

# **Magellan Spirit ApS**

**Torvet 21, 1.  
4600 Køge  
Denmark**

## **Annual Report 2020**

The annual report was presented and approved at the annual general meeting of the Company on 28 May 2021

---

Chairman

CVR no. 33 26 58 32

## **Contents**

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	6
Company details	6
Financial highlights	7
Operating review	8
Financial statements for the period 1 January – 31 December	10
Income statement	10
Balance sheet	11
Statement of changes in equity	13
Notes to the financial statements	14

## **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 2020.

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 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020.

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, 28 May 2021

Executive Board:

---

Niels Berthelsen  
Managing Director

Board of Directors:

---

Yasutomo Miyake

---

Hirokazu Murata

---

Michel Christian Nielsen  
Chairman

---

Niels Berthelsen

# **Independent auditor's report**

## **To the shareholder of Magellan Spirit ApS**

### **Opinion**

We have audited the financial statements of Magellan Spirit ApS for the financial year 1 January – 31 December 2020, comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

### **Basis for opinion**

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

### **Management's responsibility for the financial statements**

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

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

# **Independent auditor's report**

## **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 the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the 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 company 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 disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

## **Independent auditor's report**

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

### **Statement on the Management's review**

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 28 May 2021

**KPMG**

Statsautoriseret Revisionspartnerselskab  
CVR no. 25 57 81 98

Niels Vendelbo  
State Authorised  
Public Accountant  
mne34532

Martin Pieper  
State Authorised  
Public Accountant  
mne44063

## **Management's review**

### **Company details**

Magellan Spirit ApS  
Torvet 21, 1  
4600 Køge, Denmark

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

### **Board of Directors**

Hirokazu Murata  
Yasutomo Miyake  
Michel Christian Nielsen  
Niels Berthelsen

### **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 28 May 2021.

## Management's review

### Financial highlights

USD'000	2020	2019	2018	2017	2016
<b>Key figures</b>					
Gross profit/loss	16,168	13,733	10,561	-1,048	40,008
Operating profit/loss	10,298	5,513	2,587	-9,083	32,258
Profit/loss from financial income and expenses	12	-8	37	-62	33
<b>Profit/loss for the year</b>	<b>10,181</b>	<b>5,471</b>	<b>2,600</b>	<b>-9,128</b>	<b>32,223</b>
Investment in fixed assets	53	7,949	2,403	159	166
<b>Total assets</b>	<b>146,940</b>	<b>150,002</b>	<b>144,407</b>	<b>140,851</b>	<b>147,505</b>
<b>Equity</b>	<b>145,603</b>	<b>139,062</b>	<b>133,591</b>	<b>130,991</b>	<b>140,119</b>
Return on assets	7.0%	3.8%	1.8%	-6.3%	21.4%
Return on invested capital	7.5%	4.1%	1.9%	-6.7%	22.5%
Equity ratio	99.1%	92.7%	92.5%	93.0%	95.0%
Return on equity	7.4%	4.0%	1.9%	-6.7%	22.5%

Financial ratios are calculated in accordance with the guidelines "Recommendations & Ratios" issued by the Danish Society of Financial Analysts. 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 the Magellan Spirit was completed in 2009. The vessel is currently employed on a time-charter contract that expires in June 2022. The Company continues to seek long-term employment for the vessel.

#### **Profit for the financial year**

Profit for the financial year, after taxation, amounts to USD 10.2 million (2019: USD 5.5 million). The increase was a result of the vessel being off-hire for 48 days in 2019 due to a scheduled dry docking and lower operating costs in 2020.

#### **Subsequent events**

No events have occurred after the balance sheet date that materially affect the financial statements for 2020.

#### **Outlook**

The Company expects revenue and profit to be at a similar level in 2021 compared to 2020. The Company continues to seek 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 at attractive rates.

#### **Environmental matters**

Teekay Corporation, the ultimate parent company, assists the Company in managing its ship operations. Safety and environmental compliance are the Company's top operational priorities. The Company operates its vessel in a manner intended to protect the safety and health of the employees, the general public and the environment. The Company seeks to manage the risks inherent in its business and is committed to eliminating incidents that threaten the safety and integrity of the Company's vessel, such as groundings, fires, collisions and petroleum spills. In 2007, Teekay Corporation introduced a behavior-based safety program called "Safety in Action" to further enhance the safety culture on the Company's vessel. The Company is also committed to reducing its emissions and waste generation. In 2008, Teekay Corporation introduced the Quality Assurance and Training Officers (or *QATO*) program to conduct rigorous internal audits of the Company's processes and provide the seafarers with onboard training. In 2010, Teekay Corporation introduced a safety leadership program for the employees titled "Operational Leadership, The Journey" which sets out Teekay Corporation's operational expectations, the responsibilities of individual employees and commitment to empowering the employees to work safely and live Teekay Corporation's vision through a positive and responsible attitude.

