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

Approved on the annual general meeting 23 March 2018

Sidsel Bronlose

Chairman of the meeting

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Front-page photo: MV Ultra Lanigan, a 58,000 dwt Supramax, at the Great Belt in Denmark.

About Ultrabulk

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

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.

Ultrabulk is operating in several niche trades and in 2017 a new parcel service was added with the establishment of Ultrabulk African Services.

The foundation of Ultrabulk's business platform is a well-proven risk management system covering various business risks. During 2017 steps have been taken to further increase counterparty vetting efforts.

Ultrabulk's substantial cargo platform has enabled us to operate a fleet of around 150 vessels profitably in a very tough market environment.

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

The company had 92 employees by the end 2017, strategically located in offices in Copenhagen (Head office), Santiago, Stamford, Rio de Janeiro, Hamburg, Cape Town, Singapore and Hong Kong. The Cape Town office opened in May 2017, and in March 2018, an office will be opened in Sydney. The Hong Kong office was closed in the beginning of 2018 when activities where merged within Singapore activities. The geographical spread of offices enables Ultrabulk to serve its partners in their own time zone in relation to both chartering and operations.

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

We are confident that our ability to live up to this commitment has developed into an increasingly strong attribute, which the industry acknowledged 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 to actively pursue the opportunities which will arise under prevailing market conditions.

Mission statement

A partner you can trust

Vision statement

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

Core values

Excellence

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

Integrity

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

Passion

We address challenges with passion and positive commitment.

Safety

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

Part of a large and diversified shipping group

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 with Gas Carriers (LPG), Crude Oil Tankers, CPP Tankers, Chemical Tankers, Container and Break Bulk Carries, Bulk Carriers and Tug boats. The Group operates a global fleet of more than 280 vessels, of which around 70 are fully owned, it also operates more than 100 offshore vessels, harbour & LNG terminal tugs & pilot boats, servicing the majority of ports along the Chilean, Peruvian, Ecuadorian and Colombian coasts in the Pacific, along the Argentine, Uruguay and Brazilian coasts in the Atlantic, as well as in Mexico.

2017 Highlights

The market during the first quarter of 2017 was higher than what was expected during the last part of 2016. The Baltic Supra Index (BSI) which was average USD 6,601 per day in 2016 (down 5% from 2015) increased to USD 9,760 per day by end of March, ending the first quarter at average USD 8,103 per day. Second quarter improved to USD 8,785 per day and third quarter to USD 9,549 per day before a strong grain season brought some further improvement in the final quarter of 2017 which ended at average USD 11,021 per day. This helped the average for 2017 to end at USD 9,345 per day representing an 41% increase compared to 2016.

The Ultrabulk African Services was established during Q2 with the opening of the Cape Town office. The activity had a good start and clients have received it in a positive way. Ultrabulk Parcel Service and the specialized MPP Service which focuses on the Europe/Africa/Europe trades have likewise had a good development. 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 146 vessels during 2017, which was 23 more than the previous year.

The long term vessel portfolio slightly exceeds the company's long term contractual cargo commitments. The long-term core fleet grew by 4 units in 2017 to reach 44. A further 4 vessels will be delivered by 2019. The fleet expansion includes units within all size segments where the company is active.

The total of physical ship days in 2017 were 52,263 days, up from 41,143 days recorded in 2016. Cargo lifted was up from 41.95 million tons in 2016 to 51.09 million tons in 2017.

In order to simplify the company structure and to reduce administrative burdens, Ultrabulk during 2016 merged its Danish companies Ultrabulk Shipping A/S, Ultrabulk A/S and P.E.P. Shipping A/S, with Ultrabulk A/S as the continuing company. Further during 2017 Ultrabulk Rederi A/S was merged with Ultrabulk A/S, with Ultrabulk A/S as the continuing company.

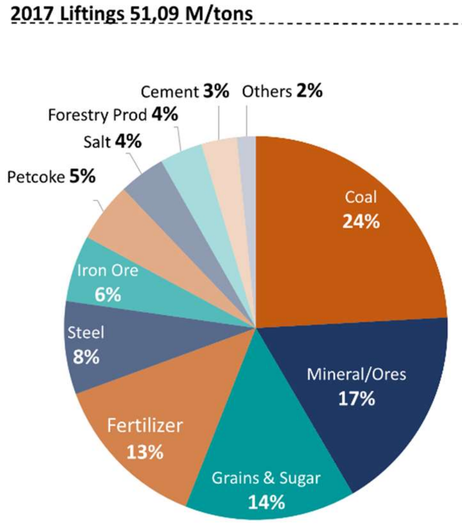
The Board of Directors has proposed not to pay out any dividend for 2017.

2018 Outlook

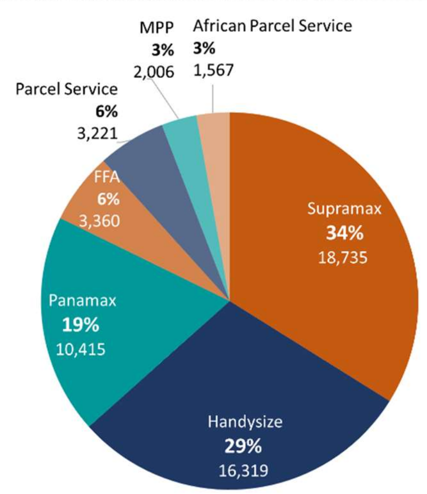
Ultrabulk is confident that it will be able to maintain and develop its market position and is well positioned to address the opportunities that will arise under present market conditions. Our more general market outlook for 2018 is described on page 7.

Based on the company's current coverage, and while acknowledging the very volatile market conditions, a positive EBITDA and a positive Net Profit is expected for 2018.

2017 Liftings 51,09 M/tons



2017 Trading days (55,623) by segment



Group Key Figures and Ratios

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

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: 130 to 160 vessels

Panamax

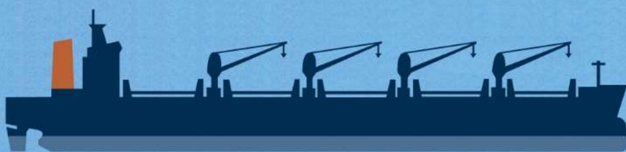
65,000-85,000 dwt

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 2018 Outlook[1]

2017 was a year in which the dry bulk market showed an unexpected strength. By end of 2016, the FFA forward curve for 2017 stood at USD 7,000 per day for Panamax and Supramax vessels. The full year average for 2017 ended up at about USD 9,500 per day for the two segments.

