Ultranav Denmark ApS
2017
Annual Report

Ultranav Denmark ApS
Smakkedalen 6
2820 Gentofte
CVR. No. 32 94 95 41

Approved on the annual general meeting 23 March 2018

Sidsel Bromose

Chairman of the meeting

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Statement by the Board of Directors and Executive Management

The Board of Directors and Executive management have prepared the 2017 Annual Report. The Annual Report was considered and adopted today.

The Annual Report has been 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 operation as well as the consolidated cash flow for the period 1 January - 31 December 2017.

In our opinion the Management's review in the following 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 February 2018

Executive Management:

Francisco Larrain

Board of Directors:

Dag von Appen

Enrique Ide

Carsten Haagensen

Independent auditor's report

To the shareholders of Ultranav Denmark ApS

We have audited the financial statements of Ultranav Denmark ApS for the financial year 1 January – 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including 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 2017 and of the results of the Company's operations and cash flows 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 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 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.

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 as to 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 scepticism 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note 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 the work we have performed, 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, 28 February 2018
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

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

Management review

Company details:

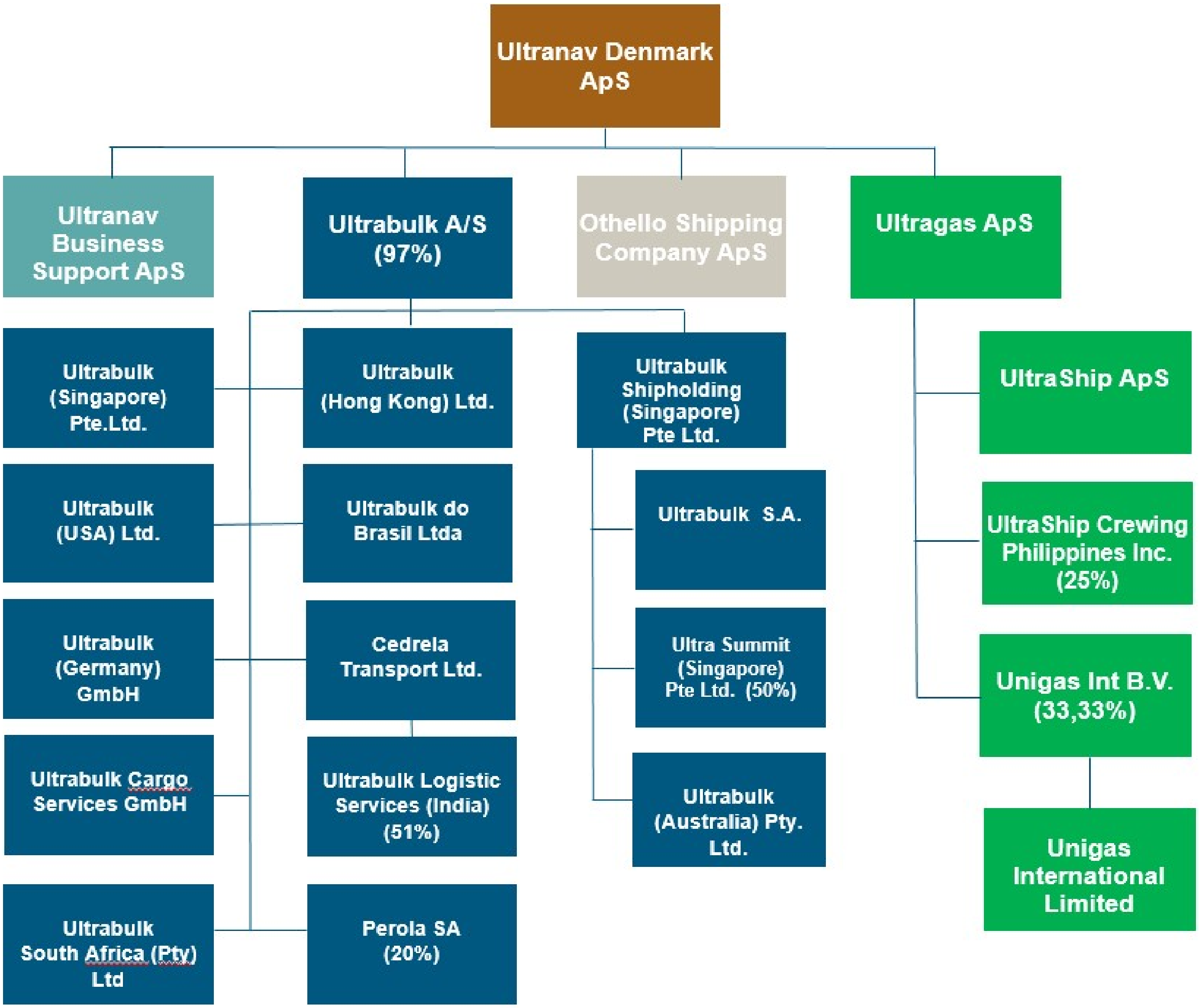
Ultranav Denmark ApS
Smakkedalen 6
2820 Gentofte
CVR-no.:32 94 95 41
Date of foundation: 1 June 2010
Domicile: Gentofte