## **Management's review**

### **Operating review (continued)**

Teekay Corporation has achieved certification under the standards reflected in International Standards Organization's (or *ISO*) 9001 for Quality Assurance, ISO 14001 for Environment Management Systems, Occupational Health and Safety Advisory Services 18001 for Occupational Health and Safety, and the International Maritime Organization's International Management Code for the Safe Operation of Ships and Pollution Prevention (or *ISM Code*) on a fully integrated basis. As part of Teekay Corporation's compliance with the *ISM Code*, the Company's vessel's safety management certificates are maintained through ongoing internal audits performed by the Company's certified internal auditors and intermediate external audits performed by the classification society Det Norske Veritas. Subject to satisfactory completion of these internal and external audits, certification is valid for five years.

## Financial statements for the period 1 January – 31 December

### Income statement

USD'000	Note	2020	2019
<b>Gross profit</b>		18,886	13,733
Staff costs	2	-2,718	-2,637
Depreciation and amortisation	3	-5,870	-5,583
<b>Operating profit</b>		10,298	5,513
Financial income		39	109
Financial expenses		-27	-117
<b>Profit before tax</b>		10,310	5,505
Tax on profit for the year	4	-129	-34
<b>Profit for the year</b>	5	10,181	5,471

## Financial statements for the period 1 January – 31 December

### Balance sheet

USD'000	Note	2020	2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Property, plant and equipment</b>			
Vessel	3	131,155	136,972
<b>Total non-current assets</b>		<u>131,155</u>	<u>136,972</u>
<b>Current assets</b>			
<b>Receivables</b>			
Receivables from group entities	8	939	15
Trade receivables		92	529
Prepayments		126	54
		<u>1,157</u>	<u>598</u>
<b>Cash at bank and in hand</b>		<u>14,628</u>	<u>12,432</u>
<b>Total current assets</b>		<u>15,785</u>	<u>13,030</u>
<b>TOTAL ASSETS</b>		<u><u>146,940</u></u>	<u><u>150,002</u></u>

## Financial statements for the period 1 January – 31 December

### Balance sheet

USD'000	Note	2020	2019
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	6		
Share capital		193	193
Retained earnings		119,410	135,229
Proposed dividend		26,000	3,640
<b>Total equity</b>		<u>145,603</u>	<u>139,062</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Other liabilities		138	0
<b>Total non-current liabilities</b>		<u>138</u>	<u>0</u>
<b>Current liabilities</b>			
Trade payables		318	1,667
Payables to group entities	8	486	2,740
Payables to shareholder	8	0	6,120
Other liabilities		395	413
<b>Total current liabilities</b>		<u>1,199</u>	<u>10,940</u>
<b>Total liabilities</b>		<u>1,337</u>	<u>10,940</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>146,940</u>	<u>150,002</u>
<b>Contractual obligations, contingencies, etc.</b>	7		
<b>Related party disclosures</b>	8		

## Financial statements for the period 1 January – 31 December

### Statement of changes in equity

USD'000	Share capital	Retained earnings	Proposed dividend	Total
<b>Equity at 1 January 2019</b>	193	133,398	0	133,591
Profit appropriation	0	1,831	3,640	5,471
<b>Equity at 31 December 2019</b>	193	135,229	3,640	139,062
Dividends paid	0	0	-3,640	-3,640
Profit appropriation	0	-15,819	26,000	10,181
<b>Equity at 31 December 2020</b>	193	119,410	26,000	145,603

## **Financial statements for the period 1 January – 31 December**

### **Notes to the financial statements**

#### **1 Accounting policies**

The annual report of Magellan Spirit ApS for 2020 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., Prins Bernhardplein 200, 1097 JB 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 2020, the currency exchange rate was 6.0576 DKK/USD (31 December 2019: 6.6627 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**

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

## **Financial statements for the period 1 January – 31 December**

### **Notes to the financial statements**

#### **1 Accounting policies (continued)**

##### ***Revenue***

Revenues from the time charter of the Magallen Spirit are recognised by the Company on a straight-line basis daily over the term of the charter. If collectability of the time-charter hire receipts is not probable, revenue that would have otherwise been recognized is limited to the amount collected from the charterer.

