Ultrabulk

Ultrabulk A/S

Smakkedalen 6, DK-2820 Gentofte

CVR No. 38 28 37 15

Annual Report
for the year ended 31 December 2015

35th financial year

Adopted at the Annual General Meeting of shareholders 31 / 5 2016

CONTENTS

UK

Statement by the Executive Board and the Board of Directors

The Executive Board and the Board of Directors have today discussed and approved the annual report of Ultrabulk A/S for the financial year 1 January – 31 December 2015.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2015 and of the results of the Group's and the Company's operations for the financial year 1 January – 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

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

Copenhagen, 31/5 2016

Executive Board:

....	....
Hans-Chistian Olesen Managing director	Henrik Sleimann Petersen Managing director

Board of Directors:

....	....	....
Per Lange Chairman	Søren M Christoffersen	Henrik Sleimann Petersen
....	....	
Hans-Christian Olesen	Klaus Munk Andersen	

Independent auditors' reports

To the Shareholders of Ultrabulk A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements

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 2015. The consolidated financial statements and the parent company financial statements comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the parent company financial statements

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

Auditors' responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2015 and of the results of the Group's and the parent company's operations for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

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Statement on management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 31/5 2016

Ernst & Young
Godkendt Revisionspartnerselskab
CVR-nummer: 30700228

Thomas Bruun Kofoed
State Authorised Public Accountant

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INFORMATION ABOUT THE COMPANY

Ultrabulk A/S
Smakkedalen 6
DK-2820 Gentofte
Tel: (+45) 39 97 04 00
Website: www.ultrabulk.com

Date of foundation:
03.03.1981

Domicile:
Gentofte

Board of Directors:
Per Lange
Søren M Christoffersen
Henrik Sleimann Petersen
Hans-Christian Olesen
Klaus Munk Andersen

Management:
Hans-Christian Olesen
Henrik Sleimann Petersen

Shareholders holding 5% or more of the share capital or the voting rights:
Ultrabulk Shipping A/S, Smakkedalen 6, 2820 Gentofte, Danmark

Parent Company:
Ultrabulk Shipping A/S, Smakkedalen 6, 2820 Gentofte, Danmark

Ultimate parent Company:
Naviera Ultranav Ltda, Chile

Subsidiaries:
Ultrabulk (USA) Inc. *(wholly owned)*
Ultrabulk (Hong Kong) Ltd. *(wholly owned)*
Ultrabulk (Singapore) Pte. Ltd. *(wholly owned)*
Ultrabulk do Brasil Ltda. *(wholly owned)*
Cedrela Transport Ltd. *(wholly owned)*
Ultrabulk (Germany) GmbH *(wholly owned)*
Ultrabulk Logistic Services (India) (*51% owned*)

Associated companies
Pérola S.A. (*20 % owned*)

Auditors:
Ernst & Young, Godkendt Revisionspartnerselskab

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FINANCIAL HIGHLIGHTS - Group

5-year summary:

	2015	2014	2013	2012	2011
Key figures (in USD mill.):					
Revenue	464,4	596,6	632,0	483,5	522,6
Operating profit	-11,6	-1,7	17,7	5,5	-2,2
Net financials	-0,3	-0,1	-0,5	1,0	-0,1
Net profit/loss for the year	-12,3	2,2	17,8	5,0	-1,5
Equity at year-end	6,0	22,6	42,6	25,4	20,4
Total assets	91,9	113,7	113,5	98,9	94,6
Investments in the year	0,0	0,0	0,0	0,1	-19,0
Ratios:					
Return on assets	-11,3%	-6,9%	16,7%	5,7%	-2,2%
Return on equity	-86,2%	-35,1%	52,3%	21,8%	-7,1%
Equity ratio	6,5%	16,0%	37,6%	25,7%	21,6%

The key figures and ratios for the years 2011-2014 have been amended following the merger between Ultrabulk A/S, Ultrabulk Shipholding A/S and Ultrabulk Steel Service A/S. Reference is made to the section for Accounting policies.

