Ultranav Denmark ApS

2018

Annual Report

Ultranav Denmark ApS | Smakkedalen 6 |2820 Gentofte, Denmark | CVR.no. 32 94 95 41

Approved on the annual general meeting 26 March 2019

Chairman of the meeting

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STATEMENT OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT ON THE ANNUAL REPORT

The Board of Directors and Executive Management have prepared the 2018 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 operations and the Group's cash flows for the period 1 January - 31 December 2018.

In our opinion the Management's review in the preceding pages gives a true and fair presentation of the development in the activities and the financial position of the Group and the Parent Company, the results for the year and of the Group's and the Parent Company's financial position in general. Further, in our opinion the Management's review describes the most significant risks and uncertainties that may affect the Group and the Parent Company.

We recommend that the Annual Report is adopted at the annual general meeting.

Copenhagen, 11 March 2019

EXECUTIVE MANAGEMENT

Francisco Larrain
CEO

BOARD OF DIRECTORES

Dag von Appen
Chairman

Enrique Ide

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ULTRANAV DENMARK APS

Opinion

We have audited the consolidated financial statements and the Parent Company financial statements of Ultranav Denmark ApS for the financial year 1 January – 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the Parent Company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2018 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Independence

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

Management's responsibilities for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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.

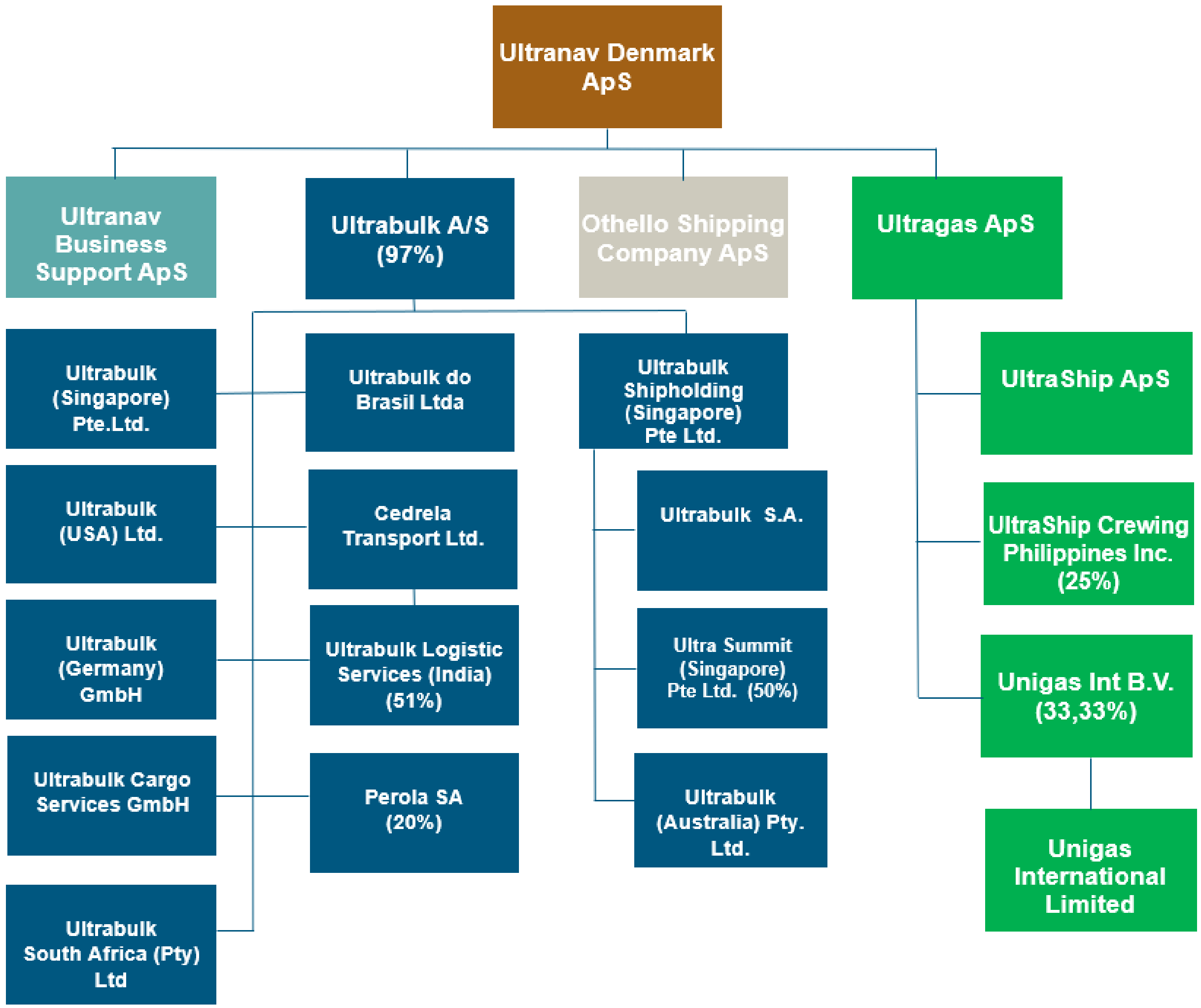
Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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, 11 March 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Thomas Bruun Kofoed	Mie Boesen
State Authorized	State Authorized
Public Accountant	Public Accountant
mne28677	mne44117

