Ultragas ApS
2018
Annual Report

Ultragas

Ultragas ApS | Smakkedalen 6 |2820 Gentofte, Denmark | CVR.no. 34 09 34 82

Approved on the annual general meeting 26 March 2019

Chairman of the meeting

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ABOUT ULTRAGAS

Principal activities

Ultragas ApS' (Ultragas) prime activity is to perform fully integrated management of LPG/Chemical Gas Carriers, in worldwide trade and to engage in other related activities.

Performance and result for the year

Ultragas is based in Copenhagen with the primary purpose of undertaking full commercial and operational management of a fleet of gas tankers owned by the Ultranav Group. A wholly owned subsidiary, UltraShip ApS (UltraShip), is entrusted with the technical management of the fleet and also offers technical supervision/management for affiliated companies in the Ultranav Group. Ultragas operates under the rules of the Danish Tonnage Tax Scheme.

Ultragas' Quality Management System was reassessed by ABS in 2018 and reconfirmed to be in conformance with the requirements of ISO 9001:2015.

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 units 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 fleet was engaged in both regional and international trades during 2018 transporting LPG, petrochemical gasses and ammonia.

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 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.

The activities of Ultragas ApS produced a net loss of MUSD 7.2 (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 both fleets 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.

Operating costs for the remaining fleet were held at budgeted levels.

One vessel was drydocked in 2018 and both cost and down time was slightly better than budget.

Ultragas ApS has received an intra-group contribution of USD 3,750 thousand from the parent company Ultranav Denmark ApS.

The gas shipping market was negatively affected by reduced volumes of LPG being transported in

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.

especially the handy size segment combined with a relatively high delivery of new tonnage to the segment, resulting in an oversupply of handy size vessels. Demand for the transport of petrochemical gasses was relatively stable during 2018 which supported smaller gas carriers employed in the Unigas operation and to a lesser extent the handy-size vessels, however not enough to avoid periods with excessive idle time mainly during 3rd quarter 2018.

By year end overall utilization of the fleet improved and Ultragas entered 2019 with full fleet employment and improvement in rates and contract coverage for 2019.

Health, safety and environment

A safe operation including the safety and well-being of the employees has high priority and Ultragas strives to continuously provide and enhance healthy and high-quality working conditions. Efforts to standardize and improve processes continued during the year and resulted in Ultragas again being able to further improve its safety and incident record during 2018. The establishment of UltraShip as our in-house technical ship manager and continued investment in safety training of our organization, both at sea and at shore, are believed to have been major factors to achieving this ongoing positive development.

Ultragas maintains its focus on environmental issues in an effort to further reduce the fleet's emission and improve optimization systems and equipment, which impact the environment. In 2018 Ultragas continued to investment in IT systems, training and real time data collection from the vessels with the ambition to further improve speed and consumption performance of the fleet.

Human capital is a core asset and it is important for Ultragas to keep qualified and motivated employees. Significant investments have been made to develop individual and collective talent and capabilities, both for employees employed at shore and at sea.

Ultragas expanded the Danish flag fleet with an additional vessel during 2018 and has by the end of 2018 11 vessels in the Danish International Register of Shipping (DIS). Through its membership of Danish Shipping, Trident Alliance (Enforcement of environmental regulations) and MACN (Maritime Anti-Corruption Network), Ultragas actively pursues and promotes high standards of ethics and commitment to environmental protection.

Corporate Governance

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

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

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

The Ultranav group 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 in accordance to requirements as per the Danish Financial Statements Act §99a. The report covers all 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.ultragas.dk/content/csr

Outlook

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 Unigas segment. For 2019 Ultragas foresees only limited growth in LPG volumes carried on handy-size vessels and as the segment still has to absorb 7 additional new building during the year supply will increase further and negatively affect the supply and demand balance. 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.

To secure the operation, Ultragas has credit facilities available through intra-group arrangements. The parent company Ultranav Denmark ApS has confirmed that it will provide liquidity to Ultragas, as may be necessary for Ultragas to meet its obligations as they fall due. This commitment is valid until 1 January 2020.