The Company does not recognize revenues during days that the vessel is off-hire. When the time charter contains drydock cost reimbursements for time charters accounted for as operating leases or other variable consideration, the Company recognizes this revenue in the period in which the changes in facts and circumstances on which the variable charter hire payments are based occur.

##### ***Operating expenses***

Operating expenses includes, amongst others, fuel expenses, port fees, canal tolls, cargo loading and unloading expenses. Operating expenses are recognised when incurred.

##### ***Other external expenses***

Other external expenses comprise costs relating to management fees, bank charges, audit fees, etc.

#### **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 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.



## **Financial statements for the period 1 January – 31 December**

### **Notes to the financial statements**

#### **1 Accounting policies (continued)**

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.

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

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.

#### **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.

## **Financial statements for the period 1 January – 31 December**

### **Notes to the financial statements**

#### **1 Accounting policies (continued)**

##### **Receivables**

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. Write-downs are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows.

##### **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.

##### **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 statements for the period 1 January – 31 December

### Notes to the financial statements

#### 1. Accounting policies (continued)

##### Financial ratios

Financial ratios are calculated in accordance with the guidelines "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

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	$\frac{\text{Profit for the year} \times 100}{\text{Average equity}}$

#### 2 Staff costs

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

USD'000	2020	2019
Wages and salaries	2,002	1,969
Pensions	210	212
Other staff costs	483	428
Other social security costs	23	28
	<u>2,718</u>	<u>2,637</u>
Average number of full-time employees	<u>27</u>	<u>29</u>

Remuneration of the Company's Management and Board of Directors is not disclosed pursuant to section 98b (3)(ii) of the Danish Financial Statements Act.

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 3 Property, plant and equipment

USD'000	2020	2019
Cost at 1 January	188,309	184,754
Additions	53	7,949
Previously amortized dry dock costs	0	-4,394
Cost at 31 December	188,362	188,309
Depreciation at 1 January	-51,337	-50,148
Depreciation for the year	-5,870	-5,583
Previously amortized dry dock costs	0	4,394
Depreciation at 31 December	-57,207	-51,337
<b>Carrying amount at 31 December</b>	<b>131,155</b>	<b>136,972</b>

#### 4 Tax on profit for the year

USD'000	2020	2019
Current tax for the year	-129	-34
	<b>-129</b>	<b>-34</b>

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.

#### 5 Proposed profit appropriation

USD'000	2020	2019
Proposed dividend	26,000	3,640
Retained earnings	-15,819	1,831
	<b>10,181</b>	<b>5,471</b>

#### 6 Equity

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

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

#### 7 Contractual obligations, 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 2020. 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.

#### 8 Related party disclosures

- a) The Company has entered into service agreements with Teekay Shipping Limited, a company under common control, under which Teekay Shipping Limited provides the Company with corporate and technical ship management services. In addition, crew training was provided to the Company by Teekay Shipping Limited. These services are measured at the exchange amount between the parties. For the periods indicated, these related party transactions were as follows:

USD'000	2020	2019
Crew training expenses	101	140
Ship management services	479	472
Corporate services	343	338
	<u>923</u>	<u>950</u>

- b) From time to time, other payments are made by affiliates on behalf of the Company that are not specific to any agreements described above. As at 31 December 2020 and 2019, non-interest bearing advances to group entities totalled USD 0.9 million and USD 15 thousand, and advances from the shareholder and group entities totalled USD 0.5 million and USD 8.9 million, respectively. These advances are unsecured and have no fixed repayment terms. Group entities are entities that are under the same common control.
- c) In September 2018, the Company entered into an agreement with Teekay LNG Chartering L.L.C., a subsidiary of Teekay LNG Partners L.P., to charter out the Magellan Spirit for a period of two years at a fixed-rate. Subsequently, in April 2019, the Company extended this agreement to June 2022. During the year ended 31 December 2020, the Company recognized USD 23.6 million (2019: USD 21.1 million) of time-charter revenue as a result of this contract and presented as part of gross profit in the Company's income statement.

Advances to/from affiliates are disclosed in the balance sheet.