2018	2017
Profit/loss(-) before tax		17.035	-981
Adjustment for non-cash items etc.			
Gain on sale of vessel, plant and equipment		-3.110	0
Depreciation and impairment loss	6	4.512	3.256
Tax		-497	-238
Share of gain/loss in associated companies	12	275	-306
Share of gain/loss in joint venture	13	-815	17
Interest expenses	7	1.963	1.221
Interest income	7	-913	-689
Net foreign exchange differences		354	-827
Net forward contract activity		915	2.439
Other changes		-428	238
Working capital adjustments:	25		
Change in current assets		-5.818	-42.099
Change in current liabilities		3.758	23.699
Net cash flows from operating activities		**17.231**	**-14.270**

Figures in USD '000	Note	2018	2017
Investments in tangible assets	9, 10, 11	-43.516	-20.098
Sale of tangible assets	9, 10, 11	25.295	0
Intercompany loan		-2.500	0
Interest received		913	834
Net cash flows from investing activities		**-19.808**	**-19.264**
Bank loan		14.055	14.314
Repayment loan		-4.670	-3.486
Interest paid		-1.768	-1.118
Net cash flows from financing activities		**7.617**	**9.710**
Net change in cash and cash equivalents		5.040	-23.824
Cash and cash equivalents at 1 January	17	69.355	93.179
Cash and cash equivalents at 31 December	**17**	**74.395**	**69.355**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Figures in USD '000	Share capital (Note 18)	Retained earnings	Other Reserves: Hedging reserves	Other Reserves: Trans-lation reserve	Total other reserves	Proposed dividend	Total Majority interest	Non-controlling interests	Total Equity
At 1 January 2018	**5.134**	**151.527**	**-6.505**	**-1.315**	**-7.820**	**0**	**148.841**	**64**	**148.905**
Comprehensive income	0	15.525	-4.016	-567	-4.583	0	10.942	0	10.942
Total comprehensive income	**0**	**15.525**	**-4.016**	**-567**	**-4.583**	**0**	**10.942**	**0**	**10.942**
Other changes	0	28	0	0	**0**	**0**	**28**	0	**28**
Proposed dividend	0	-5.000	0	0	**0**	**5.000**	0	0	**0**
Changes during the year	**0**	**-4.972**	**0**	**0**	**0**	**5.000**	**28**	**0**	**28**
At 31 December 2018	**5.134**	**162.080**	**-10.521**	**-1.882**	**-12.403**	**5.000**	**159.811**	**64**	**159.875**

Figures in USD '000	Share capital (Note 17)	Retained earnings	Other Reserves: Hedging reserves	Other Reserves: Trans-lation reserve	Total other reserves	Proposed dividend	Total Majority interest	Non-controlling interests	Total Equity
At 1 January 2017	**5.134**	**153.975**	**-8.665**	**-1.319**	**-9.984**	**0**	**149.125**	**64**	**149.189**
Comprehensive income	0	-2.416	2.160	4	2.164	0	-252	0	-252
Total comprehensive income	**0**	**-2.416**	**2.160**	**4**	**2.164**	**0**	**-252**	**0**	**-252**
Other changes	0	-32	0	0	**0**	**0**	-32	0	-32
Changes during the year	**0**	**-32**	**0**	**0**	**0**	**0**	**-32**	**0**	**-32**
At 31 December 2017	**5.134**	**151.527**	**-6.505**	**-1.315**	**-7.820**	**0**	**148.841**	**64**	**148.905**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Note 1 – Group accounting policies

Ultrabulk A/S is a company domiciled in Denmark.

The consolidated financial statements of Ultrabulk A/S for 2018 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and the statutory order on the adoption of IFRS by enterprises subject to the Danish Financial Statements Act issued pursuant to the Danish Financial Statements Act.

Basis of preparation

The annual report has been prepared on the historical cost basis except all financial assets and liabilities held for trading and all financial assets that are classified as available for sale. These financial assets and liabilities have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges and otherwise carried at cost are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The accounting policies set out below have been used consistently in respect of the financial year and the comparative figures.

The annual report has been presented in USD thousands (USD ´000), except when otherwise indicated.

Accounting standards effective in 2018

Ultrabulk A/S has adopted all new or amended and revised accounting standards and interpretations (IFRSs´) endorsed by the EU effective for the accounting period beginning on 1 January 2018.

IFRS 15, Revenue from contracts with customers:

According to IFRS 15, revenue is recognised as the customer receives the agreed-upon service. Under IAS 18 revenue was recognised under the discharge-to-discharge method. Under IFRS 15, revenue is recognised over the time when the cargo is being transported (load-to-discharge) and at the same time expenses directly attributable to position the vessel to the loading port is capitalised and amortised over the course of the transportation period. The transition to IFRS 15 has no significant impact. IFRS 15 has been applied following the modified retrospective approach with any cumulative effects recognized in equity as of 1 January 2018 and with no restatement of comparatives.

IFRS 9, Financial Instruments:

According to IFRS 9, the hedging effectiveness requirements are relaxed. The requirements to expect a highly effective hedge relationship and actual hedge effectiveness being between 80 and 125% are replaced by a requirement to document an economic relationship between the hedging instrument and the hedged item. The transition does not significantly affect neither the income statement or the statement of financial position and no retrospective adjustment to equity has been made.

The implementation of IFRS 9 has also entailed that impairment of receivables must be based on expected losses and not incurred losses as under IAS 39. The transition does not significantly affect neither the income statement or the statement of financial position.

Basis of consolidation

The consolidated financial statements comprise the Parent Company Ultrabulk A/S and subsidiaries in which Ultrabulk A/S has control (the Group), i.e. the power to govern the financial and operating policies so as to obtain benefits from its activities. Control is obtained when the Company directly or indirectly holds more than 50% of the voting rights in the subsidiary or which it, in some other way, controls.

Enterprises over which the Group exercises significant influence, but which it does not control, are considered associates. Significant influence is generally obtained by direct or indirect ownership or control of more than 20% of the voting rights but less than 50%.

When assessing whether Ultrabulk A/S exercises control or significant influence, potential voting rights which are exercisable at the balance sheet date are taken into account.

Common control transactions are accounted for using the pooling-of-interest method. The receiving company of the net assets initially recognizes the assets and liabilities transferred at their carrying amount. The result of operations for the period in which the transfer occurs is presented as though the transfer had occurred at the beginning of the period. Financial statements and financial information for prior years are restated to provide appropriate comparative information.

The consolidated financial statements have been prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements prepared according to the Group accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's ownership share of the enterprise. Unrealised losses are eliminated in the same way as unrealised gains to the extent that impairment has not taken place.

The accounting items of subsidiaries are included in full in the consolidated financial statements. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly owned are included in the Group's profit/loss and equity, respectively, but are disclosed separately.

Foreign currency translation

For each of the reporting entities in the Group, a functional currency is determined. The functional currency is the currency used in the primary financial environment in which the reporting entity operates. Transactions denominated in other currencies than the functional currency are foreign currency transactions.

On initial recognition, foreign currency transactions are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in the income statement as financial income or financial expenses.

In the consolidated financial statements, the income statements of entities with another functional currency than USD are translated at the exchange rates at the transaction date and the balance sheet items are translated at the exchange rates at the balance sheet date. An average exchange rate for each month is used as the transaction date exchange rate to the extent that this does not significantly distort the presentation of the underlying transactions. Foreign exchange differences arising on translation of the opening balance of equity of such foreign operations at the exchange rates at the balance sheet date and on translation of the income statements from the exchange rates at the transaction date to the exchange rates at the balance sheet date are recognised in other comprehensive income and presented in equity under a separate translation reserve.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts, bunker hedge and FFA’s to hedge part of risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivate contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The fair value of bunker and the fair value of FFA’s are determined by reference to market values for similar instruments.

For the purpose of accounting, hedges are classified as:

- fair value hedges when hedging the exposure to change in fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedge when hedging exposure to variability in cash flow that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At time of entering into a hedge relationship, the Group designates and documents the hedge relationship to which the Group wishes to apply for hedge accounting and the risk management objectives and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument’s effectiveness requirements.

The criteria for classifying a derivative as a hedging instrument for accounting purposes are as follows:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not nominate the value changes that result from the economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged items that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

Fair value hedges

Derivatives designated as hedging instruments are measured at fair value and changes in fair value are recognised in the income statement. Correspondingly, a change in the fair value of the hedged item attributable to the hedged risk is recognised in the income statement. The fair value hedge accounting is discontinued if the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting stated above.

Cash flow hedges

Changes in the fair value of a hedging instrument that meet the criteria for cash flow hedge accounting are recognized in comprehensive income. The ineffective part of the hedging instrument is recognised directly in the income statement. Gains and losses that are recognised in comprehensive income are taken to the income statement in the same period or periods as the cash flow which comprises the hedged item is recognised in the income statement. The principle also applies if the hedged forecasted transaction results in an asset or liability being recognised in the balance sheet. If the cash flow hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued. The cumulative gain or loss of the hedging instrument recognised in comprehensive income remains separately recognised in comprehensive income until the forecast transaction occurs. If the cash flow hedged transaction is no longer expected to occur, any previously accumulated gain or loss of the hedging instrument that has been recognised in comprehensive income will be carried to profit or loss. Derivatives not accounted for as hedging instruments are classified as financial assets at fair value through profit or loss and measured at fair value. Changes in the fair value of such derivatives are recognised in the income statement.

