Annual Report 2016

Ultrabulk A/S

Smakkedalen 6
2820 Gentofte
CVR. No. 38 28 37 15

Adopted on the Annual General meeting of shareholders.

20 March 2017

Chairman

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About Ultrabulk

In these difficult times, Ultrabulk is proud to be able to live up to the commitment to perform as a "Partner you can trust". We are confident that our ability to live up to this commitment has developed into an increasingly strong attribute, which the industry pays attention to. With our comparatively balanced book, solid balance sheet and being part of a strong Group, we are confident we will be able to consolidate our position further as a preferred counterpart, and actively be able to pursue the opportunities which will inevitably arise even under prevailing market conditions.

Ultrabulk is one of the leading global dry bulk operators, servicing customers within the MPP, Handy, Supramax and Panamax segments within parcelling as well as full cargoes.

The core element in Ultrabulk's business model remains a strong focus on customer relations through a range of long-term partnerships, on cargoes as well as tonnage.

In 2016 Ultrabulk focused on developing synergies between our MPP Service, the expanding parcelling service and the full cargo operation in the various segments, in order to allow start-up of potential new niche trades in the nearby future.
The foundation of Ultrabulk's business platform is a well-proven risk management system covering various business risks. During 2016 various steps have been taken to further increase counterparty vetting efforts.

Ultrabulk is an operator with a proven business concept and a dedicated staff geared to pursue long term partnerships. Our substantial cargo platform has helped us to operate a fleet of around 120 vessels profitably in a very tough market environment.

Detailed market surveillance and planning systems also support the business development process, especially in relation to efforts to optimize the balance between cargo contracts and tonnage commitments.

The company had 91 employees as of end 2016, strategically located in seven offices in; Copenhagen (Head office), Santiago, New York, Rio de Janeiro, Hamburg, Singapore and Hong Kong. The geographical spread of offices enables Ultrabulk to serve its partners in their own time zone in relation to both chartering and operations.

Ultrabulk is part of the **Ultranav Group**. From the Group head office in Santiago, Chile and from the network of offices around the world the group is actively serving customers in: Gas Carriers (LPG), Crude Oil Tankers, CPP Tankers, Chemical Tankers, Container and Break Bulk Carries and Bulk Carriers.

The Group operates a global fleet of more than 250 units, of which around 60 are fully owned.

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, analyse and adjust in order to enhance quality in all aspects of seagoing- and land based activities, whilst respecting and protecting the environment

Integrity:
We are committed to be reliable, trustworthy, and dependable

Passion:
We address challenges with passion and positive commitment

Safety:
We consider safety to be an integral part of our mind set and key to our business success

2016 highlights

The market during the first quarter of 2016 turned out to be the worst drybulk market ever registered. The Baltic Supra Index (BSI) which was average 6,965 usd per day in 2015 (down 30% from 2014) dropped to all time low of 2,544 usd per day during Feburary, ending the first quarter at average 3,801 usd per day. Second quarter improved to 5,795 usd per day and third to 7,064 usd per day before a strong grain season brought some real improvement in the final quarter of 2016 which ended at average 8,316 usd per day. This helped the average for 2016 to end at 6,601 usd per day which despite the dreadful first quarter was only 5% below 2015.

The Ultrabulk Parcel 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 operated an average of 123 vessels during 2016, which was 5 more than the previous year.

Cargo contractual commitments were slightly overmatched by corresponding long term vessel time charters leaving the company with a slightly long portfolio. The long term core fleet grew by 9 units in 2016 to reach 40. A further 8 vessels will be delivered by 2019. The new buildings include units within all size segments where the company is active.

The total of physical ship days in 2016 were 41,143 days, up from 37,788 days recorded in 2015. Cargo lifted was up from 37.7 million tons in 2015 to 41.95 million tons in 2016.

In order to simplify our company structure and to reduce administrative burdens, Ultrabulk initiated during 2016 preparations to merge its Danish companies Ultrabulk Shipping A/S, Ultrabulk A/S and P.E.P. Shipping A/S, with Ultrabulk A/S as the surviving and continuing company. The administrative burdens will be reduced significantly because of reduced intra-group invoicing of intercompany transactions, sub consolidation of financial accounts and others. The merger was finally adopted on an extraordinary general meeting the 24th of February 2017, however with effective date from 1st of January 2016.

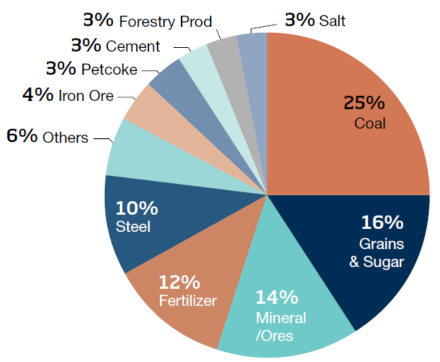
The Board of Directors has proposed not to pay out any dividend for 2016.

2017 outlook

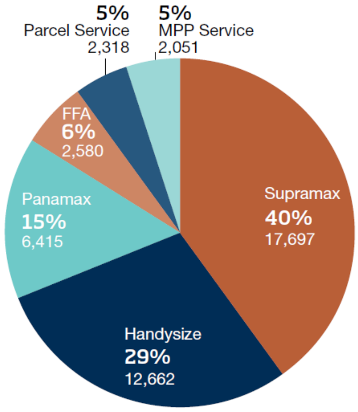
Ultrabulk is confident that it will be able to maintain and develop its market position and is well ready positioned to address the opportunities that will inevitably arise under present depressed market condition. Our more general market outlook for 2017 is described on page 7.

Based on the company's current coverage, and while acknowledging the prevailing difficult and very volatile market condition, a slightly positive EBITDA is expected for 2017.

2016 Lifting's 41.95 M/tons



2016 Trading days (43,723) by segment



KEY FIGURES (USD '000)

USD '000	**2016**	**2015**	**2014**	**2013**	**2012**
INCOME STATEMENT					
Revenue	598.191	652.190	886.016	884.625	691.537
Gross profit (Net earnings from shipping activites)	26.424	27.957	30.903	45.613	45.796
Operating profit before depreciation, amortization and impairment loss (EBITDA)	4.298	5.522	5.918	21.880	19.732
Operating profit (EBIT)	2.657	3.773	5.257	11.628	15.399
Net financials	1.004	-1.038	338	1.224	504
Profit before tax	3.661	2.735	5.595	12.851	15.903
Net profit	2.645	1.399	5.385	12.076	14.075
Profit for the year for the Ultrabulk Shareholders	2.645	1.492	5.374	12.067	14.068
STATEMENT OF FINANCIAL POSITION					
Non-current assets	89.065	104.196	77.913	47.041	81.694
Current assets	160.417	160.505	187.619	202.397	133.864
Total assets	249.482	264.701	265.532	249.438	215.558
Equity, excl. non-controlling interests	149.125	139.528	135.229	148.584	138.327
Non-controlling interests	64	64	345	334	325
Non-current liabilities	38.614	50.630	32.709	0	0
Current liabilities	61.679	74.479	97.249	100.520	76.907
Net interest-bearing (liabilities)/assets	65.691	57.955	63.112	65.539	29.081
Cash and securities	93.179	88.337	79.648	65.539	28.412
CASH FLOW					
From operating activities	13.759	12.845	3.771	25.498	83.716
From investing activities	-4.899	-16.316	-6.149	11.629	-8.104
From financing activities	-4.019	12.160	16.488	0	-58.074
Total net cash flow	4.842	8.689	14.109	37.127	17.538
FINANCIAL RATIOS AND PER SHARE DATA					
Gross profit margin (Net earnings from shipping activities margin)	4,4%	4,3%	3,5%	5,2%	6,6%
EBITDA margin	0,7%	0,8%	0,7%	2,5%	2,9%
Return on equity (ROE)	1,8%	1,1%	3,8%	8,4%	10,0%
Payout ratio	0,0	0,0	0,0	0,0	0,0
Equity ratio	59,8	52,7	50,9	59,6	64,2
USD/DKK rate year-end	705,28	683,00	612,14	541,27	565,91
Average USD/DKK rate	673,27	672,69	561,90	561,60	579,72
Total number of physical ship days	41.143	37.788	42.013	40.602	30.727
Average number of employees	94	94	88	94	94
Proposed dividend	0	0	0	0	0
Interim dividend	0	0	0	0	0

The financial ratios were computed in accordance with "Recommendations and Financial Ratios 2015" issued by the Danish Finance Society.