The development was mainly driven by continued growth in Chinese construction activities and an acceleration in industrial production globally. A contributing factor was continued cuts in Chinese coal production capacity, which was reduced by about 300 million mt in 2016 and another about 200 million mt in 2017. Heavier than normal precipitation and cyclones negatively affected exports out of some of the normal coal export areas in East Australia and the SEA area a.o. resulting in shifting of trades, generally longer transportation routes and additional ton/miles. Australian coal exports were down 3% (8 million mt), while US coal exports were up by 40% (10 million mt). Weather inflicted congestion at load ports and import permission related bureaucracy in China further contributed to tonnage demand.

Despite an increase in Chinese domestic production, the import of iron ore continued at a healthy level. Volumes of grain shipped from the American region was again record high.

	2013	2014	2015	2016	2017	2018 FFA[2]
Capesize	14.6	13.8	7.0	6.4	14.0	14.6
Panamax	9.5	7.7	5.6	5.6	9.7	10.9
Supermax	10.3	9.8	7.0	6.2	9.1	10.0
Handysize	8.2	7.7	5.4	5.2	7.6	8.5

Growth pct.	2013	2014	2015	2016	2017	2018 FCST[3]
World GDP	3.5	3.6	3.4	3.2	3.6	3.7
Adv.Econ	1.3	2.1	2.2	1.7	2.2	2.0
Emg.Econ	5.1	4.7	4.3	4.3	4.6	4.9
Fleet	7.6	5.2	3.1	2.1	3.3	2.5
Demand	8.7	3.8	-1.5	1.5	8.3	3.0

Building upon a development, which was apparent in the FFA market already in late 2016, 2017 was the first year since 2010 where Panamax time charter rates were about those of the Supramaxes. Expanding coal and soy bean trades and differences in segment fleet growth are the cause of this development.

Deliveries of new tonnage was lower year on year with about 39 million dwt in 2017 versus about 45 million dwt in 2016. Demolitions over 2017 were, however, also lower, and the global fleet expanded by about 3.3% over the year.

For 2018 the new deliveries of vessels are expected to be about 30 million dwt and the general fleet expansion is expected to be about 2.5%, whereas demand for the year is expected to grow by about 3.0%.

The real estate cycle in China is finally showing a growth of close to zero, limiting the demand growth in 2018 compared to 2017. However, expectations for domestic coal production are to be cut by another 150 million tons in 2018, opening for possibilities of increasing import.

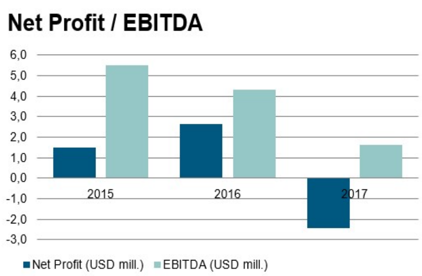
2018 is commencing with freight rates continuing the firm note seen over the second half of 2017, and barring unforeseen negative developments in weather patterns, crop output, and in the important Chinese real estate and infrastructure sectors, the firm tone of the market is expected to continue in 2018.

[1] Ultrabulk Research using data from Bloomberg, Clarksons, Baltic Exchange, IMF, USDA, Trademap, and others.
[2] FFA ultimo 2017
[3] IMF October 2017

Financial Review

Results

EBITDA was USD 1.6 million (USD 4.3 million in 2016), corresponding to an EBITDA margin of 0.2% (0.7% in 2016). Net Profit amounted to USD -2.4 million (USD 2.6 million in 2016), which is almost in line with expected.



Revenues in 2017 were USD 904 million, considerably over 2016 level (USD 598 million) as a consequence of higher rates and 11,120 more physical ship days.

Gross profit was USD 24.3 million in 2017 corresponding to a gross margin of 2.7%, against 4.4% in 2016. In 2016 an old dispute with a customer was closed with a positive impact on the gross profit.

Depreciation totalled USD 3.3 million, up from USD 2.4 million in 2016, reflecting the investing activities in 2017 and 2016.

Share of results from joint ventures and associated companies totalled USD 0.3 million, against USD 0.9 million in 2016.

Net financial items amounting to USD 0.4 million (USD 0.8 million in 2016). The financial expenses of USD 1.2 million are mainly related to interest on 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 1.4 million is mainly tonnage tax.

Balance sheet

Total assets amounted to USD 274.5 million, against USD 249.5 million in 2016.

Non-current assets totalled USD 99.5 million against USD 89.0 million in 2016. The increase of USD 10.5 million relates mainly to investment in a new vessel and the change in the fair value of financial instruments.

Current assets totalled USD 174.9 million against USD 160.4 million in 2016, due to increase in trade receivables, prepayments and inventories, with a decrease in financial instruments and cash and short-term deposits. The cash and short-term deposits was USD 69.4 million as of 31st December 2017 (USD 93.2 million as of 31st December 2016).

Total liabilities amounted to USD 125.5 million compared to USD 100.3 million in 2016. The increase is mainly related to new loan for financing of the new vessel, trade and other payables and a reduction of the fair value of financial instruments.

The increase in current assets and current liabilities compared to 2016 are mainly related to higher time charter rates and an increase in operated vessel end of the year with 28 vessels.

Total equity totalled USD 148.9 million (USD 149.2 million in 2016), the development driven by a net result of USD -2.4 million and other comprehensive income of USD 2.2 million. Return on equity was -1.6%, and equity ratio was 53.8% at the end of 2017 compared to 59.8% at end of 2016.

At the Annual General Meeting, the Board of Directors will propose not to pay out dividends for 2017 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 69.4 million, down by USD 23.8 million from 2016.

Cash flow from operating activities was negative by USD 14.3 million, mainly related to changes in the net working capital.

Cash flow from investing activities netted USD -19.3 million (USD -4.9 million in 2016) reflecting investment in a new vessel. Cash flow from financing activities totalled USD 9.7 million (USD -4.0 million in 2016) reflecting new loan and repayment of loans including interest.

Corporate Governance

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

Remuneration of Board of Directors and Executive Management

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

Board of Directors

The Board of Directors has refrained from receiving any compensation for their work in 2017, unchanged from 2016. In 2018, 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 2017 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.

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 Danish Shipping, 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 organisational structure is applied to ensure short lines of communication and that staff is duly empowered.

Ultrabulk has no directly employed sea-going personnel, however it participates constructively in relevant matters via an on-going dialogue 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.

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

In management both genders are represented since early 2015 (1 woman), however not with equal representation. The representation of women in the management team has not increased in 2017 and the aim is to increase the female representation in the coming years.

Ultrabulk policy states and ensures equal career opportunities for men and women, and is actively used as a tool for recruiting and working with both genders, and equality in general.

In the recruiting processes, it is the target to have both genders presented in the final stage of selection.