The exchange rate USD/DKK as at 31 December 2015 amounted to 6.83 and 6.12 as at 31 December 2014. The average exchange rate USD/DKK for 2015 amounted to 6.73 and 5.62 for 2014.

Definitions of key figures and financial ratios, see page 27.

Management's Review

Ultrabulk A/S is a subsidiary of Ultrabulk Shipping A/S, which is a globally recognized dry bulk cargo operator, servicing customers within the Handysize, Supramax and Panamax segments.

2015 highligths

MANEUVERING WITHIN A NEW REALITY

Those expecting improved rate levels in 2015, compared to 2014, were left disappointed. In January 2015 the Baltic Shipping Index (BSI) stood at USD 6,119 dropping further in February to levels not seen since 1986. This downward slide unfortunately continued during 2015. The BSI fell to below USD 5,000 by year end, resulting in a historic low annual average T/C rate of USD 6,965/day, 30% below 2014.

Due to falling demand, commodity prices have been pressed to levels where production is no longer viable for some. The market has been under unprecedented and extended pressure during the year. Looking forward, 2016 net fleet growth is expected to decrease in comparison to recent years, to more traditional levels in the range of 2 to 3%. Market growth is expected to return to the normal 3% (+), but based on track record over the last two years, it will depend very much on recovering Chinese imports. In any event we have to anticipate working within this new reality and prevailing market conditions for a while.

The Ultrabulk Steel Parcelling Service has been well received on its core trading routes and has added a Far East service. The new specialized MPP Service which focuses on the Europe/Africa/Europe trades has likewise had a positive start. These additional services provide clients with an even more diversified product range, and have resulted in cross segment synergies and opportunities.

Ultrabulk Steel Service A/S was in January 2015 merged into Ultrabulk A/S.

Ultrabulk Shipholding A/S was in January 2015 merged into Ultrabulk A/S, transferring all Danish based shipholding activities into a unified platform. Ultrabulk Shipholding is the ship owning and long term tonnage commitment platform for the Ultrabulk group, handling all long period-, lease-, joint/venture-, and sale & purchase tonnage activities in Ultrabulk.

Ultrabulk A/S operated an average of 67 vessels during 2015, which were equal to previous year. Cargo contractual commitments made during the year were matched by corresponding long term vessel time charters whereby the company was able to maintain a balanced portfolio.

The total of physical ship days in 2015 were 24,443 days, slightly up from 24,257 recorded in 2014. Cargo lifted was down from 29.4 million tons in 2014 to 27.7 million tons in 2015.

The financial performance in 2015 developed according to expectations.

The EBITDA-result for the year amounted to MUSD -11.2 (MUSD 2.6 in 2014).

Net result after tax was a loss of MUSD -12.3 (MUSD 2.2 in 2014).

Revenue in 2015 were USD 464 million, down 22% from USD 597 million in 2014, reflecting the decrease in BSI rates during 2015.

The Board of Directors proposes not to pay out any dividend for 2015.

Risk Management
The Ultrabulk Group's risk management systems and policies are elaborated upon in the annual report for the parent company Ultrabulk Shipping A/S.

CSR
The company's position on corporate social responsibility is further elaborated upon in the annual report for the parent company Ultrabulk Shipping A/S.

2016 outlook

THE DEPRESSED MARKET CONTINUES

End of February 2016 Ultrabulk A/S had cargo coverage of 85% of the known vessel days in 2016.

In 2016, the focus of Ultrabulk A/S will remain on developing partnerships and increasing earnings from operating activities. These efforts will be directed towards further developing triangular trades, specific commodities and trades, as well as deriving further synergies and creating new business opportunities.

Ultrabulk A/S is confident that it will be able to maintain and develop its market position and is positioned to address opportunities that will inevitably arise under the present depressed market conditions.