Re. 2012: Cash flow from operating activities totalled USD 83.7 million which was primarily related to the transfer of ownership of the Handy-size unit. Adjusted for same the cash flow from operating activities in 2012 amounted to USD 13.3 million. Cash flow from financing activities consequently totalled USD -58.1 million mainly due to repayment of intercompany loan of USD 38.5 million, and paying out dividend of USD 19.8 million to the shareholders of Ultrabulk S.A. prior to the business combination with Ultrabulk Shipping A/S.

Ultrabulk A/S has in 2016 been merged with the parent company Ultrabulk Shipping A/S and an affiliated company P.E.P. Shipping A/S with Ultrabulk A/S as the continuing company. Due the merger the key figures have been restated for Ultrabulk A/S but is similar to the key figures for the previous Ultrabulk Shipping A/S.

Total fleet: 100 to 150 vessels

Panamax

65,000-85,000 dwt

Up to 40 vessels

Supramax

45,000-65,000 dwt

Up to 60 vessels

Handysize

25,000-45,000 dwt

Up to 55 vessels

MPP

Up to 25,000 dwt

Up to 10 vessels

Market Review and 2017 Outlook[1]

2016 was a year of shock and awe. In February a panamax vessel would, on average, earn 2,600 usd per day; the worst level on record. Two pct of the fleet was scrapped in Q1. In November earnings averaged 10,300 usd per day and just half a pct of the fleet was scrapped in Q4. January 2017 was the busiest since at least 2013 in terms of average cargo on board for the global dry bulk fleet. The panamax FFA contract for 2017 went from 7,500 usd per day in Q3 2015 to 5,000 usd per day in Q1 2016 and back up to 8,500 usd per day for the rest of 2017 as of February 2017. That meant utilization expectations swung 4 pct points. But current sentiment may be a product of recent time charter levels rather than developments in underlying factors.

A series of factors conspired to create the drastic change in freight activity from February to November 2016.

First, broad economic drivers changed from a trough to strong acceleration. 2017 is the first year since 2010 that IMF has not downgraded it's forecast for subsequent year(s) as the year approached. Chinese construction activity went from minus 10 pct to plus 10 pct. Thermal energy demand went from zero to plus 10 pct year on year. But this has been carried by financial easing and housing price momentum; a momentum that is now fading fast and a financial policy that is now being tightened.

Second, the Chinese ordered their coal mines to minimize production from February 2016 onwards. With heavy industrial production ramping up over the summer, iron ore and coal needs grew fast and import needs became urgent. Thermal coal prices went from 50 usd to 100 usd per metric ton. Coking coal prices went from 150 usd to 380 usd per metric ton. In October Chinese coal mines were ordered to maximise production.

Third, at the same time iron ore inventory in China was continuously built and Chinese iron ore production was reduced year on year. Imports and domestic production were in total higher than consumption even with the increased construction activity and lower domestic production. The inventory is now at a level where destocking is likely around the corner.

Fourth, the volume of grain shipped from the Americas was record high. While this will continue to be the case in the first half of 2017, there is no useful forecast of grain exports for the second half of 2017.

And finally, a booster to time charter levels has been in effect since August 2016. By July 2016 supply was looking tight in the Atlantic basin and a bottleneck was considered likely. This took significant effect in the fourth quarter with panamax time charter rates in the Atlantic being close to twice the Pacific time charter rates. Tonnage was being procured from the Pacific to service the Atlantic. Cargo owners paid for ballasting and scrambled to book period tonnage as well. Such an Atlantic bottleneck will usually not be sustained though activity continues to be high.

On average 2016 developed as expected but with one foot in a bucket of ice and the other in a pot of boiling water. Demand grew two pct as expected but with minus 4 pct reached in Q1 and plus 10 pct in Q4. The fleet grew 2.5 pct as expected but with almost no increase in the first half of the year.

2017 is expected to see demand growth of about 3.3 pct and fleet growth of about two pct. With 2017 starting at a high level, consecutive quarterly developments may disappoint in the second half of the year. It is not certain yet, as crop forecasts, house prices and Chinese finance can only guide us six months ahead.

Growth pct.				
	2014	2015	2016	2017_f
World GDP	3.4	3.2	3.1	3.4
Adv. Econ GDP	1.8	2.1	1.6	1.8
Emg. Econ GDP	4.4	4.0	4.2	4.6
Fleet	5.1	3.5	2.5	2.0
Demand	4.5	0.0	2.0	3.3

Baltic Earnings '000 Usd per day				
	2014	2015	2016	2017/f[2]
BCI	13.8	7.0	6.4	9.5
BPI	7.7	5.6	5.6	7.7
BSI	9.8	7.0	6.2	7.8
BHSI	7.7	5.4	5.2	6.2

[1] Ultrabulk Research using data from Bloomberg, Clarksons, Baltic Exchange, IMF, USDA, SSY, Trademap, and others.

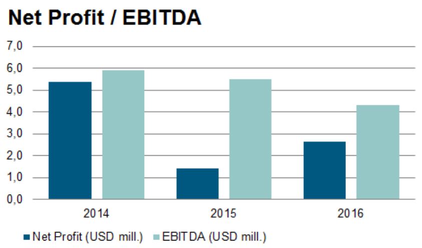
[2] FFA January 20th 2016

Financial Review

In 2016 the dry bulk market reached an all-time low as a consequence of many factors, however main drivers being the decreasing growth in emerging markets, low commodity prices, and oversupply of vessels. Achieving a positive operational result and a positive net profit of USD 2.6 million, is considered acceptable under the prevailing market conditions.

RESULTS

EBITDA was USD 4.3 million (USD 5.5 million in 2015), corresponding to an EBITDA margin of 0.7% (0.8% in 2015), whereas Net Profit amounted to USD 2.6 million (USD 1.3 million in 2015).



Revenues in 2016 were USD 598 million, considerably below 2015 level (USD 652 million) - corresponding to the lower rates.

Gross profit was USD 26.4 million in 2016 corresponding to a gross margin of 4.4%, against 4.3% in 2015. In 2016 an old dispute with a customer has been closed with a positive impact on the gross profit.

Depreciation totalled USD 2.4 million, up from USD 1.7 million in 2015, reflecting the investing activities in 2016 and 2015.

Profit from sale of vessels is related to a sale and lease back transaction of a vessel where there was a realised net profit of USD 2 million.

Impairment loss of vessels is related to an impairment loss on fully owned vessels of USD 0.5 million and USD 1.5 million on partly owned vessels.

Share of results from joint ventures and associated companies totalled USD 0.9 million, against USD 0.6 million in 2015.

Net financial items amounting to USD 0.8 million (USD -1.7 million in 2015). The financial expenses of USD 1.1 million are mainly related to interest on two loans for vessels financing.

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

Income tax at USD 1.0 million is mainly tonnage tax.

BALANCE SHEET

Total assets amounted to USD 249.5 million, against USD 264.7 million in 2015.

Non-current assets totalled USD 89.0 million against USD 104.2 million in 2015. The decrease of USD 25.2 million relates mainly to change in the fair value of financial instruments.

Current assets totalled USD 160.4 million against USD 160.5 million in 2015, due to reductions in trade receivables, prepayments and financial instruments countered with an increase in inventories and cash and short-term deposits. The cash and short-term deposits was USD 93.2 million as of 31st December 2016 (USD 88.3 million as of 31st December 2015).