Determination of fair value

The fair value of financial assets and liabilities is measured on the basis of quoted market prices of financial instruments traded in an active market. If an active market exists, fair value is based on the most recent observed market price at the end of the reporting period.

If an active market does not exist, the fair value is measured according to generally accepted valuation techniques. Market-based parameters are used to measure fair value.

For bunker contracts the price is based on the prices from Platts Bunkerwire. The value of FFAs is assessed on basis of daily recorded prices from the Baltic Exchange.

Business activities

As the Company is unlisted it has been decided not to follow IFRS 8 Operating Segments. The business activities are reported basis the freight income from the business activities.

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets not held by Ultrabulk A/S and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from the parent shareholders' equity. Initially the non-controlling interest is recognised based on their share of the fair value of the assets and liabilities acquired.

INCOME STATEMENT

Revenue and expenses

All voyage revenues and voyage expenses are recognised as the services are rendered bases the percentage of completion method. According to the method all spot voyages and voyages servicing contract of affreightment (CoA) and the related expenses are recognised from the vessel's load date to the delivery of the cargo (discharge). Expenses directly attributable to position the vessel to the loading port is capitalised and amortised over the course of the transportation period.

Demurrage is included if a claim is considered probable.

Losses arising from time or voyage charter are provided for in full when they become probable.

Profit and loss from the sale of vessels etc.

Profits and losses from the sale of vessels are stated as the difference between the sales price of the vessel less the selling costs and the carrying amount of the vessel at the time of delivery.

Profit from investments in associates

The proportionate share of the result after tax of associates is recognized in the consolidated income statement after elimination of the proportionate share of intra-group profits/losses.

Profit from investments in joint ventures

The proportionate share of the result after tax of the joint ventures is recognized in the consolidated income statement after elimination of the proportionate share of intra-group profit/losses.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities.

Taxes

Ultrabulk A/S is jointly taxed with the Parent Company Ultranav Denmark ApS and the Parent Company is the administration company for the jointly taxed companies. The current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. In relation to the shipping activities Ultrabulk A/S participates in the Danish Tonnage Tax Scheme. Companies that use tax losses in other companies pay the joint tax contribution to the Parent Company at an amount corresponding to the tax value of the tax losses used. Companies whose tax losses are used by other companies receive joint tax contributions from the Parent Company corresponding to the tax value of the losses used (full absorption). The jointly taxed companies are taxed under the tax prepayment scheme.

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement. Tax attributable to entries directly under comprehensive income is recognised directly in other comprehensive income.

BALANCE SHEET

Tangible assets

Tangible assets are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. Instalments and costs incurred during the construction period on new building contracts are capitalised as they are paid. Borrowing costs (interest) that are attributable to the construction of the vessels are capitalised and included as part of the cost. The capitalised value is reclassified from new buildings to vessels upon delivery from the yard.

Where individual components of an item of tangible assets have different useful lives, they are depreciated separately. Depreciation is provided on a straight-line basis over the expected useful lives of the assets/components. The expected useful lives are as follows:

- Vessels: 20 years
- Fixtures, fittings and equipment: 3 - 10 years

Depreciation is calculated on the basis of the residual value and impairment losses, if any. The useful life and residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued. The residual value of the vessels is estimated as the lightweight tonnage of each vessel multiplied by scrap value per ton.

When changing the depreciation period or the residual value, the effect on the depreciation is recognised prospectively as a change in accounting estimates.

The carrying values of vessels and new buildings are reviewed for impairments when events or changes in circumstances indicate that the carrying value may not be recoverable. Valuations are performed frequently to ensure that the fair value of the asset does not differ materially from its carrying amount.

Investments in associates

Investments in associates are recognised in the consolidated financial statements according to the equity method. Investments in associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus the proportionate share of unrealised intra-group profits and losses and plus additional value on acquisition, including goodwill. Investments in associates are tested for impairment when impairment indicators are identified.

Investments in associates with negative net asset values are measured at USD 0 (nil). If the Group has a legal or constructive obligation to cover a deficit in the associate, the remaining amount is recognised under provisions.

Amounts owed by associates are measured at amortised cost. Write-down is made for bad debt losses.

Investments in joint ventures

Undertakings which are contractually operated jointly with one and more undertakings (joint ventures) and thus are jointly controlled are recognised in the consolidated financial statements according to the equity method.

Investments in joint ventures are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus the proportionate share of unrealised intra-group profits and losses and plus additional value on acquisition, including goodwill. Investments in joint ventures are tested for impairment when impairment indicators are identified.

Investments in joint ventures with negative net asset values are measured at USD 0 (nil). If the Group has a legal or constructive obligation to cover a deficit in the joint ventures, the remaining amount is recognised under provisions.

Amounts owed by joint ventures are measured at amortised cost. Write-down is made for bad debt losses.

Impairment of non-current assets

Deferred tax assets are subject to annual impairment tests and are recognised only to the extent that it is probable that the assets will be utilised.

Impairment of vessels and new building contracts are described separately. The carrying amount of other non-current assets is tested annually for indicators of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit. Impairment losses are recognised in the income statement in a separate line item. Impairment is reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation. Impairment is only reversed to the extent that the asset's increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

Receivables

Receivables in 2018 are measured at amortised cost less provisions for impairment losses. Impairment loss for receivables are determined as the expected loss over the life of the receivables.

Receivables are in 2017 measured at amortised cost. If there is objective evidence that an individual receivable has been impaired, write-down is made on an individual basis.

Contract assets

Contract assets includes accrued revenue in progress at 31 December 2018. Contract assets are recognised when a sales transaction fulfils the criteria for revenue recognition but no final invoice has yet been issued to the customer for the services delivered.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out (FIFO) basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense. Costs of bunkers include the transfer from equity to profit and loss on qualifying cash flow hedges.

Prepayments

Prepayments comprise costs incurred in relation to subsequent financial years.

Contract liabilities

Contract liabilities includes accrued revenue in progress at 31 December 2018. Contract liabilities are recognised when a sales transaction does not fulfils the criteria for revenue recognition but the customer has prepaid for the service delivery. If contract liabilities are beyond one year the contract assets are included in non current liabilities.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Statement of changes in equity

Dividends

Dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The proposed dividend payment for the year is disclosed as a separate item under equity. Interim dividends are recognised as a liability at the date when the decision to pay interim dividends is made.

Translation reserve

The translation reserve comprises foreign exchange differences arising on translation of financial statements of entities that have a functional currency different from USD. On full or partial realisation of the net investment, the foreign exchange adjustments are recognised in the income statement.

Hedging reserve

The hedging reserve comprises the cumulative net change in the fair value of hedging transactions that qualify for recognition as a cash flow hedge and where the hedged transaction has not been realised.

Provisions

Provisions are recognised when Ultrabulk A/S has a present obligation (legal or constructive) as a result of a past event, it is probable that the obligation has to be settled and that a reliable estimate of the obligation can be made.

Financial liabilities

Loans are recognised at the time the loans are obtained in the amount or the proceeds after deduction of transaction costs. In subsequent periods, the loans are recognised at amortised costs.

Other liabilities, including trade payables, payables to related parties as well as other payables, are measured at amortised cost, which corresponds to the net realizable value in all essentials.

Leases

All leases are classified as operational lease. The payments (time-charter hire) are recognised as an expense and charged to profit or loss on a straight line basis over the term for the lease.

Deferred tax

All significant Danish entities within the Group entered into the Danish tonnage taxation scheme for a binding 10 year period with effect from 2007 and Ultrabulk will not leave the system. Under the Danish tonnage taxation scheme, taxable income is not calculated on the basis of income and expenses as under the normal corporate taxation. Instead, taxable income is calculated with reference to the tonnage used during the year. The taxable income for a company for a given period is calculated as the sum of the taxable income from the activities under the tonnage taxation scheme and the taxable income from the activities that are not covered by the tonnage taxation scheme made up in accordance with the ordinary Danish corporate tax system.

If the participation in the Danish tonnage taxation scheme is abandoned, or if the entities' level of investment and activity is significant reduced, a deferred tax liability will become payable.

For the taxable income which is made up in accordance to the ordinary corporate tax system, a deferred tax is recognized at each period end and is accounted for using the balance sheet liability method. Deferred tax assets, including the tax value of tax loss carry forwards, are recognised under other non-current assets at the expected value of their utilisation - either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax assets and liabilities are offset if the Company has a legally enforceable right to set off current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets on a net basis or to realise the assets and settle the liabilities simultaneously.

Cash flow statement

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated according to the indirect method as the profit/loss before tax adjusted for non-cash operating items, changes in working capital, interest, payments, dividends and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of businesses and of intangible assets, property, plant and equipment and other non-current assets as well as acquisition and disposal of securities not classified as cash and cash equivalents.

Cash flows from financing activities comprise changes in the share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, acquisition and disposal of treasury shares and payment of dividends to shareholders.

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less at the acquisition date which are subject to an insignificant risk of changes in value.

Cash flows in other currencies than the functional currency are translated using average exchange rates unless these deviate significantly from the rate at the transaction date.

