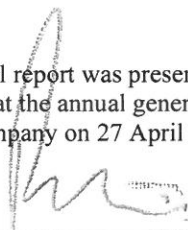


Magellan Spirit ApS

c/o Erria A/S
Amager Strandvej 390, 2.
2770 Kastrup
Denmark

Annual report 2015 (6th financial year)

The annual report was presented and approved at the annual general meeting of the Company on 27 April 2016



Chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have discussed and approved the annual report of Magellan Spirit ApS for the period 1 January – 31 December 2015.

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

It is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January – 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen, 27 April 2016

Executive Board:



Niels Berthelsen
Managing Director

Board of Directors:



Peter Lytzen
Chairman



Christopher Allan Brett



Satoru Nakagawa



Takahiro Nakamura

Independent auditors' report

To the shareholder of Magellan Spirit ApS

Independent auditors' report on the financial statements

We have audited the financial statements of Magellan Spirit ApS for the financial year 1 January – 31 December 2015. The financial statements comprise accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Independent auditors' report

Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 27 April 2016

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98



Niels Vendelbo
State Authorised
Public Accountant

Management's review

Company details

Magellan Spirit ApS
c/o Erria A/S
Amager Strandvej 390, 2
2770 Kastrup, Denmark

CVR no.: 33 26 58 32
Established: 16 November 2010
Financial year: 1 January – 31 December

Board of Directors

Peter Lytzen (Chairman)
Christopher Allan Brett
Satoru Nakagawa
Takahiro Nakamura

Executive Board

Niels Berthelsen (Managing Director)

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø

Annual general meeting

The annual general meeting will be held on 27 April 2016.

Management's review

Financial highlights

USD'000	2015	2014	2013	2012	2011
Key figures					
Gross profit/loss	-5,479	25,335	24,116	23,997	24,087
Operating profit/loss	-10,818	20,203	19,335	18,739	17,407
Profit/loss from financial income and expenses	35	-51	15	21	71
Profit/loss for the year	-10,817	20,300	19,250	18,660	17,436
Total assets	153,587	168,519	170,148	199,314	188,186
Equity	146,896	163,713	167,651	195,401	184,241
Return on assets	-6.7%	12.0%	10.4%	9.6%	8.9%
Return on invested capital	-7.0%	13.2%	12.6%	10.8%	9.3%
Equity ratio	95.6%	97.15%	98.5%	98.0%	97.9%
Return on equity	-7.0%	12.3%	10.6%	9.8%	9.1%

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's review

Operating review

Principal activities of the Company

The principal activity of Magellan Spirit ApS (the Company) is the transportation of liquefied natural gas (LNG). The construction of Magellan Spirit was completed in 2009 and is currently operating on a short-term charter contract.

Loss for the financial year

Loss for the financial year, after taxation, amounts to USD 11 million (2014: profit of USD 20 million), as a result of the grounding incident and subsequent charter contract termination in March 2015, which is currently in dispute.

Subsequent events

No events have occurred after the balance sheet date that materially affect the financial statements for 2015.

Outlook

The Company expects an increase in profit in 2016. As the Magellan Spirit was off-hire for a substantial period after the disputed termination of the charter contract relating to a grounding incident effective 28 March 2015, the Company was subsequently able to re-charter the vessel and its current charter contract expires in 2016. The Company continues to seek medium-term to long-term employment for the Magellan Spirit and the impact on future periods will depend on the Company's ability to re-charter the vessel and resolution of the legal dispute with the charterer over the terminated charter contract.

Particular risks

The Company's charter contract which was set to expire in September 2016 is in dispute with the charterer. The Company has made a claim of USD 51.8 million against the charterer. No amounts have been accrued for this claim in the Company's balance sheet.