Total liabilities amounted to USD 100.3 million compared to USD 125.1 million in 2015. The decrease is related to reduction of the fair value of financial instruments, to some extent countered by an increase in trade payables.

Total equity totalled USD 149.2 million (USD 139.6 million in 2015), the development driven by a net result of USD 2.6 million and other comprehensive income of USD 6.4 million. Return on equity was 1.8%, and equity ratio was 59.8% at the end of 2016 compared to 52.7% at end of 2015.

At the Annual General Meeting, the Board of Directors will propose not to pay out dividends for 2016 to maximize the company's financial flexibility and thus be prepared for the business opportunities that may arise.

CASH FLOW

Cash and cash equivalents at year end were USD 93.2 million, up by USD 4.8 million from 2015.

Cash flow from operating activities was positive by USD 13.8 million.

Changes in working capital were likewise positive, by USD 8.8 million in 2016.

Cash flow from investing activities netted USD -4.9 million (USD -16.3 million in 2015).

Cash flow from financing activities totalled USD -4.0 million (USD 12.2 million in 2015) reflecting 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 reviews 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:

The Board of Directors has refrained from receiving any compensation for their work in 2016, unchanged from 2015. In 2017, the members of the Board of Directors will also refrain from receiving any compensation for their work. If 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 2016 a total remuneration package of USD 1.3 million was paid to the Executive Management.

RISK MANAGEMENT

Main risk exposures and risk management processes are described in note 22.

TRIDENT
ALLIANCE

Corporate Social Responsibility

Ultrabulk is committed to a sustainable and responsible growth and applies CSR policies primarily on:

- Human capital
- The environment
- Human rights & anti-corruption

As a member of the Danish Shipowners' Association, Ultrabulk participates in the CSR committee, coordinating and safeguarding industry CSR policy.

HUMAN CAPITAL

Ultrabulk's most valuable asset is the employees - our human capital. A flat organizational structure is applied to assure short lines of communication and that staff is duly empowered.

Ultrabulk has no directly employed sea-going personnel, however it participates constructively in matters via an on-going dialog with owners of chartered vessels and with third party suppliers of ship management services for its owned vessels.

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.

Objectives for the gender composition of the Board of Directors have been postponed to 2020. Today all 5 members of the BOD are men but the target is for share-holder elected women on the BOD to reach at least 16% (1 out of 6) in 2020. The 2016 AGM endorsed the Board's consideration that the need for continuity should take priority in the coming years due to the challenging market conditions. In management both genders are represented since early 2015 (1 woman) and the aim is to increase the female representation in the coming years.

Ultrabulk policy states and assures 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.

Offices and Staff facts and figures

Offices	Staff	Nationalities
7	91	18
Average Age	**Average service**	**Men/Women**
40 years	8.3 years	73/27 %

THE ENVIRONMENT

Ultrabulk's policy is to optimize energy consumption, and thereby minimize carbon emissions, as Ultrabulk has evaluated that this is the area on which the company's operations have the largest impact. The goal is to reduce emission in average measures per vessel, year over year.

Ultrabulk adheres to all relevant legislation set by national or international legal bodies, and strongly supports the measures adopted by International Maritime Organisation (IMO) to reduce shipping's CO2 emissions.

During 2016 a dedicated Performance Unit was created with the task of monitoring fuel consumption and evaluate several initiatives to reduce fuel consumption across the fleet.

The company seeks to achieve a high level of quality and performance of its chartered fleet by relying on analysis of international vetting agencies as well as on records from the International Group of P&I clubs.

Ultrabulk continued its fleet renewal program by concluding two new long term tonnage additions to the fleet, both being of eco-friendly design and with the so-called "green passport".

Ultrabulk is a member of the Trident Alliance, which is a network of shipping companies and other stakeholders with a shared interest in robust and transparent enforcement of environmental regulations within sulphur emission.

As a result of the environmental initiatives, Ultrabulk improved in 2016 in the energy efficiency of its owned fleet against 2015, measured with the Ship Energy Efficiency Operational Indicator EEOI following the IMO guidelines. Ultrabulk will continue to look for further improvements by committing to additional initiatives in fuel-efficient main engines and optimized hull specifications.

HUMAN RIGHTS & ANTI CORRUPTION

Ultrabulk's overall policy is to support and respect the protection of human rights. Company staff is comprised of numerous nationalities, cultures and age groups. This is considered an asset and Ultrabulk appreciates the diversity. The company is committed to maintaining a workplace free of harassment and discrimination for any reason, whilst assuring there is an acceptable work life balance. No violations of these policies have been reported in 2016. The Working Environment Committee and the HR department performed a series of actions in 2016 for the employees including individual coaching sessions.

Ultrabulk, as part of the Ultranav Group, supports initiatives that are coordinated by the Ultramar CSR Committee in Santiago, Chile. The focus of the initiatives of the Committee has been towards the right to access to education as defined by the UN Declaration of Human Rights. In 2016, over 5,000 children benefited from educational programs in South America allowing them access to elementary education.

Ultrabulk has a zero-tolerance policy towards bribery and works proactively against facilitation payments. Neither the company nor its staff, accept or offer bribes of any form and no violations were observed during 2016.

In April 2016, Ultranav joined the Maritime Anti-Corruption Network (MACN), a collaboration of some of the world's leading shipping companies which aims to eliminate facilitation payments and other forms of corruption in the maritime industry.

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

The Board of Directors and Executive management have prepared the 2016 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 2016.

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, 9th of March 2017.

EXECUTIVE MANAGEMENT

Per Lange
CEO

Francisco Larrain
CFO

Henrik Sleimann Petersen
Head of Shipholding

Hans Christian Olesen
Head of Panamax & Supramax

BOARD OF DIRECTORS

Dag von Appen
Chairman

Enrique Ide
Vice chairman

Carsten Haagensen

[illegible]

Jose Thomsen

INDEPENDENT AUDITORS' 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 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as for the Parent Company, and a consolidated statement of comprehensive income and a consolidated statement of cash flows. 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 2016 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2016 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's financial statements give a true and fair view of the financial position of the Parent Company at 31 December 2016 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent company 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, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements

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

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

- Identify and assess the risks 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 conclusion is 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 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 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.

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 or 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.

Copenhagen, 9th of March 2017.

Ernst & Young

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

Torben Bender	Thomas Bruun Kofoed
State Authorised	State Authorised
Public Accountant	Public Accountan

Consolidated Income Statement

Figures in USD '000	Note	2016	2015
Freight income	3	598.191	652.190
Voyage related expenses		-257.917	-297.239
Time-charter hire		-313.850	-326.994
Gross profit (Net earnings from shipping activities)		**26.424**	**27.957**
Other external expenses	4	-9.347	-10.237
Staff costs	5	-12.779	-12.198
Operating profit before depreciation, amortization and impairment loss (EBITDA)		**4.298**	**5.522**
Profit on sale of vessels etc.		2.005	0
Depreciation	6	-2.397	-1.749
Impairment loss, vessels	7	-2.000	0
Share of joint ventures' profit after tax	14	751	380
Operating profit (EBIT)		**2.657**	**4.153**
Share of associates' profit after tax	13	173	269
Other financial items, net	8	831	-1.687
Profit before tax		**3.661**	**2.735**
Tax	9	-1.016	-1.336
Net profit		**2.645**	**1.399**
Attributable to:			
Profit attributable to the equity holders of the parent		2.645	1.492
Profit attributable to non controlling interests		0	-93
		2.645	**1.399**

Consolidated Statement of Comprehensive Income

Figures in USD '000	Note	2016	2015
Profit/loss (-) for the year		**2.645**	**1.399**
Other comprehensive income			
Items that will be reclassified subsequently to the consolidated income statement, when specific conditions are met:			
Value adjustments of hedging instruments		6.853	3.465
Tax effect		0	0
Value adjustments of hedging instruments after tax		**6.853**	**3.465**
Exchange adjustments of foreign entities		0	-873
Other comprehensive income for the year, net of tax		**6.853**	**2.592**
Total comprehensive income for the year, after tax		9.498	3.991
Attributable to:			
Equity holders of the parent		9.498	4.084
Non-controlling interests		0	-93
		9.498	3.991