GROUP STRUCTURE



KEY FIGURES

KEY FIGURES (USD '000)	**2018**	**2017**	**2016**	**2015**	**2014**
Revenue	1.165.948	1.000.580	706.875	790.404	980.893
Gross profit (Net earnings from shipping activities)	45.856	8.543	22.697	48.309	40.916
Operating profit (EBIT)	3.958	-30.956	-15.366	10.077	-583
Net financials	-1.429	940	-39	-2.198	-2.440
Net profit/(loss)	**2.458**	**-31.559**	**-16.849**	**6.739**	**-3.941**
Profit/(loss) for the year for the Ultranav Denmark Shareholders	2.009	-31.490	-16.772	7.136	-3.309
Total assets	345.137	331.880	311.118	337.570	340.032
Equity	**192.944**	**195.636**	**121.822**	**132.139**	**122.867**
Cash flow from operating activities	6.370	-32.711	6.785	21.548	-6.491
Cash flow from investing activities	-16.826	-19.525	-4.447	-15.970	-4.624
- of which relates to investment in tangible assets	43.516	20.266	5.027	48.273	28.988
Cash flow from financing activities	7.443	37.515	-5.303	12.991	16.340
Total cash flow	**-3.013**	**-14.721**	**-2.965**	**18.569**	**5.225**
Financial ratios					
Operating profit margin	0,34%	-3,09%	-2,17%	1,27%	-0,06%
Gross profit margin	3,93%	0,85%	3,21%	6,11%	4,17%
Equity ratio	55,90	58,95	39,16	39,32	36,39
Return of equity	1,27%	-19,88%	-13,27%	5,29%	-2,95%
Investment in tangible assets	87.082	70.318	53.344	58.400	33.398
USD/DKK rate year-end	651,94	620,77	705,28	683,00	612,14
Average USD/DKK rate	631,74	659,53	673,27	672,68	561,90

ULTRANAV DENMARK APS MAIN ACTIVITIES

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 referred to as the Group.

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

The main activities of Ultranav Denmark ApS 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 2018 Ultrabulk A/S operated on average 144 bulk carriers from its head office in Copenhagen and its offices in Cape Town, Hamburg, New York, Rio de Janeiro, Santiago, Singapore and Sydney. The Sydney office was opened in March 2018 to increase the focus on clients from Australia and New Zealand.

Ultrabulk A/S core fleet of owned and long-term chartered vessels grew by 4 units in 2018 to 49 units as of the end of 2018. Another 7 vessels – a combination of owned and long-term chartered units – will be added to the core fleet by end 2020.

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.

Mission statement

A partner you can trust.

Vision statement

We aspire to build and operate the best platform of shipping services for the development and success of our clients, employees and communities.

Core values

Excellence

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

Integrity

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

Passion

We address challenges with passion and positive commitment.

Safety

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

Gas activities

At year-end 2018, Ultragas operated 18 LPG carriers ranging in size from 3,500 to 22,000 cbm all of which are semi-refrigerated vessels and, of which 5 can carry ethylene. All vessels were bareboat chartered from companies in the Ultranav Group. One unit, the “Andesgas” was taken on time charter for part of the year. Two units, “Happy Eagle” and “Andesgas” were sold and left the fleet during 2018.

The commercial operation of the vessels up to 12,000 cbm is performed by Unigas International BV (Unigas) in Rotterdam, a company which Ultragas owns equally with two partners. Unigas is a leading operator in the segment up to 15,000 cbm and operated as at year end a total of 31 LPG and Ethylene carriers of which 10 units are provided by Ultragas.