Subsequent events

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 when delivered to the buyer. The three vessels will enter Unigas together with 5 sister vessels acquired by the Unigas partners. All 3 vessels will enter the Danish International Register of Shipping (DIS).

No other significant events have occurred after the balance sheet date that materially affects the financial position of the Company.

PART OF A LARGE AND DIVERSIFIED GROUP

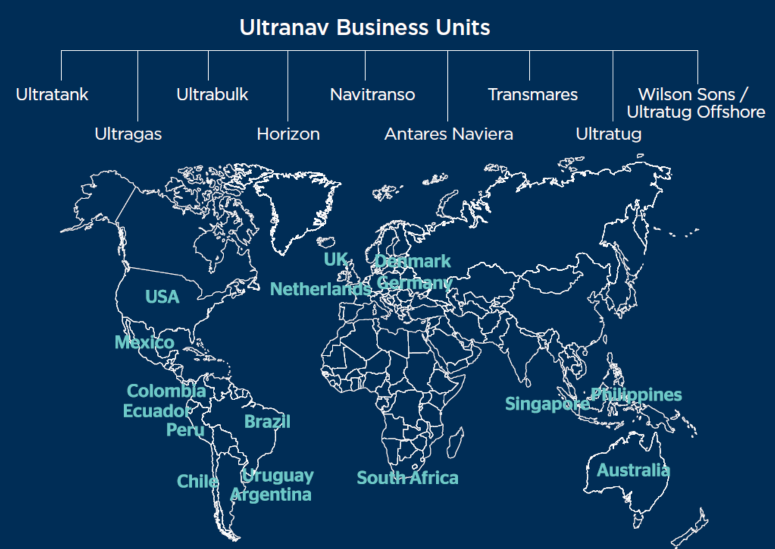
Ultragas is part of the Ultranav Group. Ultranav is a privately owned shipowning and operating company headquartered in Santiago, Chile.