Based on the company's current coverage, and while acknowledging the prevailing difficult and very volatile market conditions, a negative EBITDA is expected for 2016. Due to the poor market and postponement of Coa shipments in the beginning of 2016 the company has realized a negative result in the first 4 months of 2016 which has led to a negative equity as per 30 April 2016. Therefore, at an extraordinary general meeting on 31 May 2016, the shareholder Ultrabulk Shipping A/S increased the equity with USD 20 million in order to secure a sufficient capitalization of the company.

Subsequent events

In February 2016, two customers have announced to their charter owner counterparties (incl. Ultrabulk A/S), that they were looking at how to financially restructure. At this point in time Ultrabulk A/S does not know which consequences, if any, this could have to the future cooperation with these customers.

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.

ACCOUNTING POLICIES

General

The Annual Report of Ultrabulk A/S has been prepared in accordance with the provisions of Danish Financial Statements Act concerning large class C enterprises.

Accounting policies are consistent with those of last year.

Consolidation

The consolidated Accounts include the Parent Company Ultrabulk A/S and companies in which the Parent Company directly or indirectly holds more than 50% of the share capital and has corresponding voting rights or otherwise has a controlling interest. Companies in which the Parent Company directly or indirectly holds between 20% and 50% of the voting rights or otherwise exercises a considerable influence are considered as associated companies.

As per January 1, 2015 the companies Ultrabulk Shipholding A/S and Ultrabulk Steel Service A/S were merged into Ultrabulk A/S. Common control transactions are accounted for using the book values 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 Accounts of the subsidiaries are prepared in accordance with the accounting policies applied by the Parent Company. The consolidated Accounts are prepared on the basis of the annual accounts of the Parent Company and the subsidiaries by consolidating uniform accounts.

Intra-group income, expenses, losses, profits and balances are eliminated.

Interests in subsidiary companies are eliminated against the proportionate share of the net asset value of the individual subsidiary company

Minority interests

Minority interests in Group enterprises´ results of operations and shareholders´ equity are shown separately in the consolidated financial statements.

Currency retranslation

Transactions in foreign currency are translated into USD at the exchange rate at the date of the transaction.

Monetary items in foreign currency are translated into USD at the exchange rates at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the income statement as financial income/expenses.

ACCOUNTING POLICIES

Foreign subsidiaries
Foreign enterprises are translated according to the following principles:

- Balance sheet items are translated at closing rates.
- Items in the income statement are translated at the exchange rate at the date of the transaction.

- Any exchange differences resulting from the translation of the opening equity at the closing rate and the exchange adjustment of the items in the income statement from the average weighted exchange rate for the year to the closing rate are taken directly to equity.

Segments
The Company has only activity within one segment since the bulk activity is defined as a segment. The Company's activity is global and therefore not carried out a geographic segmentation.

Derivatives
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 forward freight agreements are determined by reference to market values for similar instruments
Before a hedging transaction is carried out, the company assesses whether a derivate is to be used to:

- fair value hedge a recognised asset or liability, or fair value hedge an unrecognised firm commitment
- cash flow hedge a recognised asset or liability, or cash flow hedge a forecast transaction

The company's criteria for classifying a derivate as a hedging instrument are as follows:

- the hedge is expected to be effective in that it counteracts changes in the fair value of or cash flows from the hedged item – a hedging efficiency within the range of 80-125% over the life of the hedging relationship is expected,
- the effectiveness of the hedge can be reliably measured,
- there is adequate documentation when the hedge is entered into that the hedge is expected to be effective,
- for cash-flow hedges of forecast transaction, the transaction must be highly probable, and
- the hedge is evaluated regularly and has proven to be effective.

Cash flow hedges:
Changes in the fair value of a hedging instrument that meet the criteria for cash flow hedge accounting are taken directly to equity. The ineffective part of the hedging instrument is recognised directly in the income statement.

Gains and losses that are recognised directly in equity 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.

ACCOUNTING POLICIES

Derivatives (cont'd)

If the cash flow hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued. The cumulative gain or loss on the hedging instrument recognised directly in equity remains separately recognised in equity until the forecast transaction occurs.