Consolidated Balance Sheet

Figures in USD '000			
ASSETS	**Note**	**2016**	**2015**
Vessels	10	43.210	46.039
New building contracts	11	9.932	12.033
Fixtures, fittings and equipment	12	77	144
Total tangible assets		**53.219**	**58.216**
Investment in associates	13	2.007	1.949
Investment in joint ventures	14	24.783	24.011
Derivative financial instruments		7.808	17.738
Deferred tax assets	15	1.248	2.282
Financial assets, non-current		**35.846**	**45.980**
Total non-current assets		**89.065**	**104.196**
Inventories	16	16.557	10.743
Trade and other receivables	17	29.861	35.390
Prepayments		11.990	15.947
Derivative financial instruments		7.832	10.088
Securities		998	0
Cash and short-term deposits	18	93.179	88.337
Current assets		**160.417**	**160.505**
TOTAL ASSETS		**249.482**	**264.701**

EQUITY AND LIABILITIES			
Figures in USD '000	**Note**	**2016**	**2015**
Share capital	19	5.134	5.134
Retained earnings		153.465	151.231
Other reserves		-9.474	-16.837
Total equity of majority interest		**149.125**	**139.528**
Non-controlling interests		64	64
Total equity		**149.189**	**139.592**
Interest bearing loans and borrowings	20	24.598	27.492
Derivative financial instruments		14.016	23.138
Total non-current liabilities		**38.614**	**50.630**
Trade and other payables	21	47.190	44.818
Prepayment		0	8.043
Interest-bearing loans and borrowings	20	2.890	2.890
Intercompany payables		4.370	1.609
Derivative financial instruments		6.585	16.135
Income tax payable		644	984
Total current liabilities		**61.679**	**74.479**
Total liabilities		**100.293**	**125.109**
TOTAL EQUITY AND LIABILITIES		**249.482**	**264.701**

Consolidated Cash Flow Statement

Figures in USD '000	Note	2016	2015
Profit/loss(-) before tax		3.661	2.735
Adjustment for non-cash items etc.			
Gain on sale of vessel, plant and equipment		-2.005	0
Depreciation and impairment loss	6, 7	4.397	1.749
Share of gain/loss in associated companies	13	-173	-269
Share of gain/loss in joint venture	14	-751	-380
Interest expenses	8	1.125	832
Interest income	8	-309	-134
Net foreign exchange differences		508	148
Net forward contract activity		-367	-2.110
Other changes		-1.131	-52
Working capital adjustments:	26		
Change in current assets		3.672	41.886
Change in current liabilities		5.133	-31.560
Net cash flows from operating activities		**13.759**	**12.845**
Investments in tangible assets	10, 11, 12	-5.024	-48.273
Investment in joint venture	14	-1.465	0
Disposal of joint venture		0	4.414
Dividend received	13	116	329
Sale of tangible assets	10, 11, 12	1.165	19.280
Received prepayments		0	7.800
Interest received		309	134
Net cash flows from investing activities		**-4.899**	**-16.316**
Bank loan	20	0	16.000
Repayment loan		-2.894	-3.008
Interest paid		-1.125	-832
Net cash flows from financing activities		**-4.019**	**12.160**
Net change in cash and cash equivalents		4.842	8.689
Cash and cash equivalents at 1 January	18	88.337	79.648
Cash and cash equivalents at 31 December	**18**	**93.179**	**88.337**

Consolidated Statement of Changes in Equity

Figures in USD '000	Share capital (Note 19)	Retained earnings	Other Reserves: Hedging reserves	Other Reserves: Trans-lation reserve	Total other reserves	Total Majority interest	Non-controlling interests	Total Equity
At 1 January 2016	**5.134**	**151.231**	**-15.518**	**-1.319**	**-16.837**	**139.528**	**64**	**139.592**
Comprehensive income	0	2.645	6.853	0	6.853	9.498	0	9.498
Total comprehensive income	**0**	**2.645**	**6.853**	**0**	**6.853**	**9.498**	**0**	**9.498**
Other changes	0	100	0	0	**0**	**100**	0	**100**
Changes during the year	**0**	**100**	**0**	**0**	**0**	**100**	**0**	**100**
At 31 December 2016	**5.134**	**153.975**	**-8.665**	**-1.319**	**-9.984**	**149.125**	**64**	**149.189**

Figures in USD '000	Share capital (Note 17)	Retained earnings	Other Reserves: Hedging reserves	Other Reserves: Trans-lation reserve	Total other reserves	Total Majority interest	Non-controlling interests	Total Equity
At 1 January 2015	**5.134**	**149.524**	**-18.983**	**-446**	**-19.429**	**135.229**	**345**	**135.574**
Comprehensive income	0	1.492	3.465	-873	2.592	4.084	-93	3.991
Total comprehensive income	**0**	**1.492**	**3.465**	**-873**	**2.592**	**4.084**	**-93**	**3.991**
Other changes	0	215	0	0	**0**	**215**	-188	**27**
Changes during the year	**0**	**215**	**0**	**0**	**0**	**215**	**-188**	**27**
At 31 December 2015	**5.134**	**151.231**	**-15.518**	**-1.319**	**-16.837**	**139.528**	**64**	**139.592**

Note 1 - Group accounting policies

Ultrabulk A/S is a company domiciled in Denmark.

The consolidated financial statements of Ultrabulk A/S for 2016 has 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.

As per 1 January 2016 Ultrabulk A/S is merged with the parent company Ultrabulk Shipping A/S and an affiliated company P.E.P. Shipping A/S, with Ultrabulk A/S as the continuing company. The merger has been accounted for in accordance with the book value method. Accordingly, the comparative figures including the Group key figures and rations have been restated.

In previous years Ultrabulk has prepared the financial statement after Danish GAAP. With effect from the merger, Management has decided to prepare the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. The change to IFRS has not had impact on the profit and loss and equity.

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 2016
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 2016. Based on an analysis made by Ultrabulk A/S, most of the IFRSs effective for 2016 have no material impact or are not relevant to the Group.

Basis of consolidation
The consolidated financial statements comprise the parent company Ultrabulk A/S and subsidiaries in which Ultrabulk A/S has control, 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
Ultrabulk A/S 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, Ultrabulk designates and documents the hedge relationship to which Ultrabulk 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 hedges item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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

- the hedge is expected to be effective in achieving offsetting changes in fair value or cash flows attributable to the hedged item — a hedging efficiency within the range of 80—125 per cent 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.

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. 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 basis percentage of completion. Ultrabulk A/S uses a discharge-to-discharge basis in determining percentage of completion for all spot voyages and voyages servicing contract of affreightment (CoA). With this method, voyage revenue is recognised evenly over the period from the departure of a vessel from its original discharge part to departure from the next discharge port. Vessels without signed contracts in place at discharge have no revenue before a new contract is signed. Voyage related expenses incurred for vessels in the idle time are expensed. 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 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 is 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 are measured at amortised cost. Write-down is made for bad debt losses when there is objective evidence that a receivable or a portfolio of receivables has been impaired. If there is objective evidence that an individual receivable has been impaired, write-down is made on an individual basis.

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.

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 1 January 2011. 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 in 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 25 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 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 2016, no provision for onerous contracts has been recognized (31 December 2015: nil).

Provision for losses:

Ultrabulk Group is a party to various litigation proceedings and claims have been made against the company. 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 24 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 by business activities

Figures in USD '000	2016	2015
MPP	22.807	17.151
Handysize	188.585	219.387
Supramax	267.703	275.149
Panamax	119.096	140.503
Total	**598.191**	**652.190**

The company operates in the MPP, Handysize, Supramax and Panamax activities. The company's activities are global and therefore no geographic split applies.