Board of Directors:
Dag von Appen, Chairman
Carsten Haagensen
Enrique Ide

Management
Francisco Larrain, CEO

Auditors
Ernst & Young
Godkendt Revisionspartnerselskab
Osvald Helmuths Vej 4
Postboks 250
2000 Frederiksberg

Group structure



Key figures

	2017	2016	2015	2014	2013
KEY FIGURES (USD '000)					
Revenue	1.000.580	706.875	790.404	980.893	978.669
Gross profit (Net earnings from shipping activites)	8.543	22.697	48.309	40.916	48.051
Operating profit (EBIT)	-30.956	-15.366	10.077	-583	2.385
Net financials	940	-39	-2.198	-2.440	-1.818
Net profit/(loss)	**-31.559**	**-16.849**	**6.739**	**-3.941**	**438**
Profit/(loss) for the year for the Ultranav Denmark Shareholder	-31.490	-16.772	7.136	-3.309	316
Total assets	331.880	311.118	337.570	340.032	335.890
Equity	**195.636**	**121.822**	**132.139**	**122.867**	**143.889**
Cash flow from operating activities	-32.711	6.785	21.548	-6.491	25.667
Cash flow from investing activities	-19.525	-4.447	-15.970	-4.624	11.693
- of which relates to investment in tangible assets	20.266	5.027	48.273	28.988	6.364
Cash flow from financing activities	37.515	-5.303	12.991	16.340	7.419
Total cash flow	**-14.721**	**-2.965**	**18.569**	**5.225**	**44.779**
Financial ratios					
Profit margin	-3,09	-2,17	1,27	-0,06	0,24
Return of invested capital	-44,02	-28,80	17,26	-1,74	9,80
Gross profit margin	0,85	3,21	6,11	4,17	4,91
Equity ratio	58,95	39,16	39,32	36,39	42,84
Return of equity	-19,88	-13,27	5,29	-2,95	0,32
USD/DKK rate year-end	620,77	705,28	683,00	612,14	541,27
Average USD/DKK rate	659,53	673,27	672,68	561,90	561,60

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

Main Activities of the Ultranav Denmark ApS Group

Ultranav Denmark ApS is the holding company (the Parent) for the activities in Ultrabulk A/S Group, Ultragas ApS Group, Ultranav Business Support ApS and Othello Shipping Company ApS in the following collectively refer to as the Group.

Ultranav Denmark ApS is a subsidiary of Naviera Ultranav Limitada, Santiago, Chile.

In 2017 Ultranav Denmark ApS has been merged with a sister company Ultranav Enterprises S.A. with Ultranav Denmark ApS as the continuing company. The merger has increased Ultranav Denmark ApS equity with USD 103 million.

The main activities of the Group are ship owning and ship operating activities with a main focus on dry bulk activities within the MPP, Handy, Supramax, and Panamax segments and transport of liquid gas products in semi-refrigerated gas carriers with a carrying capacity of up to 22,000 cbm.

Bulk activities

During 2017 Ultrabulk A/S operated on average 146 bulk carriers from its head office in Copenhagen and chartering and/or operating offices in Cape Town, Hamburg, New York, Rio de Janeiro, Santiago, Singapore, and Hong Kong. The Cape Town office was opened in May 2017 and strengthened Ultrabulk's activities in the South African region.

Ultrabulk A/S core fleet of owned and long-term chartered vessels grew by 4 units during the year to 44 units as of the end of 2017. Another 4 vessels – a combination of owned and long-term chartered units – will be added to the core fleet by 2019. Long-term time charter contracts are classified as operational leases and are included in contingent liabilities as per note 15 in the consolidated financial statements.

It continues to be a fundamental element in Ultrabulk A/S's policy to maintain a relatively narrow balance between long-term cargo contract commitments and the long-term controlled tonnage capacity, and further cargo contracts have been concluded during the year.

Gas activities

As of end 2017, Ultragas ApS has overall commercial and operational responsibility for a total of 20 specialised gas carriers with individual cargo carrying capacity ranging from 3,750 cbm to 22,000 cbm.

In 2017 Ultragas ApS took delivery of three new vessels from STX, redelivered the last vessel in the pressurized segment, as well as one smaller semi-refrigerated vessel to recycling.

All of Ultragas ApS' large vessels in the so-called "handy" segment of 15.000 cbm to 22.000 cbm are commercially operated from Copenhagen, while the smaller vessels of 3.500 cbm to 12.000 cbm are commercially operated by Unigas International BV in Rotterdam, a company which Ultragas ApS owns equally with two partners.

Technical management

UltraShip ApS is a fully owned subsidiary of Ultragas ApS. UltraShip ApS was established in 2014 primarily to perform technical management for Ultragas' fleet of gas carriers as well as technical supervision, including new buildings and projects, for Ultragas ApS and affiliated companies within the Ultranav Group. The gas carriers were previously in technical management with 3rd parties.

As of end 2017 a total of 19 out of 20 gas carriers were under own crewing and technical management. Furthermore, two bulk carriers were taken into technical management from an affiliated company, Ultrabulk A/S during 2017.