The handy size fleet (vessels between 15,000-25,000 cbm) is commercially operated by own in-house organization. By the end of the year Ultragas operated 8 such vessels, which made Ultragas the second largest operator in the “handy” size segment.

Following year end 2018 the sister company Othello Shipping Company S.A. has acquired three 12,000 cbm ethylene carriers built in 2013 and 2014 which will be delivered during 2019. Ultragas will take the vessels on long term bare boat charter. The three vessels will enter Unigas together with 5 sister vessels acquired by the partners in Unigas. All three vessels will enter the Danish International Register of Shipping (DIS).

Technical management

UltraShip ApS’ (UltraShip) prime activity is to perform technical management for Ultragas ApS’ (Ultragas) entire fleet of LPG carriers as well as other owned vessels within the Ultranav Group. UltraShip also provides technical supervision, including new buildings and projects, for Ultragas and affiliated companies within the Ultranav Group.

As of end 2018, UltraShip had 18 gas carriers in technical management which was the entire Ultragas fleet of gas carriers. The vessels are managed at a high standard and registered with first class flag states, including DIS and with recognized classification societies of which Lloyds Register is the predominant.

During 2018, Ultrabulk A/S transferred an additional two bulk carriers to the technical management of UltraShip bringing the total bulk carrier fleet managed to four vessels.

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 corporate finance, treasury, 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.

PART OF A LARGE AND DIVERSIFIED GROUP

Ultranav Denmark ApS is part of the Ultranav Group (“Ultranav”). Ultranav is a privately owned shipowning and operating company headquartered in Santiago, Chile.

Through nine business units, Ultranav operates in five market segments: Oil, gas, dry bulk, coastal trades, and towage & offshore. Ultranav operates a fleet of gas and chemical carriers, tankers for crude oil and clean petroleum products, bulk carriers, feeder container ships, multipurpose vessels, harbour tugs, PSVs, AHTS, pusher tugs, barges and pilot boats.

Ultranav is focused on providing efficient, safe and environmentally friendly maritime transportation, harbour towage and maritime support services to the mutual benefit of its customers, employees and all relevant stakeholders. Ultranav aspires to be **“A Partner You Can Trust”.**

Ultranav aims to support customers and partners in those segments and niches where it can develop long-term sustainable competitive advantages by adding value to its customers.

Ultranav focuses on customers who value mutually beneficial long-term relationships. Ultranav has a flexible organization managed by qualified professionals committed to providing the best services to the satisfaction of its customers.

Figures and facts as per 2018

Number of vessels and tugs in our fleet

113 Tankers

15 MPP & Containers

20 Gas Carriers

166 Dry Cargo

Grand Total: 423

71 Harbor Tugs

23 PSV

3 AHTS

2 Pusher Tugs

5 Barges

5 Pilot/Crew Boats

CORPORATE GOVERNACE

It continues to be of absolute and paramount importance for Ultranav 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 Ultranav 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 as a member of Danish Shipping, the Group participates in the CSR committee, coordinating and safeguarding industry CSR policy.

Corporate Social Responsibility

As of 2018 Ultranav Denmark ApS reports on all CSR relevant activities according to the new requirements in the Danish Financial Statements Act §99a. The report covers all the Danish Ultranav companies; Ultrabulk A/S, Ultragas ApS, UltraShip ApS, Othello Shipping Company ApS and Ultranav Business Support ApS. The report is published online and is to be found on the following URL: www.ultranav.dk/content/csr

According to the requirements in Danish Financial Statement Act § 99b Ultranav Denmark ApS must report on gender composition in the management. Ultranav applies a policy stating that gender composition of management shall reflect the gender balance of society as a whole – with due regard to the specific conditions in the shipping business.

By the end of 2018, 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 Board of Directors 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 2018 and the aim and expectation are to increase female participation at senior management level in the coming years.

DEVELOPMENT OF ACTIVITIES AND FINANCIAL CONDITIONS

The consolidated result for Ultranav Denmark ApS before financial items was a profit of USD 4.0 million, whereas the result after tax was a profit of USD 2.5 million, this is substantially better than the result after tax in 2017 of USD -31.6 million.

Ultrabulk A/S EBITDA was USD 19.3 million (USD 1.6 million in 2017), corresponding to an EBITDA margin of 1.8% (0.2% in 2017), whereas Net Profit amounted to USD 15.5 million (USD -2.4 million in 2017).

