UltraShip ApS

Smakkedalen 6, 2820 Gentofte

Annual report 2016

Adopted on the Annual General meeting of shareholders.

20 March 2017

Sidsel Bromose

Chairman

CVR-nr./CVR no. 32 33 39 23

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of UltraShip ApS for the financial period 1 January 2016 – 31 December 2016.

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

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2016 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2016.

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

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

Gentofte, 8 March 2017

Executive Board:

Martin Fruergaard	Martin Bork

Board of Directors:

Carsten Haagensen Chairman	Dag Von Appen Burose	Enrique Reinaldo Ide Valenzuela

Independent auditors' report

To the shareholders of UltraShip ApS

Opinion

We have audited the financial statements of UltraShip ApS for the financial year 1 January – 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. 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 financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the 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 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 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 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 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 professional skepticism throughout the audit. We also:

- 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 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 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 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, 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's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, 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's review and, in doing so, consider whether the Management's review is materially inconsistent with the 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 conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 8 March 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR-no. 30700228

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

Management's review

Company details

UltraShip ApS
Smakkedalen 6, 2820 Gentofte, Denmark

Telephone:	+45 6996 2110
Website:	www.UltraShip.dk

CVR no.:	32 33 39 23
Established:	7 February 2014
Registered office:	Gentofte, Denmark
Financial year:	1 January - 31 December

Board of Directors

Carsten Haagensen, Hellerup, Denmark – *Chairmann*
Dag Karl Albert Von Appen Burose, Santiago, Chile
Enrique Reinaldo Ide Valenzuela, Santiago, Chile

Executive Board

Martin Fruergaard, CEO
Martin Bork, COO

Auditors

Ernst & Young
Godkendt revisionspartnerselskab
Osvald Helmuths Vej 4
P.O. Box 250
DK-2000 Frederiksberg

Annual general meeting

The annual general meeting is to be held on

Management's review

Operating review

Principal activities

The object for UltraShip ApS (Ultraship) is primarily to perform technical management for Ultragas' fleet of LPG carriers as well as technical supervision, including new buildings and projects, for Ultragas ApS (Ultragas) and affiliated companies within the Ultranav Group.

Performance and result for the year

End 2016 16 gas carriers were in technical management with Ultraship and further 4 gas carriers will be transferred during 1st quarter 2017 which include 3 new buildings from STX in Korea. The vessels are managed at a high standard and entered with first class flag states, including DIS and with recognized classification societies of which Lloyds Register is the predominant.

UltraShip is acting as new building supervisor for companies in the Ultranav Group, including Ultragas, and has during 2016 assisted in the building and delivery of 1 new building from STX in Korea and will likewise supervise for the remaining 3 new buildings for delivery in 2017. UltraShip is further appointed by the Unigas' partners to be the technical leader for the six 12.000 cbm Ethylene carriers on order from STX in Korea of which 3 have been delivered by the end of 2016. Two of these vessels have been ordered by companies in the Ultranav Group.

The affiliated company Ultrabulk A/S has further appointed UltraShip as technical adviser, which amongst others tasks include the monitoring of external ship managers for their owned bulk fleet, new building supervision and the technical operation of the chartered fleet.

Companies in the Group work closely together on establishing possible synergies particularly in relation to procurement, which so far has resulted in considerable costs saving in respect of class, paint, lubrication oil and main engine spare parts. These efforts have also included ERP systems meaning that the Group will be working on same IT platforms, which will provide considerable overall costs savings and uniformity within the Group. Finally, the Group works closely together on safety improvements through the "UltraSafe" project.

The result for the year amounted to a loss of USD 1,142 thousand, where the loss mainly relates to late delivery of the newbuildings.

UltraShip ApS has received an intra-group contribution of USD 1,150 thousand from the parent company Ultragas ApS. Subsequently, the equity amounted to USD 182 thousand at 31 December 2016.

Health, safety and environment

UltraShip is focused on the safe operation of the fleet and to ensuring a healthy working environment for all employees. The safety and well-being of the employees has a high priority and the Company aims to continuously provide and enhance healthy and high quality working conditions. Efforts have been invested in standardizing and improving processes during the year and partly in consequence of which Ultraship has been able to improve their safety record during 2016.

Management's review

Ultraship does not have an own policy for social responsibility, but adheres to the comprehensive such policies adopted by its parent and the Ultranav Group.

Human capital is a core asset and it is important for the Company to keep qualified and motivated employees, hence related development investments are made to the benefit of all.

The Company will continue to have focus on environment issues and through close fleet performance monitoring ensure optimum speed and fuel consumption with the view of reducing the fleet’s emission. Attention is also given to optimizing systems and equipment, which impact the environment.