Supporting activities

Ultranav Business Support ApS has enhanced its capacity and capability of providing high quality support to the bulk and gas carrier operations in the areas of finance management, accounting, operations control, IT, laytime, business intelligence, commercial support and HR functions.

Other activities

Othello Shipping Company ApS has had only limited activities during the year.

Relations to Society and to Stakeholders

It continues to be of absolute and paramount importance for the Ultranav Group to present itself and to act as a fair and trustworthy partner – "A partner you can trust".

This applies to all areas of activities and cooperation and in relation to all stakeholders.

It is important for the Group that activities are planned and executed in a responsible and reliable manner and with a sound and sustainable balance between the considerations for the surrounding society, respect for the environment, the well-being of employees, and the need for commercial development.

Ultranav Denmark ApS 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, the Group participates in the CSR committee, coordinating and safeguarding industry CSR policy.

Human capital

The Group's most valuable asset is the employees – our human capital. A flat organisational structure is applied to assure short lines of communication and that staff is duly empowered.

The safety, well-being, and efficiency of the marine personnel is a priority of the Ultranav Group, and considerable funds and resources are invested in training, courses, and other measures for personal and professional development. For the chartered vessels, such measures are promoted in a dialogue with the vessels' owners.

The Group policy states and ensures equal career opportunities across the organisation irrespective of gender and nationality. Recruitment, career development processes and promotion evaluation are designed to promote this policy.

By the end of 2017, the 3 members of the Board of Directors are men, unchanged from last year, and in line with previous decision to ensure continuity in an unusual and challenging market environment. The objective is for shareholder-elected women to represent at least 25% of the BOD members in 2020. It is assessed that the current members possess the relevant competences. In senior management positions both genders are represented. The representation of women in the senior management team has not increased in 2017 and the aim and expectation is to increase female participation at senior management level in the coming years.

The environment

The Group's policy is to optimise energy consumption, and thereby minimise carbon emissions, as the Group has evaluated that this is the area on which the Group's operations have the largest impact. The goal is to reduce emission in average measures per vessel, year over year, and the Group is actively monitoring and working to reduce fuel consumption.

The Group 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 subsidiary Ultragas ApS Group holds certifications in ISO 9001:2015 (Quality management), ISO 14001:2015 (Environmental management) and OHSAS 18001:2007 (Working environment) as well as the statutory ISM Certificate (International Safety Management).

The Group 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.

The Group continued its fleet renewal programme by receiving 7 newbuildings to the fleet during 2017, all of which being new generation eco-friendly vessels.

The Group companies are members 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.

TRIDENT ALLIANCE

Human rights and anti-corruption

The Group's overall policy is to support and respect the protection of human rights. Group staff is comprised of numerous nationalities, cultures and age groups. This is considered an asset and the Group appreciates the diversity. The Group 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 performed initiatives in 2017 for the employees.

Ultranav Denmark as part of the Ultranav Group, supports initiatives that are coordinated by the Ultramar CSR Committee in Santiago, Chile. The focus of the initiatives of the Committee has been towards the right to access to education as defined by the UN Declaration of Human Rights. In 2017, more than 15 initiatives were implemented, benefitting over 5,200 children from educational programmes in South America allowing them access to elementary education.

The Group has a zero-tolerance policy towards bribery and works proactively against facilitation payments. Neither the Group nor its staff accept or offer bribes of any form and no violations were observed during 2017.

The General Business Principles have been launched on the Groups 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 include 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.

TRACE CERTIFIED

Ultranav Group 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

Ultranav Denmark 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. Ultranav Denmark will continue as part of Danish Shipping's CSR Committee and for the biennium 2018-2019, focus will primarily be on human rights and the UN Sustainable Development Goals.

Development of Activities and Financial Conditions

The consolidated result for the Group before financial items was a loss of USD 31.0 million, whereas the result after tax was a loss of USD 31.6 million. This is substantially below the result of last year and below budget.

Ultrabulk A/S EBITDA was USD 1.6 million (USD 4.3 million in 2016), corresponding to an EBITDA margin of 0.2% (0.7% in 2016), whereas Net Profit amounted to USD -2.4 million (USD 2.6 million in 2016).

The gas vessel activities produced a substantial negative result of USD 21.5 million, partly because of adverse market conditions with unexpected low rates in the ”handy” size segment of 15,000 – 22,000 cbm, partly because of loss of earnings and additional costs related to out of service time related for docking and to the change of technical management processes. The negative result of the Denmark based gas activities is further aggravated by a commitment to pay bareboat rates to other companies in the Naviera Ultranav Limitada group, which turned out to be higher than what could be sustained by the actually realized freight income over the trading year.

The parent company receive a dividend from its subsidiary Ultranav Business Support ApS. Its result after tax is a loss of USD 26 thousand.

Financing

In 2017 Ultranav Denmark ApS was merged with a sister company and after the merger the Parent Company has no long-term loan.

The equity of Ultranav Denmark ApS Group as of end 2017 was USD 195.6 million.

