



ESE A/S

Kalvebod Brygge 39-41

DK - 1560 Copenhagen

CVR. No. 32 35 76 44

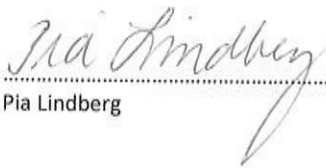
Annual report

for the year ended 31 December 2016

(12 months)

8th financial year

Approved at the annual general meeting of shareholders,
on 30 June 2017


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Pia Lindberg

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Company details

ESE A/S

Kalvebod Brygge 39-41

DK- 1560 Copenhagen

www.evergas.net

Board of Directors

Jaques Marie Joseph Narcisse d'Armand de Chateauvieux, chairman

Philippe René Georges Rochet

Steffen Jacobsen

Executive board

Steffen Jacobsen

Shareholders holding 5% or more of the share capital or the voting rights

Evergas Ethylene A/S

Kalvebod Brygge 39-41

DK - 1560 Copenhagen

Auditors

Ernst & Young

Godkendt Revisionspartnerselskab

Osvald Helmuths Vej 4

DK – 2000 Frederiksberg

Bankers

Nordea Bank A/S

Statement by management on the annual report

Today, management has discussed and approved the annual report of ESE A/S for the financial year 1 January – 31 December 2016.

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

In our opinion, 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.

In our opinion, the management's review includes a fair review of the matters dealt with in the management's review.

We recommend that the annual report is approved by the annual general meeting of shareholders.

Copenhagen, 30 June 2017

Executive board:

.....
Steffen Jacobsen

Board of Directors:

.....
Jaques Marie Joseph Narcisse
d'Armand de Chateauvieux
(chairman)

.....
Philippe René Georges Rochet

.....
Steffen Jacobsen

Independent auditors' report

To the shareholders of ESE A/S

Opinion

We have audited the financial statements of ESE A/S for the financial year 1 January – 31 December 2016, which comprise, accounting policies, income statement, balance sheet, statement of changes in equity and notes. 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 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 state

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.

Independent auditor's report

- ▶ 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, 30 June 2017

Ernst & Young

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

Jens Thordahl Nøhr
State Authorized Public Accountant

Peter Andersen
State Authorized Public Accountant

Management's review

Business activities and mission

The purpose of the company is shipping activity and any activity, which according to the opinion of the Executive board is related hereto.

The company's functional currency and presentation currency is USD.

Business review

The company's result for 2016 shows a loss of USD 1,341, and the company's balance sheet shows an equity of USD 92,241.

Going concern assessment

For a description of the going concern assessment at 31 December 2016, refer to note 1.

Uncertainty relating to recognition and measurement

Recognition and measurement in the annual report have not been subject to any significant uncertainty.

Subsequent events

There were no events subsequent to the balance sheet date, which would require adjustment to, or disclosures in the company's financial statement apart from what is included in note 1.

Accounting policies

The annual report of ESE A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Changes to presentation and disclosures only

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies the following changes in the recognition and measurement:

In future, residual values of property, plant and equipment will be subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment other than those relating to the Company's vessels. Consequently, the change is made in accordance with section 4 of the executive order on transitional provisions with future effect only as a change in accounting estimates with no impact on equity.

None of the above changes affects the income statement or the balance sheet for 2016 or the comparative figures.

Apart from the above changes presentation and disclosure requirements which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

Reporting currency

The financial statements are presented in USD, based on bookkeeping records maintained in USD. The financial statements are presented in USD to match the functional currency of the company, which is also USD.

Foreign currency translation

Transactions denominated in foreign currencies are translated into USD at the exchange rates at the date of the transaction.

Monetary items denominated in foreign currencies are translated into USD at the exchange rates at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the income statement as financial income/expenses. The exchange rate between USD/DKK per 31. December 2016 was 7.05 against 6.83 per 31 December 2015.

Income statement

Other external expenses

Other external expenses include expenses related to sale, administration, etc.

Net financials

Financial income and expenses are recognised in the income statement at the amounts that relate to the reporting period. Net financials include interest income and expenses, realised and unrealised capital and exchange gains and losses on foreign currency transactions, and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Accounting policies - continued

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments less the share of the tax for the year that relates to changes in equity.

Current and deferred taxes related to items recognized directly in equity are taken directly to equity.

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

The parent acts as a management company for all the companies encompassed by the joint taxation arrangement, meaning that the parent is responsible for ensuring that taxes, etc. are paid to the Danish tax authorities.