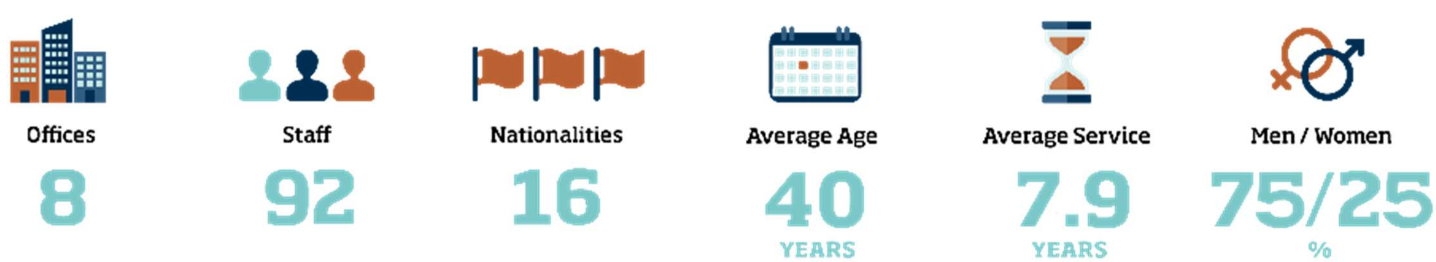
The environment

Ultrabulk's policy is to optimise energy consumption, and thereby minimise 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 CO_2 emissions.

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.

Offices and Staff facts and figures



Ultrabulk continued its fleet renewal programme by concluding four new long-term tonnage additions to the fleet during 2017, all 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 2017 in the energy efficiency of its owned fleet against 2016, 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 optimised hull specifications and operating efficiencies.

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 an acceptable work-life balance. No violations of these policies have been reported in 2017. The Working Environment Committee and the HR department took initiatives in 2017 for the employees.

Ultrabulk participated actively during 2017 in the Ultramar Group CSR Committee supporting initiatives that are coordinated by the Committee. 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 2017, more than 15 initiatives were implemented, benefiting over 5,200 children 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. As part of the company strategy agenda, during 2017 Ultrabulk has trained operations staff in anti-corruption policy, and ensure that crew onboard owned vessels are adhering to the same principles.

The General Business Principles have been launched on the company website. The principles serve as a guiding tool for all employees and stakeholders on how we conduct our business. The principles focus on business integrity, compliance, economics, competition, environment, workplace and safety. The General Business Principles was launched along with a whistle-blower platform to ensure that employees, customers and stakeholders alike have easy access to reporting about activities undertaken by our organisation.

In 2017, Ultrabulk obtained a certification in anti-corruption and transparency by the globally recognised organisation TRACE, committing to adopt to the strict transparency standards set by TRACE. TRACE consists of an internationally accepted due diligence review, analysis and approval process.

Ultrabulk via Ultranav is an active member of 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.

Outlook 2018

Ultrabulk will continue to focus on Corporate Social Responsibility. An internal CSR Committee has been established by the end of 2017 with representatives from all the Ultranav companies based in Denmark to further integrate CSR initiatives with daily business activities. Ultrabulk will continue as part of Danish Shipping’s CSR Committee and for the biennium 2018-2019, focus will be on human rights and the UN Sustainable Development Goals primarily.

Statement of the Board of Directors and Executive Management on the Annual Report

The Board of Directors and Executive management have prepared the 2017 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 2017.

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, 28 of February 2018.

EXECUTIVE MANAGEMENT

Per Lange
CEO

Francisco Larrain
CFO

Hans Christian Olesen
Head of Panamax & Supramax

BOARD OF DIRECTORES

Dag von Appen
Chairman

Enrique Ide
Vice chairman

Peter Stokes

Jan Vermeij

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 2017, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies for the Group and the Parent Company, and a consolidated statement of comprehensive income and a consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the Parent Company’s financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2017 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Further, in our opinion, the Parent Company financial statements give a true and fair view of the financial position of the Parent Company at 31 December 2017 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Independence

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

Statement on the Management’s review

Management is responsible for the Management's review.

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

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

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

Based on our procedures, we concluded that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Independent auditor's report

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent auditor's report

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

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

Copenhagen, 28 February 2018
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender	Thomas Bruun Kofoed
State Authorised	State Authorised
Public Accountant	Public Accountant
MNE no.: mne21332	MNE no.: mne28677

Consolidated Financial Statements

Consolidated Income Statement

Figures in USD '000	**Note**	**2017**	**2016**
Freight income	3	903.916	598.191
Voyage related expenses		-357.414	-257.917
Time-charter hire		-522.216	-313.850
Gross profit (Net earnings from shipping activities)		**24.286**	**26.424**
Other external expenses	4	-9.659	-9.347
Staff costs	5	-13.002	-12.779
Operating profit before depreciation, amortization and impairment loss (EBITDA)		**1.625**	**4.298**
Profit on sale of vessels etc.		0	2.005
Depreciation	6	-3.256	-2.397
Impairment loss, vessels	7	0	-2.000
Share of joint ventures' profit after tax	14	-17	751
Operating profit (EBIT)		**-1.648**	**2.657**
Share of associates' profit after tax	13	306	173
Other financial items, net	8	361	831
Profit before tax		**-981**	**3.661**
Tax	9	-1.435	-1.016
Net profit		**-2.416**	**2.645**

Consolidated Statement of Comprehensive Income

Figures in USD '000	**Note**	**2017**	**2016**
Profit/loss (-) for the year		**-2.416**	**2.645**
Other comprehensive income			
Items that will be reclassified subsequently to the consolidated income statement, when specific conditions are met:			
Value adjustments of hedging instruments		2.160	6.853
Tax effect		0	0
Value adjustments of hedging instruments after tax		**2.160**	**6.853**
Exchange adjustments of foreign entities		4	0
Other comprehensive income for the year, net of tax		**2.164**	**6.853**
Total comprehensive income for the year, after tax		-252	9.498
Attributable to:			
Equity holders of the parent		-252	9.498
Non-controlling interests		0	0
		-252	9.498

Consolidated Balance Sheet

Figures in USD '000			
ASSETS	**Note**	**2017**	**2016**
Vessels	10	64.565	43.210
New building contracts	11	5.506	9.932
Fixtures, fittings and equipment	12	187	77
Total tangible assets		**70.258**	**53.219**
Investment in associates	13	2.318	2.007
Investment in joint ventures	14	24.766	24.783
Derivative financial instruments		1.735	7.808
Deferred tax assets	15	463	1.248
Financial assets, non-current		**29.282**	**35.846**
Total non-current assets		**99.540**	**89.065**
Inventories	16	20.185	16.557
Trade and other receivables	17	63.365	29.861
Prepayments		16.957	11.990
Derivative financial instruments		5.085	7.832
Securities		0	998
Cash and short-term deposits	18	69.355	93.179
Current assets		**174.947**	**160.417**
TOTAL ASSETS		**274.487**	**249.482**

