

MALT LNG Holdings ApS

Amager Strandvej 398, 2.
1770 Kastrop
Denmark

**Annual report 2015
(4th financial year)**

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



Chairman

CVR no. 33 97 07 49

Contents

Statement by the Executive Board	2
Independent auditors' report	3
Management's review	5
Company details	5
Operating review	6
Financial statements for the period 1 January – 31 December	7
Accounting policies	7
Income statement	11
Balance sheet	12
Notes to the financial statements	14

Statement by the Executive Board

The Executive Board has discussed and approved the annual report of MALTING Holdings ApS for the financial year 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

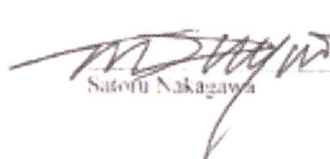
Executive Board:



Mark James Kremin
Chairman



Brody Magnusson Speers



Satoru Nakagawa



Takahiro Nakamura

Independent auditors' report

To the shareholder of MALT LNG Holdings ApS

Independent auditors' report on the financial statements

We have audited the financial statements of MALT LNG Holdings 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 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, 2 May 2016

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98



Niels Vendelbo
State Authorised
Public Accountant

Management's review

Company details

MALT LNG Holdings ApS
Amager Strandvej 390, 2
2770 Kastrup, Denmark

CVR no.: 33 97 07 49
Established: 17 October 2011
Financial year: 1 January – 31 December

Executive Board

Mark James Kremin (Chairman)
Brody Magnusson Speers
Satoru Nakagawa
Takahiro Nakamura

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

Operating review

Principal activities of the Company

The principal activity of MALT LNG Holdings ApS (the Company) and its subsidiaries (Magellan Spirit ApS and Meridian Spirit ApS through the ownership of MALT LNG Transport ApS) is the transportation of liquefied natural gas (LNG) through the operation of the subsidiaries' LNG carriers.

Profit/loss for the financial year

Loss for the financial year, after taxation, amounts to USD 5 million (2014: profit of USD 26 million), mainly generated from the Company's subsidiaries.

No interim dividend was distributed during 2015 (2014: USD 28 million).

Subsequent events

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

Outlook

The Company's results for 2016 are dependent on its subsidiaries' results. 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 Magellan Spirit ApS was subsequently able to re-charter the vessel and its current charter contract expires in 2016. Magellan Spirit ApS continues to seek medium-term to long-term employment for the Magellan Spirit and the impact on future periods will depend on the Magellan Spirit ApS' ability to re-charter the vessel and resolution of the legal dispute with the charterer over the terminated charter contract.

Particular risks

Magellan Spirit ApS' charter contract which was set to expire in September 2016 is in dispute with the charterer. Magellan Spirit ApS 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 MALT LNG Holdings ApS for 2015 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

Pursuant to section 112(1) of the Danish Financial Statements Act, consolidated financial statements are not prepared as the Company is included in the consolidated financial statements of 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 required 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

External costs

External costs comprise fees to advisors, management fees, administrative expenses, 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 and amortisation of financial assets and liabilities.

Financial statements for the period 1 January – 31 December

Accounting policies

Share of results in subsidiaries after tax

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement after full elimination of intra-group profits/losses.

Tax on profit/loss for the year

The parent company is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carry forwards receive joint taxation contributions from companies that have used these losses to reduce their own taxable profits.

Tax for the period comprises current tax and joint taxation contributions for the period. The tax expense relating to the profit/loss for the period is recognised in the income statement.

Balance sheet

Equity investments in subsidiaries

Equity investments in subsidiaries are measured under the equity method.

Equity investments in subsidiaries are measured at the proportionate share of the entities' net asset values calculated in accordance with the company's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the acquisition method.

Equity investments in subsidiaries with negative net asset values are measured at USD 0 (nil), and any amounts owed by such entities are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of equity investments in subsidiaries is recognised in the net revaluation reserve in equity under the equity method to the extent that the carrying amount exceeds cost. Dividends from subsidiaries that are expected to be adopted before the approval of the annual report of MALT LNG Holdings ApS are not recognised in the net revaluation reserve.

On acquisition of subsidiaries, the acquisition method is applied.

Financial statements for the period 1 January – 31 December

Accounting policies

Impairment of non-current assets

The carrying amount of non-current assets is subject to an annual test for indications of impairment other than the decrease in value reflected by amortisation or 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 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.

Equity

Net revaluation reserve under the equity method

Net revaluation of equity investments in subsidiaries is recognised at cost in the net revaluation reserve under the equity method.

The reserve may be eliminated in case of losses, realisation of equity investments or a change in accounting estimates.

The reserve cannot be recognised at a negative amount.

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.