If the cash flow hedged transaction is no longer expected to occur, any previously accumulated gain or loss on the hedging instrument that has been recognised directly in equity 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 derivates are recognised in the income statement.

Revenue

All voyage revenues and voyage expenses are recognised on a percentage of completion basis. Ultrabulk A/S uses a discharge-to-discharge basis in determining percentage of completion for all spot voyages and voyages servicing contracts of affreightment (COAs). Under this method, voyage revenue is recognised evenly over the period from the departure of a vessel from its last discharge port to departure from last discharge port of the voyage in question. Vessels without fixed employment upon completion of proceeding voyage receive income latest upon fixing next employment. Voyage related expenses incurred for vessels in the idle time are expensed. Revenues from time charters accounted for as operating leases are recognised in rates over the rental periods of such charters, as service is performed.

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 in case the separate segment in which the time or voyage charter is included in, in total is onerous.

Depreciation

Depreciation is provided over the expected useful lives of the individual assets under consideration of scrap value, using the following periods:

Operating equipment	3-10 years
Computer hardware and software	3-5 years

Income from investments in subsidiaries and associated companies

Such income comprises the parent company's proportionate share of the enterprises' results of operations after tax and elimination of intra-group profits/losses.

ACCOUNTING POLICIES

Taxation

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments.

Current and deferred tax concerning changes in equity is taken directly to equity.

The company and Danish enterprises are jointly taxed. The Danish corporation tax charge is allocated between profit-making and loss-making Danish enterprises in proportion to their taxable income (full allocation method).

BALANCE SHEET

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and write-downs.
Asset held under finance leases are measured at the lower of cost according to the lease and the net present value of the lease payments, calculated by reference to the interest rate implicit in the lease less accumulated depreciation and write-downs. Assets held under finance leases are classified as own fixed assets.

An impairment test is made for property, plant and equipment if there are indications of decreases in value. The impairment test is made for each individual asset or group of assets, respectively.
The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

Investments

Investments in subsidiaries and associated companies are measured using the equity method at the parent company's proportionate share of the enterprises' equity. Enterprises whose equity is negative are measured at zero, as the proportionate share corresponding to the negative value is set off against receivables, if any, and amounts in excess hereof are recognised under 'Provisions'.

Stocks

Stocks consist of bunkers and lubricants. Stocks are measured at the lower of actual cost or net realizable value. The cost is determined based upon the FIFO principle.

Receivables

Trade receivables, etc. are measured at the lower of amortised cost and net realisable value, calculated on basis of an assessment of each individual receivable.

Prepayments

Prepayments recognised under assets comprise mainly prepaid T/C-hire.

Shareholders equity

Dividends proposed for the reporting period are recognised as a separate item under 'Equity'.

Income taxes

Current tax charges are recognised in the balance sheet as the estimated tax charge in respect of the expected taxable income for the year, adjusted for tax on prior years' taxable income.

Provisions for deferred tax is calculated at 22.0% of all temporary differences between book values and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income.

Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or a set-off against deferred tax liabilities.

Provisions

Provisions are recognised when, at the balance sheet date, the enterprise has a legal or constructive obligation and it is probable that a settlement will result in consumption of economical resources of the company.

Provisions expected to be settled after more than one year after the balance sheet date are measured at the net present value of the expected payments. Other provisions are measured at net realisable value.

Lease payments

Lease payments are measured at the net present value of the remaining lease payments including any guaranteed residual value, calculated by reference to the interest rate implicit in the lease.

Interest-bearing debt is subsequently measured at amortised cost, using the effective interest rate method. Other debt is subsequently measured at amortised cost corresponding to the nominal unpaid debt.

Deferred income

Deferred income recognised, as a liability comprises payments received concerning T/C-hire and cargo.

Cash flow statement

Cash flow statement is not presented as the Group is recognised in the cash statement prepared for the parent company Ultrabulk Shipping A/S, Copenhagen, Denmark.