Outlook

UltraShip will continue to work on improving the technical operation of the fleet to achieve a safe and efficient operation of the fleet and strong focus will remain on safety, crew performance, cargo operation and costs ensuring high standard ship management at competitive costs.

Management expects break-even result once the remaining Ultragas fleet of gas carriers has been transferred into technical management by early 2017 and when two Ultrabulk dry cargo vessels have joined later during first half 2017. The parent company Ultragas ApS will in the meantime provide financial support to the UltraShip ApS.

Subsequent events

Ultraship has during January taken the semi-refrigerated LPG carriers “Arcticgas” and “Pacificgas” into technical management and in February 2017 the semi-refrigerated Ethylene carrier “Happy Avocet” and one dry cargo carrier. No other significant events have occurred after the balance sheet date that materially affects the financial position of the Company.

Financial statements for the period 1 January–31 December

Accounting policies

The annual report of UltraShip ApS for 2016 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.The Company has voluntarily prepared a cash flow statement.

The company's business is primarily based on the US Dollar. All income in the form of technical management fee and other service fees is in US Dollar. Based on this, the company has designated the US Dollar its functional and reporting currency. Consequently, amounts are recognized in US Dollar. For 2016 the average USD/DKK rate of exchange was 673.27. At 31 December 2016 it was 705.28.

Foreign currency translation

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

Receivables, payables and other monetary items denominated in foreign currencies are translated 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 financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Income

Income is technical management fee earned from vessels owned by the Group as well as other income related to technical supervision for companies within the Group.

Administrative and Staff costs

Administrative expenses comprise expenses incurred during the year for company management and administration, including expenses for administrative staff, management, office premises and office expenses.

Financial income and expenses

Financial income and expenses comprise interest income and expense, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense

Financial statements for the period 1 January – 31 December

Accounting policies

relating to amounts directly recognised in equity is recognised directly in equity. The tax expense recognised in the income statement relating to the extraordinary profit/loss for the year is allocated to this item whereas the remaining tax expense is allocated to the profit/loss for the year from ordinary activities.

Balance sheet

Property, plant and equipment

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Fixtures and fittings, tools and equipment 3-5 years

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as depreciation.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined based on historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments comprise costs incurred in relation to subsequent financial years.

Financial statements for the period 1 January – 31 December

Accounting policies

Equity – dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

UltraShip ApS is jointly taxed with the ultimate parent company Ultranav Denmark ApS and the ultimate 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 operating activities UltraShip ApS 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 equity.

Liabilities other than provisions

Financial liabilities which comprise trade payable and payables to associated companies are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less that are readily convertible to cash and are subject to an insignificant risk of changes in value.

Financial statements for the period 1 January –31 December

Income statement

USD'000	Note	2016	2015
Income		3,853	2,917
Administrative expenses		-1,759	-1,768
Staff costs	1	-3,147	-2,686
Operating loss before depreciation		-1,053	-1,537
Depreciation	5	-29	-31
Operating loss		-1,082	-1,568
Financial income	2	20	26
Financial expenses	3	-53	-22
Loss before tax		-1,115	-1,564
Tax on loss for the year	4	-27	-38
Loss for the year		-1,142	-1,602

Proposed allocation of loss

Retained earnings		-1,142	-1,602
		-1,142	-1,602

Financial statements for the period 1 January –31 December

Balance sheet

USD'000	Note	2016	2015
ASSETS			
Property, plant and equipment	5		
Fixtures and fittings, tools and equipment		80	109
		80	109
Current assets			
Receivables			
Receivables from related party	7	824	355
Other receivables		41	49
Prepaid expenses		-	3
		865	407
Cash at bank and in hand		144	445
Total current assets		1,009	852
TOTAL ASSETS		1,089	961

Financial statements for the period 1 January – 31 December

Balance sheet

USD'000	Note	2016	2015
EQUITY AND LIABILITIES			
Equity			
Share capital	6	9	9
Retained earnings		173	167
Total equity		182	176
Current liabilities other than provisions			
Debt to related party	7	50	3
Other payables		810	740
Corporate tax		47	42
		907	785
Total liabilities other than provisions		907	785
TOTAL EQUITY AND LIABILITIES		1,089	961

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Financial statements for the period 1 January –31 December

Statement of changes in equity

USD'000	Share capital	Retained earnings	Total
Equity at 1 january 2015	9	169	178
Intra-group contribution	-	1,600	1,600
Transferred, cf. allocation of loss	-	-1,602	-1,602
Equity at 31 December 2015	9	167	176
Equity at 1 january 2016	**9**	**167**	**176**
Intra-group contribution	-	1,150	1,150
Transferred, cf. allocation of loss	-	-1,142	-1,142
Other adjustments	-	-2	-2
Equity at 31 December 2016	9	173	182

