Ultragas ApS
2019
Annual Report

Ultragas

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

Approved on the annual general meeting 2 April 2020.

Bent Jensen

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 as well as 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 in addition offers technical supervision/management for affiliated companies in the Ultranav Group. Ultragas operates under the rules of the Danish Tonnage Tax Scheme.

At year-end 2019, 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 eight can carry ethylene. All vessels were bareboat chartered from companies in the Ultranav Group.

Three vessels "Happy Bee", "Happy Bear" and "Nordic Gas" were sold and left the fleet during the year and further three additional vessels were taken on long-term bareboat charter, the "Happy Peregrine", "Happy Kestrel" and "Happy Osprey". All three new vessels entered the Danish International Register of Shipping (DIS).

The fleet was engaged in both regional and international trades during 2019 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 37 LPG and ethylene carriers of which 11 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 seven such vessels, which made Ultragas the second largest operator in the handy-size segment.

The activities of Ultragas produced a net loss of MUSD 13.7 (2018: loss MUSD 7.2) which is lower than expected and is largely because of depressed market conditions, where earnings have fallen short of the bareboat and time-charter hires payable.

Operating costs for the fleet were held at budgeted levels.

Five vessels were drydocked in 2019 where two vessels had scrubbers installed.

Ultragas has received an intra-group contribution of MUSD 13.5 from the parent company Ultranav Denmark ApS.

The gas shipping market was during the year positively supported by increased export of LPG from especially US, but negatively affected by irregular

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.

volumes of petrochemical gasses being transported in especially the Unigas segment.

By year-end overall utilization of the semi-ref fleet improved and Ultragas entered 2020 with full fleetemployment and improvement in rates. The Unigas market improved somewhat by the end of 2019, but still negatively impacted by idle time.

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 2019. 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 emissions and improve optimization systems and equipment, which impact the environment. In 2019 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 three additional vessels during 2019 and has by the end of 2019 14 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 and 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. Our mission statement **"A partner you can trust"** applies to all areas of activities and cooperation and in relation to all stakeholders.

It is important for Ultragas as well as the Ultranav 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.

Gender composition

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

Objective for the gender composition of the Board of Directors, unchanged from last year, is for shareholder-elected women on the Board to reach at least 20% by 2020 (1 out of 4). Today all 3 members of the BOD are men. It is assessed that the current members possess the relevant competences.

In management only men are represented. The representation of women in the management team has not increased in 2019 and the aim is to increase the female representation in the coming years.

Ultragas policy states and ensures equal career opportunities for men and women and is actively used as a tool for recruiting and working with both genders, and equality in general. In the recruiting processes, it is the target to have both genders presented in the final stage of selection.

Corporate Social Responsibility

As of 2019 Ultranav Denmark ApS reports on all CSR relevant activities in accordance with the requirements in 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

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.

Outlook

The demand for gas carriers is positively supported by a relatively high average age for gas vessels, especially the less than 15,000 cbm segment, combined with a very limited order book for semi-refrigerated vessels and an expected continued growth in supply of LPG – mainly driven by increased US production and stable to increasing demand for transport of petrochemical gases, supported by a growing global economy.

Further, growing long haul petrochemical shipments are expected to directly and indirectly support both Unigas and the handy-size segment, and fleet utilization is expected to improve during 2020. Additional exports of shale-based LPG from North America, stimulated by higher oil prices, may influence fleet utilization and charter rates positively. Ultragas expects an improved result in 2020.

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 2021.

Subsequent events

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

The corona virus outbreak poses a downside risk to global growth and therefore to global demand for transport of LPG and Petrochemical gases. Due to this uncertainties, it is currently not possible to predict the consequences for 2020 and onwards.