Income statement
1 January - 31 December 2015

		Group		Parent Company	
	Note	2015 USD'000	2014 USD'000	2015 USD'000	2014 USD'000
Turnover	1	464.413	596.558	464.318	612.723
Voyage related expenses		-459.593	-576.184	-459.354	-592.566
		4.820	**20.374**	**4.964**	**20.157**
Other income		-	146	-	146
Administrative expenses	2	-16.310	-18.659	-16.165	-18.637
Depreciation	3	-84	-137	-55	-85
Operating result		**-11.574**	**1.723**	**-11.256**	**1.581**
Share of profit/loss in associated companies		269	726	269	726
Share of profit/loss in subsidiary undertakings		-	-	-448	714
Financial income and expenses, net	4	-315	-81	-168	-159
Profit before tax		**-11.620**	**2.368**	**-11.603**	**2.862**
Tax on profit for the year	5	-778	-185	-703	-691
Profit after tax		**-12.398**	**2.183**	**-12.305**	**2.172**
Minority interests		-93	-11	0	0
RESULT FOR THE YEAR		**-12.305**	**2.172**	**-12.305**	**2.172**

	2015 USD'000	2014 USD'000
Recommended appropriation:		
Transfer to reserve for revaluation according to equity method	0	239
Transferred to retained earnings	-12.305	1.933
	-12.305	2.172

BALANCE SHEET at 31 December 2015

		Group		Parent Company	
		2015	**2014**	**2015**	**2014**
	Note	**USD'000**	**USD'000**	**USD'000**	**USD'000**
ASSETS					
Cargo-handling equipment		113	97	92	71
Other operating equipment		22	43	9	23
Total tangible fixed assets	6	135	140	101	94
Investments in Group enterprises	7	-	-	1.078	1.918
Investments in associated companies	7	1.949	2.825	1.949	2.825
Deferred tax asset	12	1.898	2.790	1.897	2.790
Total investments		3.847	5.615	4.924	7.533
TOTAL FIXED ASSETS		3.982	5.755	5.025	7.627
Stocks		7.197	17.527	7.197	17.526
Receivables		25.174	28.179	24.914	30.128
Amounts owed by Group enterprises		6.354	22.508	4.515	16.709
Derivate financial instruments	8	16.195	8.733	16.195	8.733
Prepayments	9	14.594	14.199	14.302	13.750
Total debtors		62.316	73.619	59.926	69.320
Cash and short term deposits	10	18.408	16.815	16.873	15.252
TOTAL CURRENT ASSETS		87.921	107.961	83.996	102.098
TOTAL ASSETS		91.903	113.716	89.021	109.725

BALANCE SHEET at 31 December 2015

	Note	Group		Parent Company	
		2015 USD'000	2014 USD'000	2015 USD'000	2014 USD'000
LIABILITIES					
CAPITAL AND RESERVES	11				
Share capital		213	213	213	213
Retained earnings		30.347	43.488	30.347	43.249
Hedge reserve		-24.609	-21.100	-24.609	-21.100
Reserve from revaluation of investments		-	-	0	239
TOTAL CAPITAL AND RESERVES		5.951	22.601	5.951	22.601
MINORITY INTERESTS		64	345	0	0
Provisions- group enterprises	7	0	0	1.570	73
TOTAL PROVISIONS		0	0	1.570	73
LIABILITIES OTHER THAN PROVISIONS					
Long-term liabilities other than provisions					
Derivatives, non-current		26.162	17.730	26.162	17.730
Total long-term liabilities other than provisions		26.162	17.730	26.162	17.730
Short-term liabilities other than provisions					
Trade and other payables	13	48.199	61.499	43.800	59.076
Derivate financial instruments		10.569	10.107	10.569	10.107
Tax payable		958	1.434	969	138
Total short-term liabilities other than provisions		59.726	73.040	55.338	69.321
TOTAL LIABILITIES OTHER THAN PROVISIONS		85.889	90.770	81.500	87.051
TOTAL EQUITY AND LIABILITIES		91.903	113.716	89.021	109.725