Note 2 - Significant accounting judgment, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustments to the carrying amounts of asset and liability affected in future periods.

Judgments

In the process of applying Ultrabulk A/S accounting policies, management has made the following judgments which have the most significant effect on the amounts recognised in the financial statements.

Hedge accounting

In connection with forward freight agreements (FFA's), purchase of bunkers and currencies Ultrabulk A/S uses hedge accounting. Several qualifications have to be met before a hedge is qualified as hedge accounting. One of the qualifications is that the hedge is expected to be highly effective. If a hedge is subsequently measured as ineffective, and therefore deviates from the original judgment, the result must be carried to profit and loss immediately. This could result in a reallocation of the result from one accounting year to another.

Please refer to note 24 for further details.

Operational versus financial lease of vessels

Based on the contents of the lease agreements it is determined if the lease is considered as an operational or a financial lease agreement. In this determination, assumptions are made, that if same were judged differently, it could have an effect on the income statement and the balance sheet. The most significant judgment is the forecasted future market value of the vessel at the dates where the purchase options can be utilized.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date, that have a significant risk of causing a material judgment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Impairment of vessels

Ultrabulk A/S assesses at each reporting date whether there are indications of impairment. If any indication exists or when annual impairment testing for an asset is required, Ultrabulk A/S estimates the asset's recoverable amount.

The recoverable amount is measured using the highest of the fair value less cost to sell or value in use approach, and impairment is charged if the highest of the fair value less cost to sell or value in use is less than the carrying amount of the assets. The fair value less cost to sell is estimated based on independent broker valuations and historical sale price in the present market conditions. The broker valuations and sale prices will give a range for what is expected to be the fair value of the assets. The exact value used to measure the impairment charges is encumbered with uncertainty and is based on what the Company believes is the best estimate of the fair value. The value in use is calculated as the present value of the total expected cash flows during the rest of the vessels economic lives including entered COAs, time charters and by using estimated rates for uncovered capacity based on Baltic market rates (short term), broker estimated rates (midterm) and Ultrabulk's own model (longer term) supported by analysis of long term historical data. Please refer to note 10 and note 14 for further details.

Onerous Contract

At each balance sheet date Ultrabulk A/S assesses if there are contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received. These are defined as onerous contracts. Ultrabulk A/S assesses the contracts as a total value within the separate segments. If the contracts within the separate segments are onerous, the present net obligation under the contract will be measured and recognised as a provision.

At 31 December 2018, no provision for onerous contracts has been recognized (31 December 2017: nil).

Provision for losses:

The Group is a party to various litigation proceedings and claims have been made against the Group. Provision for estimated losses is made in the income statement if both of the following criteria are met:

- The information that was available prior to the publication of the financial statements indicates that it is more likely than not that an obligation has arisen at the balance sheet date.
- The amount of the loss can be reliably measured

Please refer to note 23 for further details.

Deferred tax assets:

Deferred tax is recognized on the basis that Ultrabulk A/S continues under the tonnage tax regime, and on expectations to future activity (i.e. number of shipping days).

Note 3 – Revenue

Revenue per business activities:

Figures in USD '000	**2018**	**2017**
MPP, Parcel Services and African Services	134.581	112.868
Handysize	243.046	251.486
Supramax	398.880	310.703
Panamax	283.582	228.859
Total	**1.060.090**	**903.916**

Revenue per categories:

Figures in USD '000	**2018**	**2017**
Income from freight	834.999	757.396
Income from time charter	216.847	144.146
Other	8.244	2.374
Total	**1.060.090**	**903.916**

Revenue recognized at a point in time constitutes below 1% of the revenue.

Note 4 – Remuneration to the auditor appointed at the general meeting

Figures in USD '000	2018	2017
Audit	150	150
Other assurance service	0	0
Tax consultancy	52	19
Other services	0	0
Total	**202**	**169**

Note 5 – Staff costs

Figures in USD '000	2018	2017
Fixed salaries	11.559	9.755
Pensions - defined contribution plan	651	514
Other expenses for social security etc.	661	1.129
Incentive payment (cash based)	1.738	1.604
Staff costs included in administration expenses	**14.609**	13.002
Average number of employees	97	94

Remuneration for certain employees in 2018 and 2017 are expensed as management fee, and consequently recognized as "Other external expenses".

Remuneration for the Management	**2018**		**2017**	
Figures in USD '000	Board of Directors	Executive Management	Board of Directors	Executive Management
Fixed salaries	0	1.265	0	1.003
Pensions - defined contribution plan	0	28	0	37
Incentive payment (cash based)	0	222	0	223
Total remuneration for the Board of directors and executive management	0	1.515	0	1.263

The members of the Executive Management are subject to a notice of up to 18 months and can resign from management with a notice up to 9 months. No severance payment applies.

Senior management and a number of the employees are covered by an incentive scheme (cash based).

Note 6 – Depreciation

Figures in USD '000	2018	2017
Depreciation vessels	4.252	3.169
Depreciation fixtures, fittings and equipment	260	88
Total depreciation	**4.512**	**3.256**

Note 7 – Financial items

Figures in USD '000	2018	2017
Interest income	913	689
Interest expense on loan	-1.963	-1.221
Other financial items, net	-354	893
Total	**-1.404**	**361**

Note 8 – Tax

Figures in USD '000	2018	2017
Current tax on profit for the year	-1.243	-541
Deferred tax on profit for the year	-301	-966
Tax on profit for the year	**-1.544**	**-1.507**
Adjustments related to previous years - current tax	49	-108
Adjustments related to previous years - deferred tax	-15	180
Tax in the income statement	**-1.510**	**-1.435**
Computation of effective tax rate (%):		
Statutory corporate income tax rate in Denmark	-22,0	-22,0
Effects from Tonnage Tax Scheme	4,6	287,0
Effects of adjustments related to prior years	0,1	-7,4
Deviation in foreign subsidiaries' tax rates compared to the Danish tax rate (net)	8,4	-111,3
Effect of change in tax rate	0,0	0,0
Non-tax income less non-tax deductible expenses (net)	0,0	0,0
Effective tax rate	**-8,9**	**146,3**
Tax on fair value adjustments on financial instruments	0	0
Tax relating to other comprehensive income	**0**	**0**

Note 9 – Vessels

Figures in USD '000	2018	2017
Cost at 1 January	**72.897**	**48.373**
Transferred from newbuildings	24.177	23.897
Additions for the year	22.391	627
Disposals for the year	-22.184	0
Cost at 31 December	**97.281**	**72.897**
Depreciation and impairment at 1 January	**-8.332**	**-5.163**
Depreciation for the year	-4.252	-3.169
Depreciation and impairment at 31 December	**-12.584**	**-8.332**
Carrying amount at 31 December	84.697	64.565
Expected useful life of vessels:	20 years	20 years

Impairment is recognised if the highest of (1) the fair value less cost to sell or (2) value in use is less than the carrying amount of the assets.

At the end of 2018, the market value of the fleet including new building contracts but excluding joint ventures was below the carrying amount.

An impairment test is done for the individual CGU's by estimating the recoverable amount at value in use. This is calculated as the NPV based on a WACC of 8.3% and a general indexation of operating costs of 2% p.a. of the total expected cash flow during the rest of the vessels expected economic life, including entered COA's and time charters. The WACC has been determined by Management based on market input and taking into consideration the business model applied by the Company, including having a high coverage through long term cargo contracts with customers.

Management's expected rates (income) for open vessel days (uncovered capacity) for the next 2 years are based on the Baltic market rates (short term), broker estimated rates for the following two years (mid term) and hereafter the rates are based on the Company's own (internal) rate model that is indexed by 2% p.a. In establishing those, consideration is given to external economic analysis, and the internal rate assumptions include amongst other things scrapping of old tonnage as well as increased demand. The internal rates are to the extent available tested against information from external partners (brokers) and the historical long-term rate development.

The impairment test calculation shows no impairment loss for 2018 and no reversal of previous taken impairment loss. As an indicator of the sensitivity, a downward fluctuation of the freight rates for uncovered capacity with 5% would, all other things being equal, give rise to impairment loss of USD 5.1 million. Furthermore, the application of a WACC of 9.0% instead of 8.3% would, all other things being equal, give rise to impairment loss of USD 2.9 million.