Outlook for 2018

Ultrabulk is confident that it will be able to maintain and develop its market position and that it is well positioned to address the opportunities that will arise under present market conditions. Based on Ultrabulk’s current coverage, and while acknowledging the very volatile market conditions, a positive EBITDA and a positive Net Profit is expected for 2018.

For the gas vessels, a relatively high average age for gas vessels of less than 15,000 cbm, a limited order book, and an expected continued growth in demand for transport of petrochemical gases, driven by a growing global economy, will positively support the Unigas segment. For 2018 Ultragas foresees only limited growth in LPG volumes carried on handy-size vessels, however growing long haul petrochemical shipments are expected to support the segment and average handy-size earnings and fleet utilization are expected to be somewhat better than in 2017. Increasing exports of shale-based LPG from the US, stimulated by higher oil prices, may influence fleet utilization and charter rates positively. Ultragas expects a significantly improved result in 2018 compared to 2017.

Overall Ultranav Denmark APS expects its subsidiaries to produce a slightly positive combined operating result for 2018. After application of depreciation on goodwill and other intangibles, the expected net result for 2018 is close to breakeven.

Consolidated Financial Statements

Consolidated Income Statement

		Group	
Figures in USD '000	**Note**	**2017**	**2016**
Revenue	2	1.000.580	706.875
Voyage related expenses		-414.198	-312.626
Charter hire		-577.839	-371.552
Gross profit (Net earnings from shipping activities)		**8.543**	**22.697**
Other income		2	550
Other external expenses	3	-6.692	-7.126
Staff costs	4	-21.690	-21.841
Operating loss before depreciation, amortization and impairment loss (EBITDA)		**-19.837**	**-5.720**
Profit on sale of vessels etc.		0	2.005
Depreciation		-11.256	-10.402
Impairment loss, vessels		0	-2.000
Share of joint ventures' profit after tax		137	751
Operating profit/(loss) (EBIT)		**-30.956**	**-15.366**
Share of associates' profit after tax		306	390
Other financial items, net	5	634	-429
Loss before tax		**-30.016**	**-15.405**
Tax	6	-1.543	-1.444
Net loss		**-31.559**	**-16.849**
Attributable to:			
Loss attributable to the equity holders of the parent		-31.490	-16.772
Loss attributable to non controlling interests		-69	-77
		-31.559	**-16.848**

Consolidated Balance Sheet

Figures in USD '000		Group	
ASSETS	**Note**	**2017**	**2016**
Goodwill		7.541	10.558
Contractual rights		21.047	25.977
Total intangible assets	**7**	**28.588**	**36.535**
Vessels		64.566	43.210
New building contracts		5.506	9.932
Fixtures, fittings and equipment		246	203
Total tangible assets	**8**	**70.318**	**53.345**
Investment in associates	9	3.479	3.007
Investment in joint ventures	10	24.767	24.784
Derivative financial instruments		1.735	7.808
Receivables associated companies		0	0
Deferred tax assets	11	462	1.247
Financial assets, non-current		**30.443**	**36.845**
Total non-current assets		**129.349**	**126.725**
Inventories		21.807	18.372
Trade and other receivables		66.491	40.154
Intercompany receivables		5.256	3.597
Prepayments		20.575	15.407
Derivative financial instruments		5.085	7.832
Securities		0	998
Cash and short-term deposits		83.316	98.035
Current assets		**202.532**	**184.395**
TOTAL ASSETS		**331.880**	**311.118**

Consolidated Balance Sheet

		Group	
Figures in USD '000			
EQUITY AND LIABILITIES	*Note*	**2017**	**2016**
Share capital	12	20.577	20.577
Retained earnings		177.654	106.619
Other reserves		-8.455	-10.737
Proposed dividend to shareholders		504	0
Total equity of majority interest		**190.280**	**116.459**
Non-controlling interests	13	5.356	5.362
Total equity		**195.636**	**121.822**
Interest bearing loans and borrowings	14	33.140	24.598
Loans to associated companies		0	74.934
Derivative financial instruments		7.356	14.016
Total non-current liabilities		**40.496**	**113.548**
Trade and other payables		80.067	56.192
Interest-bearing loans and borrowings	14	4.082	2.890
Intercompany payables		5.641	9.301
Derivative financial instruments		4.704	6.585
Income tax payable		1.254	780
Total current liabilities		**95.747**	**75.747**
Total liabilities		**136.244**	**189.297**
TOTAL EQUITY AND LIABILITIES		**331.880**	**311.118**