EQUITY AND LIABILITIES			
Figures in USD '000	**Note**	**2017**	**2016**
Share capital	19	5.134	5.134
Retained earnings		151.527	153.975
Other reserves		-7.820	-9.984
Total equity of majority interest		**148.841**	**149.125**
Non-controlling interests		64	64
Total equity		**148.905**	**149.189**
Interest bearing loans and borrowings	20	33.140	24.598
Derivative financial instruments		7.356	14.016
Total non-current liabilities		**40.496**	**38.614**
Trade and other payables	21	72.968	47.190
Interest-bearing loans and borrowings	20	4.082	2.890
Intercompany payables		2.292	4.370
Derivative financial instruments		4.704	6.585
Income tax payable		1.040	644
Total current liabilities		**85.086**	**61.679**
Total liabilities		**125.582**	**100.293**
TOTAL EQUITY AND LIABILITIES		**274.487**	**249.482**

Consolidated Cash Flow Statement

Figures in USD '000	**Note**	**2017**	**2016**
Profit/loss(-) before tax		-981	3.661
Adjustment for non-cash items etc.			
Gain on sale of vessel, plant and equipment		0	-2.005
Depreciation and impairment loss	6, 7	3.256	4.397
Share of gain/loss in associated companies	13	-306	-173
Share of gain/loss in joint venture	14	17	-751
Interest expenses	8	1.221	1.125
Interest income	8	-689	-309
Net foreign exchange differences		-827	508
Net forward contract activity		2.439	-367
Other changes		0	-1.131
Working capital adjustments:	26		
Change in current assets		-42.099	3.672
Change in current liabilities		23.699	5.133
Net cash flows from operating activities		**-14.270**	**13.759**
Investments in tangible assets	10, 11, 12	-20.098	-5.024
Investment in joint venture	14	0	-1.465
Dividend received	13	0	116
Sale of tangible assets	10, 11, 12	0	1.165
Interest received		834	309
Net cash flows from investing activities		**-19.264**	**-4.899**
Bank loan		14.314	0
Repayment loan		-3.486	-2.894
Interest paid		-1.118	-1.125
Net cash flows from financing activities		**9.710**	**-4.019**
Net change in cash and cash equivalents		-23.824	4.842
Cash and cash equivalents at 1 January	18	93.179	88.337
Cash and cash equivalents at 31 December	**18**	**69.355**	**93.179**

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 2017	**5.134**	**153.975**	**-8.665**	**-1.319**	**-9.984**	**149.125**	**64**	**149.189**
Comprehensive income	0	-2.416	2.160	4	2.164	-252	0	-252
Total comprehensive income	**0**	**-2.416**	**2.160**	**4**	**2.164**	**-252**	**0**	**-252**
Other changes	0	-32	0	0	**0**	**-32**	0	**-32**
Changes during the year	**0**	**-32**	**0**	**0**	**0**	**-32**	**0**	**-32**
At 31 December 2017	**5.134**	**151.527**	**-6.505**	**-1.315**	**-7.820**	**148.841**	**64**	**148.905**

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 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**

Notes to the Consolidated Financial Statements

Note 1 - Group accounting policies

Ultrabulk A/S is a company domiciled in Denmark.

The consolidated financial statements of Ultrabulk A/S for 2017 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and the statutory order on the adoption of IFRS by enterprises subject to the Danish Financial Statements Act issued pursuant to the Danish Financial Statements Act.

Basis of preparation

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

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

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

Accounting standards effective in 2017

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 2017. Based on an analysis made by Ultrabulk A/S, most of the IFRSs effective for 2017 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 (the Group), i.e. the power to govern the financial and operating policies so as to obtain benefits from its activities. Control is obtained when the Company directly or indirectly holds more than 50% of the voting rights in the subsidiary or which it, in some other way, controls.

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

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

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

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

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

Foreign currency translation

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

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

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

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

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts, bunker hedge and FFA's to hedge part of risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivate contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of bunker and the fair value of FFA's are determined by reference to market values for similar instruments. For the purpose of accounting, hedges are classified as:

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

At time of entering into a hedge relationship, the Group designates and documents the hedge relationship to which the Group wishes to apply for hedge accounting and the risk management objectives and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the 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 doing 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.

Prepayments

Prepayments comprise costs incurred in relation to subsequent financial years.

Cash and cash equivalents

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

Statement of changes in equity

Dividends

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

Translation reserve

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

Hedging reserve

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

Provisions

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

Financial liabilities

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

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

Leases

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

Deferred tax

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

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

For the taxable income which is made up in accordance to the ordinary corporate tax system, a deferred tax is recognized 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 whether there are indications of impairment. If any indication exists or when annual impairment testing for an asset is required, Ultrabulk A/S estimates the asset's recoverable amount.

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

Onerous contract

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

At 31 December 2017, no provision for onerous contracts has been recognized (31 December 2016: nil).

Provision for losses:

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

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

Please refer to note 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	**2017**	**2016**
MPP, Parcel Services and African Services	112.868	22.807
Handysize	251.486	188.585
Supramax	310.703	267.703
Panamax	228.859	119.096
Total	**903.916**	**598.191**

The company operates in the MPP, Parcel Services, African Services (from 2017), 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	**2017**	**2016**
Audit	130	150
Other assurance service	0	0
Tax consultancy	20	19
Other services	0	0
Total	**150**	**169**

Note 5 – Staff costs

Figures in USD '000	**2017**	**2016**
Fixed salaries	9.755	9.134
Pensions - defined contribution plan	514	499
Other expenses for social security etc.	1.129	1.448
Incentive payment (cash based)	1.604	1.698
Staff costs included in administration expenses	**13.002**	**12.779**
Average number of employees	94	**94**

Remuneration for certain employees in 2017 and 2016 are expensed as a management fee, and consequently recognized as 'Other external expenses'.

Remuneration for the Management	2017		2016	
Figures in USD '000	Board of Directors	Executive Management	Board of Directors	Executive Management
Fixed salaries	0	1.003	0	1.000
Pensions - defined contribution plan	0	37	0	62
Incentive payment (cash based)	0	223	0	243
Total remuneration for the Board of directors and executive management	0	1.263	0	1.305

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

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

Note 6 – Depreciation

Figures in USD '000	**2017**	**2016**
Depreciation vessels	3.169	2.330
Depreciation fixtures, fittings and equipment	88	67
Total depreciation	**3.256**	**2.397**

Note 7 – Impairment loss

Figures in USD '000	**2017**	**2016**
Own vessels	0	500
Vessels in joint ventures	0	1.500
Total	**0**	**2.000**

Note 8 – Financial items

Figures in USD '000	**2017**	**2016**
Interest income	689	309
Interest expense on loan	-1.221	-1.125
Other financial items, net	893	1.646
Total	**361**	**831**