PART OF A LARGE AND DIVERSIFIED GROUP

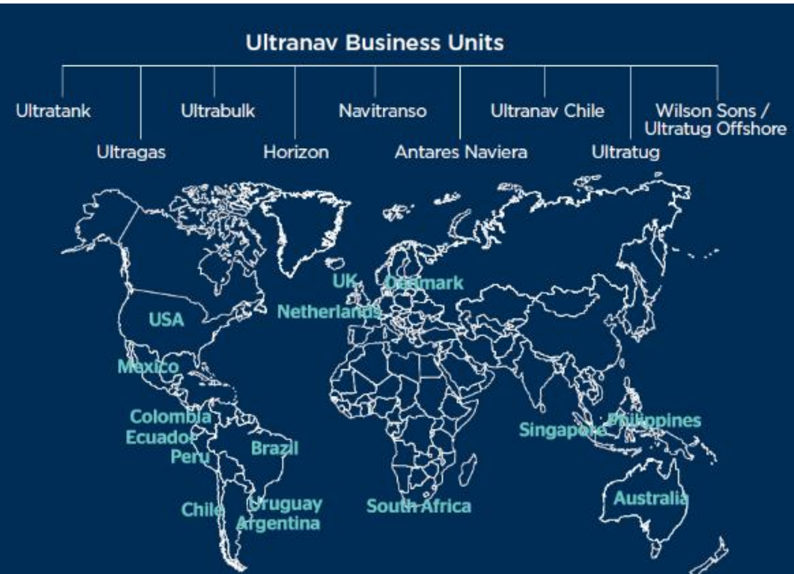
Ultranav is a privately owned shipowning and operating company headquartered in Santiago, Chile.

Ultragas is one of nine business units in the Ultranav Group. Through its 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, harbor tugs, PSVs, AHTS, pusher tugs, barges and pilot boats.

Ultranav is focused on providing efficient, safe and environmentally friendly maritime transportation, harbor 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 2019

Number of vessels and tugs in our fleet

117 Tankers

15 MPP & Containers

20 Gas Carriers

176 Dry Cargo

Grand Total: 437

71 Harbor Tugs

23 PSV

3 AHTS

2 Pusher Tugs

5 Barges

5 Pilot/Crew Boats

KEY FIGURES & RATIOS

KEY FIGURES (USD '000)	**2019**	**2018**	**2017**	**2016**	**2015**
INCOME STATEMENT					
Revenue	102.973	105.317	95.751	106.665	138.213
Gross profit (Net earnings from shipping activities)	-8.358	-2.539	-17.036	-5.078	19.014
Ordinary operating profit/(loss)	-12.102	-5.699	-20.347	-9.190	15.790
Net profit from financial income and expenses	-1.616	-1.422	-1.028	-864	-1.124
Profit/(loss) for the year	-13.650	-7.173	-21.547	-10.128	14.588
STATEMENT OF FINANCIAL POSITION					
Non-current assets	1.432	1.350	1.451	1.315	1481
Current assets	19.005	17.938	12.767	19.606	24.426
Total assets	20.437	19.288	14.218	20.921	25.908
Share Capital	37	37	37	37	37
Equity	204	355	3.815	12.277	22.444
Current liabilities	11.574	9.083	8.366	8.644	3.464
Non-current liabilities	8.659	9.850	2.000	0	0
CASH FLOW					
From operating activities	-11.326	-11.097	-14.977	-6.658	11.308
From investing activities	-1.065	-1.354	-1.177	-715	-1.097
Portion relating to investment in property, plant and equipment	0	0	15	0	49
Cash flows from financing activities	11.941	11.583	14.965	-29	-129
Total cash flows	-450	-868	-1.189	-7.402	10.082
FINANCIAL RATIOS AND PER SHARE DATA					
Operation profit margin	-11,8	-5,4	-21,2	-8,6	11,4
Gross profit margin	-8,1	-2,4	-17,8	-4,8	13,8
Solvency ratio	1.0	1,8	26,8	58,7	86,6
Return on equity	-4.883,7	-344,0	-267,8	-58,3	96,0
US$/DKK rate at year end	667,59	651,94	620,77	705,28	683,00
Average US$/DKK rate	667,03	631,74	659,53	673,27	672,68
Average number of employees on shore	12	11	9	9	8
Average number of crew on vessels	413	405	335	290	135

THE FLEET

11 Small Gas Carriers

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

7 Handysize Gas Carriers

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 2019.

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 2019 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2019.