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

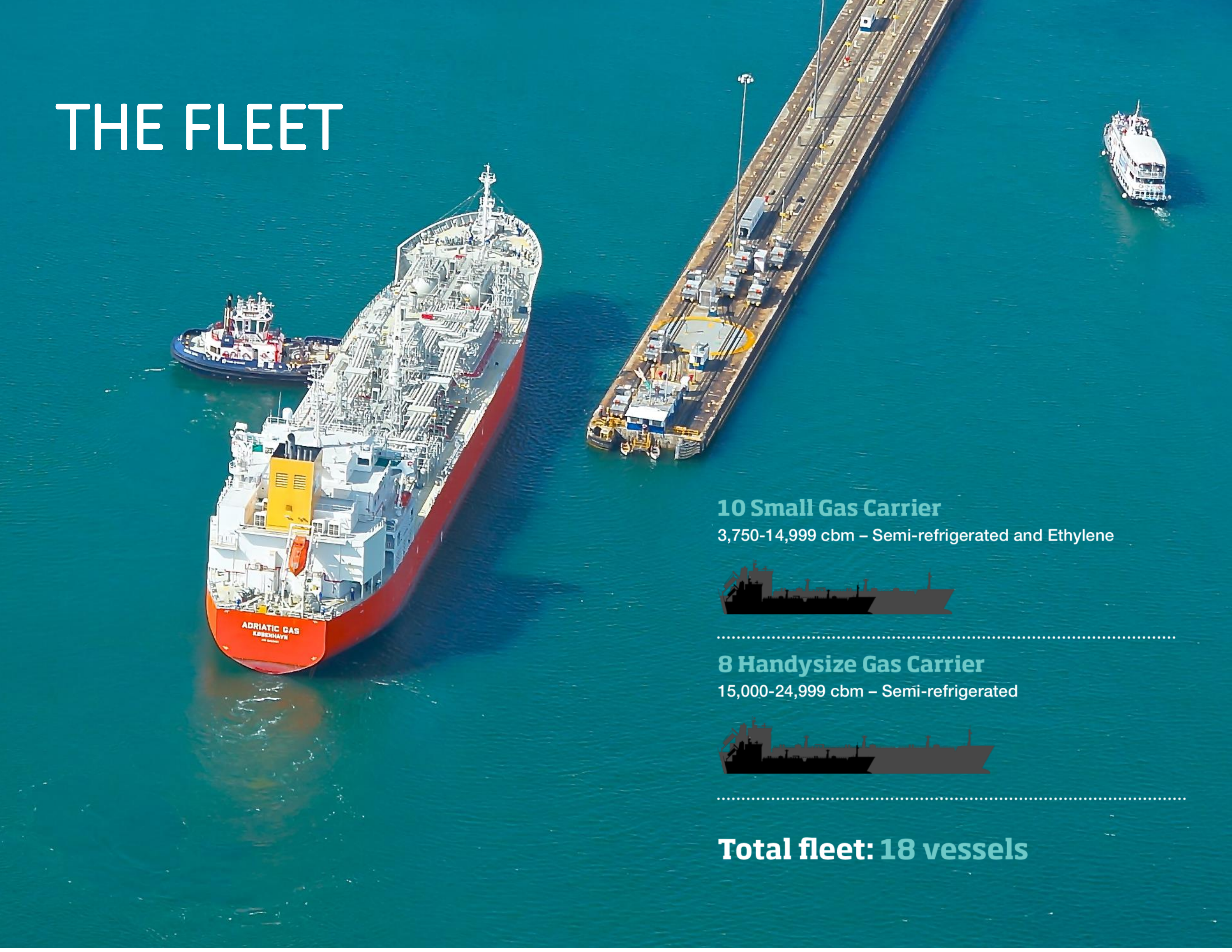
5 Barges

5 Pilot/Crew Boats

KEY FIGURES & RATIOS

KEY FIGURES (USD '000)	2018	2017	2016	2015	2014
INCOME STATEMENT					
Revenue	105.317	95.751	106.665	138.213	93.741
Gross profit (Net earnings from shipping activities)	-2.539	-17.036	-5.078	19.014	9.956
Ordinary operating profit/(loss)	-5.699	-20.347	-9.190	15.790	6.845
Net profit from financial income and expenses	-1.422	-1.028	-864	-1.124	-3.428
Profit/(loss) for the year	-7.173	-21.547	-10.128	14.588	3.355
STATEMENT OF FINANCIAL POSITION					
Non-current assets	1.350	1.451	1.315	1.481	1.462
Current assets	17.938	12.767	19.606	24.426	15.105
Total assets	19.288	14.218	20.921	25.908	16.567
Share Capital	37	37	37	37	37
Equity	355	3.815	12.277	22.444	7.954
Current liabilities other than provisions	8.998	8.366	8.644	3.464	8.613
Non-current liabilities	9.850	2.000	0	0	0
CASH FLOW					
From operating activities	-11.097	-14.977	-6.658	11.308	3.706
From investing activities	-1.354	-1.177	-715	-1.097	2.591
Portion relating to investment in property, plant and equipment	0	15	0	49	50
Cash flows from financing activities	11.583	14.965	-29	-129	-22
Total cash flows	-868	-1.189	-7.402	10.082	-6.275
FINANCIAL RATIOS AND PER SHARE DATA					
Operation profit margin	-5,4	-21,2	-8,6	11,4	7,3
Gross profit margin	-2,4	-17,8	-4,8	13,8	10,6
Solvency ratio	1,8	26,8	58,7	86,6	48,0
Return on equity	-344,0	-267,8	-58,3	96,0	52,7
US$/DKK rate at year end	651,94	620,77	705,28	683,00	612,14
Average US$/DKK rate	631,74	659,53	673,27	672,68	561,90
Average number of employees on shore	11	9	9	8	6
Average number of crew on vessels	405	335	290	135	35

THE FLEET



10 Small Gas Carrier

3,750-14,999 cbm – Semi-refrigerated and Ethylene

8 Handysize Gas Carrier

15,000-24,999 cbm – Semi-refrigerated

Total fleet: 18 vessels

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

The Board of Directors and the Executive Board have today discussed and approved the annual report of Ultragas ApS for the financial period 1 January – 31 December 2018.

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 financial position at 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and its financial position.

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

Copenhagen, 11 March 2019.