Note 10 – New building contracts

Figures in USD '000	2018	2017
Cost at 1 January	5.506	9.932
Additions for the year	20.179	19.471
Disposal and transferred during the year to vessels	-24.177	-23.897
Cost at 31 December	**1.508**	**5.506**
Carrying amount at 31 December	1.508	5.506

Note 11 – Fixtures, fittings and equipment

Figures in USD '000	2018	2017
Cost:		
Cost at 1 January	4.564	4.366
Additions for the year	946	198
Cost at 31 December	**5.510**	**4.564**
Depreciation and impairment at 1 January	-4.377	-4.289
Depreciation for the year	-260	-88
Depreciation and impairment at 31 December	**-4.637**	**-4.377**
Carrying amount at 31 December	873	187
Expected useful life:	3-10 years	3-10 years

Note 12 – Investments in associates

Figures in USD '000	2018	2017
Cost:		
Cost at 1 January	1.408	1.408
Cost at 31 December	**1.408**	**1.408**
Value adjustment at 1 January	910	600
Exchange rate adjustment	-567	4
Impairment	-516	0
Share of the result for the year	241	306
Value adjustment at 31 December	**67**	**910**
Carrying amount at 31 December	1.476	2.318
The carrying amount can be specified as follows:		
Pérola S.A., Brasil, interest 20%	1.476	2.318
	1.476	2.318
Key figures for investment in associates:		
Assets	12.145	12.159
Liabilities	-4.763	-3.150
Net assets	7.382	9.009
Revenue	22.569	23.948
Profit/loss before tax	1.856	2.322
Income tax	-651	-791
Profit/loss for the year	1.205	1.532
Total comprehensive income for the year	1.205	1.532

Note 13 – Investments in joint ventures

Figures in USD '000	2018	2017
Cost:		
Cost at 1 January	23.825	23.825
Cost at 31 December	**23.825**	**23.825**
Value adjustment at 1 January	942	958
Share of the result for the year	815	-17
Value adjustment at 31 December	**1.757**	**941**
Carrying amount at 31 December	25.582	24.766
The carrying amount can be specified as follows:		
Ultra Summit (Singapore) Pte. Ltd., 50%	25.582	24.766
	25.582	24.766
Key figures for investment in joint ventures:		
Assets	101.077	80.519
Liabilities	-65.716	-47.905
Net assets	35.361	32.614
Revenues	14.666	11.959
Profit/loss before tax	2.747	1.378
Income tax	0	0
Profit/loss for the year	2.747	1.378
Total comprehensive income for the year	2.747	1.378

Ultra Summit owns 4 vessels. The vessels are chartered out to Ultrabulk. The management has prepared an impairment test of the vessels, under the same assumption as described in note 10. The impairment test calculation shows no impairment loss. As an indicator of the sensitivity, a downward fluctuation of the freight rates for uncovered capacity with 5% would, all other things being equal, give rise to impairment loss of USD 0.8 million. Furthermore, the application of a WACC of 8.75% instead of 8.1% would, all other things being equal, give rise to impairment loss for USD 0.5 million.

Note 14 – Deferred tax assets

Figures in USD'000	2018	2017
Deferred tax at 1 January	462	1.248
Deferred tax on profit for the year	-301	-966
Adjustments related to previous years	-15	9
Exchange rate adjustments	-7	171
Total deferred tax assets/-liabilities, net at 31 December	**139**	**462**
Deferred tax gross:		
Deferred tax assets	139	462
Deferred tax liabilities	0	0
Total deferred tax assets/-liabilities, net at 31 December	**139**	**462**
Deferred tax are allocable to the various items in the balance sheet:		
Tax-loss carried forward	139	462
Deferred tax, net	139	462

In 2007 the Danish based companies entered the Danish tonnage taxation system of which adoption is binding until at least 2026. Ultrabulk A/S will not leave the system and therefore no deferred tax provision is made on assets and liabilities. If the companies leave the tonnage tax system, no significant tax provision will be released.

Note 15 – Inventories

Figures in USD '000	2018	2017
Bunker (at cost)	23.371	20.185
Total inventories at lower of cost and net realizable value	**23.371**	**20.185**
Bunker expenses recognized in profit and loss	216.776	184.394

Part of the bunker consumption has been hedged in accordance with the Groups risk management policy. This is described in Note 21.

Note 16 – Trade and other receivables

Figures in USD '000	**2018**	**2017**
Customers (trade receivables)	30.918	40.071
Other receivables	17.058	5.812
Contract assets	21.791	14.986
Receivables from related companies	26	2.496
Total	**69.793**	**63.365**
Trade receivables are non-interest bearing and are generally of 5 - 30 day terms.		
Maturity analysis for trade receivables		
- receivables not due	6.865	12.055
- less than 90 days	22.990	26.109
- between 91 days and 180 days	558	1.389
- between 181 days and 360 days	119	457
- more than 360 days	386	61
Carrying amount of trade receivables	**30.918**	**40.071**
Trade receivables at initial value impaired and fully provided for	1.623	2.998
Change in provision for trade receivables:		
Provision 1 January	2.998	1.321
Net change in provision	290	1.677
Provision 31 December	**1.623**	**2.998**

For a description of Ultrabulk's payment terms as well as management of credit risk, reference is made to note 21.

The provision for 2017 is based on actual figures, while the figures for 2018 are based on the simplified expected credit loss model.

The increase in contract assets in 2018 reflects the change in freight rates and activities compared to end 2017.

Ultrabulk applies the simplified approach to providing the expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for trade receivables. To measure the expected credit losses trade receivables have been grouped based on credit risks and the day past due. In accordance with IFRS 9, non-due trade receivables have also been impaired.

Note 17 – Cash and short-term deposits

Figures in USD '000	**2018**	**2017**
Cash at bank and in hand	74.395	69.355
Total	**74.395**	**69.355**

As of 31 December 2018, included in total cash at bank is USD 0.8 million (2017: USD 0.4million) which is restricted deposits in favour of clearing houses.

Note 18 – Share capital

The share capital has in May 2016 been increased from DKK 500,000 to DKK 2,000,000 and due to an intragroup merger in 2016 the share capital has been increased from DKK 2,000,000 to DKK 27,100,000. The share capital had not been subject to other changes in the last 5 years. The shares are denominated in 1 DKK per shares. No shares confer any special rights. No restrictions have been imposed on negotiability of the shares or on voting rights. All issued shares are fully paid.

Note 19 – Interest bearing loans and borrowings

Figures in USD '000				**2018**	**2017**
	Principal	Fixed/ Variable	Interest rate	Book value	Book value
Mortgage on vessel	43.776	Fixed	3,10%	32.757	27.803
Mortgage on vessel	19.278	Variable	3,55%	14.062	9.419
Total	**63.054**			**46.819**	**37.222**
Long term part				41.563	33.140
Current part				5.256	4.082
Total				**46.819**	**37.222**

The principal of the fixed debt, excluding debt swapped from variable to fixed, amount to USD 24.5 million. The fair value of the fixed part of the loan is estimated to USD 28.8 million. The loans are subject to financial and operational covenants. Management considers that Ultrabulk A/S and the guarantor Ultranav International S.A. meet these covenants at 31 December 2018.

Loans are secured on vessels. The carrying amount of the vessels provided as security is USD 84.7 million.

Note 20 – Trade and other payables

Figures in USD '000	2018	2017
Trade payables	23.776	14.954
Accrued expenses	19.186	26.140
Contract liabilities	32.364	31.874
Total	**75.326**	**72.968**

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30 days terms.
- Other payables are non-interest bearing and have an average term of six months.

The was no significant change in contract liabilities in deferred revenue during 2018.

Outstanding performance obligations will be performed within one year.

Note 21 – Financial risk management, objectives and polices

Risk management overview

Generally, the market conditions for shipping activities are volatile and, as a consequence, the Company's results may vary from year to year. In addition, the Company is exposed to a number of different financial market risks arising from the Company's normal business activities.

Market risks

Freight rates:

The business model for an operator is to build a portfolio of vessels on one hand and a portfolio of cargoes on the other. Depending on the market expectations the Company can decide on being long on cargoes (typically when expecting a decreasing market) or long on vessels (typically when expecting an increasing market).

Unexpected fluctuation in freight rates is the key factor affecting cash flow and the value of committed assets. The level of risk depends firstly on the level of such unexpected fluctuations and secondly on the size of the imbalance between the commitment on cargoes and commitment on vessels taken by the Company.

Ultrabulk's business model is to maintain a relatively balanced book building and to constantly keep a strict control of the level of exposure by utilising state of the art back office exposure systems, which allows the Company to timely adjust its book building.

Fuel Prices:

Contracts of Affreightment (cargo contract containing multiple cargoes) are based on fixed freight rates, which expose the Company to fluctuations on fuel prices.

The Company seeks to reduce the exposure to fluctuating bunker fuel prices through compensation clauses in contracts with clients. On contracts (CoA's) where this is not possible the Company uses commodity based derivatives to reduce bunker exposure.

Counterparty risk:

The Company's main credit risks are related to its counterparty risk. The risk profile is determined by the counterparty's solvency and the type of legal contract upon which the deal is based. Counterparty vetting has increased in importance as well as in efforts in Ultrabulk.

Single cargoes:

It is industry standard that freight payment is made within very few days of departing from the loading port. It is also an industry standard that the vessel owner has a lien in the cargo, should the freight payment not have been paid prior to the arrival at the discharge port. The counterparty risk on these types of deals is therefore limited.

Contract of Affreightment (multiple cargoes):

It is important for Ultrabulk to carefully evaluate counterparty risk on CoA contracts, as the Company is highly dependent on the counterparty's solvency and its ability and willingness to fulfil their obligations. Typically, the counterparties would operate within the commodities industry.

Approval of CoA counterparties is done on senior management level only, and involves the following elements:

- Positive credit rating report from a London based maritime credit rating bureau.
- Positive industry references.
- Satisfactory performance on existing commitments, if any, between Ultrabulk and the counterpart.
- Positive reference from the fuel purchase market.

Approval of counterparties may vary from one cargo to multiple year contracts.