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, 9 March 2020.

EXECUTIVE MANAGEMENT

Martin Fruergaard
CEO

BOARD OF DIRECTORS

Dag von Appen
Chairman

Enrique Ide
Vice chairman

Carsten Haagensen

INDEPENDENT AUDITORS' 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 2019, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement 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 financial position of the Company at 31 December 2019 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2019 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.

Statement on 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, 9 March 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Thomas Bruun Kofoed
State Authorised
Public Accountant
MNE no. 28677

Tommy Borggaard Nielsen
State Authorised
Public Accountant
MNE no. 34340

INCOME STATEMENT

Figures in USD '000	Note	2019	2018
Revenue		102.973	105.317
Voyage related expenses and operating costs of vessels	2	-62.876	-58.426
Bare-boat and Time-charter hire		-48.455	-49.430
Gross profit (Net earnings from shipping activities)		**-8.358**	**-2.539**
Other external expenses		-1.523	-1.145
Staff costs	2	-2.221	-2.015
Operating loss before depreciation, amortization and impairment loss (EBITDA)		**-12.102**	**-5.699**
Depreciation	3	-1	-4
Operating loss (EBIT)		**-12.103**	**-5.703**
Share of result in subsidiaries and associates	4	-967	-1.387
Other financial items, net	5	-649	-35
Loss before tax		**-13.719**	**-7.125**
Tax	6	69	-48
Net loss	7	**-13.650**	**-7.173**

BALANCE SHEET

ASSETS			
Figures in USD '000	**Note**	**2019**	**2018**
Fixtures, fittings and equipment	8	0	0
Total tangible assets		**0**	**0**
Investment in associates	9	1.280	1.153
Investment in subsidiaries	10	152	197
Financial assets, non-current		**1.432**	**1.350**
Total non-current assets		**1.432**	**1.350**
Inventories		2.521	1.477
Trade and other receivables	11	11.619	12.677
Prepayments and periodization assets		4.662	3.161
Income tax receivable		30	0
Cash and short-term deposits		173	623
Current assets		**19.005**	**17.938**
TOTAL ASSETS		**20.437**	**19.288**

EQUITY AND LIABILITIES			
Figures in USD '000	**Note**	**2019**	**2018**
Share capital	12	37	37
Retained earnings		167	318
Total equity		**204**	**355**
Intercompany loan		8.659	9.850
Total non-current liabilities		**8.659**	**9.850**
Trade and other payables	13	11.574	8.998
Derivative financial instruments		0	21
Income tax payable		0	64
Total current liabilities		**11.574**	**9.083**
Total liabilities		**20.233**	**18.933**
TOTAL EQUITY AND LIABILITIES		**20.437**	**19.288**

CASH FLOW STATEMENT

Figures in USD '000	Note	2019	2018
Profit/loss (-) before tax		-13.719	-7.125
Adjustment for non-cash items etc.			
Depreciation	3	1	4
Share of gain/loss in associated companies	4	967	1.387
Interest expenses	5	369	17
Interest income	5	-7	-94
Net foreign exchange differences	5	287	121
Working capital adjustments:			
Change in current assets		-1.480	-6.039
Change in current liabilities		2.256	632
Net cash flows from operating activities		**-11.326**	**-11.097**

Figures in USD '000	Note	2019	2018
Investment in subsidiaries and associates		-1.200	-1.737
Dividend received		128	289
Interest received		7	94
Net cash flows from investing activities		**-1.065**	**-1.354**
Intragroup contribution		13.500	3.750
Loan from related parties		-1.190	7.850
Interest paid		-369	-17
Net cash flows from financing activities		**11.941**	**11.583**
Net change in cash and cash equivalents		-450	-868
Cash and cash equivalents at 1 January		623	1.491
Cash and cash equivalents at 31 December		**173**	**623**

STATEMENT OF CHANGES IN EQUITY

Figures in USD '000	Share capital	Retained earnings	Total Equity
At 1 January 2019	**37**	**318**	**355**
Intra-group contribution	0	13.500	13.500
Foreign currency related to associates	0	-23	-23
Reserve for cash flow hedge	0	22	22
Loss for the year	0	-13.650	-13.650
At 31 December 2019	**37**	**167**	**204**

Figures in USD '000	Share capital (Note 17)	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
Loss for the year	0	-7.173	-7.173
At 31 December 2018	**37**	**318**	**355**

NOTES TO THE FINANCIAL STATEMENT

Note 1 – Group accounting policies and significant accounting estimates

The annual report of Ultragas ApS for 2019 has been prepared in accordance with the provisions applying to reporting class C enterprises under the Danish Financial Statements Act.