The activities of Ultragas ApS produced a net loss of USD 7.2 million (2017: loss MUSD 21.5), largely because of depressed market conditions for the larger gas carriers, where earnings have fallen short of the bareboat and time-charter hires payable. Revenues earned from the combined fleet have been slightly better than budget, but the result was negatively influenced by more than budgeted out-of-service time and repair cost for the four oldest semi-ref vessels trading in Unigas. 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 equity of Ultranav Denmark ApS Group as of end 2018 was USD 192.9 million (USD 195.6 million in 2017).

The Parent Company had a net profit of USD 1.6 million (USD 0.0 in 2017) and the Parent Company's equity as of end 2018 was USD 162.7 million (USD 161.6 million end of 2017).

Outlook for 2019

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 Net Profit is expected for 2019.

A relatively high average age for gas vessels of less than 15,000 cbm, a very 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 smaller units. For 2019 Ultragas foresees only limited growth in LPG volumes carried on handy-size vessels as the segment still has to absorb seven additional new buildings during the year. However, growing long haul petrochemical shipments are expected to directly or indirectly support the segment and average handy-size earnings and fleet utilization are expected to improve during 2019. Increasing exports of shale-based LPG from the US, stimulated by higher oil prices, may influence fleet utilization and charter rates positively. Ultragas expects an improved result in 2019 compared to 2018.

Overall Ultranav Denmark ApS expects to produce an improved result in 2019 compared to 2018.

Consolidated Financial Statements

Income Statement

Figures in USD '000	Note	2018	2017
Revenue	2	1.165.948	1.000.580
Voyage related expenses and operating costs of vessels	4	-469.743	-414.198
Charter hire		-650.349	-577.839
Gross profit (Net earnings from shipping activities)		**45.856**	**8.543**
Other income		0	2
Other external expenses	3	-9.380	-6.692
Staff costs	4	-23.943	-21.690
Operating profit/(loss) before depreciation, amortization and impairment loss (EBITDA)		**12.532**	**-19.837**
Profit on sale of vessels etc.		3.109	0
Depreciation and amortization		-12.498	-11.256
Share of joint ventures' profit after tax		815	137
Operating profit/(loss) (EBIT)		**3.958**	**-30.956**
Share of associates' profit after tax		61	306
Other financial items, net	5	-1.490	634
Profit/(loss) before tax		**2.530**	**-30.016**
Tax	6	-72	-1.543
Net profit/(loss)		**2.458**	**-31.559**
Attributable to:			
Profit attributable to the equity holders of the parent		2.009	-31.490
Profit attributable to non-controlling interests		449	-69
		2.458	**-31.559**

CONSOLIDATED BALANCE SHEET

ASSETS			
Figures in USD '000	Note	**2018**	**2017**
Goodwill		4.524	7.541
Contractual rights		16.117	21.047
Total intangible assets	**7**	**20.641**	**28.588**
Vessels		84.697	64.565
New building contracts		1.508	5.506
Fixtures, fittings and equipment		878	247
Total tangible assets	**8**	**87.083**	**70.319**
Investment in associates	9	2.630	3.479
Investment in joint ventures	10	25.582	24.766
Derivative financial instruments		1.553	1.735
Deferred tax assets	11	838	462
Financial assets, non-current		**30.602**	**30.442**
Total non-current assets		**138.326**	**129.349**
Inventories		24.848	21.807
Trade and other receivables		83.901	66.491
Intercompany receivables		514	5.256
Prepayments		16.369	20.575
Derivative financial instruments		876	5.085
Cash and short-term deposits		80.304	83.316
Current assets		**206.812**	**202.532**
TOTAL ASSETS		**345.137**	**331.880**

EQUITY AND LIABILITIES			
Figures in USD '000	*Note*	**2018**	**2017**
Share capital	12	20.577	20.577
Retained earnings		180.282	177.654
Other reserves		-13.112	-8.455
Proposed dividend to shareholders		0	504
Total equity of majority interest		**187.747**	**190.280**
Non-controlling interests	13	5.197	5.356
Total equity		**192.944**	**195.636**
Interest bearing loans and borrowings	14	41.563	33.140
Derivative financial instruments		10.110	7.356
Total non-current liabilities		**51.673**	**40.496**
Trade and other payables		85.516	80.067
Interest-bearing loans and borrowings	14	5.256	4.082
Intercompany payables		6.349	5.641
Derivative financial instruments		2.511	4.704
Income tax payable		888	1.254
Total current liabilities		**100.519**	**95.747**
Total liabilities		**152.193**	**136.244**
TOTAL EQUITY AND LIABILITIES		**345.137**	**331.880**