Note 9 – Tax

Figures in USD '000	2017	2016
Current tax on profit for the year	-541	-216
Deferred tax on profit for the year	-966	-775
Tax on profit for the year	**-1.507**	**-991**
Adjustments related to previous years - current tax	-108	234
Adjustments related to previous years - deferred tax	180	-259
Tax in the income statement	**-1.435**	**-1.016**
Computation of effective tax rate (%):		
Statutory corporate income tax rate in Denmark	-22,0	22,0
Effects from Tonnage Tax Scheme	287,0	53,6
Effects of adjustments related to prior years	-7,4	0,7
Deviation in foreign subsidiaries' tax rates compared to the Danish tax rate (net)	-111,3	-48,5
Effect of change in tax rate	0,0	0,0
Non-tax income less non-tax deductible expenses (net)	0,0	0,0
Effective tax rate	**146,3**	**27,8**
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	2017	2016
Cost at 1 January	**48.373**	**48.373**
Transferred from new buildings	23.897	0
Additions for the year	627	0
Cost at 31 December	**72.897**	**48.373**
Depreciation and impairment at 1 January	**-5.163**	**-2.334**
Depreciation for the year	-3.169	-2.330
Impariment loss for the year	0	-500
Impairment for the year	0	0
Depreciation and impairment at 31 December	**-8.332**	**-5.163**
Carrying amount at 31 December	64.565	43.210
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 2017, the market value of the fleet including new building contracts but excluding joint ventures was below the carrying amount.

An impairment test is done for the individual CGU's by estimating the recoverable amount at value in use. This is calculated as the NPV based on a WACC of 8.5% and a general indexation of operating costs of 2% p.a. of the total expected cash flow during the rest of the vessels expected economic life, including entered COA's and time charters. The WACC has been determined by Management based on market input and taking into consideration the business model applied by the company, including having a high coverage through long term cargo contracts with customers.

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

The impairment test calculation shows no impairment loss for 2017 and no reversal of previous taken impairment loss. As an indicator of the sensitivity, a downward fluctuation of the freight rates for uncovered capacity with 5% would, all other things being equal, give rise to impairment loss of USD 4.5 million. Furthermore, the application of a WACC of 9.0% instead of 8.5% would, all other things being equal, give rise to impairment loss of USD 1.2 million.

Note 11 – New building contracts

Figures in USD '000	2017	2016
Cost at 1 January	9.932	12.033
Additions for the year	19.471	5.149
Disposal and transferred during the year to vessels	-23.897	-7.250
Cost at 31 December	**5.506**	**9.932**
Carrying amount at 31 December	5.506	9.932

Note 12 – Fixtures, fittings and equipment

Figures in USD '000	2017	2016
Cost:		
Cost at 1 January	4.366	4.535
Additions for the year	198	0
Disposals for the year	0	-169
Cost at 31 December	**4.564**	**4.366**
Depreciation and impairment at 1 January	-4.289	-4.391
Depreciation for the year	-88	-67
Reversed depreciation and impairment for the year	0	168
Depreciation and impairment at 31 December	**-4.377**	**-4.289**
Carrying amount at 31 December	187	77
Expected useful life:	3-10 years	3-10 years

Note 13 – Investments in associates

Figures in USD '000	2017	2016
Cost:		
Cost at 1 January	1.408	1.408
Exchange rate adjustment	0	0
Cost at 31 December	**1.408**	**1.408**
Value adjustment at 1 January	600	541
Exchange rate adjustment	4	2
Dividends received	0	-116
Share of the result for the year	306	173
Value adjustment at 31 December	**910**	**600**
Carrying amount at 31 December	2.318	2.007
The carrying amount can be specified as follows:		
Pérola S.A., Brasil, interest 20%	2.318	2.007
	2.318	2.007
Key figures for investment in associates:		
Assets	12.159	10.964
Liabilities	-3.150	-2.686
Net assets	9.009	8.278
Revenue	23.948	19.549
Profit/loss before tax	2.322	1.318
Income tax	-791	-452
Profit/loss for the year	1.532	866
Total comprehensive income for the year	1.532	866

Note 14 – Investments in joint ventures

Figures in USD '000	2017	2016
Cost:		
Cost at 1 January	23.825	22.360
Additions for the year	0	1.465
Cost at 31 December	**23.825**	**23.825**
Value adjustment at 1 January	958	1.651
Share of the result for the year	-17	751
Other changes	0	56
Impairment, investment in joint ventures	0	-1.500
Value adjustment at 31 December	**941**	**958**
Carrying amount at 31 December	24.766	24.783
The carrying amount can be specified as follows:		
Ultra Summit (Singapore) Pte. Ltd., 50%	24.766	24.783
	24.766	24.783
Key figures for investment in joint ventures:		
Assets	80.519	60.373
Liabilities	-47.905	-29.137
Net assets	32.614	31.236
Revenues	11.959	11.067
Profit/loss before tax	1.378	-2.493
Income tax	0	0
Profit/loss for the year	1.378	-2.493
Total comprehensive income for the year	1.378	-2.493

Ultra Summit owns 3 vessels and have a contract on further one new building. The vessels are chartered out to Ultrabulk. The management has prepared an impairment test of the vessels, under the same assumption as described in note 10. The impairment test calculation shows no impairment loss. As an indicator of the sensitivity, a downward fluctuation of the freight rates for uncovered capacity with 5% would, all other things being equal, give rise to impairment loss of USD 1.2 million. Furthermore, the application of a WACC of 8.9% instead of 8.4% would, all other things being equal, give rise to no impairment loss.

Note 15 – Deferred tax asset

Figures in USD'000	**2017**	**2016**
Deferred tax at 1 January	1.248	2.282
Deferred tax on profit for the year	-966	-775
Adjustments related to previous years	9	49
Exchange rate adjustments	171	-308
Total deferred tax assets/-liabilities, net at 31 December	**462**	**1.248**
Deferred tax gross:		
Deferred tax assets	462	1.248
Deferred tax liabilities	0	0
Total deferred tax assets/-liabilities, net at 31 December	**462**	**1.248**
Deferred tax are allocable to the various items in the balance sheet:		
Tax-loss carried forward	462	1.248
Deferred tax, net	462	1.248

In 2007 the Danish based companies entered the Danish tonnage taxation system of which adoption is binding until at least 2017. Ultrabulk A/S will not leave the system and therefore no deferred tax provision is made on assets and liabilities. If the companies leave the tonnage tax system no significant tax provision will be released.