The financial statements have been prepared under the going concern assumption, cf. note 19.

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. Audit fee is disclosed in the consolidated financial statement.

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 as its functional and reporting currency. Consequently, all amounts are recognized in US Dollar. For 2019 the average USD/DKK rate of exchange was 6.6703 and the closing rate on 31 December 2019 was 6.6759.

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 recognized 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 recognized in the latest financial statements is recognized in the income statement as financial income or financial expenses.

Business activities

The Company's sole activity is to perform fully integrated management of LPG/Gas carriers in worldwide trade, hence no segmentation based on geography or activity is presented.

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 recognized 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 recognized as accrued.

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 recognized in the income statement, and the tax expense relating to amounts directly recognized in equity is recognized directly in equity. The tax expense recognized 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 deducted the selling costs and the carrying amount at the date of disposal. Gains or losses are recognized 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 recognized 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 recognized in the balance sheet as a liability, and the interest element of the lease payment is recognized in the income statement over the term of the lease.

All other leases are treated as operating leases. Payments relating to operating leases leases are recognized 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 realizable 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 realizable 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 recognized 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 recognized in the income statement. Tax attributable to entries directly under comprehensive income is recognized directly in equity.

Liabilities other than provisions

Financial liabilities which comprise trade payable and payables to associated companies are initially recognized at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalized value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognized 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.

Cash flow statement

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated according to the indirect method as the profit/loss before tax adjusted for non-cash operating items, changes in working capital, interest, payments, dividends and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of businesses and of intangible assets, property, plant and equipment and other non-current assets as well as acquisition and disposal of securities not classified as cash and cash equivalents.

Cash flows from financing activities comprise changes in the share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and leases, interest payments, acquisition and disposal of treasury shares and payment of dividends to shareholders.

Significant accounting estimates

The Company has chartered all vessels from affiliated companies in the Ultranav Group. At 31 December 2019, Management has assessed that the lease contracts are not onerous, hence no provision has been recognized. The assessment is sensitive to freight rates and idle time and adverse changes in freight rate expectations could result in recognition of onerous contract provisions.

Note 2 – Staff costs

Staff costs onshore employees:

Figures in USD '000	**2019**	**2018**
Fixed salaries	-2.013	-1.797
Pensions - defined contribution plan	-130	-164
Other expenses for social security etc.	-78	-54
Staff costs included in administration expenses	-2.221	-2.015
Average number of employees	12	11

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	**2019**	**2018**
Fixed salaries and bonus	-20.107	-19.142
Total	-20.107	-19.142
Average numbers of crew on vessels	413	405

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	**2019**	**2018**
Depreciation fixtures, fittings and equipment	-1	-4
Total depreciation	**-1**	**-4**

Note 4 – Shares of result in subsidiaries and associates

Figures in USD '000	**2019**	**2018**
Share of result in subsidiaries and associates	-1.245	-1.724
Share of result in associates	278	337
Total	**-967**	**-1.387**

Note 5 – Financial items

Figures in USD '000	**2019**	**2018**
Interest income	7	4
Foreign exchange income	-287	-112
Interests to related parties	-340	90
Other financial items, net	-29	-17
Total	**-649**	**-35**

Note 6 – Tax

Figures in USD '000	**2019**	**2018**
Current tax on profit for the year	69	-48
Tax in the income statement	**69**	**-48**

Note 7 – Allocation of result

Figures in USD '000	**2019**	**2018**
Proposed profit/loss (-) appropriation:		
Transferred to retained earnings	-13.650	-7.173
	-13.650	**-7.173**