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

Figures in USD '000	2016	2015
Audit	150	153
Other assurance service	0	0
Tax consultancy	19	36
Other services	0	0
Total	**169**	**189**

Note 5 – Staff costs

Figures in USD '000	2016	2015
Fixed salaries	9.134	8.770
Pensions - defined contribution plan	499	471
Other expenses for social security etc.	1.448	1.271
Incentive payment (cash based)	1.698	1.686
Staff costs included in administration expenses	**12.779**	**12.198**
Average number of employees	94	94

Remuneration for certain employees in 2016 and 2015 are expensed as a management fee, and consequently recognized as 'Other external expenses'.

Remuneration for the Management	**2016**		**2015**	
Figures in USD '000	Board of Directors	Executive Management	Board of Directors	Executive Management
Fixed salaries	0	1.000	0	956
Pensions - defined contribution plan	0	62	0	59
Incentive payment (cash based)	0	243	0	181
Total remuneration for the Board of directors and executive management	0	1.305	0	1.196

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 month. 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	2016	2015
Depreciation vessels	2.330	1.665
Depreciation fixtures, fittings and equipment	67	84
Total depreciation	**2.397**	**1.749**

Note 7 – Impairment loss

tUSD	2016	2015
Own vessels	500	0
Vessels in joint ventures	1.500	0
Total	**2.000**	**0**

Note 8 – Financial items

Figures in USD '000	2016	2015
Interest income	309	134
Interest expense on loan	-1.125	-832
Other financial items, net	1.646	-989
Total	**831**	**-1.687**

Note 9 – Tax

Figures in USD '000	2016	2015
Current tax on profit for the year	-216	-390
Deferred tax on profit for the year	-775	-421
Tax on profit for the year	**-991**	**-811**
Adjustments related to previous years - current tax	234	22
Adjustments related to previous years - deferred tax	-259	-547
Tax in the income statement	**-1.016**	**-1.336**
Computation of effective tax rate (%):		
Statutory corporate income tax rate in Denmark	22,0	23,5
Effects from Tonnage Tax Scheme	53,6	53,8
Effects of adjustments related to prior years	0,7	19,2
Deviation in foreign subsidiaries' tax rates compared to the Danish tax rate (net)	-48,5	-48,0
Effect of change in tax rate	0,0	-1,1
Non-tax income less non-tax deductible expenses (net)	0,0	1,4
Effective tax rate	**27,8**	**48,8**
Tax on fair value adjustments on financial instruments	0	0
Tax relating to other comprehensive income	**0**	**0**

Note 10 – Vessels

Figures in USD '000	2016	2015
Cost at 1 January	**48.373**	**24.200**
Additions for the year	0	48.273
Disposals/transfers for the year	0	-24.100
Cost at 31 December	**48.373**	**48.373**
Depreciation and impairment at 1 January	**-2.334**	**-669**
Depreciation for the year	-2.330	-1.665
Impariment loss for the year	-500	0
Disposals for the year	0	0
Depreciation and impairment at 31 December	**-5.163**	**-2.334**
Carrying amount at 31 December	43.210	46.039
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 2016, the market value of the fleet including new building contracts but excluding joint ventures was below the carrying amount.

The 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 8.0% 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 extent available tested to information from external partners (brokers) and the historical long term rate development.

The impairment test calculation shows an impairment loss of USD 0.5 million, primarily due to the continued depressed market contitions. 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 further impairment loss of USD 4.1 million. Furthermore, the application of a WACC of 8.5% instead of 8% would, all other things being equal, give rise to further impairment loss of USD 1.6 million.

Note 11 – New building contracts

Figures in USD '000	2016	2015
Cost at 1 January	12.033	11.815
Additions for the year	5.149	14.016
Disposal and transferred during the year to vessels	-7.250	-13.798
Cost at 31 December	**9.932**	**12.033**
Carrying amount at 31 December	9.932	12.033

Note 12 – Fixtures, fittings and equipment

Figures in USD '000	2016	2015
Cost:		
Cost at 1 January	4.535	4.466
Additions for the year	0	89
Disposals for the year	-169	-20
Cost at 31 December	**4.366**	**4.535**
Depreciation and impairment at 1 January	-4.391	-4.327
Depreciation for the year	-67	-84
Reversed depreciation and impairment for the year	168	20
Depreciation and impairment at 31 December	**-4.289**	**-4.391**
Carrying amount at 31 December	77	144
Expected useful life:	3-10 years	3-10 years

Note 13 – Investments in associates

Figures in USD '000	2016	2015
Cost:		
Cost at 1 January	1.408	1.980
Exchange rate adjustment	0	-572
Cost at 31 December	**1.408**	**1.408**
Value adjustment at 1 January	541	845
Exchange rate adjustment	2	-244
Dividends received	-116	-329
Share of the result for the year	173	269
Value adjustment at 31 December	**600**	**541**
Carrying amount at 31 December	2.007	1.949
The carrying amount can be specified as follows:		
Pérola S.A., Brasil, interest 20%	2.007	1.949
	2.007	1.949
Key figures for investment in associates:		
Assets	10.964	8.604
Liabilities	-2.686	-1.436
Net assets	8.278	7.168
Revenue	19.549	17.845
Profit/loss before tax	1.318	2.016
Income tax	-452	-671
Profit/loss for the year	866	1.346
Total comprehensive income for the year	866	1.346

Note 14 – Investments in joint ventures

Figures in USD '000	2016	2015
Cost:		
Cost at 1 January	22.360	26.867
Disposals for the year	0	-4.507
Additions for the year	1.465	0
Cost at 31 December	**23.825**	**22.360**
Value adjustment at 1 January	1.651	1.257
Share of the result for the year	751	380
Other changes	56	14
Impairment, investment in joint ventures	-1.500	0
Value adjustment at 31 December	**958**	**1.651**
Carrying amount at 31 December	24.783	24.011
The carrying amount can be specified as follows:		
Ultra Summit (Singapore) Pte. Ltd., 50%	24.783	24.011
	24.783	24.011
Key figures for investment in joint ventures:		
Assets	78.671	73.347
Liabilities	-29.138	-33.849
Net assets	49.533	39.498
Revenues	11.067	10.157
Profit/loss before tax	-1.498	1.483
Income tax	0	0
Profit/loss for the year	-1.498	1.483
Total comprehensive income for the year	-1.498	1.483

Ultra Summit owns two vessels and have contracts on further two new buildings. 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, Vessels. The impairment test calculation shows an impairment loss of USD 1.5 million. 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 further impairment loss of USD 0.7 million. Furthermore, the application of a WACC of 8.5% instead of 8% would, all other things being equal, give rise to further impairment loss of USD 0.5 million.

Note 15 – Deferred tax asset

Figures in USD'000	2016	2015
Deferred tax at 1 January	2.282	3.250
Deferred tax on profit for the year	-775	-421
Adjustments related to previous years	49	-234
Exchange rate adjustments	-308	-313
Total deferred tax assets/-liabilities, net at 31 December	**1.248**	**2.282**
Deferred tax gross:		
Deferred tax assets	1.248	2.282
Deferred tax liabilities	0	0
Total deferred tax assets/-liabilities, net at 31 December	**1.248**	**2.282**
Deferred tax are allocable to the various items in the balance sheet:		
Tax-loss carried forward	1.248	2.282
Deferred tax, net	1.248	2.282

In 2011 the Danish based companies entered the Danish tonnage taxation system of which adoption is binding until at least 2021. Ultrabulk A/S does not expect to 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 16 – Inventories

Figures in USD '000	2016	2015
Bunker (at cost)	16.557	10.743
Total inventories at lower of cost and net realisable value	**16.557**	**10.743**
Bunker expenses recognised in profit and loss	101.315	121.481

Part of the bunker consumption has been hedged in accordance with the Groups risk management policy. This is described in Note 22.