CONSOLIDATED CASH FLOW STATEMENT

Figures in USD '000	**2018**	**2017**
Profit/loss(-) before tax	2.530	-30.016
Paid tax including added interest on tax	-642	-256
Adjustment for non-cash items etc.		
Gain on sale of vessel, plant and equipment	-3.109	0
Depreciation	12.498	11.256
Share of gain/loss in associated companies	-61	-306
Share of gain/loss in joint venture	-815	-137
Interest expenses	2.596	1.292
Interest income	-1.106	-741
Net forward contract activity	915	2.015
Net foreign exchange differences and other changes	-1.090	566
Working capital adjustments:		
Change in current assets	-11.502	-36.600
Change in current liabilities	6.157	20.218
Net cash flows from operating activities	**6.370**	**-32.708**

Figures in USD '000	**2018**	**2017**
Investments in tangible assets	-43.516	-20.266
Sale of tangible assets	25.295	0
Dividend received	289	0
Interest received	1.106	741
Net cash flows from investing activities	**-16.826**	**-19.525**
Intercompany receivables transfer with merger	0	103.122
Intercompany loan cleared due to the merger	0	-75.143
Bank loan	14.055	14.314
Repayment loan	-4.670	-3.486
Interest paid	-1.942	-1.292
Net cash flows from financing activities	**7.443**	**37.515**
Net change in cash and cash equivalents	-3.013	-14.718
Cash and cash equivalents at 1 January	83.316	98.035
Cash and cash equivalents at 31 December	**80.304**	**83.316**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Other Reserves							
Figures in USD '000	Share capital (Note 12)	Hedging reserves	Trans-lation reserve	Total reserves	Retained earnings	Dividend	Total equity of majority interest	Non controlling interests	Total Equity
At 1 January 2017	**20.577**	**-8.164**	**-2.573**	**-10.737**	**106.619**	**0**	**116.459**	**5.362**	**121.821**
Changes related to merger	0	0	0	0	**103.122**	**0**	**103.122**	**0**	**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**	**0**	**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**	**0**
At 31 December 2017	**20.577**	**-6.004**	**-2.451**	**-8.455**	**177.654**	**504**	**190.280**	**5.356**	**195.636**
Profit for the year	0	0	0	**0**	**2.009**	0	**2.009**	**449**	**2.458**
Currency exchange in foreign companies	0	0	-621	**-621**	**0**	0	**-621**	**0**	**-621**
Change in hedging instruments	0	-4.036	0	**-4.036**	**0**	0	**-4.036**	**0**	**-4.036**
Other changes	0	0	0	**0**	**619**	0	**619**	**-608**	**11**
Proposed dividend to shareholders	0	0	0	**0**	**0**	0	**0**	**0**	**0**
Dividend to shareholders	0	0	0	**0**	**0**	-504	**-504**	**0**	**-504**
At 31 December 2018	**20.577**	**-10.040**	**-3.072**	**-13.112**	**180.282**	**0**	**187.747**	**5.197**	**192.944**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Note 1 – Group accounting policies

Ultranav Denmark ApS is a company domiciled in Denmark.

The annual report of Ultranav Denmark Aps for 2018 has been prepared in accordance with the Danish Financial Statements Act for class C-companies (large).

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 hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness requirements.

The criteria for classifying a derivative as a hedging instrument for accounting purposes are as follows:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not nominate the value changes that result from the economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged items that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

Fair value hedges

Derivatives designated as hedging instruments are measured at fair value and changes in fair value are recognised in the income statement. Correspondingly, a change in the fair value of the hedged item attributable to the hedged risk is recognised in the income statement. The fair value hedge accounting is discontinued if the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting stated above.

Cash flow hedges

Changes in the fair value of a hedging instrument that meet the criteria for cash flow hedge accounting are recognized in comprehensive income. The ineffective part of the hedging instrument is recognised directly in the income statement. Gains and losses that are recognised in comprehensive income are taken to the income statement in the same period or periods as the cash flow which comprises the hedged item is recognised in the income statement. The principle also applies if the hedged forecasted transaction results in an asset or liability being recognised in the balance sheet. If the cash flow hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued. The cumulative gain or loss of the hedging instrument recognised in comprehensive income remains separately recognised in comprehensive income until the forecast transaction occurs. If the cash flow hedged transaction is no longer expected to occur, any previously accumulated gain or loss of the hedging instrument that has been recognised in comprehensive income will be carried to profit or loss. Derivatives not accounted for as hedging instruments are classified as financial assets at fair value through profit or loss and measured at fair value. Changes in the fair value of such derivatives are recognised in the income statement.