Note 16 – Inventories

Figures in USD '000	**2017**	**2016**
Bunker (at cost)	20.185	16.557
Total inventories at lower of cost and net realizable value	**20.185**	**16.557**
Bunker expenses recognized in profit and loss	184.394	101.315

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	**2017**	**2016**
Customers (trade receivables)	40.071	20.583
Other receivables	20.798	6.795
Receivables from related companies	2.496	2.483
Total	**63.365**	**29.861**
Trade receivables are non-interest bearing and are generally of 5 - 30 day terms.		
Maturity analysis for trade receivables		
- receivables not due	12.055	12.131
- less than 90 days	26.109	8.252
- betw een 91 days and 180 days	1.389	63
- betw een 181 days and 360 days	457	136
- more than 360 days	61	1
Carrying amount of trade receivables	**40.071**	**20.583**
Trade receivables at initial value impaired and fully provided for	24.727	21.121

Note 18 – Cash and short-term deposits

Figures in USD '000	**2017**	**2016**
Cash at bank and in hand	69.355	93.179
Total	**69.355**	**93.179**

As of 31 December 2017, included in total cash at bank is USD 0.4 million (2016: USD 11.9 million) which is restricted deposits in favour of clearing houses.

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

Note 20 – Interest bearing loans and borrowings

Figures in USD '000				**2017**	**2016**
	Principal	Fixed/ Variable	Interest rate	Book value	Book value
Mortgage on vessel	36.748	Fixed	3,51%	27.803	24.162
Mortgage on vessel	12.250	Variable	2,82%	9.419	3.326
Total	**48.998**			**37.222**	**27.488**
Long term part				33.140	24.598
Current part				4.082	2.890
Total				**37.222**	**27.488**

The principal of the fixed debt, excluding debt swapped from variable to fixed, amount to USD 19.8 million. The fair value of the fixed part of the loan is estimated to USD 24.5 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 2017.

Loans are secured on vessels. The carrying amount of the vessels provided as security is USD 64.5 million.

Note 21 – Trade and other payables

Figures in USD '000	**2017**	**2016**
Trade payables	14.954	10.132
Accrued expenses	58.014	37.058
Total	**72.968**	**47.190**

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.

Ultrabulks 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. Counterparty vetting has increased in importance as well as in efforts in Ultrabulk.

Single cargoes:

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

Contract of Affreightment (multiple cargoes):

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

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

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

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

Time charter out:

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

Time charter in:

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

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

Forward Freight Agreements (FFA):

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

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

Interest rate risk exposure

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

Currency risk

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

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

Liquidity exposure

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

Capital management

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

Other risks

Environment:

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

Piracy:

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

Note 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	2017	2016
Charter hire for vessels not delivered		
Within one year	14.892	3.622
Between 1 - 5 years	50.292	57.988
More than 5 years	10.102	49.245
Total	**75.286**	**110.855**
Charter hire for vessels on time charter with purchase option		
Within one year	140.332	130.715
Between 1 - 5 years	546.626	522.093
More than 5 years	127.522	231.462
Total	**814.480**	**884.271**
Charter hire for vessels on time charter without purchase option		
Within one year	67.218	11.950
Between 1 - 5 years	75.475	26.834
More than 5 years	5.534	9.075
Total	**148.227**	**47.859**
Other leases (operational lease)		
Within one year	641	604
Between 1 - 5 years	520	534
More than 5 years	0	0
Total	**1.161**	**1.138**
Total operating lease liabilities	**1.039.154**	**1.044.123**

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

COAs and Time Charter commitments as service provider	2017	2016
Within one year	155.156	141.637
Between 1 - 5 years	389.909	488.795
More than 5 years	78.404	127.548
Total	**623.470**	**757.980**

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	2017	2016
Agreements for future delivery of new buildings		
Remaining contract amount until delivery in USD translated at the exchange rate at year end	40.200	59.194
The remaining contract amounts in USD is payable as follow s:		
Within one year	20.720	18.994
Betw een one and five years	19.480	40.200
Total	**40.200**	**59.194**
Other guarantees		
Ultrabulk A/S has issued guarantees for loans to joint venture and associated companies	46.987	52.137

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	2017		2016	
	Current	Non-current	Current	Non-current
Receivables measured at amortized cost including cash and cash equivalents	151.803	0	136.028	0
Financial assets measured at fair value (Derivative financial instruments)	5.085	1.735	7.832	7.808
Financial liabilities measured at amortized cost	82.508	33.140	55.094	24.598
Financial liabilities measured at fair value (Derivative financial instruments)	4.704	7.356	6.585	14.016

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	Betw een 1 - 5 years	More than 5 years
2017				
Non-derivative financial liabilities:				
Interest bearing loans and borrow ings	47.083	5.383	20.513	21.187
Trade and other payables	75.095	75.095	0	0
Operationel leases	1.039.154	223.082	672.914	143.158
Derivative financial liabilities:				
Derivative financial instruments	12.060	4.704	6.807	549
2016				
Non-derivative financial liabilities:				
Interest bearing loans and borrow ings	29.002	3.812	18.221	6.969
Trade and other payables	47.190	47.190	0	0
Operationel leases	1.044.123	146.891	607.450	289.782
Derivative financial liabilities:				
Derivative financial instruments	20.601	6.585	13.143	873

Bunker hedge

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

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

FFA hedge

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

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

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 2017, 25% of the Ultrabulk's interest-bearing long term debt (31 December 2016: 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 6.5 million (31 December 2016: USD 8.7 million).

Changes in liabilities arising from finance activities

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

Other is mainly related to capitalized financing fees.

Note 26 – Change in net working capital

Figures in USD '000	**2017**	**2016**
Change in inventories	-3.628	-5.814
Change in trade and other receivables	-33.504	5.529
Change in prepayments	-4.966	3.957
Change in trade and other payables	25.778	2.456
Change in intercompany	-2.079	2.677
Total	**-18.399**	**8.805**

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	**2017**	**2016**	**2017**	**2016**
Parent company	Charter hire	0	404	0	0
	Management fee expense	-3.232	-4.013	0	0
Joint Venture	Charter hire	-11.959	-11.067	17	0
	Guarantees	0	0	46.987	31.200
	Service	32	0	-4	11
Associated companies	Charter hire	20.990	7.194	-255	-2.962
	Service	1.995	4.156	-542	1.185
	Management fee expense	-2.361	-2.380	712	-144
	Supervision fee	-120	-120	0	34
	Guarantees	0	0	0	0

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

Joint taxation

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

Note 29 – Subsequent events

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

Note 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. In respect of impairment loss of financial assets no significant changes are expected.

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 change 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 these 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 and significant increase of the balance sheet and the EBITDA. However the current assessment is that the net profit will not change significantly.