Note 17 – Trade and other receivables

Figures in USD '000	**2016**	**2015**
Customers (trade receivables)	20.583	30.945
Other receivables	6.795	1.095
Receivables from related companies	2.483	3.350
Total	**29.861**	**35.390**
Trade receivables are non-interest bearing and are generally of 5 - 30 day terms.		
Maturity analysis for trade receivables		
- receivables not due	12.131	16.149
- less than 90 days	8.252	5.101
- between 91 days and 180 days	63	2.129
- between 181 days and 360 days	136	130
- more than 360 days	1	7.436
Carrying amount of trade receivables	**20.583**	**30.945**
Trade receivables at initial value impaired and fully provided for	21.121	16.712

Note 18 – Cash and short-term deposits

Figures in USD '000	**2016**	**2015**
Cash at bank and in hand	93.179	88.337
Total	**93.179**	**88.337**

As of 31 December 2016, included in total cash at bank is USD 11.9 million which is restricted deposits in favour of clearing houses USD 6.5 million (2015: USD 13.7 million) and USD 5.4 million (2015: USD 0.0 million) to lenders.

Note 19 – Share capital

The share capital has in May 2016 been increased from DKK 500,000 to DKK 2,000,000 and due to the intragroup merger 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 upon its holder shares or on voting rights. No restrictions have been imposed on negotiability of the shares or on voting rights. All issued shares are fully paid.

Note 20 – Interest bearing loans and borrowings

Figures in USD '000				**2016**	**2015**
	Principal	Fixed/ Variable	Interest rate	Book value	Book value
Mortgage on vessel	25.308	Fixed	3,51%	24.162	26.706
Mortgage on vessel	3.483	Variable	2,82%	3.326	3.676
Total	**28.791**			**27.488**	**30.382**
Long term part				24.598	27.492
Current part				2.890	2.890
Total				**27.488**	**30.382**

The principal of the fixed debt, excluding debt swapped from variable to fixed amount to USD 14.4 million. The fair value of the fixed part of the loan is estimated to USD 16.1 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 2016.

Loans are secured on vessels. The carrying amount of the vessels provided as security is USD 43.2 million.

Note 21 – Trade and other payables

Figures in USD '000	**2016**	**2015**
Trade payables	10.132	14.710
Accrued expenses	37.058	30.108
Total	**47.190**	**44.818**

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.

Note 22 - 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 A/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 of legal contract upon which the deal is based. Due to the depressed marked, 2016 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 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.

Time charter out:
Ultrabulk A/S does only on a limited basis use 'time charter out', however occasionally Ultrabulk A/S 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 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 month.

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 23 – Operating lease liabilities and COAs 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 32 operational leases. However the majority of such purchase options are partly shared.

Figures in USD '000	2016	2015
Charter hire for vessels not delivered		
Within one year	3.622	27.621
Between 1 - 5 years	57.988	199.622
More than 5 years	49.245	193.279
Total	**110.855**	**420.522**
Charter hire for vessels on time charter with purchase option		
Within one year	130.715	137.655
Between 1 - 5 years	522.093	429.842
More than 5 years	231.462	196.324
Total	**884.271**	**763.821**
Charter hire for vessels on time charter without purchase option		
Within one year	11.950	19.724
Between 1 - 5 years	26.834	66.272
More than 5 years	9.075	46.984
Total	**47.859**	**132.980**
Other leases (operational lease)		
Within one year	604	966
Between 1 - 5 years	534	1.109
More than 5 years	0	0
Total	**1.138**	**2.075**
Total operating lease liabilities	**1.044.123**	**1.319.398**

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

COAs and Time Charter commitments as service provider	2016	2015
Within one year	141.637	135.898
Between 1 - 5 years	488.795	546.781
More than 5 years	127.548	208.246
Total	**757.980**	**890.925**

Note 24 – 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	2016	2015
Agreements for future delivery of new buildings		
Remaining contract amount until delivery in USD translated at the exchange rate at year end	59.194	60.145
The remaining contract amounts in USD is payable as follows:		
Within one year	18.994	17.035
Between one and five years	40.200	43.110
Total	**59.194**	**60.145**
Other guarantees		
Ultrabulk A/S has issued a guarantee for loan to joint venture and associated companies	52.137	59.085

Note 25 – 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 IAS 39. 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 20.

Figures in USD '000	2016		2015	
	Current	Non-current	Current	Non-current
Receivables measured at amortized cost including cash and cash equivalents	136.028	0	150.417	0
Financial assets measured at fair value (Derivative financial instruments)	7.832	7.808	10.088	17.738
Financial liabilities measured at amortized cost	55.094	24.598	58.344	27.492
Financial liabilities measured at fair value (Derivative financial instruments)	6.585	14.016	16.135	23.138

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
2016				
Non-derivative financial liabilities:				
Interest bearing loans and borrowings	29.002	3.812	18.221	6.969
Trade and other payables	47.273	47.273	0	0
Operational leases	1.044.123	146.891	607.450	289.782
Derivative financial liabilities:				
Derivative financial instruments	20.601	6.585	13.143	873
2015				
Non-derivative financial liabilities:				
Interest bearing loans and borrowings	32.817	3.430	16.694	12.693
Trade and other payables	44.818	44.818	0	0
Operational leases	1.319.398	185.966	696.845	436.587
Derivative financial liabilities:				
Derivative financial instruments	39.273	16.135	20.304	2.834

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 01.01.2017 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 criterias 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 01.01.2017 and 31.12.2019.

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 2016, 12% of the Ultrabulk's interest-bearing long term debt (31 December 2015: 12%) 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 8.7 million (31 December 2015: USD 15.5 million).

Note 26 – Change in net working capital

Figures in USD '000	**2016**	**2015**
Change in inventories	-5.814	13.078
Change in trade and other receivables	5.529	22.833
Change in prepayments	3.957	5.975
Change in trade and other payables	2.456	-30.994
Change in intercompany	2.677	-566
Total	**8.805**	**10.326**

Note 27 – Mortgages and security

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

Note 28 – 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		Sale/ (Purchases) to/from related parties	Sale/ (Purchases) to/from related parties	Amounts owed by/(to) related parties	Amounts owed by/(to) related parties
Related party	Type of transaction	**2016**	**2015**	**2016**	**2015**
Parent company	Charter hire	404	956	0	0
	Management fee expense	-4.013	-4.271	0	0
Joint Ventures	Charter hire	-11.067	-10.157	0	201
	Guarantees	0	0	31.200	47.403
	Charter hire	7.194	1.212	-2.962	0
	Service	4.156	4.706	1.185	1.411
Associated companies	Management fee expense	-2.380	-2.393	-144	129
	Supervision fee	-120	-127	34	0
	Guarantees	0	0	0	9.476

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 29 – Subsequent events

As per 1 January 2016 Ultrabulk A/S is merged with the parent company Ultrabulk Shipping A/S and an affiliated company P.E.P. Shipping A/S, with Ultrabulk A/S as the continuing company. The merger has been approved on a general meeting on 24 February, 2017 with effect date from 1 January 2016.

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 30 – New financial reporting regulation

Ultrabulk A/S has not yet applied the following standards:

- IFRS 9 Financial instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases

IFRS 9 and IFRS 15 are effective from 1 January 2018 and are endorsed by the EU. IFRS 16 is effective from 1 January 2019.

IFRS 9:
IFRS 9 will not affect the current classification and measurement of the Group's financial instruments, and the new standard does not fundamentally change the hedging relationships.

IFRS 15:
Ultrabulk's current practices for recognising revenue have shown to comply in all material aspects with the concepts and principles encompassed by the new standard. The following two changes have been identified, which in our view deviate from current industry practices.

Revenue in accordance with IAS 18 is recognised by the stage of completion from discharge-to discharge. According to IFRS 15, revenue shall be recognised on transfer of control, which is deemed to occur over time from load-to-discharge. The change will result in a shift in timing for when recognition of revenue from a contract commences. In return, costs incurred in positioning of the vessel to the load port are capitalised as contract costs and amortised as revenue is recognised. The change does not have a material impact on the financial position or performance of Ultrabulk.

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 this expenses will be split in Opex, depreciation and interest. Ultrabulk A/S is currently assessing the effect of the standard but the preliminarily analyses show an increase of the balance sheet and the EBITDA.