Change in Equity

Figures in USD '000	Group								
		Other Reserves							
	Share capital (Note 12)	Hedging reserves	Trans-lation reserve	Total reserves	Retained earnings	Dividend	Total equity of majorrity interest	Non controling interests	Total Equity
At 1 January 2016	**20.577**	**-15.007**	**-2.215**	**-17.222**	**123.391**	**0**	**126.746**	**5.393**	**132.139**
Loss for the year	0	0	0	**0**	**-16.772**	0	**-16.772**	**-77**	**-16.849**
Currency exchange in foreign companies	0	0	-358	**-358**	**0**	0	**-358**	**0**	**-358**
Change in hedging instruments	0	6.843	0	**6.843**	**0**	0	**6.843**	**46**	**6.889**
Proposed dividend to shareholders	0	0	0	**0**	**0**	0	**0**	**0**	**0**
Other changes	0	0	0	**0**	**0**	0	**0**	**0**	**0**
At 31 December 2016	**20.577**	**-8.164**	**-2.573**	**-10.737**	**106.619**	**0**	**116.459**	**5.362**	**121.821**
Changes related to merger					**103.122**		**103.122**		**103.122**
Loss for the year	0	0	0	**0**	**-31.490**	0	**-31.490**	**-69**	**-31.559**
Currency exchange in foreign companies	0	0	122	**122**	**0**	0	**122**	**0**	**122**
Change in hedging instruments	0	2.160	0	**2.160**	**0**	0	**2.160**		**2.160**
Other changes	0	0	0	**0**	**-93**	0	**-93**	**64**	**-29**
Proposed dividend to shareholders	0	0	0	**0**	**-504**	504	**0**		**0**
At 31 December 2017	**20.577**	**-6.004**	**-2.451**	**-8.455**	**177.654**	**504**	**190.280**	**5.356**	**195.636**

Consolidated Cash Flow Statement

	Group	
Figures in USD '000	**2017**	**2016**
Loss(-) before tax	-30.016	-15.405
Paid tax including added interest on tax	-256	-129
Adjustment for non-cash items etc.		
Gain on sale of vessel, plant and equipment	0	-2.005
Depreciation and impairment loss	11.256	12.402
Share of gain/loss in associated companies	-306	-390
Share of gain/loss in joint venture	-137	-751
Interest expenses	1.292	2.409
Interest income	-741	-437
Net forward contract activity	2.015	-367
Other changes	566	-1.130
Working capital adjustments:		
Change in current assets	-36.600	-1.139
Change in current liabilities	20.218	13.728
Net cash flows from operating activities	**-32.708**	**6.785**
Investments in tangible assets	-20.266	-5.027
Investment in joint venture	0	-1.465
Dividend received	0	443
Sale of tangible assets	0	1.165
Interest received	741	437
Net cash flows from investing activities	**-19.525**	**-4.447**
Intercompany receivables transfer with merger	103.122	0
Intercompany loan cleared due to the merger	-75.143	0
Bank loan	14.314	0
Repayment loan	-3.486	-2.894
Interest paid	-1.292	-2.409
Net cash flows from financing activities	**37.515**	**-5.303**
Net change in cash and cash equivalents	-14.718	-2.965
Cash and cash equivalents at 1 January	98.035	101.000
Cash and cash equivalents at 31 December	**83.317**	**98.035**

Notes

1 Accounting policies

Ultranav Denmark ApS is a company domiciled in Denmark.

The annual report of Ultranav Denmark Aps for 2017 has been prepared in accordance with the Danish Financial Statements Act for class C-companies (large).

In 2017 Ultranav Denmark ApS has been merged with a sister company Ultranav Enterprises S.A. with Ultranav Denmark ApS as the continuing company. The merger has been accounted for in accordance with the book value method with effect from 1 June 2017. Comparative figures have not been adjusted.

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. Compared to last year there have been some reclassification. The comparative figures have been amended accordingly.

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

Basis of consolidation

The consolidated financial statements comprise the parent company Ultranav Denmark ApS and subsidiaries in which the Company has control, i.e. the power to govern the financial and operating policies so as to obtain benefits from its activities. Control is obtained when a 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 a Company 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 a Company exercises control or significant influence, potential voting rights which are exercisable at the balance sheet date are taken into account.

The financial statements of the controlled subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances, income and expenses, unrealised gains and losses and dividends resulting from intercompany transactions are eliminated in full.

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.

Accounting for business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to Ultranav Denmark ApS. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Company takes into consideration potential voting rights that currently are exercisable.

The cost of a business combination comprises the fair value of the consideration agreed upon and the aggregate of acquired identifiable assets, liabilities and contingent liabilities measured at fair value at the acquisition date.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquired subsidiary over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Subsequent to the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is amortised over up to 20 years.

When the excess is negative, a bargain purchase gain is recognised immediately in the income statement.

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.

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 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 directly on the equity 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 on equity remains separately recognised on equity 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 on equity 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.

INCOME STATEMENT

Revenue and expenses

All voyage revenues and voyage expenses are recognised basis percentage of completion. Ultranav Denmark ApS 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.

The aggregated gross earnings for the gas activities in Unigas International have been adjusted for general expenses, insurance premiums, financial charges, interest and the adjustments for foreign exchange variances. An appraisal of demurrages receivable has been included in the results.

Profit and loss from the sale of vessels

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 and joint ventures

In the consolidated income statement the proportionate share of the result after tax is recognized in the consolidated income statement after elimination of the proportionate share of intra-group profits/losses.

Financial items

Financial items comprise interest income and expense, gains and losses on payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities.

Taxes

Ultranav Denmark ApS is jointly taxed with Danish subsidiaries and Ultranav Denmark ApS 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. Companies with shipping activities participate 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.

Intangible assets

Goodwill

Goodwill is depreciated on a straight-line basis over the estimated useful lives, which for goodwill related to Ultrabulk A/S is 10 years.