Jointly taxed companies entitled to a tax refund are, at a minimum, reimbursed by the management company according to the current rates applicable to interest allowances, and jointly taxed companies having paid too little tax pay, as a minimum, a surcharge according to the management company.

Balance sheet

Receivables

Trade receivables, etc. are measured at the lower of amortized cost and net realizable value, based on an assessment of the individual receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances.

Equity

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

Income taxes

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

Provisions for deferred tax are calculated at 22% of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income.

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

Other payables

Other payables are measured at amortised cost, which, essentially, corresponds to the fair value.

Income statement

1 January – 31 December 2016

	Notes	2016 USD	2015 USD
Other external expenses		<u>(7,168)</u>	<u>(52,486)</u>
Profit/loss before net financials		(7,168)	(52,486)
Other financial expenses	1	<u>(1,646)</u>	<u>(12,444)</u>
Profit/loss before tax		(8,814)	(64,929)
Tax for the year	2	<u>7,473</u>	<u>(393)</u>
Net profit/loss for the year		<u>(1,341)</u>	<u>(65,322)</u>

Which the supervisory board recommends is carried forward to next year.

Appropriation of profit/loss

Profit/loss to be appropriated:

Retained earnings	(2,927)	62,396
Net profit/loss for the year	<u>(1,341)</u>	<u>(65,322)</u>
Available for appropriation	<u>(4,267)</u>	<u>(2,927)</u>

The supervisory board recommends the following appropriation of the profit:

Retained earnings	<u>(4,267)</u>	<u>(2,927)</u>
Total appropriation	<u>(4,267)</u>	<u>(2,927)</u>

Balance sheet
At 31 December

	2016 USD	2015 USD
Assets		
Current assets		
Receivable from group companies	38,027	30,554
Other receivables	<u>18,135</u>	<u>16,451</u>
Receivables	<u>56,162</u>	<u>47,005</u>
Cash and cash equivalents	<u>38,294</u>	<u>49,126</u>
Total current assets	<u>94,456</u>	<u>96,131</u>
Total assets	<u><u>94,456</u></u>	<u><u>96,131</u></u>
Equity and liabilities		
Equity		
Share capital	96,508	96,508
Retained earnings	<u>(4,267)</u>	<u>(2,927)</u>
Total equity	<u>92,241</u>	<u>93,581</u>
Liabilities		
Other payables	<u>2,215</u>	<u>2,550</u>
Short-term liabilities	<u>2,215</u>	<u>2,550</u>
Total equity and liabilities	<u><u>94,456</u></u>	<u><u>96,131</u></u>
Contingent assets and liabilities and Other financial obligations		

Statement of changes in equity

USD

Share capital

Share capital, 1/1	<u>96,508</u>
Share capital, 31/12	<u>96,508</u>

Retained earnings

Retained earnings, 1/1	(2,927)
Net profit/loss	<u>(1,341)</u>
Retained earnings, 31/12	<u>(4,267)</u>

Total equity	<u>92,241</u>
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The company's share capital, USD 96,508, nominal amount of DKK 500,000 consist of 5,000 class A shares of DKK 100. The share capital has not changed since the date of incorporation.

Notes

	2016	2015
	USD	USD
Note 1. Other financial expenses		
Interest paid	0	78
Currency losses	581	11,257
Bank charges	<u>1,065</u>	<u>1,109</u>
	<u>1,646</u>	<u>12,444</u>

Note 2. Tax for the year

The company is jointly taxed with its parent, Evergas A/S, which acts as management Company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends.

Note 3. Contingent assets and liabilities and other financial obligations

As general partner of ESE 2014 K/S, the Company has unlimited liability for all liabilities of the limited partnership, which in total amounted to USD 14,875 thousand at 31 December 2016 (31 December 2015: USD 14,875 thousand) according to the financial statements for 2016 for ESE 2014 K/S. The USD 14,875 thousand are all payable to the previous owners of ESE 2014 K/S and are expected to be settled against the negative equity in 2017 and will have no negative cash impact for ESE A/S.

The company is jointly taxed with its parent, Evergas A/S, which acts as management Company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends.

Note 4. Related parties

Related parties includes the parent company Evergas A/S, Kalvebod Brygge 39-41, Copenhagen DK-1560, which holds the majority of the share capital in the Company.

The consolidated financial statements of Evergas A/S are available at the Company's address: Kalvebod Brygge 39-41, Copenhagen DK-1560.