Security for loans and contingent liabilities	14
Related parties	15
Financial Risk management	17
Fee for the auditor appointed by the general meeting	18

CHANGES IN SHAREHOLDERS'S EQUITY, GROUP

USD'000	*Share capital*	*Reserves for revaluation according to equity method*	*Hedge reserve*	*Retained earnings*	*Total*
Equity at 1/1 2014	131		1.409	28.585	30.125
Addition related to merger	82	-	-	12.731	12.813
Result of the year	-	-	-	2.172	2.172
Value adjustments of hedging instruments	-	-	-22.509	-	-22.509
Equity at 1/1 2015	213	0	-21.100	43.488	22.601
Value adjustments of hedging instruments	-	-	-3.509	-	-3.509
Result of the year	-	-	-	-12.305	-12.305
Other adjustments	-		-	-836	-836
Transfer to Retained earnings	-		-	0	0
Equity at 31/12 2015	213	0	-24.609	30.347	5.951

CHANGES IN SHAREHOLDERS'S EQUITY, PARENT COMPANY

USD'000	*Share capital*	*Reserves for revaluation according to equity method*	*Hedge reserve*	*Retained earnings*	*Total*
Equity at 1/1 2014	131	-	1.409	28.585	30.125
Addition related to merger	82	-	-	12.731	12.813
Result of the year	-	-	-	1.933	1.933
Value adjustments of hedging instruments	-	-	-22.509	-	-22.509
Reserve from revaluation of investments in subsidiaries and associated companies	-	239	-	-	239
Equity at 1/1 2015	213	239	-21.100	43.249	22.601
Value adjustments of hedging instruments	-	-	-3.509	-	-3.509
Result of the year	-	-	-	-12.305	-12.305
Reserve from revaluation of investments in subsidiaries and associated companies	-	-239	-	-	-239
Transfer to Retained earnings	-	-	-	-597	-597
Equity at 31/12 2015	213	0	-24.609	30.347	5.951

NOTES

	Group		Parent Company	
	2015	2014	2015	2014
	USD'000	USD'000	USD'000	USD'000
Note 1 Business activities reporting				
Handysize	57.751	33.409	57.751	33.742
Supramax	266.583	337.576	266.488	353.408
Panamax	140.079	225.573	140.079	225.573
	464.413	596.558	464.318	612.723

	Group		Parent Company	
	2015	2014	2015	2014
	USD'000	USD'000	USD'000	USD'000
Note 2. Salaries and remuneration				
Administrative expenses include:				
Wages and salaries	3.822	3.916	0	0
Pensions cost	199	197	0	0
Total salaries and remuneration	4.020	4.113	0	0
Average number of employees	26	26	0	0

Remuneration for certain employees are expensed as a management fee in 2015 and 2014, and consequently recognized as "Administration expenses". Management and Board of Directors of Ultrabulk A/S have not received any remuneration in 2015.

	Group		Parent Company	
	2015	2014	2015	2014
	USD'000	USD'000	USD'000	USD'000
Note 3. Amortisation/depreciation of equipment and other fixed assets				
Cargo handling equipment	37	62	32	57
Other operating equipment	47	75	23	28
	84	137	55	85

NOTES

	Group		Parent Company	
	2015 USD'000	2014 USD'000	2015 USD'000	2014 USD'000

Note 4. Financial income and expenses, net

Financial income:				
Group enterprises	5	13	1	13
Other financial income	60	83	39	8
Financial expenses:				
Group enterprises	-226	-	-195	-39
Other financial expenses	-17	-40	-13	-35
Net foreign-exchange gain/loss	-137	-137	0	-106
	-315	-81	-168	-159

Note 5. Tax for the year

Estimated income tax charge	470	359	395	392
Change in provision for deferred tax	421	-316	421	-304
	891	43	816	88
Prior year adjustments	-113	-228	-113	-779
	778	-185	703	-691