Financial statements for the period 1 January – 31 December

Accounting policies

The annual report of Magellan Spirit ApS for 2015 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

Pursuant to section 86(4) of the Danish Financial Statements Act, the Company has not prepared a cash flow statement as the Company is included in the consolidated financial statements for Malt LNG Netherlands Holdings B.V., De Geelvinck, Unit 2.02, Singel 540, 1017AZ Amsterdam, the Netherlands. The consolidated financial statements of Malt LNG Netherlands Holdings B.V. can be obtained at the Company's address.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Currency

Pursuant to section 16(2) of the Danish Financial Statements Act, the Company has decided to present the annual report in the Company's functional currency, USD. At 31 December 2015, the currency exchange rate was 6.8300 DKK/USD (31 December 2014: 6.1214 DKK/USD).

Foreign currency translation

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

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Gross profit/loss

Income from the charter of Magellan Spirit is recognised in the income statement when delivery and transfer of risk to the buyer have taken place and provided that the income can be reliably measured and is expected to be received. Gross profit is measured at fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties.

Financial statements for the period 1 January – 31 December

Accounting policies

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on payables and transactions denominated in foreign currencies.

Tax on profit for the year

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

Balance sheet

Property, plant and equipment

Vessels 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. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries.

Interest expense is not capitalised.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The depreciable amount, which is calculated as cost less the residual value at 10% of the cost price, is depreciated on a straight-line basis over the expected useful life.

The expected useful lives are as follows:

Vessels	35 years
Dry-docking costs	5 years

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

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

Dry-docking costs are recognised under vessels when incurred and allocated over the period until next dry-docking.

Financial statements for the period 1 January – 31 December

Accounting policies

Impairment of non-current assets

The carrying amount of property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net cash flows from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Receivables

Receivables are measured at amortised cost.

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

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

Prepayments

Prepayments comprise costs incurred in relation to subsequent financial years.

Equity – dividends

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

Corporation tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account. The Company is part of a compulsory joint taxation with MALT LNG Holdings ApS, which is the administrative company.

Financial statements for the period 1 January – 31 December

Accounting policies

Liabilities other than provisions

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises payments received concerning income in subsequent years.

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Return on assets	$\frac{\text{Results for the year} \times 100}{\text{Average assets}}$
Return on invested capital	$\frac{\text{Profit before financial income and expenses} \times 100}{\text{Average invested capital}}$
Invested capital	Operating intangible assets and property, plant and equipment plus net working capital
Equity ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit for the year} \times 100}{\text{Average equity}}$

Financial statements for the period 1 January – 31 December

Income statement

USD'000	Note	2015	2014
Gross profit/loss	1, 2	<u>-5,479</u>	<u>25,335</u>
Profit/loss before depreciation and amortisation		-5,479	25,335
Depreciation and amortisation	4	<u>-5,339</u>	<u>-5,132</u>
Operating profit/loss		-10,818	20,203
Financial income		35	42
Financial expenses		<u>0</u>	<u>-93</u>
Profit/loss before tax		-10,783	20,152
Tax on profit/loss for the year	3	<u>-34</u>	<u>148</u>
Profit/loss for the year		<u><u>-10,817</u></u>	<u><u>20,300</u></u>
Proposed profit/loss appropriation			
Proposed dividend		0	6,000
Retained earnings		<u>-10,817</u>	<u>14,300</u>
		<u><u>-10,817</u></u>	<u><u>20,300</u></u>

Financial statements for the period 1 January – 31 December

Balance sheet

USD'000	Note	2015	2014
ASSETS			
Non-current assets			
Property, plant and equipment			
Vessel	4	147,921	153,201
Total non-current assets		<u>147,921</u>	<u>153,201</u>
Current assets			
Receivables			
Trade receivables		1,084	9
Receivables from affiliate		517	188
Prepayments		124	48
		<u>1,725</u>	<u>245</u>
Cash at bank and in hand		<u>3,941</u>	<u>15,073</u>
Total current assets		<u>5,666</u>	<u>15,318</u>
TOTAL ASSETS		<u>153,587</u>	<u>168,519</u>