EXECUTIVE MANAGEMENT

Martin Fruergaard
CEO

BOARD OF DIRECTORES

Dag von Appen
Chairman

Enrique Ide
Vice chairman

Carsten Haagensen

INDEPENDENT AUDITORES' REPORT

To the shareholders of Ultragas ApS

Opinion

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations and 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 financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Auditor's responsibilities for the audit of the financial statements

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
State Authorised
Public Accountant
MNE no.: mne28677

Mie Boesen
State Authorised
Public Accountant
MNE no.: mne44117

FINANCIAL STATEMENT

Income Statements

Figures in USD '000	Note	2018	2017
Revenue		105.317	95.751
Voyage related expenses and operating costs of vessels		-58.426	-57.164
Bare boat and Time-charter hire		-49.430	-55.623
Gross profit (Net earnings from shipping activities)		**-2.539**	**-17.036**
Other external expenses		-1.145	-1.444
Staff costs	2	-2.015	-1.867
Operating loss before depreciation, amortization and impairment loss (EBITDA)		**-5.699**	**-20.347**
Depreciation	3	-4	-29
Operating loss (EBIT)		**-5.703**	**-20.376**
Share of result in subsidiaries and associates	4	-1.387	-1.194
Other financial items, net	5	-35	165
Loss before tax		**-7.125**	**-21.405**
Tax	6	-48	-142
Net loss	7	**-7.173**	**-21.547**

BALANCE SHEET

ASSETS			
Figures in USD '000	Note	2018	2017
Fixtures, fittings and equipment	8	0	4
Total tangible assets		**0**	**4**
Investment in associates	9	1.153	1.161
Investment in subsidiaries	10	197	184
Other long-term assets		0	102
Financial assets, non-current		**1.350**	**1.447**
Total non-current assets		**1.350**	**1.451**
Inventories		1.477	1.621
Trade and other receivables	11	12.677	8.965
Prepayments		3.161	690
Cash and short-term deposits		623	1.491
Current assets		**17.938**	**12.767**
TOTAL ASSETS		**19.288**	**14.218**

EQUITY AND LIABILITIES			
Figures in USD '000	Note	2018	2017
Share capital	12	37	37
Retained earnings		318	3.815
Total equity of majority interest		**355**	**3.852**
Intercompany loan		9.850	2.000
Total non-current liabilities		**9.850**	**2.000**
Trade and other payables	13	8.998	8.366
Derivative financial instruments		21	0
Income tax payable		64	0
Total current liabilities		**9.083**	**8.366**
Total liabilities		**18.933**	**10.366**
TOTAL EQUITY AND LIABILITIES		**19.288**	**14.218**

CASH FLOW STATEMENT

Figures in USD '000	Note	2018	2017
Profit/loss(-) before tax		-7.125	-21.405
Adjustment for non-cash items etc.			
Depreciation	2	4	29
Share of gain/loss in associated companies	3	1.387	1.194
Interest expenses	4	17	35
Interest income	4	-94	-43
Net foreign exchange differences		121	-157
Working capital adjustments:			
Change in current assets		-6.039	5.771
Change in current liabilities		632	-401
Net cash flows from operating activities		**-11.097**	**-14.977**

Figures in USD '000	Note	2018	2017
Investment in subsidiaries and associates		-1.737	-1.350
Dividend received		289	115
Sale of tangible assets		0	15
Interest received		94	43
Net cash flows from investing activities		**-1.354**	**-1.177**
Intragroup contribution		3.750	13.000
Loan from related parties		7.850	2.000
Interest paid		-17	-35
Net cash flows from financing activities		**11.583**	**14.965**
Net change in cash and cash equivalents		-868	-1.189
Cash and cash equivalents at 1 January		1.491	2.680
Cash and cash equivalents at 31 December		**623**	**1.491**

STATEMENT OF CHANGES IN EQUITY

Figures in USD '000	Share capital	Retained earnings	Total Equity
At 1 January 2018	**37**	**3.815**	**3.852**
Intra-group contribution	0	3.750	3.750
Foreign currency related to associates	0	-54	-54
Reserve for cash flow hedge	0	-20	-20
Transferred	0	-7.173	-7.173
At 31 December 2018	**37**	**318**	**355**