Time charter out:

Ultrabulk does only on a limited basis use 'time charter out', however occasionally Ultrabulk vessels are on shorter or longer time charter to other ship operators. The approval process is very similar to that outlined above, with extra emphasis on positive industry references.

Time charter in:

Although Ultrabulk is paying hire to the owners of the vessel, there is a risk that the owners may default and the contract terminate early. The loss of such charter may represent a significant risk, therefore Ultrabulk evaluates these types of contracts in line with those of the CoAs and time charter out.

Derivative financial instruments are only entered with highly rated financial institutions, which imply that the credit exposures for these transactions are expected to be at an acceptable level.

Forward Freight Agreements (FFA):

Several contract types are being offered in the derivatives market, Ultrabulk A/S however only utilizes swaps.

FFAs are utilised both as an instrument for hedge and speculation, for cargo as well as vessel commitments. The Company utilises extensive risk management systems in order to control the market value of all open positions. Based on the risk systems, the Company is able to monitor the market position on a daily basis.

Interest rate risk exposure

Interest rate and currency risks are moderate financial risks for Ultrabulk A/S. Management periodically reviews and assesses the primary financial market risks. Ultrabulk will use financial derivatives to manage such risks. These may include interest rate swaps, forwards contracts and options. A 1% change in interest rate will affect the result with USD 0.1 million.

Currency risk

The Company's reporting currency is USD. Most of the Company's revenues and expenses are denominated in USD. The Company has owned vessels. The Company's strategy is to finance the vessels in the same currency as the vessels receive income. As a consequence, the vessels will be financed in USD. The Company may use financial derivatives to reduce the net operational currency exposure.

Currency risks on administrative expenses can be hedged for a period up to 12 months.

Liquidity exposure

It is the Company's objective to maintain a balance between continuity of funding and flexibility through the usage of available bank facilities, either in the form of overdraft facilities, or through revolving credit facilities. The Company's surplus liquidity is placed in bank accounts with interest on deposits, or through term deposits.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains an adequate capital ratio in order to support its business and maximise shareholder value. Ultrabulk A/S manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company can make dividend payment to shareholders, or issue new shares.

Other risks

Environment:

The majority of the vessels controlled by Ultrabulk A/S are chartered and therefore the majority of risk in connection with environmental issues rests with the owner of the vessel. There are however situations, whereby Ultrabulk A/S may become liable for spills or other environmental impacts. Ultrabulk A/S has an insurance against these types of accidents limited to USD 400 million for charter vessels and to USD 1,000 million for owned vessels for each single incident.

Piracy:

The risks encountered when transiting the Indian Ocean High Risk Area as well as certain countries in West Africa are substantial. The Company is constantly following the recommendations made by the UN subsidiary International Maritime Organisation (IMO), and the recommendations made by the underwriters as well as "Best Management Practices (BMP4)" – this includes having a contingency plan for all vessels calling the area.

Note 22 – Operating lease liabilities and revenue commitments

Lease agreements have been entered into with a mutually interminable lease period up to 10 years. As a general rule, leases include an option to renew for one additional year at a time for up to three years. Some of the lease agreements include a purchase option, exercisable as from the end of the fifth year to the expiry of the period of renewal. Exercise of the purchase option on the individual vessel is based on an individual assessment. The lease liabilities are assessed at nominal amount.

The Group has purchase options on 37 operational leases. However the majority of such purchase options are partly shared.

The below tables show the performance obligations and timing of payments.

Figures in USD '000	2018	2017
Operating lease		
Within one year	253.634	223.082
Between 1 - 5 years	576.334	672.914
More than 5 years	64.683	143.158
Total	**894.652**	**1.039.154**

At 31 December, the Group had entered into COAs and time charters with customers amounting to:

COAs and Time Charter commitments as service provider	2018	2017
Within one year	134.614	155.156
Between 1 - 5 years	394.845	389.909
More than 5 years	68.410	78.404
Total	**597.869**	**623.470**

Note 23 – Contingent assets and liabilities

Contingent assets
Ultrabulk A/S has no significant contingent assets.

Contingent liabilities
Ultrabulk A/S is engaged in certain litigation proceedings. In the opinion of management, settlement or continuation of these proceedings are not expected to have a material effect on Ultrabulk A/S financial position, operating profit or cash flow.

Agreements for future delivery of new buildings and other guarantees

Figures in USD '000	2018	2017
Agreements for future delivery of new buildings		
Remaining contract amount until delivery in USD translated at the exchange rate at year end	21.600	40.200
The remaining contract amounts in USD is payable as follows:		
Within one year	21.600	20.720
Between one and five years	0	19.480
Total	**21.600**	**40.200**
Other guarantees		
Ultrabulk A/S has issued guarantees for loans to joint venture and associated companies	32.411	46.987

Note 24 – Financial instruments

Carrying amount and fair value of financial items by class of financial assets and liabilities

Set out below is a breakdown of the financial assets into categories as defined in IFRS 9. Furthermore, the table below includes a comparison of the carrying amount and fair value of financial assets by class of assets. The fair value is estimated using appropriate market information and valuation methodologies. The carrying amount of cash and cash equivalents and loan payables to bank are a reasonable estimate of their fair value. Fair value for derivatives and borrowings has been calculated by discounting the expected future cash flows at relevant interest rates.

Judgement is required to develop estimates of fair value. Hence, the estimates provided herein are only indicative of the amounts that could be realised in the market.

Categories of financial instruments
The fair value of financial assets and financial liabilities measured at amortized cost is approximately equal to the carrying amount apart from interest bearing loans and borrowings, note 21.

Figures in USD '000	2018		2017	
	Current	Non-current	Current	Non-current
Receivables measured at amortized cost including cash and cash equivalents	157.350	0	149.677	0
Financial assets measured at fair value (Derivative financial instruments)	876	1.553	5.085	1.735
Financial liabilities measured at amortized costs	85.887	41.563	80.382	33.140
Financial liabilities measured at fair value (Derivative financial instruments)	2.490	10.110	4.704	7.356

Fair value hierarchy of financial instruments

Fair value hierarchy:
Financial instruments measured at fair value are divided in accordance with the following accounting hierarchy:
- Level 1: observable market prices of identical instruments.
- Level 2: valuation models primarily based on observable prices or trading prices of comparable instruments.
- Level 3: valuation models primarily based on non-observable prices.

The fair value of all derivative financial instruments, forward exchange contracts and other derivative financial instruments (commodity instruments), is considered fair value measurement at level 2 as the fair value can be calculated based on the published price at the reporting date. All other financial instruments are considered fair value measurement at level 1.

Liquidity risk

Figures in USD '000	Contractual cashflow	Within one year	Between 1 - 5 years	More than 5 years
2018				
Non-derivative financial liabilities:				
Interest bearing loans and borrowings	58.228	7.059	32.196	18.973
Trade and other payables	75.326	75.326	0	0
Operational leases	894.652	253.634	576.334	64.683
Derivative financial liabilities:				
Derivative financial instruments	12.600	2.490	9.542	568
2017				
Non-derivative financial liabilities:				
Interest bearing loans and borrowings	47.083	5.383	20.513	21.187
Trade and other payables	72.968	72.968	0	0
Operational leases	1.039.154	223.082	672.914	143.158
Derivative financial liabilities:				
Derivative financial instruments	12.060	4.704	6.807	549

Bunker hedge

Ultrabulk has entered into contracts in order to hedge future bunker expenses. The contracts are accounted for as cash flow hedges, when the criteria is in compliance with the criteria for cash flow hedge accounting.

The bunker hedges are entered simultaneously with the Contracts of Affreightment (CoA), as part of the Group's risk management. The bunker hedges cover the bunker expenses in connection with the CoA and the duration of the bunker hedge is therefore similar to the duration of the CoA. The trade dates are between 01.01.2019 and 31.12.2026.

FFA hedge

Ultrabulk has entered into contracts in order to hedge future cargo and vessel commitments. The contracts are accounted for either as fair value hedge or as cash flow hedges, when the criteria's are in compliance with the criteria for hedge accounting.

The FFA hedges are entered simultaneously with the cargo and vessel commitments as part of the Group's risk management. The trade dates are between 01.01.2019 and 31.12.2021.

Interest rate risks

Interest rate risks concern the interest-bearing financial assets and liabilities of Ultrabulk. The interest-bearing financial assets consist primarily of cash in financial institutions and the interest-bearing liabilities mainly consist of mortgage debt. Interest rate risks occur when interest rate levels change and/or if the pricing, which the Ultrabulk has agreed with the financial institutions changes. At 31 December 2018, 30% of the Ultrabulk's interest-bearing long term debt (31 December 2017: 25%) carried a floating rate, defined as duration of more than one year.

Hedge accounting reserve in equity

The hedge accounting reserve in equity is related to cash flow hedging financial derivatives and amount to USD 10.5 million (31 December 2017: USD 6.5 million).