Financial statements for the period 1 January – 31 December

Balance sheet

USD'000	Note	2015	2014
EQUITY AND LIABILITIES			
Equity	5		
Share capital		193	193
Retained earnings		146,703	157,520
Proposed dividend		0	6,000
Total equity		<u>146,896</u>	<u>163,713</u>
Liabilities			
Current liabilities			
Trade payables		2,568	334
Payables to affiliates		0	1,032
Payables to shareholders		3,379	3,440
Deferred income		744	0
		<u>6,691</u>	<u>4,806</u>
Total liabilities		<u>6,691</u>	<u>4,806</u>
TOTAL EQUITY AND LIABILITIES		<u>153,587</u>	<u>168,519</u>
Contractual obligations, contingencies, etc.	6		
Related party disclosures	7		

Financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Gross profit/loss

Pursuant to section 32 of the Danish Financial Statements Act, the Company's revenue is not presented.

2 Staff costs

Staff costs included in gross profit/loss for the Company's employees can be specified as follows:

USD'000	2015	2014
Wages and salaries	1,817	1,971
Pensions	254	267
Other social security costs	11	12
	<u>2,082</u>	<u>2,250</u>
Average number of full-time employees	<u>66</u>	<u>65</u>

3 Tax on profit/loss for the year

USD'000	2015	2014
Current tax for the year	0	0
Prior year adjustment	-34	148
	<u>-34</u>	<u>148</u>

The Company is jointly taxed with MALT LNG Holdings ApS.

The Company is included under the tonnage tax scheme. The Company has no deferred tax; however, disposal of vessels or withdrawal from the tonnage tax scheme may trigger taxation.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

4 Property, plant and equipment

USD'000	2015	2014
Cost at 1 January	181,967	177,457
Additions	59	4,510
Cost at 31 December	182,026	181,967
Depreciation at 1 January	-28,766	-23,634
Depreciation for the year	-5,339	-5,132
Depreciation at 31 December	-34,105	-28,766
Carrying amount at 31 December	147,921	153,201

5 Equity

USD'000	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2014	193	143,220	24,238	167,651
Dividends paid	0	0	-24,238	-24,238
Profit appropriation	0	14,300	6,000	20,300
Equity at 31 December 2014	193	157,520	6,000	163,713
Dividends paid	0	0	-6,000	-6,000
Profit/loss appropriation	0	-10,817	0	-10,817
Equity at 31 December 2015	193	146,703	0	146,896

The share capital consists of 10,000 shares of a nominal value DKK 100 each, equivalent to USD 192,675. All shares rank equally.

For 2015, the Company's financial figures were included in the consolidated financial statements of Malt LNG Netherlands Holdings B.V.

The share capital has remained unchanged since the Company was established in 2010.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

6 Contractual obligations and contingencies, etc.

The Company is jointly taxed with other Danish companies in the MALT LNG Holdings Group, with MALT LNG Holdings ApS being the administrative company. The Company has, together with the administrative company and its subsidiaries, unlimited joint and several liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties under the joint taxation scheme. The jointly taxed companies' total net liability to the Danish tax authorities amounted to USD 0 at 31 December 2015. Any subsequent corrections of the taxable jointly taxed income or withholding taxes, etc., may entail an increase in the Company's liability.

The Company has no contingent liabilities.

7 Related party disclosures

Magellan Spirit ApS' related parties comprise the following:

Parties exercising control

MALT LNG Transport ApS, Amager Strandvej 390, 2, 2770 Kastrup, Denmark, parent company.

MALT LNG Holdings ApS, Amager Strandvej 390, 2, 2770 Kastrup, Denmark, ultimate parent company in Denmark. MALT LNG Holdings ApS is owned by Malt LNG Netherlands Holdings B.V.

Other related parties

Group entities and associates of the Teekay Corporation Group.

The Company's related parties also comprise the Board of Directors, the Executive Board and executive employees and their family members. Further, related parties comprise companies in which the above persons have substantial interests.