Figures in USD '000	Share capital (Note 17)	Retained earnings	Total Equity
At 1 January 2017	**37**	**12.240**	**12.277**
Intra-group contribution	0	13.000	13.000
Foreign currency related to associates	0	122	122
Transferred	0	-21.547	-21.547
At 31 December 2017	**37**	**3.815**	**3.852**

NOTES TO THE FINANCIAL STATEMENT

Note 1 – Group accounting policies

The annual report of Ultragas ApS for 2018 has been prepared in accordance with the provisions applying to reporting class C medium enterprises under the Danish Financial Statements Act.

The Company does not prepare a consolidated financial statement, as the Company and its subsidiary are included in the consolidated financial statement of Ultranav Denmark ApS.

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 6.5194 and the closing rate on 31 December 2018 was 6.5953.

In accordance with section 98b of the Danish Financial Statements Act, remuneration to management is not disclosed.

The accounting policies are consistent with those for last year.

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

Revenue
The revenue reflects the income earned by the vessels owned by the Ultranav Group and commercially operated by Unigas as well as income from vessels operated by Ultragas.

The aggregated gross earnings in Unigas International corporation 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.

The functional currency of Unigas is US Dollars. Conversions of other currencies have been accounted for and translated into US Dollars and advances and/or final settlements towards individual members have been affected in this currency.

The total voyage results have been translated into US Dollars at fixed accounting rates, which, during the year, were updated monthly.

All accounts receivable and liabilities other than in US Dollars have been converted at the exchange rate ruling at the balance sheet date.

For vessels on time charter and bareboat contracts, income is recognised upon delivery of the services in accordance with the charter parties concluded.

Voyage related cost
Voyage related expenses include bareboat hire, bunker expenses, port expenses including pilotage, towage, agency fee, survey, stevedoring and cleaning and other costs incidental to the commercial operation of the vessels and are recognized under a percentage of completion basis.

Operational and crewing related cost
Operating expenses and crewing costs include costs incidental to the technical and crewing management of the vessels and are recognised under the accruals concept.

Administrative expenses
Administrative expenses comprise expenses incurred during the year for Company management and administration, including expenses for administrative staff, management, office premises and office expenses, and depreciation.

Other operating income
Other operating income comprises items secondary to the activities of the Company.

Other operating costs
Other operating costs comprise items secondary to the activities of the Company.

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

amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity. The tax expense recognised in the income statement relating to the extraordinary profit/loss for the year is allocated to this item whereas the remaining tax expense is allocated to the profit/loss for the year from ordinary activities.

BALANCE SHEET

Property, plant and equipment

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Fixtures and fittings, tools and equipment, 3-5 years

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 depreciation.

Leases

Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are initially recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other non-current assets.

The capitalised residual lease obligation is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are treated as operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed in contingencies, etc.

Financial assets

Investments in subsidiaries and associates are measured according to the equity method.

Investments in subsidiaries and associates are measured in the balance sheet at the proportionate share of the enterprises' net asset value calculated in accordance with the company's accounting policies.

Inventories

Inventories comprise inventories of bunker and lubricant oil on board the vessels. Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

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, a write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined based on historical loss experience.

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 and deferred tax
Ultragas is jointly taxed with the parent company Ultranav Denmark ApS and the parent company 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. In relation to the shipping activities Ultragas participates 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 equity.

Liabilities other than provisions
Financial liabilities which comprise trade payable and payables to associated companies 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.

Cash and cash equivalents
Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less that are readily convertible to cash and are subject to an insignificant risk of changes in value.

Note 2 – Staff costs

Staff costs onshore employees:

Figures in USD '000	**2018**	**2017**
Fixed salaries	-1.797	-1.714
Pensions - defined contribution plan	-164	-144
Other expenses for social security etc.	-55	-9
Staff costs included in administration expenses	-2.015	-1.867
Average number of employees	11	9

The staff cost to onshore employees are recognized under staff costs in the profit and loss 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 to crew on vessels are a direct cost related to the operating costs of vessels. Therefore, the staff costs to crew is recognized in Voyage related expenses and operating costs of vessels in the profit and loss statement.