Other intangible assets

Other intangible assets, including customer relations and contractual rights, that are acquired by Ultranav Denmark ApS and have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is based on the cost of an asset less its residual value.

Amortisation of customer relations is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives are 5 years.

Amortisation of contracts rights is recognised in the income statement based on the expected hire period, from the date the underlining vessels are delivered. The maximum of the amortisation period is 10 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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.

Leases

All leases are currently classified as operational lease. The payments (time-charter hire and bare-boat hire) are recognised as an expense and charged to the income statement on a straight line basis over the term of the lease.

Investments in associates and joint ventures

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.

In the parent company investments in subsidiaries are measured at cost. Impairment tests are conducted when there is an indication of impairment. Write-down is made to the recoverable amount if this is lower than the carrying amount.

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.

Securities

Shares available for sale are recognised under current assets at fair value at the trade date and subsequently measured at market price in respect of listed securities.

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 Ultranav Denmark ApS 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 of 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.

Deferred tax

All significant Danish entities within the Group entered into the Danish tonnage taxation scheme for a binding of 10 years period with effect from 2007, the Group is extending this scheme. 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 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 at the end of 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.

2 Revenue by business activity

Figures in USD '000	**2017**	**2016**
Gas	96.395	106.665
Bulk	903.916	598.191
Other	269	2.019
Total	**1.000.580**	**706.875**

3 Remuneration to the auditor appointed at the general meeting

Figures in USD '000	**2017**	**2016**
Audit	189	227
Other assurance service	2	0
Tax consultancy	139	19
Other services	148	0
Total	478	246

4 Staff costs

Figures in USD '000	**2017**	**2016**
Fixed salaries and bonus	18.896	18.690
Pensions - defined contribution plan	1.384	1.437
Other emplyee expenses	1.410	1.714
Total	21.690	21.841
Average numbers of employees	158	154

The parent company's executive management and board of directors do not receive remuneration from Ultranav Denmark ApS.

5 Financial expenses, net

Figures in USD '000	**2017**	**2016**
Interest income	732	437
Interest expense on loan	-1.236	-1.125
Interest to associated companies	-47	-1.284
Other financial items, net	1.185	1.543
Total	634	-429

6 Tax for the year

Figures in USD '000	**2017**	**2016**
Actual tax for the year	-861	-644
Deferred tax on profit for the year	-966	-775
Tax on profit for the year	-1.827	-1.419
Adjustments related to previous years - current tax	104	234
Adjustments related to previous years - deferred tax	180	-259
Tax in the income statement	-1.543	-1.444

7 Intangible assets

Figures in USD '000	Goodwill	Contractual rights	2017	2016
Cost at 1 January	30.168	57.453	87.621	87.621
Cost at 31 December	30.168	57.453	87.621	87.621
Depreciation and impairment at 1 January	19.610	31.476	51.086	43.139
Depreciation for the year	3.017	4.930	7.947	7.947
Depreciation and impairment at 31 December	22.627	36.406	59.033	51.086
Carrying amount at 31 December	7.541	21.047	28.588	36.535

Impairment testing:

Management has made an impairment test based on discounted cash flows from the operation for the relevant cash generating unit to which goodwill has been allocated. The discounted cash flow calculation is thus based on the Panamax and Supramax activities in the Ultrabulk A/S Group, because the Ultrabulk A/S Group is one cash generating unit. This impairment test includes the test of Contractual rights as well.

The main assumptions applied in the impairment test are the following:

- The long-term contract portfolio in place at 31 December 2017
- 7.5% discount rate (after tax) for long term contract activity
- 12.0% discount rate (after tax) for short term trading activity
- Increase in ship days in accordance with 5 years budget
- The spot rates are based on an average of Baltic market rates for 2018 and 2019, average Baltic and internal rate model for 2020 and the Company's internal rate model for 2021 and 2022. The rate levels are supported by estimates from Clarksons. From 2022 and onwards, the spot rate is indexed by 2 % p.a.
- For the short-term trading, an expected margin per year has been used. The margin is not higher than 5%.
- Annual growth of 2% in overhead costs.

Management believes these key assumptions to be relevant and reasonably probable.

Based on the impairment test, Management is of the opinion that no impairment loss should be recognized at 31 December 2017.

8 Tangible assets

2017 *Figures in USD '000*	**Vessels**	**Vessel under construction**	**Fixtures, fittings and equipment**	**2017**
Cost at 1 January	48.373	9.932	4.666	**62.971**
Additions for the year	627	19.471	198	**20.296**
Transferred from new buildings	23.897	-23.897	0	**0**
Disposals for the year	0	0	-30	**-30**
Cost at 31 December	**72.897**	**5.506**	**4.834**	**83.237**
Depreciation and impairment at 1 January	-5.163	0	-4.463	**-9.626**
Disposals for the year	0	0	18	**18**
Depreciation for the year	-3.169	0	-142	**-3.311**
Reversed depreciation and impairment for the year	0	0	0	**0**
Depreciation and impairment at 31 December	-8.332	0	-4.587	**-12.919**
Carrying amount at 31 December	64.565	5.506	247	70.318
Expected useful life	20 years		3-10 years	