NOTES

Note 6. Tangible fixed assets, Group

	Cargo-handling equipment	Other operating equipment	Total
Cost at 1/1 2015	3.649	586	4.235
Additions	52	27	79
Disposals	0	-178	-178
Accumulated cost at 31/12 2015	3.701	435	4.136
Cost at 1/1 2015	-3.551	-544	-4.095
Depreciation/amortisation in the year	-37	-47	-84
Currency retranslation	0	0	0
Depreciation/amortisation of disposals	0	178	178
Accumulated depreciation/amortisation at 31/12 2015	-3.588	-413	-4.001
Book value at 31/12 2015	113	22	135
Including book value of assets under financial leases	113		

Note 6. Tangible fixed assets, Parent Company

	Cargo-handling equipment	*Other operating equipment*	*Total*
Cost at 1/1 2015	3.303	371	3.674
Additions	52	9	61
Accumulated cost at 31/12 2015	3.355	380	3.735
Cost at 1/1 2015	-3.232	-348	-3.580
Depreciation/amortisation in the year	-32	-23	-55
Accumulated depreciation/amortisation at 31/12 2015	-3.263	-371	-3.635
Book value at 31/12 2015	92	9	101
Including book value of assets under financial leases	92		

NOTES

Note 7. Investments

	Nominal share capital		Interest	Profit/loss	Equity value at 31/12 2015
Interest in Group enterprises:					
Cedrela Transport Ltd., Nassau, Bahamas	5.000	USD	100%	-155	-96
Ultrabulk (USA) Inc., Delaware, USA	1.000	USD	100%	77	293
Ultrabulk Ltd. (Hong Kong)	10.000	HKD	100%	-23	-36
Ultrabulk do Brasil Ltda.	50.000	BRL	100%	-74	-1.219
Ultrabulk (Germany)	33.000	EUR	100%	-206	785
Ultrabulk Pte. Ltd. (Singapore)	100.000	SGD	100%	-68	-220
				-448	-492
Set-off of deficit on capital and reserves against receivables or transferred to provisions					1.570
Total interest in Group enterprises, Parent Company					1.078

	Nominal share capital		Interest	Profit/loss	Equity value at 31/12 2015
Interest in associated companies:					
Pérola S.A., Brazil	2.193.843	BRL	20,0%	269	1.949

NOTES

Note 7. **Fixed asset investments - continued**

	Investments in Associated companies	Investments in Group enterprises
Cost at 1/1 2015	1.980	2.524
Other adjustments	0	-1.323
Currency retranslation	-572	-639
Accumulated cost at 31/12 2015	1.408	562
Revaluation at 1/1 2015	845	-606
Profit for the year	269	-448
Dividends received	-329	0
Other adjustments	-244	0
Accumulated revaluations at 31/12 2015	541	-1.054
Equity value at 31/12 2015	1.949	-492
Set-off of deficit on capital and reserves against receivables	0	1.570
Book value at 31/12 2015	1.949	1.078

NOTES

Note 8. Derivative financial instruments

	Group		Parent Company	
	2015	**2014**	**2015**	**2014**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Financial instruments - short term	16.195	8.733	16.195	8.733
	16.195	8.733	16.195	8.733

Note 9. Prepayments

Charter hire	8.507	11.795	8.182	11.570
Other prepayments	6.087	2.403	6.120	2.181
	14.594	14.199	14.302	13.750

Note 10. Cash and short term deposits

Cash at bank and in hand	18.408	16.815	16.873	15.252
	18.408	16.815	16.873	15.252

As of 31 December 2015, included in total cash at bank is USD 13.7 million which is restricted deposits in favour of clearing houses (2014: USD 12.8 million)

Note 11. Share capital

Analysis of the Parent Company's share capital of DKK'000 1,000:

	2015	**2014**
	USD'000	**USD'000**
10,000 shares of DKK 100 each	213	213

The share capital has been DKK'000 1,000 for the last 5 years.

Regarding the company's financial position, reference is made to Management's review.