Note 3 – Depreciation

Figures in USD '000	**2018**	**2017**
Depreciation fixtures, fittings and equipment	-4	-29
Total depreciation	**-4**	**-29**

Note 4 – Shares of result in subsidiaries and associates

Figures in USD '000	2018	2017
Share of result in subsidiaries and associates	-1.724	-1.348
Share of result in associates	337	154
Total	**-1.387**	**-1.194**

Note 5 – Financial items

Figures in USD '000	2018	2017
Interest income	4	43
Foreign exchange income	-112	157
Interests to related parties	90	-20
Other financial items, net	-17	-15
Total	**-35**	**165**

Note 6 – Tax

Figures in USD '000	2018	2017
Current tax on profit for the year	-48	-142
Tax in the income statement	**-48**	**-142**

Note 7 – Allocation of result

Figures in USD '000	2018	2017
Proposed profit/loss appropriation:		
Transferred to retained earnings	-6.673	-21.547
	-6.673	**-21.547**

Note 8 – Fixtures, fittings and equipment

Figures in USD '000	2018	2017
Cost:		
Cost at 1 January	102	132
Disposals for the year	0	-30
Cost at 31 December	**102**	**102**
Depreciation at 1 January	-98	-87
Depreciation for the year	-4	-29
Reversed depreciation for the year	0	18
Depreciation and impairment at 31 December	**-102**	**-98**
Carrying amount at 31 December	**0**	**4**

Note 9 – Investments in associates

Figures in USD '000	2018	2017
Cost:		
Cost at 1 January	392	392
Cost at 31 December	**392**	**392**
Value adjustment at 1 January	769	609
Correction to previous years result	0	3
Exchange rate adjustment	-55	121
Dividends received	-289	-115
Share of the result for the year	337	151
Value adjustment at 31 December	**761**	**769**
Carrying amount at 31 December	1.153	1.161

The carrying amount can be specified as follows:

Unigas International B.V., Rotterdam, owner's share 33%
UltraShip Crewing Philippines Inc., Philippines Inc., owner's share 25%

Note 10 – Investments in subsidiaries

Figures in USD '000	2018	2017
Cost:		
Cost at 1 January	8.259	6.909
Additions	1.737	1.350
Cost at 31 December	**9.996**	**8.259**
Value adjustment at 1 January	-8.074	-6.727
Share of the result for the year	-1.725	-1.347
Value adjustment at 31 December	**-9.799**	**-8.074**
Carrying amount at 31 December	197	185

The carrying amount can be specified as follows:

Ultraship ApS, owner's share 100%

Note 11 – Trade and other receivables

Figures in USD '000	2018	2017
Receivables from related companies	185	288
Trade receivables	10.576	5.869
Insurance claims	0	19
Other receivables	1.915	2.789
Total	**12.677**	**8.965**

Note 12 – Share capital

The share capital comprises 21,000 shares of DKK 10 each. All shares rank equally.

There have been no changes in the share capital since founding of the company in 2011.

Note 13 – Trade and other payables

Figures in USD '000	2018	2017
Debt to related party	494	2.066
Accruals and prepayments received from customers	6.122	2.555
Trade payables	2.382	3.616
Other payables	0	129
Total	**8.998**	**8.366**

Note 14 – Contractual obligations

Figures in USD '000	2018	2017
Lease obligation regarding vessels:		
Within one year	37.500	40.676
Between 1 - 5 years	93.120	84.768
More than 5 years	84.548	99.886
Total	215.168	**225.330**

Other lease obligations (operating leases) and service agreement total USD 924 thousand of which USD 921 thousand are falling due within 1 year.

Note 15 – Related party disclosures

Ultragas ApS is a wholly owned subsidiary of Ultranav Denmark ApS, which is a part of Navieras Ultranav Limitada located at Av. El Bosque Norte 500 Piso 19-20, 7550092 Las Condes, Santiago, Chile.

Parties exercising control

Parties exercising control are associated companies of Ultranav Group, management in Ultragas ApS and associated companies in which the above have significant influence.