Derivative financial instruments

Ultrabulk's policy is to use financial instruments to hedge financial risk. At year-end Ultrabulk held the following derivatives:

2018 *USD million*	*Nominal*	*Duration months*	*Recognized on equity*	*Fair value*
Hedge accounting applied as cash-flow hedge:				
Interest swaps	8,6	1-100	0,1	0,1
Currency: USD/DKK	5,6	1-12	0,0	0,0
FFA's	N/A	1-36	1,9	1,9
Bunker hedge	N/A	1-96	-12,6	-12,6
Hedge accounting not applied:				
FFA's	N/A	1-12		0,3
Total derivative instruments				-10,3

2018, USD million	*Nominal*	*Duration month*	*Recognized on equity*	*Fair value*
Presented in the financial statement as:				
Derivative financial instruments, non current assets				1,5
Derivative financial instruments, current assets				0,8
Derivative financial instruments, non current liabilities				-10,1
Derivative financial instruments, current liabilities				-2,5

2017, USD million	*Nominal*	*Duration months*	*Recognized on equity*	*Fair value*
Hedge accounting applied as cash-flow hedge:				
Interest swaps	9,7	1-112	0,1	0,1
Currency: USD/DKK	5,4	1-12	0,1	0,1
FFA's	N/A	1-36	-0,2	-0,2
Bunker hedge	N/A	1-108	-6,5	-6,5
Hedge accounting applied as fair value hedge:				
FFA's	N/A	1-12		0,3
Hedge accounting not applied:				
FFA's	N/A	1-12		0,8
Total derivative instruments				-5,4
Presented in the financial statement as:				
Derivative financial instruments, non current assets				1,7
Derivative financial instruments, current assets				5,0
Derivative financial instruments, non current liabilities				-7,4
Derivative financial instruments, current liabilities				-4,7

Changes in liabilities arising from finance activities

Figures in USD '000	1 Jan. 18	Cash flow	Other	31 Dec. 18
Current interest-bearing loans and borrowings	4.082	1.174	0	5.256
Non-current interest-bearing loans and borrowings	33.140	8.211	212	41.563
Total liabilities from financing activities	37.222	9.385	212	46.819

Figures in USD '000	1 Jan. 17	Cash flow	Other	31 Dec. 18
Current interest-bearing loans and borrowings	2.890	1.192	0	4.082
Non-current interest-bearing loans and borrowings	24.598	9.636	-1.094	33.140
Total liabilities from financing activities	27.488	10.828	-1.094	37.222

Other is mainly related to capitalized financing fees.

Note 25 – Changes in net working capital

Figures in USD '000	**2018**	**2017**
Change in inventories	-3.186	-3.628
Change in trade and other receivables	-6.428	-33.504
Change in prepayments	3.796	-4.966
Change in trade and other payables	2.358	25.778
Change in intercompany	1.400	-2.079
Total	**-2.060**	**-18.399**

Note 26 – Mortgages and security

The Group has issued a pro rata guarantee for the mortgages in the joint venture Ultra Summit (Singapore) Pte. Ltd.

Note 27 – Related party disclosures

Ultrabulk A/S is controlled by Ultranav Denmark ApS, Denmark. The ultimate parent of the Group is Naviera Ultranav Limitada, El Bosque Norte 500 19-20th floor, 7550092 Las Condes, Santiago, Chile.

Other related parties are considered to be companies within Ultranav Group, associated companies, the directors and officers of the entities and management of Ultrabulk A/S.

Figures in USD '000 Related party / Type of transaction	Sale/ (Purchases) to/from related parties	Sale/ (Purchases) to/from related parties	Amounts owed by/(to) related parties	Amounts owed by/(to) related parties
	2018	**2017**	**2018**	**2017**
Parent Company:				
Charter hire	0	0	0	0
Management fee expense	-2.190	-3.232	0	0
Loan	0	0	2.500	0
Joint Venture:				
Charter hire	-14.666	-11.959	0	17
Guarantees	0	0	32.411	46.987
Service	30	32	-4	-4
Associated companies:				
Charter hire	18.224	20.990	-3.104	-255
Service	-133	1.995	-561	-542
Management fee expense	-2.742	-2.361	0	712
Supervision fee	0	-120	0	0
Guarantees	0	0	0	0

There have not been any material transactions with any member of the Board of Directors, Executive Management of Ultrabulk A/S, Naviera Ultranav Limitada or associated companies. For information on remuneration to the Board of Directors and Executive Management of Ultrabulk A/S, please refer to note 5. Outstanding balances at year-end apart from loans are short-term, unsecured, interest free and settlement occurs in cash. There have been no guarantees (refer to note 23 and 26) provided or received for any related party receivables or payables. The Group has not made any provision for doubtful debts relating to amounts owed by related parties. The assessment hereof is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Joint taxation

The Danish companies in the Group are in joint taxation with the other Danish companies in the Naviera Ultranav Group.

Note 28 – Subsequent events

No other significant events have occurred between the reporting period and the publication of the annual report that have not been included and adequately disclosed in the annual report and that materially affect the income statement or the balance sheet

Note 29 – New financial reporting regulation

Following new accounting standard is relevant for Ultrabulk A/S has not yet applied the:

- IFRS 16 Leases

IFRS 16: Leases will change the way operational leasing contracts will be presented in the financial statement. From 2019 all operational leasing contracts must be recognised as a right-to-use asset and a lease liability. Today the operational lease expenses are included in the time-charter hire but from 2019 these expenses will be split in Opex, depreciation and interest.

IFRS 16 is effective from 1 January 2019 and will be implemented on this date following the retrospective approach. Right-of-use assets will be measured as if IFRS 16 had been applied since the commencement date, discounted using an applicable incremental borrowing rate at the date of initial application.

IFRS 16 broadens the criteria for recognition of right-of-use assets and lease liabilities and will have a material impact on Ultrabulk's financial statements, as off-balance operating leases will be capitalised and accounted for similar to finance leases.

Reported Gross profit, EBITDA and EBIT will increase, as operating lease expenses (hire for time charter vessels) will be replaced by depreciation and interest expenses. The impact on profit for the year will be neutral over time, but a timing effect will occur due to frontloading of interest expenses.

Reported cash flow from operating activities will increase, but will be offset by an increased cash outflow from financing activities, and, accordingly, there will be no change in total cash flow for the year.

Ultrabulk has sub leased some vessels out on a long term time charter contract. For subleased vessels no right-to-use vessel is recognized but instead a lease liability is recognized in the balance sheet.

Major accounting policy choices made in implementing of the standard includes:

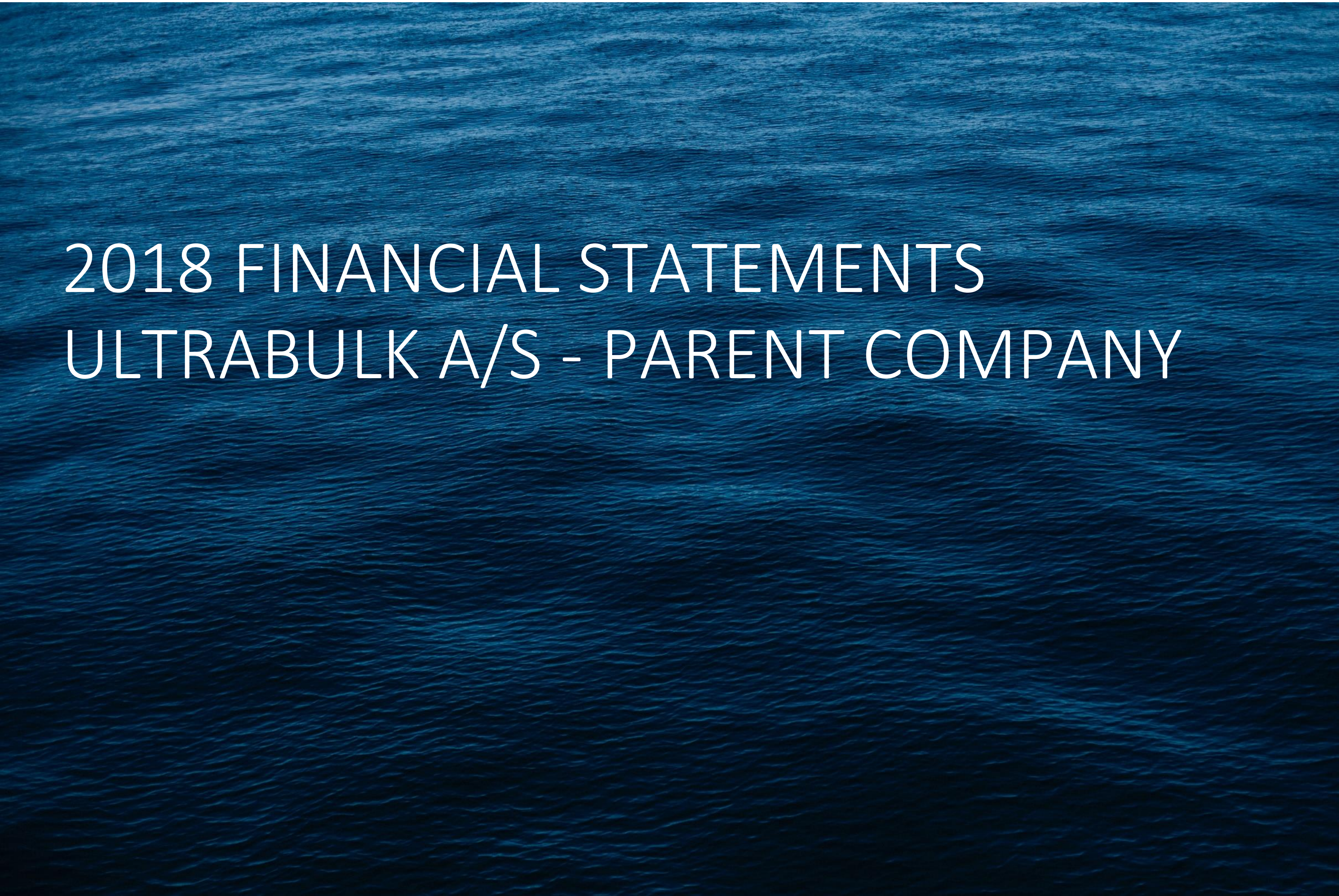
- not to recognise right-of-use assets and lease liabilities for leases with a lease term of 12 months or less.
- not to recognise right-of-use assets and lease liabilities for low-value lease assets.
- not to include non-lease components – e.g. service elements – as part of the right-of-use assets and lease liabilities recognised. These are accounted for separately under voyages related costs.