Note 31 – First-time Adoption of IFRS

After the merger the previous Ultrabulk A/S is the surviving company in the Group. This has no effect on the consolidated figures but IFRS 1, require a 3rd balance sheet.

As per 1 January 2016, Ultrabulk A/S is merged with the parent company Ultrabulk Shipping A/S and an affiliated company P.E.P. Shipping A/S, with Ultrabulk A/S as the continuing company. The merger has been accounted for in accordance with the book value method. Accordingly, the comparative figures including the Group key figures and rations have been restated. In previous years Ultrabulk has prepared the financial statement after Danish GAAP. With effect from the merger, Management has decided to prepare the consolidated financial statements in accordance with international Financial Reporting Standards as adopted by the EU. The change to IFRS has not had impact on the profit and loss and equity.

ASSETS *Figures in USD '000*	**2016**	**2015**	**2014**
Vessels	43.210	46.039	23.531
New building contracts	9.932	12.033	11.815
Fixtures, fittings and equipment	77	144	139
Total tangible assets	**53.219**	**58.216**	**35.485**
Investment in associates	2.007	1.949	2.825
Investment in joint ventures	24.783	24.011	28.124
Derivative financial instruments	7.808	17.738	10.639
Deferred tax assets	1.248	2.282	3.250
Financial assets, non-current	**35.846**	**45.980**	**44.838**
Total non-current assets	**89.065**	**104.196**	**80.323**
Inventories	16.557	10.743	23.821
Trade and other receivables	29.861	35.390	58.223
Prepayments	11.990	15.947	21.922
Derivative financial instruments	7.832	10.088	4.004
Shares	998	0	0
Cash and short-term deposits	93.179	88.337	79.648
Current assets	160.417	160.505	187.618
TOTAL ASSETS	**249.482**	**264.701**	**267.941**

EQUITY AND LIABILITIES *Figures in USD '000*	**2016**	**2015**	**2014**
Share capital	5.134	5.134	5.134
Retained earnings	153.465	151.231	149.524
Other reserves	-9.474	-16.837	-19.429
Total equity of majority interest	**149.125**	**139.528**	**135.229**
Non-controlling interests	64	64	345
Total equity	**149.189**	**139.592**	**135.574**
Interest bearing loans and borrowings	24.598	27.492	14.979
Derivative financial instruments	14.016	23.138	17.730
Total non-current liabilities	**38.614**	**50.630**	**32.709**
Trade and other payables	47.190	44.818	77.751
Prepayment	0	8.043	4.820
Interest-bearing loans and borrowings	2.890	2.890	1.557
Intercompany payables	4.370	1.609	0
Derivative financial instruments	6.585	16.135	13.934
Income tax payable	644	984	1.596
Total current liabilities	**61.679**	**74.479**	**99.658**
Total liabilities	**100.293**	**125.109**	**132.367**
TOTAL EQUITY AND LIABILITIES	**249.482**	**264.701**	**267.941**

2016 Financial Statements

Ultrabulk A/S - Parent Company

Income Statement

Figures in USD '000	Note	2016	2015
Freight income		432.399	457.026
Voyage related expenses		-165.290	-197.338
Time-charter hire		-257.191	-254.723
Gross profit (Net earnings from shipping activities)		**9.918**	**4.965**
Other external expenses	2	-11.769	-10.358
Staff costs	3	-6.826	-5.640
Operating profit before depreciation, amortization and impairment loss (EBITDA)		**-8.677**	**-11.033**
Depreciation		-44	-55
Operating profit (EBIT)		**-8.721**	**-11.088**
Share of subsidiaries' profit after tax		10.357	14.217
Share of associates' profit after tax		173	269
Other financial items, net		1.868	-903
Profit before tax		**3.677**	**2.495**
Tax	4	-1.032	-1.096
Net profit		**2.645**	**1.399**

Balance Sheet

Figures in USD '000			
ASSETS	Note	2016	2015
Fixtures, fittings and equipment	5	57	101
Total tangible assets		**57**	**101**
Investment in subsidiaries	6	93.162	85.208
Investment in associates	7	2.007	1.949
Derivative financial instruments		3.535	10.391
Deferred tax assets		1.225	2.262
Financial assets, non-current		**99.929**	**99.810**
Total non-current assets		**99.986**	**99.911**
Inventories		12.762	7.196
Trade and other receivables		17.622	25.639
Intercompany receivables		7.945	4.807
Prepayments		8.371	14.302
Derivative financial instruments		4.992	5.803
Shares		998	0
Cash and short-term deposits		49.292	68.709
Current assets		**101.982**	**126.456**
TOTAL ASSETS		**201.968**	**226.367**

EQUITY AND LIABILITIES			
Figures in USD '000	Note	2016	2015
Share capital		5.134	5.134
Reserve for net revaluation according to the equity method		8.364	0
Hedging reserve		-15.763	-24.609
Retained earnings		151.454	159.067
Total equity	8	**149.189**	**139.592**
Derivative financial instruments		14.016	26.162
Total non-current liabilities		**14.016**	**26.162**
Trade and other payables		30.361	32.226
Intercompany payables		2.109	16.919
Derivative financial instruments		6.075	10.569
Income tax payable		218	899
Total current liabilities		**38.763**	**60.613**
Total liabilities		**52.779**	**86.775**
TOTAL EQUITY AND LIABILITIES		**201.968**	**226.367**

Statement of Changes in Equity

Figures in USD '000	Share capital (Note 19)	Retained earnings	Hedging reserves	Reserve net revaluation equity method	Total Equity
At 1 January 2016	**5.134**	**159.067**	**-24.609**	**0**	**139.592**
Distribution of net profit	0	-7.712	0	10.357	2.645
Hedge reserve	0	0	8.846	-1.993	6.853
Other changes	0	99	0	0	99
Changes during the year	**0**	**-7.613**	**8.846**	**8.364**	**9.597**
At 31 December 2016	**5.134**	**151.454**	**-15.763**	**8.364**	**149.189**

Figures in USD '000	Share capital (Note 19)	Retained earnings	Hedging reserves	Reserve net revaluation equity method	Total Equity
At 1 January 2015	**213**	**43.488**	**-21.100**	**0**	**22.601**
Changes related to merger	4.921	115.026	0	0	**119.947**
At 1 January 2015 after merger	**5.134**	**158.514**	**-21.100**	**0**	**142.548**
Distribution of net profit	0	1.399	0	0	1.399
Hedge reserve	0	0	-3.509	0	-3.509
Exchange adjustment	0	-873	0	0	-873
Other changes	0	27	0	0	27
Changes during the year	**0**	**553**	**-3.509**	**0**	**-2.956**
At 31 December 2015	**5.134**	**159.067**	**-24.609**	**0**	**139.592**

Note 1 - Accounting policies

The parent company financial statements for Ultrabulk A/S 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.

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	2016	2015
Audit	112	112
Other assurance service	0	0
Tax consultancy	19	36
Other services	0	0
Total	**131**	**148**

Note 3 – Staff costs

Figures in USD '000	2016	2015
Fixed salaries	5.003	3.941
Pensions - defined contribution plan	325	298
Other expenses for social security etc.	900	675
Incentive payment (cash based)	598	726
Staff costs included in administration expenses	**6.826**	**5.640**
Average number of employees	54	**54**

Please refer to the consolidated financial statements, note 5.

Note 4 - Tax

Figures in USD '000	2016	2015
Current tax on profit for the year	-218	-150
Deferred tax on profit for the year	-788	-421
Tax on profit for the year	**-1.006**	**-571**
Adjustments related to previous years - current tax	234	22
Adjustments related to previous years - deferred tax	-260	-547
Tax in the income statement	**-1.032**	**-1.096**

The Company decided to continue under the tonnage tax scheme as of 1 January 2011 for a binding 10-year period.