NOTES

	Group		Parent Company	
	2015 USD'000	2014 USD'000	2015 USD'000	2014 USD'000
Note 12. Deferred tax				
Deferred tax, at 1/1	-2.790	-2.486	-2.790	-2.486
Adjustments previous years	471	0	471	0
Provision in the year	421	-304	422	-304
Deferred tax, at 31/12	-1.898	-2.790	-1.897	-2.790

A tax rate of 22% has been applied to the statement of deferred tax in the current year.

Note 13. Trade and other payables

	Group		Parent Company	
	2015 USD'000	2014 USD'000	2015 USD'000	2014 USD'000
Trade payables	12.230	17.206	12.181	20.970
Payables to related companies	18.404	18.253	14.126	15.224
Accrued expenses	17.566	26.040	17.492	22.882
	48.199	61.499	43.800	59.076

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Note 14. Security for loans and contingent liabilities

Contingent assets

Following a customer default to perform under a three year Contract of Affreightment, Ultrabulk initiated arbitration against the customer. An arbitration award was made in favor of Ultrabulk of the amount of MUSD 36.4. The claim is to be enforced. At this point in time, Ultrabulk cannot predict how long the enforcement will take or when the company will be able to provide additional information.

Contingent liabilities

Ultrabulk 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's financial position, operating profit or cash flow.

The company is in joint taxation with other Danish Companies in the Naviera Ultramar Group. The Danish companies are jointly and individually liable for the joint taxation. Any subsequent adjustments to income taxes and withholding taxes may lead to a large liability.

Contractual liabilities

Contractual obligations for hire payments for vessels on long term contracts amount to kUSD 136.922 (2014: kUSD 170.106) of which kUSD 46,984 (2014: kUSD 45.174) is due after 5 years.

The ultimate parent company has issued Performance guarantees in connection with T/C contracts.

Note 15. Related parties

Related parties consist of the Supervisory Board and Executive Board, Group enterprises together with enterprises affiliated with the ultimate parent company Naviera Ultranav Ltda, Chile.

Shareholders holding 5% or more of the share capital or the voting rights:
Ultrabulk Shipping A/S, Smakkedalen 6, 2820 Gentofte, Danmark

In Denmark the ultimative shareholder is Ultranav ApS which prepares a consolidated financial statement in which Ultrabulk A/S is consolidated.

Note 16. Financial risk management

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 A/S'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 derivative 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 legal contract upon which the deal is based. Due to the depressed marked, 2015 has in general lead to an increased counterparty risk. Counterparty vetting has thus increased in importance as well as in efforts in Ultrabulk A/S.

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 A/S 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 A/S and the counterpart
- Positive reference from the fuel purchase market

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

Note 16. Financial risk management - continued

Time charter out
Ultrabulk A/S 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 it is Ultrabulk A/S 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 A/S 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 Shipping will use financial derivatives to manage such risks. These may include interest rate swaps, forwards contracts and options.

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 may become liable for spills or other environmental impacts. Ultrabulk has an insurance against these types of accidents limited to USD 400 million for chartered 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 17. Hedging activity

Cash flow hedge
Bunker swaps
Ultrabulk A/S 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 01.01.2015 and 31.01.2024.

Note 18. Fees for the auditors appointed by the company in general meeting

	Group		*Parent Company*	
	2015	**2014**	**2015**	**2014**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Fee for statutory audit	83	90	83	90
	83	90	83	90

EY are auditors in 2015

Note 19 – Subsequent events

In February 2016, two customers have announced to their charter owner counterparties (incl. Ultrabulk A/S), that they were looking at how to financially restructure. At this point in time Ultrabulk A/S does not know which consequences, if any, this could have to the future cooperation with these customers.

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.

Definitions of key figures and financial ratios

The ratios listed in the Key figures and ratios section were calculated as follows:

$$\text{Return of assets} = \frac{\text{Operation result x 100}}{\text{Average of assets}}$$

$$\text{Return on equity} = \frac{\text{Result for the year x 100}}{\text{Average equity}}$$

$$\text{Equity ratio} = \frac{\text{Equity year end}}{\text{Total assets}}$$