2016 *Figures in USD '000*	**Vessels**	**Vessel under construction**	**Fixtures, fittings and equipment**	**2016**
Cost at 1 January	48.373	12.033	4.835	**65.241**
Additions for the year	0	5.149	0	**5.149**
Disposals for the year	0	-7.250	-169	**-7.419**
Cost at 31 December	**48.373**	**9.932**	**4.666**	**62.971**
Depreciation and impairment at 1 January	-2.334	0	-4.508	**-6.842**
Depreciation for the year	-2.329	0	-125	**-2.454**
Reversed depreciation and impairment for the year	0	0	170	**170**
Impairment for the year	-500	0	0	**-500**
Depreciation and impairment at 31 December	-5.163	0	-4.463	**-9.626**
Carrying amount at 31 December	43.210	9.932	203	53.345
Expected useful life	20 years		3-10 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.

The impairment test is done for the individual CGU's by estimating the recoverable amount at value in use. This is calculated as the NPV based on a WACC of 8.5% 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 extent available tested to 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.

9 Investments in associates

Figures in USD '000	**2017**	**2016**
Cost at 1 January	1.800	1.802
Disposals for the year	0	-2
Cost at 31 December	1.800	1.800
Value adjustment 1 January	1.207	1.303
Share of result in associated companies after tax	457	428
Changes related to previous years	5	-38
Exchange rate adjustment	125	-37
Other changes	0	-2
Disposals for the year	0	-4
Received dividend	-115	-443
Value adjustment 31 December	1.679	1.207
Carrying amount at 31 December	3.479	3.007

Figures in USD '000 **Name**	**Registered office**	**Ownership**	**Profit 2017**	**Equity 2017**
Pérola S.A.	Brazil	20%	1.532	9.009
Unigas International B.V.*	Holland	33%	408	3.228
Ultraship Crewing Phillipines Inc.**	Phillipines	25%	30	172

* Not audited figures

** Latest result is from 2016 and 2015 respectively.

10 Investments in joint venture

Figures in USD '000	**2017**	**2016**
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 1 January	958	1.651
Share of result in joint venture after tax	-17	751
Other changes	0	56
Impairment, investment in joint venture	0	-1.500
Value adjustment 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	24.784
	24.766	24.784
Key figures for investment in joint venture:		
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

11 Deferred tax assets

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	50
Exchange rate adjustments	171	-309
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 forw ard	462	1.248
Deferred tax, net	462	1.248

12 Share capital

The share capital is split in 602,490 shares a 100 DKK and 6,000,000 shares a 10 DKK, in total a nominal share capital of 120,249,000 DKK.

The latest 5 years the share capital has changes as follows:

Figures in DKK '000	**2017**	**2016**	**2015**	**2014**	**2013**
Share capital. 1 January	120.249	120.249	120.249	120.249	102.249
Increase in the year	0	0	0	0	18.000
Share capital. 31 December	120.249	120.249	120.249	120.249	120.249

13 Non-controlling interests

Figures in USD '000	**2017**	**2016**
Cost at 1 January	5.362	5.393
Share of net profit	-69	-77
Share of change in equity	64	46
Cost at 31 December	5.356	5.362

14 Interest bearing loans and borrowings

Figures in USD '000	**2017**	**2016**
Long term part	33.140	24.598
Current part	4.082	2.890
Loan at 31 December	37.222	27.488
Part of long term liabilities, payable after 5 years	22.989	15.932

15 Contingent liabilities

Figures in USD '000	**2017**	**2016**
Lease commitments (operationel lease) w ithin 1 year	263.759	156.474
Lease commitments (operationel lease) betw een 1 - 5 years	757.681	961.445
Lease commitments (operationel lease) more than 5 years	243.044	149.744
Total lease commitments	1.264.484	1.267.663

The Group 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 the financial position, operating profit or cash flow.

The parent company is in joint taxation with other companies in the Group.

The Ultranav Denmark ApS Group's Danish subsidiaries are joint registered in relation to VAT. The companies are jointly and severally liable for VAT under the registration.

16 Use of financial instruments

As part of hedging of recognized and non-recognized transaction the Group uses hedging 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.

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 6.0 million (31 December 2016: USD 8.2 million).

17 Related party disclosures

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	Interest/loan	92	94	0	-3.099
	Interest/loan	-89	-1.262	0	-74.934
Joint Ventures	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
	Bare boat hire	-55.202	-57.696	-999	-503
	Service	1.995	4.596	1.813	1.813
	Supervision fee	-120	320	34	34
	Other income	120	110	-988	-988
	Guarantees	0	0	0	0

Ultranav Denmark ApS is controlled by Naviera Ultranav Limitada, Av. El Bosque Norte 500 Piso 19-20, 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.

Shareholder

The following shareholder owns more than 5% of the capital and voting rates: Naviera Ultranav Limitada, Av. El Bosque Norte 500 Piso 19-20, 7550092 Las Condes, Santiago, Chile.

