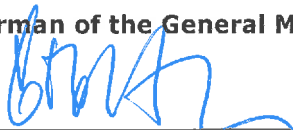


Nordic Caribe K/S
Tuborg Havnevej 15
2900 Hellerup
Business Registration No
35836470

Annual report 2016

The Annual General Meeting adopted the annual report on 18.05.2017

Chairman of the General Meeting



Name: Carl Willem Henrik Moltke

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Entity details

Entity

Nordic Caribe K/S
Tuborg Havnevej 15
2900 Hellerup

Business Registration No: 35836470
Registered in: Hellerup
Financial year: 01.01.2016 - 31.12.2016

Board of Directors

Per Sylvester Jensen, chairman
Carsten Brix Ostenfeldt
Carl Willem Henrik Moltke

Executive Board

Henriette Schütze, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postbox 1600
0900 Copenhagen C

Statement by Management on the annual report

The general partner has today considered and approved the annual report of Nordic Caribe K/S for the financial year 01.01.2016 - 31.12.2016.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

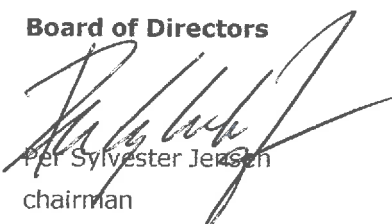
Hellerup, 17 May 2017

Executive Board




Henriette Schütze
CEO

Board of Directors



Per Sylvester Jensen
chairman



Carsten Brix Osterfeldt



Carl Willem Henrik Moltke

Independent auditor's report

To the owner of Nordic Caribe K/S

Opinion

We have audited the financial statements of Nordic Caribe K/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Independent auditor's report

- Identify and assess the risks of material misstatement of the 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 Entity'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 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 Entity'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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

Independent auditor's report

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

Copenhagen, 18.05.2017

Deloitte

Statsautoriseret Revisionspartnerselskab

Business Registration No: 33963556



Henrik Hjort Kjelgaard

State Authorised Public Accountant



Bjarne Iver Jørgensen

State Authorised Public Accountant

Management commentary

	2016	2015	2014
	USD'000	USD'000	USD'000
Financial highlights			
Key figures			
Revenue	40.028	32.031	18.283
Gross profit/loss	20.693	15.681	8.963
Operating profit/loss	7.511	6.091	4.339
Net financials	(2.797)	(1.847)	(1.037)
Profit/loss for the year	4.714	4.245	3.302
Total assets	130.185	110.579	91.798
Investments in property, plant and equipment	25.073	23.694	0
Equity	53.047	51.508	43.764
Ratios			
Gross margin (%)	51,7	49,0	49,0
Net margin (%)	11,8	13,3	18,1
Return on equity (%)	9,0	8,9	7,5
Equity ratio (%)	40,7	46,6	47,7

Key figures are calculated in accordance with the "Recommendations & Financial Ratios 2015" from the Danish Finance Society.

The Company was established on 9 April 2014.

Ratios	Calculation formula	Ratios
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The Company's business activities consist of conducting shipping globally with own vessels while focusing on safety, quality and thus on environmentally friendly transport at sea.

Development in activities and finances

The Company has purchased the vessel Nordic Marita in 2016 and as part of the acquisition of the vessel, the company undertook a refinancing of its senior secured bank debt. Besides providing financing for the acquisition of the Nordic Marita, the objective of new senior secured term loan facility (which will mature in December 2022) was to bring terms and conditions up to a substance that reflects the significant improvement in the financial performance of the Company over the last two years.

The year-end result of USD 4,714 thousand is considered satisfactory.

Nordic Caribe K/S has distributed extraordinary dividends of USD 3,300 thousand. As at 31 December 2016, the equity amounts to USD 53,047 thousand.

Business related risks

Although a large percentage of the Company's earnings come from COA contracts, the general freight market influences the basic profits.