Financial statements for the period 1 January –31 December

Cash flow statement

USD'000	2016	2015
Loss before tax	-1,115	-1,564
Depreciation and amortisation	29	31
Interest expense	20	3
Currency adjustment	-21	-
Changes in working capital:		
Other receivables and prepaid expenses	11	1
Trade and other payables	66	495
Debt to related party	-442	-496
Cash flows from operating activities	-1,452	-1,530
Intra-group contribution	1,150	1,600
Interest paid	-	-3
Cash flows from financing activities	1,150	1,597
Net cash flows for the year	-301	67
Cash and cash equivalents at 1 January	445	378
Cash and cash equivalents at 31 December	144	445

Financial statements for the period 1 January –31 December

Notes to the financial statements

	USD'000	2016	2015
1	**Personel expenses**		
	Wages and salaries	2,794	2,421
	Pensions	325	246
	Other social security costs	28	19
		3,147	2,686
	Average number of full-time employees	23	19
2	**Financial Income**		
	Foreign exchange income	20	26
		20	26
3	**Financial expenses**		
	Interests to related parties	20	19
	Other financial cost	33	3
		53	22
4	**Tax**		
	Current tax for the year	27	38
		27	38
5	**Property, plant and equipment**		
	Fixtures and fittings, tools and equipment		
	Cost at 1 January	168	168
	Addition	-	-
	Cost at 31 December	168	168
	Depreciation at 1 January	-59	-28
	Depreciation	-29	-31
	Depreciation at 31 December	-88	-59
	Carrying amount at 31 December	80	109
	Depreciation for the year	-29	-31
	Gain on sale of assets	-	-
	Depreciations included in Income statement	-29	-31

Financial statements for the period 1 January –31 December

Notes to the financial statements

6 Share capital

The share capital comprises 5,000 shares of DKK 10 each. All shares rank equally.

7 Related party disclosures

UltraShip ApS is a wholly owned subsidiary of Ultragas ApS, which is a part of Navieras Ultranav Limitada Group located in El Bosque Norte 500, Piso 19, Las Condes, Santiago, Chile.

Parties exercising control

Parties exercising control are associated companies of Ultranav Group, management in UltraShip ApS and associated companies in which the above have significant influence.

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital:

Ultragas ApS, Smakkedalen 6, 2820 Gentofte, Denmark

The consolidated financial statement of Ultranav Denmark ApS is available at the Company's address.

The ultimate holding company of UltraShip ApS is Naviera Ultranav Limitada, Av. El Bosque Norte 500 Piso 19-20, 7550092 Las Condes, Santiago Chile.

USD'000		Sale to/from related	Sale to/from related	Amounts owed by/(to) related	Amounts owed by/(to) related
Related party	**Type of transaction**	2016	2015	2016	2015
Ultragas ApS	Tech.mgm/Supervision	3,272	2,790	-	-
Ultragas ApS	Purchase/funding	1,150	1,600	690	298
Ultragas ApS	Interest	-4	-19	-	-
Ultrabulk A/S	Tech. supervision	127	127	-	-1
Othello Shipping Co SA	Supervision	440	-	-	-
Ultranav Business Support ApS	Administration	-893	-833	-50	34
P.E.P Shipping A/S	Administration	-	-2	-	-2
Ultrabulk Shipholding Singapore	Administration	-	3	-	3
Naviera Ultranav Limitada	Administration	0	0	127	17
Administradora Humboldt	Administration	-	3	-	3
Ultranav International	Administration	-	-	8	-
Ultranav International	Interest	-16	-	-	-

Financial statements for the period 1 January –31 December

Notes to the financial statements

8 Disclosure of events after the balance sheet date

Ultraship has during January taken the semi-refrigerated LPG carriers “Arcticgas” and “Pacificgas” into technical management and in February 2017 the semi-refrigerated Ethylene carrier “Happy Avocet” and one dry cargo carrier. No other significant events have occurred after the balance sheet date that materially affects the financial position of the Company.

9 Contingent liabilities

The company is jointly taxed with other companies in the Ultranav Denmark ApS Group. The companies are jointly and unlimited liable for Danish corporation tax and withholding taxes on dividends, interest and royalties in the joint taxation. Any subsequent corrections of joint taxation of income or withholding taxes on dividends, etc. could lead to companie’s liability constituting a larger amount. The Group as a whole shall not be liable towards others.

The Group's Danish companies are jointly and severally liable for the joint registration of VAT.

10 Going concern

The Company has received support of TUSD 1,150 from the parent company to re-establish the negative equity. Management expects break-even result once the remaining gas carrier fleet has been transferred into technical management by early 2017 and two dry cargo vessels have been added during first half of 2017. Until then, the parent company Ultragas ApS has confirmed to provide financial support to the Company. The commitment expires on 31 December 2017.