Note 8 – Fixtures, fittings and equipment

Figures in USD '000	2019	2018
Cost:		
Cost at 1 January	102	102
Cost at 31 December	**102**	**102**
Depreciation at 1 January	-102	-98
Depreciation for the year	-1	-4
Depreciation and impairment at 31 December	**-102**	**-102**
Carrying amount at 31 December	**0**	**0**

Note 9 – Investments in associates

Figures in USD '000	2019	2018
Cost:		
Cost at 1 January	392	392
Cost at 31 December	**392**	**392**
Value adjustment at 1 January	761	769
Exchange rate adjustment	-23	-55
Dividends received	-128	-289
Share of the result for the year	278	337
Value adjustment at 31 December	**888**	**761**
Carrying amount at 31 December	1.280	1.153

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	2019	2018
Cost:		
Cost at 1 January	9.996	8.259
Additions	1.200	1.737
Cost at 31 December	**11.196**	**9.996**
Value adjustment at 1 January	-9.799	-8.074
Share of the result for the year	-1.245	-1.725
Value adjustment at 31 December	**-11.044**	**-9.799**
Carrying amount at 31 December	152	197

The carrying amount can be specified as follows:

Ultraship ApS, Gentofte, Denmark, owner's share 100%

Note 11 – Trade and other receivables

Figures in USD '000	2019	2018
Receivables from related companies	229	185
Trade receivables	9.356	10.576
Insurance claims	977	0
Other receivables	1.057	1.915
Total	**11.619**	**12.677**

Note 12 – Share capital

The share capital comprises 21,000 shares of DKK 10 each (translated at USD 37 thousand). 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	**2019**	**2018**
Debt to related party	3.593	494
Accruals and prepayments received from customers	4.238	6.122
Trade payables	3.163	1.805
Other payables	580	577
Total	**11.574**	**8.998**

Note 14 – Contractual obligations

Figures in USD '000	**2019**	**2018**
Lease obligation regarding vessels:		
Within one year	47.508	37.500
Between 1 - 5 years	147.242	93.120
More than 5 years	87.354	84.548
Total	**282.104**	**215.168**

Other lease obligations (operating leases) and service agreement total USD 810 thousand of which USD 810 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
		2019	**2018**	**2019**	**2018**
Related party	**Type of transaction**				
Othello Shipping Company					
S.A. and subsidiaries	Hire expense	-48.454	-49.432	92	-80
	Other	0	0	140	0
	Other income	115	108	0	0
Ultranav International S.A.	Interest income, net	0	90	0	-24
Ultrabulk Shipholding Singapore	Technical mgm and supervision	0	0	10	12
Ultranav Denmark ApS	Intragroup Contribution	13.500	3.750	-37	0
Ultranav Denmark ApS	Loan	-202	-40	-8.049	-13.599
Ultranav Denmark ApS	Other	0	0	0	0
Ultranav Business Support ApS	Administration	-729	-777	-108	15
UltraShip ApS	Technical mgm and supervision	-3.820	-3.584	-959	-354
UltraShip ApS	Intragroup contribution	-1.200	-1.737	0	0
Remolcadores Ultratug Ltd	Administration	0	0	0	21
Naviera Ultranav Limitada	Administration	0	0	0	12
Naviera Transoceanica S.A.	Administration	0	0	25	19
Petrolera Transoceanica S.A.	Administration	0	0	0	18
OTH Micromar Philipines	Administration	0	0	40	0
Norton Lilly Intrenational Inc.	Administration	0	0	-47	0
Other	Administration	0	0	0	12

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 2021.

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 reporting currency is USD. Most of the Company's revenues and expenses are denominated in USD. The Company 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 2019 the Group has hedged USD to DKK for an amount of USD NIL million.

Hedge accounting reserve in equity

The hedge accounting reserve in equity is related to cash flow hedging financial derivatives and amount to USD NIL million (31 December 2018: USD 0.02 million).

Note 18 – Disclosure of events after balance sheet date

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 2020. 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 2021.

Definition of key figures and financial ratios

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

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

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

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

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