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital:

Ultranav Denmark ApS, Smakkedalen 6, 2820 Gentofte, Denmark.The consolidated financial statement of Ultranav Denmark ApS is available at the Company's address.

The ultimate holding company of Ultragas ApS is Naviera Ultranav Limitada, Av. El Bosque Norte 500 Piso 19-20, 7550092 Las Condes, Santiago Chile.

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
		2018	**2017**	**2018**	**2017**
Related party	**Type of transaction**				
Othello Shipping Company S.A. and subsidiaries	Hire expense	-49.432	-55.202	-80	-999
	Other income	108	120	0	0
Ultranav International S.A.	Interest income, net	90	22	-24	9
Ultrabulk A/S	Bunker fee	0	-17	0	0
Ultrabulk A/S	Supervision fee	0	0	0	0
Ultrabulk Shipholding Singapore	Technical mgm and supervision	0	0	12	0
Ultranav Denmark ApS	Intragroup Contribution	3.750	13.000	0	0
Ultranav Denmark ApS	Loan	-40	0	-13.599	-2.000
Ultranav Denmark ApS	Other	0	0	0	-76
Ultranav Business Support ApS	Administration	-777	-807	15	23
UltraShip ApS	Technical mgm and supervision	-3.584	-3.798	-354	-793
UltraShip ApS	Interest	0	0	0	0
UltraShip ApS	Intragruop contribution	-1.737	-1.350	0	0
Remolcadores Ultratug Ltd	Administration	0	0	21	0
Naviera Ultranav Limitada	Administration	0	0	12	0
Naviera Los Imigrantes S.A.	Administration	0	0	2	0
GEM shipping Inc	Administration	0	0	1	0
Guanaco Shipping Inc.	Administration	0	0	1	0
Southern Cone Shipping Inc.	Administration	0	0	1	0
Costanera Shipping	Administration	0	0	1	0
Tabalaba Shipping	Administration	0	0	1	0
Morande Shipping inc.	Administration	0	0	1	0
Apoqundo Shipping Inc.	Administration	0	0	1	0
Naviera Petral S.A.	Administration	0	0	2	0
Naviera Transoceanica S.A.	Administration	0	0	19	0
Petrolera Transoceanica S.A.	Administration	0	0	18	0
Linea Maritima Del Pacifico	Administration	0	0	1	0

Note 16 – Contingent liabilities

The Company is jointly taxed with other companies in the Ultranav Denmark ApS, Group. The companies are jointly and unlimited liable for Danish corporation tax and withholding taxes on dividends, interest and royalties in the joint taxation. Any subsequent corrections of taxable joint taxation of income or withholding taxes on dividends, etc. could lead to companies' liability constituting a larger amount. The Group as a whole shall not be liable towards others.

The Group's Danish companies are jointly and severally liable for the joint registration of VAT.

The Company has confirmed to provide financial support to the subsidiary UltraShip until 1 January 2020.

The Company has issued guarantees to subsidiaries of USD 0.5 million.

Note 17 – Use of financial instruments

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

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 hedged USD to DKK for an amount of USD 4.8 million.

Hedge accounting reserve in equity

The hedge accounting reserve in equity is related to cash flow hedging financial derivatives and amount to USD 0.02 million (31 December 2017: USD 0.0 million).

Note 18 – Disclosure of events after balance sheet date

After end of 2018 the sister company Othello Shipping Company S.A. has acquired three 12,000 cbm ethylene carriers built 2013 and 2014 which will be delivered during 2019. Ultragas will take the vessels on long term bare boat charter when they are delivered to the buyer. No other significant events have occurred after the balance sheet date that materially affects the financial position of the Company.

Note 19 – Going concern

As stated under "Outlook" in management's review, Ultragas expects an improved result in 2019. To secure the operation, Ultragas ApS has credit facilities available through intra-group arrangements. The parent company Ultranav Denmark ApS has confirmed that it will provide liquidity to Ultragas, as may be necessary for Ultragas to meet its obligations as they fall due. This commitment is valid until 1 January 2020.

Definition of key figures and financial ratios

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

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

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

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

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