2017 Financial Statements

Ultrabulk A/S - Parent Company

Income Statement

Figures in USD '000	Note	2017	2016
Freight income		634.193	432.399
Voyage related expenses		-245.282	-165.290
Time-charter hire		-376.130	-257.191
Gross profit (Net earnings from shipping activities)		**12.781**	**9.918**
Other external expenses	2	-12.795	-12.669
Staff costs	3	-5.618	-5.926
Operating profit before depreciation, amortization and impairment loss (EBITDA)		**-5.632**	**-8.677**
Depreciation		-63	-44
Operating profit (EBIT)		**-5.695**	**-8.721**
Share of subsidiaries' profit after tax		3.068	10.370
Share of associates' profit after tax		306	173
Other financial items, net		1.242	1.855
Profit before tax		**-1.079**	**3.677**
Tax	4	-1.337	-1.032
Net profit		**-2.416**	**2.645**
Proposal for the distribution of net profit:			
Reserve for net revaluation according to equity method		3.374	10.370
Retained earnings		-5.790	-7.725
		-2.416	**2.645**

Balance Sheet

Figures in USD '000			
ASSETS	**Note**	**2017**	**2016**
Fixtures, fittings and equipment	5	35	57
Total tangible assets		**35**	**57**
Investment in subsidiaries	6	68.827	95.922
Investment in associates	7	2.318	2.007
Derivative financial instruments		877	3.535
Deferred tax assets		460	1.225
Financial assets, non-current		**72.482**	**102.689**
Total non-current assets		**72.517**	**102.746**
Inventories		14.393	12.762
Trade and other receivables		43.193	17.622
Intercompany receivables		12.715	5.185
Prepayments		12.186	8.371
Derivative financial instruments		3.023	4.992
Shares		0	998
Cash and short-term deposits		54.706	49.292
Current assets		**140.216**	**99.222**
TOTAL ASSETS		**212.733**	**201.968**

EQUITY AND LIABILITIES			
Figures in USD '000	**Note**	**2017**	**2016**
Share capital		5.134	5.134
Reserve for net revaluation according to the equity method		7.592	8.364
Hedging reserve		-9.485	-15.763
Retained earnings		145.664	151.454
Total equity	8	**148.905**	**149.189**
Derivative financial instruments		7.355	14.016
Total non-current liabilities		**7.355**	**14.016**
Trade and other payables		47.654	30.361
Intercompany payables		3.518	2.109
Derivative financial instruments		4.781	6.075
Income tax payable		520	218
Total current liabilities		**56.473**	**38.763**
Total liabilities		**63.828**	**52.779**
TOTAL EQUITY AND LIABILITIES		**212.733**	**201.968**

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 2017	**5.134**	**151.454**	**-15.763**	**8.364**	**149.189**
Distribution of net profit	0	-5.790	0	3.374	-2.416
Hedge reserve	0	0	6.278	-3.702	2.576
Other changes	0		0	-444	-444
Changes during the year	**0**	**-5.790**	**6.278**	**-772**	**-284**
At 31 December 2017	**5.134**	**145.664**	**-9.485**	**7.592**	**148.905**

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
Exchange adjustment	0		0	0	0
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**

Note 1 - Accounting policies

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

The accounting policies of the parent company financial statements are unchanged compared to last year.

Ultrabulk A/S has in the financial year merged with the 100% subsidiary Ultrabulk Rederi A/S with Ultrabulk A/S as the continuing company. The merger has been accounted for in accordance with the pooling-of-interest method. Comparative figures have been adjusted.

The Company's business is primarily based on the US Dollar. All income in the form of freight income is in US Dollar, and most costs are in US Dollars as well. Based on this, the company has designated the US Dollar its functional and reporting currency. Consequently, all amounts are recognized in US Dollar. For 2017 the average USD/DKK rate of exchange was 6.5953 and the closing rate on 31 December 2017 was 6.2077.

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	**2017**	**2016**
Audit	110	112
Other assurance service	0	0
Tax consultancy	20	19
Other services	0	0

Total	**130**	**131**

Note 3 – Staff costs

Figures in USD '000	2017	2016
Fixed salaries	4.516	4.798
Pensions - defined contribution plan	346	325
Other expenses for social security etc.	176	205
Incentive payment (cash based)	580	598
Staff costs included in administration expenses	**5.618**	**5.926**
Average number of employees	54	**54**

Please refer to the consolidated financial statements, note 5.

Note 4 – Tax

Figures in USD '000	2017	2016
Current tax on profit for the year	-520	-218
Deferred tax on profit for the year	-966	-788
Tax on profit for the year	**-1.486**	**-1.006**
Adjustments related to previous years - current tax	-21	234
Adjustments related to previous years - deferred tax	170	-260
Tax in the income statement	**-1.337**	**-1.032**

Note 5 – Fixtures, fittings and equipment

Figures in USD '000	2017	2016
Cost:		
Cost at 1 January	3.735	3.735
Additions for the year	42	0
Cost at 31 December	**3.777**	**3.735**
Depreciation and impairment at 1 January	-3.679	-3.635
Depreciation for the year	-63	-44
Depreciation and impairment at 31 December	**-3.742**	**-3.679**
Carrying amount at 31 December	35	56
Expected useful life:	3-10 years	3-10 years

Note 6 – Investments in subsidiaries

Figures in USD '000	2017	2016
Cost:		
Cost at 1 January	16.951	12.760
Additions through merger w ith Ultrabulk Rederi A/S	0	4.191
Additions for the year	1.115	0
Cost at 31 December	**18.066**	**16.951**
Value adjustment at 1 January	76.881	72.448
Changes in relation to merger w ith Ultrabulk Rederi A/S	0	-3.521
Dividends received	-27.600	0
Share of the result for the year	3.068	10.357
Change on equity (hedge reserve)	-3.702	-2.403
Value adjustment at 31 December	**48.647**	**76.881**
Carrying amount at 31 December	66.713	93.832
The carrying amount can be specified as follow s:		
Investment in subsidaries	68.827	95.922
Negative equity in subsidaries, deducted intercompany receivables	-2.114	-2.090
	66.713	93.832
	Ow nership	Ow nership
Ultrabulk Shipholding Singapore Pte. Ltd	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%
Ultrabulk South Africa (Pty) Ltd.	100%	100%
Ultrabulk Cargo Services GmbH	100%	100%

Note 7 – Investments in associates

Figures in USD '000	2017	2016
Cost:		
Cost at 1 January	1.408	1.408
Exchange rate adjustment	0	0
Cost at 31 December	**1.408**	**1.408**
Value adjustment at 1 January	600	541
Exchange rate adjustment	4	2
Dividends received	0	-116
Share of the result for the year	306	173
Value adjustment at 31 December	**910**	**600**
Carrying amount at 31 December	2.318	2.007
	Ownership	Ownership
Pérola S.A., Brasil	20%	20%
The carrying amount can be specified as follows:		
Pérola S.A., Brasil, interest 20%	2.318	1.949
	2.318	1.949
Key figures for investment in associates:		
Assets	12.159	8.604
Liabilities	-3.150	-1.436
Net assets	9.009	7.168
Revenue	23.948	17.845
Profit/loss before tax	2.322	2.016
Income tax	-791	-671
Profit/loss for the year	1.532	1.346
Total comprehensive income for the year	1.532	1.346

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	2017	2016
Transfer to retained earnings	-5.790	-7.712
Reserve for net revaluation according to equity method	3.374	10.357
	-2.416	**2.645**