Determination of fair value

The fair value of financial assets and liabilities is measured on the basis of quoted market prices of financial instruments traded in an active market. If an active market exists, fair value is based on the most recent observed market price at the end of the reporting period.

If an active market does not exist, the fair value is measured according to generally accepted valuation techniques. Market-based parameters are used to measure fair value.

For bunker contracts the price is based on the prices from Platts Bunkerwire. The value of FFAs is assessed on basis of daily recorded prices from the Baltic Exchange.

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 its 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.

BALANCE SHEET

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 less provisions for impairment losses. Impairment loss for receivables are determined as the expected loss over the life of the receivables

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 has extended 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.

Note 2 – Revenue by business activities

Figures in USD '000	**2018**	**2017**
Gas	105.554	96.395
Bulk	1.060.090	903.916
Other	304	269
Total	**1.165.948**	**1.000.580**

Note 3 – Remuneration to the auditor appointed at the general meeting

Figures in USD '000	2018	2017
Audit	223	189
Other assurance service	0	2
Tax consultancy	75	139
Other services	0	148
Total	298	478

Note 4 – Staff costs

Staff costs onshore employees:

Figures in USD '000	2018	2017
Fixed salaries and bonus	21.536	18.896
Pensions - defined contribution plan	1.418	1.384
Other employee expenses	989	1.410
Total	23.943	21.690
Average numbers of employees	163	154

The staff cost of onshore employees are recognized under staff costs in the income statement.

Staff costs, crew on vessels:

Figures in USD '000	2018	2017
Fixed salaries and bonus	19.142	19.695
Total	19.142	19.695
Average numbers of crew on vessels	405	335

Staff costs of crew on vessels are a direct cost related to the operating costs of vessels. Therefore, the staff costs of crew are recognized in voyage related expenses and operating costs of vessels in the income statement.

Note 5 – Financial expenses, net

Figures in USD '000	2018	2017
Interest income	1.106	732
Interest expense on loan	-1.990	-1.236
Interest to associated companies	-138	-47
Other financial items, net	-468	1.185
Total	-1.490	634

Note 6 – Tax

Figures in USD '000	2018	2017
Actual tax for the year	-1.403	-861
Deferred tax on profit for the year	-301	-966
Tax on profit for the year	-1.704	-1.827
Adjustments related to previous years - current tax	121	104
Adjustments related to previous years - deferred tax	1.511	180
Tax in the income statement	-72	-1.543

Note 7 – Intangible assets

Figures in USD '000	Goodwill	Contractual rights	2018	2017
Cost at 1 January	**30.168**	**57.453**	**87.621**	**87.621**
Cost at 31 December	**30.168**	**57.453**	**87.621**	**87.621**
Amortization and impairment at 1 January	**22.627**	**36.406**	**59.033**	**51.086**
Amortization for the year	3.017	4.930	7.947	7.947
Depreciation and impairment at 31 December	**25.644**	**41.336**	**66.980**	**59.033**
Carrying amount at 31 December	4.524	16.117	20.641	28.588

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 2018
- 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 2019 and 2020, average Baltic and internal rate model for 2020 and the Company's internal rate model for 2022 and 2023. The rate levels are supported by estimates from 3rd party brokers. From 2023 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 2018.

Note 8 – Tangible assets

Figures in USD '000	Vessels	Vessel under construction	Fixtures, fittings and equipment	2018
Cost at 1 January	72.897	5.506	4.834	**83.237**
Additions for the year	22.391	20.179	946	**43.516**
Transferred from newbuildings	24.177	-24.177	0	**0**
Disposals for the year	-22.184	0	-58	**-22.242**
Cost at 31 December	**97.281**	**1.508**	**5.722**	**104.511**
Depreciation and impairment at 1 January	-8.332	0	-4.588	**-12.920**
Depreciation for the year	-4.252	0	-300	**-4.552**
Reversed depreciation for the year	0	0	44	**44**
Depreciation and impairment at 31 December	-12.584	0	-4.844	**-17.428**
Carrying amount at 31 December	84.697	1.508	878	87.083
Expected useful life	20 years		3-10 years	

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 newbuildings	23.897	-23.897	0	**0**
Disposals for the year	0	0	-30	**-30**
Exchange adjustment	0	0	0	0
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**
Carrying amount at 31 December	64.565	5.506	247	70.318
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 2018, the market value of the fleet including new building contracts but excluding joint ventures was below the carrying amount.