Financial statements for the period 1 January – 31 December

Accounting policies

Corporation tax and deferred tax

In its capacity as the administrative company, MALT LNG Holdings ApS is liable for its subsidiaries' corporation taxes towards the tax authorities concurrently with the payment of joint taxation contribution by the subsidiaries.

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.

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Corporation tax receivable" or "Corporation tax payable".

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Financial statements for the period 1 January – 31 December

Income statement

USD'000	Note	2015	2014
External costs	1	-569	-740
Operating loss		-569	-740
Share of results in subsidiaries after tax	5	-4,345	26,381
Financial income	2	10	5
Financial expenses	3	0	-1
Profit/loss before tax		-4,904	25,645
Tax on profit/loss for the year	4	18	20
Profit/loss for the year		-4,886	25,665
Proposed profit appropriation			
Proposed dividend		15,827	11,000
Interim dividend		0	27,838
Net revaluation reserve under the equity method		-4,345	26,381
Retained earnings		-16,368	-39,554
		-4,886	25,665

Financial statements for the period 1 January – 31 December

Balance sheet

USD'000	Note	2015	2014
ASSETS			
Non-current assets			
Investments			
Equity investments in subsidiaries	5	<u>283,312</u>	<u>298,657</u>
Total non-current assets		<u>283,312</u>	<u>298,657</u>
Current assets			
Receivables			
Receivables from group entities		10,826	5,925
Other receivables		<u>3</u>	<u>21</u>
		<u>10,829</u>	<u>5,946</u>
Cash at bank and in hand		<u>374</u>	<u>41</u>
Total current assets		<u>11,203</u>	<u>5,987</u>
TOTAL ASSETS		<u><u>294,515</u></u>	<u><u>304,644</u></u>

Financial statements for the period 1 January – 31 December

Balance sheet

USD'000	Note	2015	2014
EQUITY AND LIABILITIES			
Equity	6		
Share capital		83	83
Net revaluation reserve under the equity method		170,805	175,150
Retained earnings		83,807	100,175
Proposed dividend		15,827	11,000
Total equity		<u>270,522</u>	<u>286,408</u>
Liabilities			
Current liabilities			
Trade payables		0	25
Payables to subsidiaries		7,692	969
Payables to group entities		16,256	17,210
Other payables		45	32
		<u>23,993</u>	<u>18,236</u>
Total liabilities		<u>23,993</u>	<u>18,236</u>
TOTAL EQUITY AND LIABILITIES		<u>294,515</u>	<u>304,644</u>
Contractual obligations, contingencies, etc.	7		
Related party disclosures	8		

Financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Staff costs

The parent company has no employees.

USD'000	2015	2014
2 Financial income		
Other interest income	1	1
Foreign exchange gains	9	4
	<u>10</u>	<u>5</u>
3 Financial expenses		
Other interest expense	0	-1
	<u>0</u>	<u>-1</u>
4 Tax on profit/loss for the year		
Current tax for the year	0	0
Prior year adjustment	18	20
	<u>18</u>	<u>20</u>
5 Equity investments in subsidiaries		
Cost at 1 January	277,765	277,765
Additions	0	0
Cost at 31 December	<u>277,765</u>	<u>277,765</u>
Value adjustments at 1 January	20,892	22,349
Dividends	-11,000	-27,838
Loss/profit for the year in subsidiaries	-4,345	26,381
Value adjustments at 31 December	<u>5,547</u>	<u>20,892</u>
Carrying amount at 31 December	<u>283,312</u>	<u>298,657</u>

Financial statements for the period 1 January – 31 December

Notes to the financial statements

5 Equity investments in subsidiaries, continued

Name	Registered office	Voting rights and ownership share
MALT LNG Transport ApS	Denmark	100%

6 Equity

USD'000	Share capital	Net revaluation reserve under the equity method	Retained earnings	Proposed dividend	Total
Equity at 1 January 2014	83	148,769	139,729	0	288,581
Interim dividend	0	0	-27,838	0	-27,838
Profit appropriation 2014	0	26,381	-11,716	11,000	25,665
Equity at 31 December 2014	83	175,150	100,175	11,000	286,408
Dividends paid	0	0	0	-11,000	-11,000
Profit appropriation 2015	0	-4,345	-16,368	15,827	-4,886
Equity at 31 December 2015	83	170,805	83,807	15,827	270,522

The share capital consists of shares corresponding to USD 83,000 translated at the USD/DKK rate at 1 January 2011. 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 2011.

7 Contractual obligations and contingencies, etc.

The Company is jointly taxed with other Danish companies in the MALT LNG Holdings Group. As the administrative company, together with the subsidiary, the Company has 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.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

8 Related party disclosures

MALT LNG Holdings ApS' related parties comprise the following:

Parties exercising control

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 Executive Board and executive employees and their family members. Further, related parties comprise companies in which the above persons have substantial interests.