Ultranav Denmark ApS - Parent Company

PROFIT AND LOSS		Parent	
Figures in USD '000	Note	2017	2016
Other external expenses	2	-341	-65
Operating loss before depreciation, amortization and impairment loss (EBITDA)		-341	-65
Operating loss (EBIT)		**-341**	**-65**
Dividend		136	0
Other financial items, net		-31	-1.246
Loss before tax		**-235**	**-1.311**
Tax		209	-296
Net loss		**-26**	**-1.607**
Proposed dividend to shareholders		504	0

ASSETS			
Figures in USD '000	Note	2017	2016
Investment in subsidiaries	3	148.115	135.115
Loans to subsidiaries		2.000	0
Financial assets, non-current		**150.115**	**135.115**
Total non-current assets		**150.115**	**135.115**
Trade and other receivables		1.330	461
Cash and short-term deposits		10.621	1.089
Total current assets		**11.951**	**1.550**
TOTAL ASSETS		**162.066**	**136.665**

EQUITY AND LIABILITIES			
Figures in USD '000	Note	2017	2016
Share capital		20.577	20.577
Retained earnings		140.543	37.884
Proposed dividend to shareholders		504	0
Total equity	4	**161.624**	**58.461**
Loans from associated companies		0	74.934
Total non-current liabilities		**0**	**74.934**
Trade and other payables		150	3.269
Income tax payable		292	0
Total current liabilities		**442**	**3.269**
Total liabilities		**442**	**78.204**
TOTAL EQUITY AND LIABILITIES		**162.066**	**136.665**

CHANGES IN EQUITY *Figures in USD '000*	Share capital	Retained earnings	Dividend	Total Equity
At 1 January 2016	**20.577**	**39.491**	**0**	**60.068**
Loss for the year	0	-1.607	0	**-1.607**
Proposed dividend to shareholders	0	0	0	**0**
Other changes	0	0	0	**0**
At 31 December 2016	**20.577**	**37.884**	**0**	**58.461**
Loss for the year	0	-26	0	**-26**
Change related to merger	0	103.122	0	**103.122**
Other changes	0	67	0	**67**
Proposed dividend to shareholders	0	-504	504	**0**
At 31 December 2017	**20.577**	**140.543**	**504**	**161.624**

Note 1 - Accounting policies

The parent company's financial statement for Ultranav Denmark ApS is 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.

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

Dividends from investment in subsidiaries

Dividend from investments in subsidiaries and associates are recognised as income in the parent's income statement under financial income in the financial year in which dividends are declared.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Impairment tests are conducted when there is an indication of impairment. Write-down is made to the recoverable amount it this is lower than the carrying amount.

Note 2 – Audit fee

Figures in USD '000	**2017**	**2016**
Audit	21	8
Other assurance service	2	0
Tax consultancy	119	12
Other services	148	0
Total	290	20

Note 3 – Investment in subsidiaries

Figures in USD '000	2017	2016
Cost at 1 January	**135.115**	**135.115**
Additions for the year	**13.000**	0
Disposals for the year	**0**	0
Cost at 31 December	**148.115**	**135.115**
Value changes at 1 January	**0**	**0**
Value changes	**0**	0
Value changes at 31 December	**0**	**0**
Carrying amount at 31 December	148.115	135.115

The management prepared an impairment test as per 31 December 2017 please refer to note 7 for the Group. Based on the impairment test, Management is of the opinion that no impairment loss should be recognized at 31 December 2017.

Figures in USD '000 **Name**	**Registered office**	**Ownership**	**Result 2017**	**Equity 2017**
Ultrabulk A/S	Gentofte	97%	-2.416	148.905
Ultragas ApS	Gentofte	100%	-21.547	3.852
Othello Shipping Company ApS	Gentofte	100%	184	381
Ultranav Business Support ApS	Gentofte	100%	160	205

Note 4 – Allocation of result

Figures in USD '000	2017	2016
Proposed dividend	504	0
Retained earnings	-530	-1.607
	-26	**-1.607**

Note 5 – Contingent liabilities

Ultranav Denmark ApS has confirmed that it will provide liquidity to Ultragas ApS, as may be necessary for Ultragas ApS to meet its obligations as they fall due. This commitment is valid until 31 December 2018.

Note 6 - Related party disclosures

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**
Subsidiary	Loans to subsidiaries	0	0	2.000	0

Ultranav Denmark ApS is included in the consolidated financial statement for Naviera Ultranav Limitada, Av. El Bosque Norte 500 Piso 19-20, 7550092 Las Condes, Santiago, Chile.

Definitions of key figures and financial ratios

The ratio listed in the key figures and ration section were calculated as follows:

Profit margin = $\dfrac{\text{Gross profit x 100}}{\text{Operating profit}}$

Return of invested capital = $\dfrac{\text{Operating profit x 100}}{\text{Invested in tangible assets}}$

Gross profit margin = $\dfrac{\text{Revenue}}{\text{Gross profit (Net earnings from shipping activites)}}$

Equity ratio = $\dfrac{\text{Total assets x 100}}{\text{Total equity}}$

Return of equity = $\dfrac{\text{Net profit/(loss)}}{\text{Average total equity}}$