Financial risks

The Company's earnings are mainly in EUR and USD, which match the Company's administrative and financial costs.

Outlook

Management expects that the Company will realise better results for 2017, however, this is dependent on the development in the freight market.

Environmental performance

A significant area of activity in Nordic Caribe K/S' affiliated companies is the transport of petro chemical products and refined oil products. As a high level of safety is important both to the shipowner and the Charter in order to prevent damages to people and nature plus the loss of assets, all vessels used within this segment are double-hulled and equipped with stainless steel tanks. In addition, it is secured that the vessels are well maintained and that the crew continually complete safety training.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Income statement for 2016

	<u>Notes</u>	<u>2016 USD</u>	<u>2015 USD</u>
Revenue		40.028.306	32.031.229
Other operating income		988.133	1.981.725
Cost of sales		(19.499.701)	(17.934.984)
Other external expenses		(823.893)	(397.052)
Gross profit/loss		20.692.845	15.680.918
Staff costs	1	(6.247.108)	(4.973.400)
Depreciation, amortisation and impairment losses		(6.934.877)	(4.616.253)
Operating profit/loss		7.510.860	6.091.265
Other financial income	2	236	10.773
Other financial expenses	3	(2.797.016)	(1.857.516)
Profit/loss for the year	4	4.714.080	4.244.522

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 USD</u>	<u>2015 USD</u>
Vessels and docking		119.037.860	100.900.233
Property, plant and equipment	5	119.037.860	100.900.233
Fixed assets		119.037.860	100.900.233
Raw materials and consumables		584.623	383.262
Inventories		584.623	383.262
Trade receivables		1.323.103	1.737.457
Receivables from group enterprises		93.631	1.252.618
Other receivables		676.218	1.301.127
Prepayments	6	1.094.143	245.127
Receivables		3.187.095	4.536.329
Cash		7.375.463	4.759.137
Current assets		11.147.181	9.678.728
Assets		130.185.041	110.578.961

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 USD</u>	<u>2015 USD</u>
Contributed capital		1.823	1.823
Retained earnings		53.045.331	51.506.251
Equity		<u>53.047.154</u>	<u>51.508.074</u>
Bank loans		66.515.431	49.297.503
Non-current liabilities other than provisions	7	<u>66.515.431</u>	<u>49.297.503</u>
Bank loans		7.560.000	6.750.000
Trade payables		1.319.737	810.705
Payables to group enterprises		114.994	844.332
Other payables		1.627.725	1.368.347
Current liabilities other than provisions		<u>10.622.456</u>	<u>9.773.384</u>
Liabilities other than provisions		<u>77.137.887</u>	<u>59.070.887</u>
Equity and liabilities		<u>130.185.041</u>	<u>110.578.961</u>
Contingent liabilities	8		
Mortgages and securities	9		
Related parties with controlling interest	10		
Group relations	11		

Statement of changes in equity for 2016

	Contributed capital USD	Retained earnings USD	Total USD
Equity beginning of year	1.823	51.506.251	51.508.074
Dividend paid	0	(3.300.000)	(3.300.000)
Group contributions	0	125.000	125.000
Profit/loss for the year	0	4.714.080	4.714.080
Equity end of year	1.823	53.045.331	53.047.154

Notes

	2016	2015
	USD	USD
1. Staff costs		
Wages and salaries	4.349.329	3.795.478
Other staff costs	1.897.779	1.177.922
	6.247.108	4.973.400

Staff costs consist of wages to crew members onboard vessels. The seafarers are employed on a voyage to voyage basis and are not included in the average number of employees. The Company's Management has not received remuneration.