The implementation of IFRS 16 will have no impact on Ultrabulk' s agreement and terms with banks.

The change will have the following approximately impact on the 2018 figures:

Figures in million USD	**2018 Actual**	**2018 Restated**
Gross profit	44	165
EBITDA	19	141
EBIT	19	33
Profit before tax	17	14
Net profit	16	14
Tangible assets	87	430
Total liabilities	136	579
Total equity	160	141

Basis the current estimates it is expect that the impact on the figures for 2019 will be at the same level.



2018 FINANCIAL STATEMENTS
ULTRABULK A/S - PARENT COMPANY

Income Statements

Figures in USD '000	Note	2018	2017
Revenue		674.638	634.193
Voyage related expenses		-235.646	-245.282
Time-charter hire		-414.294	-376.130
Gross profit (Net earnings from shipping activities)		**24.698**	**12.781**
Other external expenses	2	-13.740	-12.795
Staff costs	3	-6.698	-5.618
Operating profit before depreciation and impairment loss (EBITDA)		**4.260**	**-5.632**
Profit from sale of vessel		3.110	0
Depreciation		-216	-63
Operating profit (EBIT)		**7.154**	**-5.695**
Share of subsidiaries' profit after tax		9.331	3.068
Share of associates' profit after tax		-275	306
Other financial items, net		729	1.242
Profit before tax		**16.939**	**-1.079**
Tax	4	-1.414	-1.337
Net profit		**15.525**	**-2.416**
Proposal for the distribution of net profit:			
Reserve for net revaluation according to equity method		9.056	3.374
Retained earnings		1.469	-5.790
Proposed dividend		5.000	0
		15.525	**-2.416**

Balance sheet

Figures in USD '000 ASSETS	Note	2018	2017
Fixtures, fittings and equipment	5	692	35
Total tangible assets		**692**	**35**
Investment in subsidiaries	6	73.473	68.827
Investment in associates	7	1.476	2.318
Derivative financial instruments		1.394	877
Loans receivable from related parties		2.500	0
Deferred tax assets		135	460
Financial assets, non-current		**78.978**	**72.482**
Total non-current assets		**79.670**	**72.517**
Inventories		14.773	14.393
Trade and other receivables		40.776	43.193
Intercompany receivables		14.891	12.715
Prepayments		12.869	12.186
Derivative financial instruments		493	3.023
Cash and short-term deposits		52.168	54.706
Current assets		**135.970**	**140.216**
TOTAL ASSETS		**215.640**	**212.733**

Figures in USD '000 EQUITY AND LIABILITIES	Note	2018	2017
Share capital		5.134	5.134
Reserve for net revaluation according to the equity method		13.510	7.592
Hedging reserve		-11.064	-9.485
Retained earnings		147.293	145.664
Proposed dividend		5.000	0
Total equity	8	**159.873**	**148.905**
Derivative financial instruments		10.110	7.355
Total non-current liabilities		**10.110**	**7.355**
Trade and other payables		40.005	47.654
Intercompany payables		2.025	3.518
Derivative financial instruments		2.490	4.781
Income tax payable		1.137	520
Total current liabilities		**45.657**	**56.473**
Total liabilities		**55.767**	**63.828**
TOTAL EQUITY AND LIABILITIES		**215.640**	**212.733**

Statement of change in Equity

Figures in USD '000	Share capital (Note 19)	Retained earnings	Hedging reserves	Reserve net revaluation equity method	Proposed dividend	Total equity
At 1 January 2018	**5.134**	**145.664**	**-9.485**	**7.592**	**0**	**148.905**
Distribution of net profit	0	1.469	0	9.056	5.000	15.525
Hedge reserve	0	0	-1.579	-2.571	**0**	-4.150
Other changes	0	160	0	-567	0	-407
Changes during the year	**0**	**1.629**	**-1.579**	**5.918**	**5.000**	**10.968**
At 31 December 2018	**5.134**	**147.293**	**-11.064**	**13.510**	**5.000**	**159.873**

Figures in USD '000	Share capital (Note 19)	Retained earnings	Hedging reserves	Reserve net revaluation equity method	Propoded dividend	Total equity
At 1 January 2017	**5.134**	**151.454**	**-15.763**	**8.364**	**0**	**149.189**
Distribution of net profit	0	-5.790	0	3.374	**0**	-2.416
Hedge reserve	0	0	6.278	-3.702	**0**	2.576
Other changes	0	0	0	-444	0	-444
Changes during the year	**0**	**-5.790**	**6.278**	**-772**	**0**	**-284**
At 31 December 2017	**5.134**	**145.664**	**-9.485**	**7.592**	**0**	**148.905**

Note 1 – Accounting policies

The Parent Company financial statements for Ultrabulk A/S has been prepared pursuant to the provisions for class C enterprises of the Danish Financial Statements Act.

The accounting policies of the Parent Company financial statements are unchanged compared to last year.

The Company's business is primarily based on the US Dollar. All income in the form of freight income is in US Dollar, and most costs are in US Dollars as well. Based on this, the Company has designated the US Dollar its functional and reporting currency. Consequently, all amounts are recognized in US Dollar. For 2018 the average USD/DKK rate of exchange was 6.3174 and the closing rate on 31 December 2018 was 6.5194

Income statement and balance sheet

Earnings from investments in subsidiaries and associates

In the Parent Company's income statement, the proportional share of earnings is recognised under the items "Share of subsidiaries' profit after tax" and "Share of associates' profit after tax".

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured according to the equity method. In the balance sheet under the items "Investments in subsidiaries" and "Investments in associates", the proportional ownership share of the companies' net asset value is recognised.

The total net revaluation of investments in subsidiaries and associates 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 and associates.

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

Other accounting policies

With reference to the provisions of the Danish Financial Statements Act, the Company has refrained from both preparing a cash flow statement and presenting segment information in the Parent Company financial statements. For this information, see the consolidated financial statements for Ultrabulk A/S. Please see the consolidated financial statements for other accounting policies.

Note 2 – Remuneration to the auditor appointed at the general meeting

Figures in USD '000	2018	2017
Audit	105	110
Other assurance service	0	0
Tax consultancy	13	20
Other services	0	0
Total	**123**	**130**

Note 3 – Staff costs

Figures in USD '000	2018	2017
Fixed salaries	5.716	4.516
Pensions - defined contribution plan	392	346
Other expenses for social security etc.	68	176
Incentive payment (cash based)	522	580
Staff costs included in administration expenses	6.698	5.618
Average number of employees	46	54

Please refer to the consolidated financial statements, note 5.

Note 4 – Tax

Figures in USD '000	2018	2017
Current tax on profit for the year	-1.137	-520
Deferred tax on profit for the year	-300	-966
Tax on profit for the year	**-1.437**	**-1.486**
Adjustments related to previous years - current tax	48	-21
Adjustments related to previous years - deferred tax	-25	170
Tax in the income statement	**-1.414**	**-1.337**

Note 5 – Fixtures, fittings and equipment

Figures in USD '000	2018	2017
Cost:		
Cost at 1 January	3.777	3.735
Additions for the year	873	42
Cost at 31 December	**4.650**	**3.777**
Depreciation and impairment at 1 January	-3.742	-3.679
Depreciation for the year	-216	-63
Depreciation and impairment at 31 December	**-3.958**	**-3.742**
Carrying amount at 31 December	692	35
Expected useful life:	3-10 years	3-10 years

Note 6 – Investments in subsidiaries

Figures in USD '000	2018	2017
Cost:		
Cost at 1 January	18.066	16.951
Additions for the year	-315	1.115
Cost at 31 December	**17.751**	**18.066**
Value adjustment at 1 January	48.647	76.881
Dividends received	-925	-27.600
Share of the result for the year	9.331	3.068
Change on equity (hedge reserve)	-2.256	-3.702
Value adjustment at 31 December	**54.797**	**48.647**
Carrying amount at 31 December	72.548	66.713
The carrying amount can be specified as follows:		
Investment in subsidiaries	74.742	68.827
Negative equity in subsidiaries, deducted intercompany receivables	-2.194	-2.114
	72.548	66.713

	Ownership	Ownership
Ultrabulk Shipholding Singapore Pte. Ltd	100%	100%
Ultrabulk (Singapore) Pte. Ltd	100%	100%
Ultrabulk (USA) Ltd.	100%	100%
Ultrabulk (Germany) GmbH	100%	100%
Ultrabulk do Brazil Ltda	100%	100%
Cedrella Transport Ltd.	100%	100%
Ultrabulk South Africa (Pty) Ltd.	100%	100%
Ultrabulk Cargo Services GmbH	100%	100%

Note 7 – Investments in associates

Figures in USD '000	2018	2017
Cost:		
Cost at 1 January	1.408	1.408
Cost at 31 December	**1.408**	**1.408**
Value adjustment at 1 January	910	600
Exchange rate adjustment	-567	4
Impairment	-516	0
Share of the result for the year	241	306
Value adjustment at 31 December	**67**	**910**
Carrying amount at 31 December	1.476	2.318

	Ownership	Ownership
Pérola S.A., Brasil	20%	20%
The carrying amount can be specified as follows:		
Pérola S.A., Brasil, interest 20%	1.476	2.318
	1.476	2.318
Key figures for investment in associates:		
Assets	12.145	12.159
Liabilities	-4.763	-3.150
Net assets	7.382	9.009
Revenue	22.569	23.948
Profit/loss before tax	1.856	2.322
Income tax	-651	-791
Profit/loss for the year	1.205	1.532
Total comprehensive income for the year	1.205	1.532

Note 8 – Equity and allocation of result

The share capital is commented upon in note 19 to the consolidated financial statements.