An impairment test is done for the individual CGU's by estimating the recoverable amount at value in use. This is calculated as the NPV based on a WACC of 8.3% and a general indexation of operating costs of 2% p.a. of the total expected cash flow during the rest of the vessels' expected economic life, including entered COA's and time charters. The WACC has been determined by Management based on market input and taking into consideration the business model applied by the company, including having a high coverage through long term cargo contracts with customers.

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

The impairment test calculation shows no impairment loss for 2018 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 5.1 million. Furthermore, the application of a WACC of 9.0% instead of 8.3% would, all other things being equal, give rise to impairment loss of USD 2.9 million.

Note 9 – Investment in associates

Figures in USD '000	2018	2017
Cost at 1 January	1.800	1.800
Cost at 31 December	1.800	1.800
Value adjustment 1 January	1.679	1.207
Share of result in associated companies after tax	578	457
Changes related to previous years	0	5
Exchange rate adjustment	-622	125
Other changes	-289	0
Impairment	-516	0
Received dividend	0	-115
Value adjustment 31 December	830	1.679
Carrying amount at 31 December	2.630	3.479

Name	Registered office	Ownership	Profit 2018	Equity 2018
Pérola S.A.	Brazil	20%	1.205	7.382
Unigas International B.V.*	Holland	33%	949	3.157
Ultraship Crewing Philippines Inc.**	Philippines	25%	41	205

* Non audited figures

** Latest result is from 2017

Note 10 – Investment in joint ventures

Figures in USD '000	2018	2017
Cost at 1 January	23.825	23.825
Cost at 31 December	23.825	23.825
Value adjustment 1 January	942	958
Share of result in joint venture after tax	815	-17
Value adjustment 31 December	1.757	941
Carrying amount at 31 December	25.582	24.766

The carrying amount can be specified as follows:		
Ultra Summit (Singapore) Pte. Ltd., 50%	25.582	24.766
Key figures for investment in joint venture:		
Assets	101.077	80.519
Liabilities	-65.716	-47.905
Net assets	35.361	32.614
Revenues	14.666	11.959
Profit/loss before tax	2.747	1.378
Income tax	0	0
Profit/loss for the year	2.747	1.378
Total comprehensive income for the year	2.747	1.378

Note 11 – Deferred tax

Figures in USD '000	2018	2017
Deferred tax at 1 January	462	1.248
Deferred tax on profit for the year	-301	-966
Adjustments related to previous years	684	9
Exchange rate adjustments	-7	171
Total deferred tax assets/-liabilities, net at 31 December	838	462
Deferred tax gross:		
Deferred tax assets	838	462
Deferred tax liabilities	0	0
Total deferred tax assets/-liabilities, net at 31 December	838	462
Deferred tax is allocable to the various items in the balance sheet:		
Tax-loss carried forward	838	462
Deferred tax, net	838	462

Note 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. There have been no changes in the share capital over the last 5 years.

Note 13 – Non controlling interest

Figures in USD '000	2018	2017
Non-controlling interest, 1 January	5.356	5.362
Share of the year's profit and loss	449	-69
Change on equity	-608	63
Total	**5.196**	**5.356**

Note 14 – Interest bearing loans and borrowings

Figures in USD '000	2018	2017
Long term part	41.563	33.140
Current part	5.256	4.082
Loan at 31 December	46.819	37.222
Part of long term liabilities, payable after 5 years	22.727	22.989

Note 15 – Contingent liabilities

Figures in USD '000	2018	2017
Lease commitments (operational lease) within 1 year	291.134	263.759
Lease commitments (operational lease) between 1 - 5 years	669.454	757.681
Lease commitments (operational lease) more than 5 years	149.231	243.044
Total lease commitments	1.109.819	1.264.484

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 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.

Note 16 – Use of financial instruments

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

Bunker hedge

The Group 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 01.01.2019 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 31.12.2021.

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 2018, 30% of the Ultrabulk's interest-bearing long term debt (31 December 2017: 25%) carried a floating rate, defined as duration of more than one year.