	2016	2015
	USD	USD
2. Other financial income		
Interest income	236	0
Exchange rate adjustments	0	10.773
	236	10.773

	2016	2015
	USD	USD
3. Other financial expenses		
Interest expenses	2.487.196	1.822.051
Exchange rate adjustments	11.528	0
Other financial expenses	298.292	35.465
	2.797.016	1.857.516

	2016	2015
	USD	USD
4. Proposed distribution of profit/loss		
Retained earnings	4.714.080	4.244.522
	4.714.080	4.244.522

Notes

	Vessels
	USD
5. Property, plant and equipment	
Cost beginning of year	107.672.194
Additions	25.072.506
Disposals	(951.756)
Cost end of year	<u>131.792.944</u>
Depreciation and impairment losses beginning of the year	(6.771.961)
Depreciation for the year	(6.334.364)
Reversal regarding disposals	351.241
Depreciation and impairment losses end of the year	<u>(12.755.084)</u>
Carrying amount end of year	<u>119.037.860</u>

6. Prepayments

Prepayments consist of prepaid expenses.

	Outstanding
	after 5 years
	USD
7. Liabilities other than provisions	
Bank loans	28.715.431
	<u>28.715.431</u>

8. Contingent liabilities

Management is not aware of any lawsuits or arbitration cases which could have significant influence on the Company's financial position or result.

The company is not subject for tax.

9. Mortgages and securities

As security for bank debt, the Company has deposited mortgage, mortgage deed and letter of indemnity for a total value of USD 127.5 million (2015: USD 103.0 million) secured with pledge in vessels, included in the balance sheet with USD 119.0 million (2015: USD 100.9 million).

10. Related parties with controlling interest

The general partner of Nordic Caribe K/S is Nordic Caribe Partner ApS.

Notes

11. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Nordic Tankers LuxCo S.C.A., 2C, rue Albert Borschette, 1246 Luxembourg. Luxembourg registration no. B 159677.

The consolidated financial statements of the foreign parent company can be obtained at the following address: Registre de Commerce et des Sociétés, L-2961 Luxembourg.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C (medium) enterprises.

The accounting policies applied to these financial statements are consistent with those applied last year. The Company has decided to submit the annual report in USD in accordance with section 16 of the Danish Financial Statements Act.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Accounting policies

Income statement

Revenue

Revenue is recognised in the income statement when:

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

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

Other operating income

Other operating income comprises income of a secondary nature other than the Company's primary activities.

Cost of sales

Cost of sales are voyage related expenses that consist mainly of bunkers, port expenses and commissions. Voyage related expenses are recognised as incurred. Moreover, cost of sales includes operation and maintenance of vessels.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for the crew.

Depreciation, amortisation and impairment losses

Depreciation on fixed assets pertains mainly to vessels and dry-dockings (see 'Property, plant and equipment' for the description of depreciation principles). Write downs are made when impairment tests shows that the value of fixed assets is impaired.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on payables and transactions in foreign currencies, amortisation of financial assets etc.

Accounting policies

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on payables and transactions in foreign currencies, amortisation of financial liabilities etc.

Balance sheet

Property, plant and equipment

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

Vessels: Vessels are measured at cost less accumulated depreciation and write-downs. All major components of vessels except for dry-docking assets are depreciated on a straight-line basis to the estimated residual value over their estimated useful lives, which Nordic Tankers estimates to be 25 years. Depreciation is based on cost less the estimated residual value. Residual value is estimated as the light weight tonnage of each vessel multiplied by scrap value per ton. The useful life and residual value of the vessels are reviewed at least at each financial year-end based on market conditions, regulatory requirements and the Company's business plans. Moreover, the Company evaluates the carrying amount of the vessels to determine whether events have occurred that indicate impairment and would require an adjustment of the carrying amounts.

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

Inventories

Inventories consist of bunker oil and lubricants, etc. and are measured at cost using the FIFO method or the net realisable value, whichever is lower.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Accounting policies

Prepayments

Prepaid expenses recognised under assets comprise incurred expenses related to the following financial year and are measured at cost.

Cash

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

Other financial liabilities

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

Cash flow statement

The cash flow statement is not included in the annual report in accordance with the Danish Financial Statements Act § 86, section 4.