The targets for the capital structure or Ultrabulk A/S is determined and assessed for the Group as a whole, for which reason no operational goals or policies are set for the Parent Company.

Figures in USD '000	2018	2017
Transfer to retained earnings	1.470	-5.790
Reserve for net revaluation according to equity method	9.056	3.374
Proposed dividend	5.000	0
	15.526	**-2.416**

Note 9 – Mortgages and security

Figures in USD '000	2018	2017
Other guarantees		
Ultrabulk A/S has issued guarantees for loans to joint venture and associated company	32.411	46.987
Ultrabulk A/S has issued guarantees for time charter hires to subsidiaries	423.083	469.105
Ultrabulk A/S has issued guarantees for remaining payments under new building contracts	21.600	40.200
Total	**477.094**	**556.292**

Joint taxation

The Company is in joint taxation with other Danish Companies in the Naviera Ultranav Group. The joint taxation also covers withholding taxes in the form of dividend tax, royalty tax and interest tax. The Danish companies are jointly and individually liable for the joint taxation. The tax for the individual companies is allocated in full on the basis of the expected taxable income.

Note 10 – Mortgages and security

For information regarding contingent assets and liabilities, please refer to the consolidated financial statements, note 24

Note 11 – Operating lease liabilities and COAs commitments

Lease agreements have been entered into with a mutually interminable lease period up to 7 years. As a general rule, leases include an option to renew for one additional year at a time for up to three years. Some of the lease agreements include a purchase option, exercisable as from the end of the fifth year to the expiry of the period of renewal. Exercise of the purchase option on the individual vessel is based on an individual assessment. The lease liabilities are assessed at nominal amount.

The Company has purchase options on operational leases. However, the majority of such purchase options are partly shared.

Figures in USD '000	2018	2017
Operating lease		
Within one year	325.543	167.630
Between 1 - 5 years	557.859	383.534
More than 5 years	11.240	31.052
Total	**894.642**	**582.216**

At 31 December, the Group had entered into COAs and time charters with customers amounting to:

COAs and Time Charter commitments as service provider	2018	2017
Within one year	113.832	131.970
Between 1 - 5 years	390.979	482.479
More than 5 years	68.410	127.550
Total	**573.221**	**741.999**

Note 12 – Financial instruments

Bunker hedge

Ultrabulk has entered into contracts in order to hedge future bunker expenses. The contracts are accounted for as cash flow hedges, when the criteria is in compliance with the criteria for cash flow hedge accounting.

The bunker hedges are entered simultaneously with the Contracts of Affreightment (CoA), as part of the Group's risk management. The bunker hedges cover the bunker expenses in connection with the CoA and the duration of the bunker hedge is therefore similar to the duration of the CoA. The trade dates are between 01.01.2018 and 31.12.2026.

FFA hedge

Ultrabulk has entered into contracts in order to hedge future cargo and vessel commitments. The contracts are accounted for either as fair value hedge or as cash flow hedges, when the criteria are in compliance with the criteria for hedge accounting.

The FFA hedges are entered simultaneously with the cargo and vessel commitments as part of the Group's risk management. The trade dates are between 01.01.2018 and 31.12.2018.

Hedge accounting reserve in equity

The hedge accounting reserve in equity is related to cash flow hedging financial derivatives and amount to USD 11.1 million (31 December 2017: USD 9.5 million).

Note 13 – Related party transaction

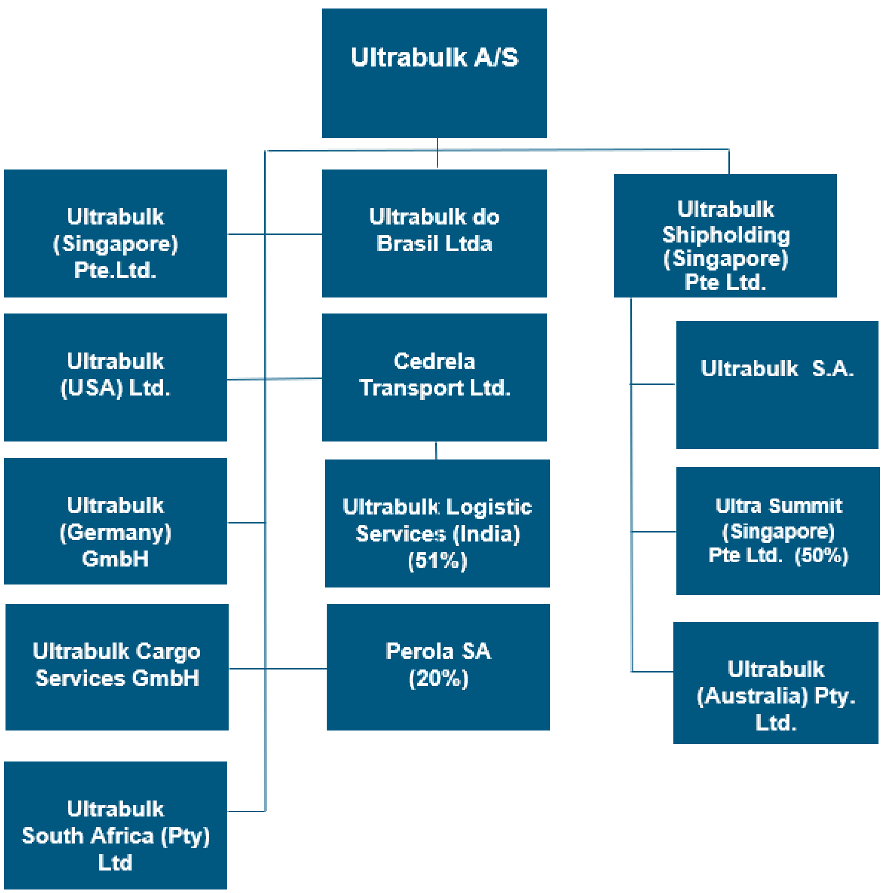
Ultrabulk A/S is included in the consolidated financial statement for Ultranav Denmark ApS, Denmark and Naviera Ultranav Limitada, Chile.

Figures in USD '000		Sale/ (Purchases)	Sale/ (Purchases)	Amounts owed by/(to)	Amounts owed by/(to)
Related party	Type of transaction	**2018**	**2017**	**2018**	**2017**
Parent	Loan	0	0	2.500	0
Joint Ventures	Charter hire	-10.133	-8.082	-18	17
	Guarantees	0	0	32.411	46.987
Subsidiaries	Charter hire	-174.741	-165.225	0	0
	Service	0	0	14.312	12.123
	Management fee	-6.620	-6.925	0	0
Affiliated	Charter hire	-14.249	9.423	-51	226
companies	Service	506	557	-1.426	-757
	Management fee	-2.791	-2.541	50	-51

Note 14 – Subsequent events

For subsequent events, please refer to the consolidated financial statements, note 29.

Group Structure



Definitions of Key Figures and financial rations

Gross profit margin	$= \dfrac{\text{Gross profit x 100}}{\text{Revenue}}$
EBITDA margin	$= \dfrac{\text{EBITDA x 100}}{\text{Revenue}}$
Return of equity in % (ROA)	$= \dfrac{\text{Profit or loss for the year x 100}}{\text{Average equity excluding minority interests}}$
Payout ration	$= \dfrac{\text{Dividend x 100}}{\text{Profit or loss for the year, excluding minority interests}}$
Equity ration	$= \dfrac{\text{Equity at year-end, excluding minority interest x 100}}{\text{Total assets}}$
USD exchange rate at year-end	= The USD exchange rate quoted at the NASDAQ OMX Copenhagen at the balance sheet date
Average USD exchange rate	= The average USD exchange rate quoted on the NASDAQ OMX Copenhagen for the year
Net interest-bearing debt	= Interest-bearing debt less of cash equivalents at year-end
Proposed dividend (DPS)	$= \dfrac{\text{Dividend}}{\text{Total shares}}$

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