Currency risks

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

Currency risks on administrative expenses can be hedged for a period up to 12 months. Per 31 December 2018 the Group has hedge USD to DKK for an amount of USD 10.3 million.

Hedge accounting reserve in equity

The hedge accounting reserve in equity is related to cash flow hedging financial derivatives and amount to USD 10.0 million (31 December 2017: USD 6.0 million).

Note 17 – Related party disclosures

Figures in USD '000 Related party	Type of transaction	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	**2018**	**2017**	**2018**	**2017**
Parent company	Interest/loan	-228	92	-13.599	0
	Interest/loan	90	-89	0	0
				0	
Joint Ventures	Charter hire	-14.666	-11.959	0	17
	Guarantees	0	120	32.411	46.987
	Service	30	32	-4	-4
				0	
Associated companies	Charter hire	18.224	20.990	-3.104	-255
	Bare boat hire	-49.432	-55.202	-80	-999
	Service	-3.796	1.995	-98	1.813
	Supervision fee	-3.584	-120	0	34
	Other income	108	120	0	-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.

PARENT COMPANY

PROFIT AND LOSS			
Figures in USD '000	**Note**	**2018**	**2017**
Other external expenses	2	-100	-341
Operating loss (EBIT)		**-100**	**-341**
Dividend		0	136
Other financial items, net		157	-31
Profit/(loss) before tax		**57**	**-235**
Tax		1.564	209
Net Profit/(loss)		**1.621**	**-26**
Proposed dividend to shareholders		0	504

ASSETS			
Figures in USD '000	**Note**	**2018**	**2017**
Investment in subsidiaries	3	151.865	148.115
Loans to subsidiaries		9.850	2.000
Deferred tax assets	11	700	0
Financial assets, non-current		**162.415**	**150.115**
Total non-current assets		**162.415**	**150.115**
Trade and other receivables		911	1.330
Intercompany receivables		787	0
Cash and short-term deposits		1.197	10.621
Total current assets		**2.895**	**11.951**
TOTAL ASSETS		**165.310**	**162.066**

EQUITY AND LIABILITIES			
Figures in USD '000	**Note**	**2018**	**2017**
Share capital		20.577	20.577
Retained earnings		142.155	140.543
Proposed dividend to shareholders		0	504
Total equity		**162.732**	**161.624**
Loans from associated companies		2.500	0
Total non-current liabilities		**2.500**	**0**
Trade and other payables		77	150
Income tax payable		0	292
Total current liabilities		**77**	**442**
Total liabilities		**2.577**	**442**
TOTAL EQUITY AND LIABILITIES		**165.310**	**162.066**

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 2018 the average USD/DKK rate of exchange was 6.3174 and the closing rate on 31 December 2018 was 6.5194.

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	**2018**	**2017**
Audit	20	21
Other assurance service	0	2
Tax consultancy	23	119
Other services	0	148
Total	43	290

Note 3 – Investment in subsidiaries

Figures in USD '000	**2018**	**2017**
Cost at 1 January	**148.115**	**135.115**
Additions for the year	3.750	13.000
Cost at 31 December	**151.865**	**148.115**
Value changes at 1 January	**0**	**0**
Value changes	**0**	0
Value changes at 31 December	**0**	**0**
Carrying amount at 31 December	151.865	148.115

Figures in USD '000 **Name**	**Registered office**	**Ownership**	**Result 2018**	**Equity 2018**
Ultrabulk A/S	Gentofte	97%	15.524	159.874
Ultragas ApS	Gentofte	100%	-7.173	355
Othello Shipping Company ApS	Gentofte	100%	284	665
Ultranav Business Support ApS	Gentofte	100%	147	542

Note 4 – Allocation of result

Figures in USD '000	**2018**	**2017**
Proposed dividend	0	504
Retained earnings	1.621	-530
	1.621	**-26**

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 2019.

Ultranav Denmark ApS has issued guarantees to subsidiaries of USD 1.3 million.

The Parent Company is in joint taxation with other companies in the Group.

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
Type of transaction	**2018**	**2017**	**2018**	**2017**
Loans to subsidiaries	40	0	-9.850	-2.000
Loans from subsidiaries	0	0	2.500	0
Guarantees to subsidiaries	0	0	-1.269	0

Definition of key figures and financial ratios

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

Operating profit margin $= \frac{\text{Operating profit x 100}}{\text{Revenues}}$

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

Equity ratio $= \frac{\text{Total equity}}{\text{Total assets}}$

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