Note 5 – Fixtures, fittings and equipment

Figures in USD '000	2016	2015
Cost:		
Cost at 1 January	3.735	3.674
Additions for the year	0	61
Cost at 31 December	**3.735**	**3.735**
Depreciation and impairment at 1 January	-3.635	-3.580
Depreciation for the year	-44	-55
Depreciation and impairment at 31 December	**-3.679**	**-3.635**
Carrying amount at 31 December	56	100
Expected useful life:	3-10 years	3-10 years

Note 6 – Investments in subsidiaries

Figures in USD '000	2016	2015
Cost:		
Cost at 1 January	12.760	12.760
Cost at 31 December	**12.760**	**12.760**
Value adjustment at 1 January	72.448	58.231
Share of the result for the year	10.357	14.217
Change on equity (hedge reserve)	-2.403	0
Value adjustment at 31 December	**80.402**	**72.448**
Carrying amount at 31 December	93.162	85.208
The carrying amount can be specified as follows:		
	Ownership	Ownership
Ultrabulk Rederi A/S	100%	100%
Ultrabulk (Singapore) Pte. Ltd	100%	100%
Ultrabulk (USA) Ltd.	100%	100%
Ultrabulk (Germany) GmbH	100%	100%
Ultrabulk (Hong Kong) ltd	100%	100%
Ultrabulk do Brazil Ltda	100%	100%
Cedrella Transport Ltd.	100%	100%

Note 7 – Investments in associates

Figures in USD '000	2016	2015
Cost:		
Cost at 1 January	1.408	1.980
Exchange rate adjustment	0	-572
Cost at 31 December	**1.408**	**1.408**
Value adjustment at 1 January	541	845
Exchange rate adjustment	2	-244
Dividends received	-116	-329
Share of the result for the year	173	269
Value adjustment at 31 December	**600**	**541**
Carrying amount at 31 December	2.007	1.949
	Ownership	Ownership
Pérola S.A., Brasil	20%	20%

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	2016	2015
Transfer to retained earnings	-7.712	1.399
Reserve for net revaluation according to equity method	10.357	0
	2.645	**1.399**

Note 9 – Mortgages and security

Figures in USD '000	2016	2015
Other guarantees		
Ultrabulk A/S has issued a guarantee for loan to joint venture and associated company	52.137	56.879
Ultrabulk A/S has issued a guarantee for time charter hire to subsidiaries	515.127	453.031
Ultrabulk A/S has issued a guarantee for remaining payments under new building contracts	59.194	71.420
Total	**626.458**	**581.330**

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 – Contingent assets and liabilities

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

Note 11 – Related party transaction

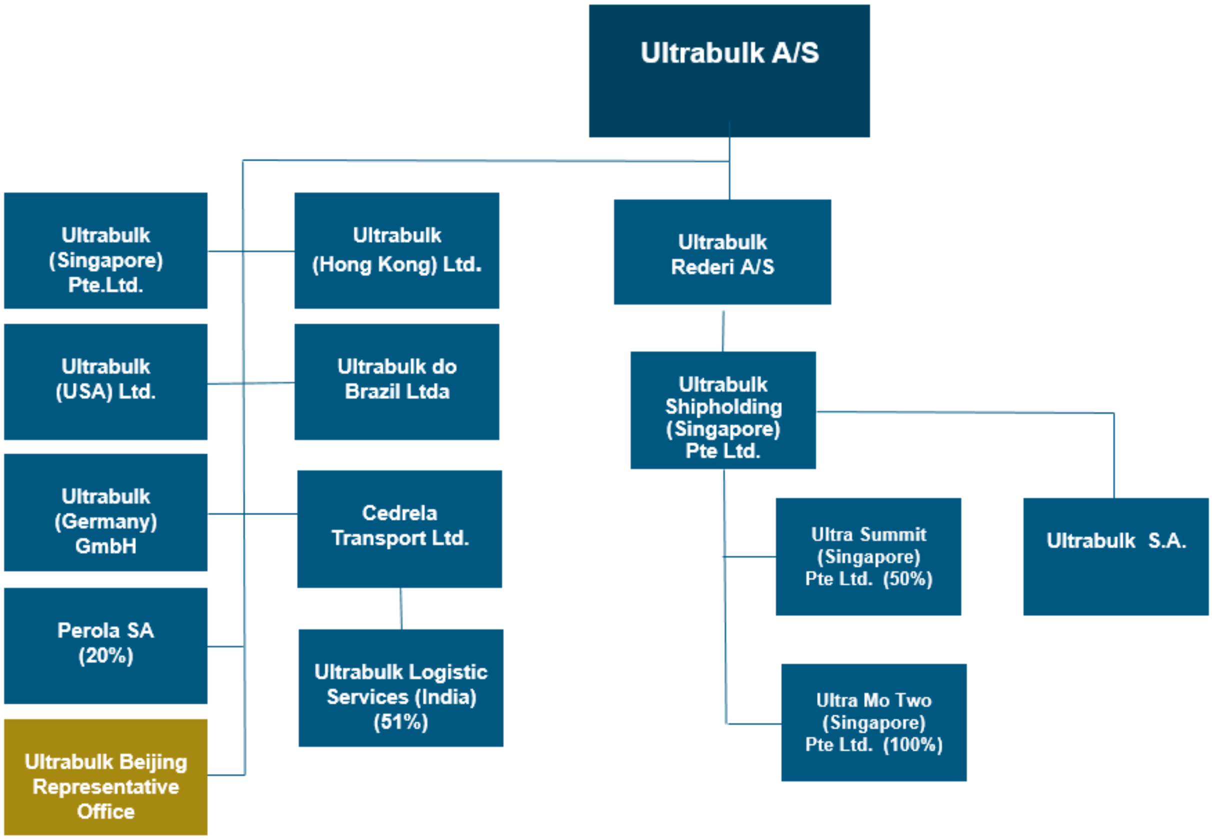
Figures in USD '000		Sale/ (Purchases) to/from related parties	Sale/ (Purchases) to/from related parties	Amounts owed by/(to) related parties	Amounts owed by/(to) related parties
Related party	Type of transaction	**2016**	**2015**	**2016**	**2015**
Joint Ventures	Charter hire	-11.067	-10.157	0	201
	Guarantees	0	0	31.200	47403
	Service	0	0	11	2
Subsidiaries	Service	0	0	2.368	3.165
	Management fee expense	-5.079	-5.154	0	0
Affiliated companies	Charter hire	-139.143	-116.236	-948	0
	Service	127	126	4.185	-16.847
	Management fee expense	-2.219	-2.388	220	782

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

Note 12 – Subsequent events

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

Group Structure



100% owned unless specified otherwise.

Definitions of key figures and financial ratios

The financial ratios were computed in accordance with "Recommendations and Financial Ratios 2015" issued by the Danish Finance Society. The ratios listed in the key figures and ratios section were calculated as follows:

Gross profit margin	=	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
EBITDA margin	=	$\frac{\text{EBITDA x 100}}{\text{Revenue}}$
Return of equity in % (ROE)	=	$\frac{\text{Profit or loss for the year x 100}}{\text{Average equity, excluding minority interests}}$
Payout ratio	=	$\frac{\text{Dividend x 100}}{\text{Profit or loss for the year, excluding minority interests}}$
Equity ratio	=	$\frac{\text{Equity at year-end, excluding minority interest x 100}}{\text{Total assets}}$
USD exchange rate at year-end	=	The USD exchange rate quoted on 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 cash and cash equivalents at year-end

www.ultranav.cl Ultranav owns around 60 vessels & operates about 240. They are employed in the transportation of crude oil, refined products, chemicals, liquid gases, dry bulk cargoes & containers.

www.ultratug.com Ultratug is the leading tug boat supplier in the Americas offering services in Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, and Uruguay. In addition pilot boat, AHTS, PSV, push tug and barge services are offered in some areas.

www.ultramar.cl Ultramar is one of the principle suppliers of integrated port services & cargo logistic solutions in the South and North American market. Ultramar's principle activities include agency services, container deposits, stevedoring & port operations.

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