Note 9 – Mortgages and security

Figures in USD '000	2017	2016
Other guarantees		
Ultrabulk A/S has issued guarantees for loans to joint venture and associated company	46.987	52.137
Ultrabulk A/S has issued guarantees for time charter hires to subsidiaries	469.105	515.127
Ultrabulk A/S has issued guarantees for remaining payments under new building contracts	40.200	59.194
Total	**556.292**	**626.458**

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 – Operating lease liabilities and COAs commitments

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

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

Figures in USD '000	2017	2016
Charter hire for vessels not delivered		
Within one year	5.420	5.420
Between 1 - 5 years	27.116	31.098
More than 5 years	5.435	17.698
Total	**37.971**	**54.216**
Charter hire for vessels on time charter with purchase option		
Within one year	116.629	104.825
Between 1 - 5 years	313.044	318.388
More than 5 years	25.617	23.021
Total	**455.289**	**446.235**
Charter hire for vessels on time charter without purchase option		
Within one year	45.151	36.557
Between 1 - 5 years	42.973	22.322
More than 5 years	0	0
Total	**88.124**	**58.879**
Other leases (operational lease)		
Within one year	430	604
Between 1 - 5 years	401	534
More than 5 years	0	0
Total	**831**	**1.138**
Total operating lease liabilities	**582.216**	**560.468**

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

COAs and Time Charter commitments as service provider	2017	2016
Within one year	131.496	121.970
Betw een 1 - 5 years	387.007	482.479
More than 5 years	78.404	127.550
Total	**596.907**	**731.999**

Note 12 – Financial instruments

Bunker hedge

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

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

FFA hedge

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

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

Hedge accounting reserve in equity

The hedge accounting reserve in equity is related to cash flow hedging financial derivatives and amount to USD 15.8 million (31 December 2016: USD 24.6 million).

Note 13 – Related party transaction

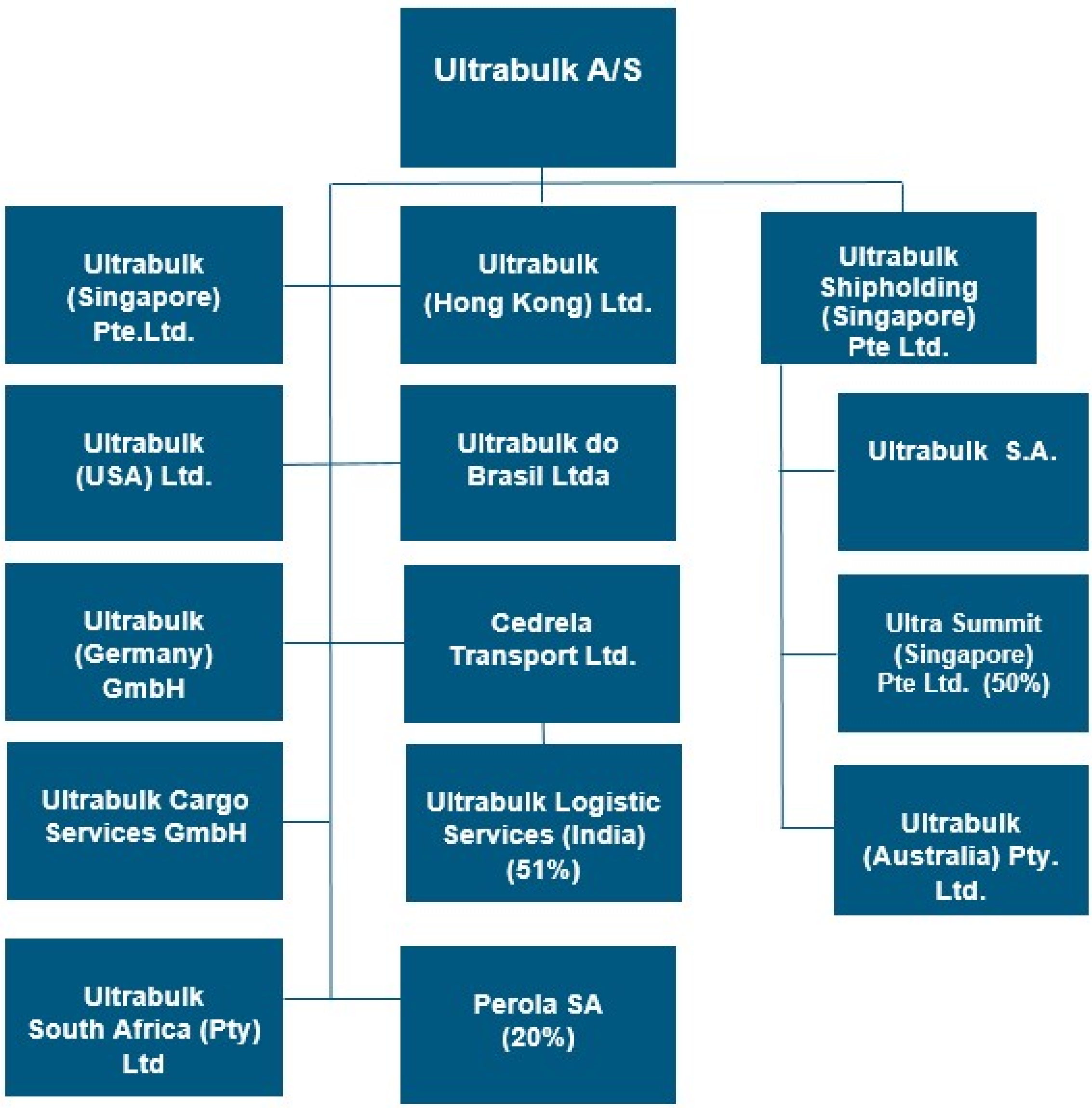
Ultrabulk A/S is included in the consolidated financial statement for Ultranav Denmark ApS, Denmark and Naviera Ultranav Limitada, Chile.

Figures in USD '000		Sale/ (Purchases) 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	**2017**	**2016**	**2017**	**2016**
Joint Ventures	Charter hire	-11.959	-11.067	17	0
	Guarantees	0	0	46.987	31.200
Subsidiaries	Charter hire	-165.225	-139.143		
	Service	0	0	12.123	2.368
	Management fee expense	-6.925	-5.079	0	0
Affiliated companies	Charter hire	9.423	0	226	-948
	Service	1.199	127	-757	4.185
	Management fee expense	-2.541	-2.219	-51	220

Note 14 – Subsequent events

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

Group Structure



100% owned unless specified otherwise. Ultrabulk (Australia) Ltd. was created in January 2018 and will operate from March 2018.

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

Company Information

www.ultranav.cl Ultranav owns around 60 vessels & operates more than 200. They are employed in the transportation of crude oil, refined products, chemicals, liquid gases, dry bulk cargoes & containers.

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

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