2021

Annual Report Ultragas ApS

Ultragas
A Navigator Gas Company

Approved on the annual general meeting on 30/6 *2022*

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Chairman of the meeting

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

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ABOUT ULTRAGAS

Principal activities

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

Ultragas is based in Copenhagen with the primary purpose of undertaking commercial and operational Management for part of a fleet of gas tankers owned by the Navigator Gas Group.

Ultragas operates under the rules of the Danish Tonnage Tax Scheme.

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 Navigator Gas Group.

Navigator Pillars

SAFETY

Safety is personal at Navigator Gas, we always place safety first in all we do. Our safety mindset combined with our sense of ownership enables our progressive safety culture to create the right environment for zero incidents. We believe if a task is unsafe we all have an obligation to stop the job and therefore prevent workplace injuries, illnesses and to protect the environment. We promote healthy living, wellbeing and mental health in all our workplaces. In our line of work, we deal with complex systems and infrastructure in the harsh environment of the open oceans. To do this safely our colleagues, ashore and afloat, use cutting-edge modern technology to transport and care for the cargo we carry.

RELIABILITY

Reliability, dependability and safety go hand in hand. As an industry leader in the LPG shipping sector, we use advanced maritime technologies to deliver best-in-class services to our customers. Our technical and engineering experts collaborate to harness that technology and to develop innovative, reliable solutions for our customers and partners. The maintenance strategies we adopt for our assets assure mechanical integrity, reduce risk and enhance safety. These are essential and indispensable elements of our reliability.

EFFICIENCY

A natural consequence of working safely, reliably and productively is efficiency. Through data-driven decision making, process optimisation and effective cross-functional collaboration our operational experts create value by delivering clean energy and feedstocks throughout the supply chain. Doing so sustainably, helps manage our environmental footprint as we fulfil our vital role transporting cargo to where it is needed most for our customers.

Performance and result for the year

In 2021, Ultragas operated 18 LPG carriers ranging in size from 3,500 to 22,000 cbm, all of which are semi-refrigerated vessels and 8 of them are capable of carrying ethylene.

All vessels were bareboat chartered from group companies within the Navigator Group. During the year, the fleet size decreased to 17 vessels as one vessel was sold.

The fleet was engaged in both regional and international trades during 2021 transporting LPG and various petrochemical gasses.

At the end of 2021, the commercial operation of 10 vessels up to 12,000 cbm, including 8 vessels carrying ethylene, was performed by Unigas International BV (Unigas) in Rotterdam, an associated company which is owned equally by Ultragas and two partners. Unigas is a leading operator in the segment up to 15,000 cbm and operated a total of 36 LPG and ethylene carriers at the end of 2021.

The Handysize fleet (vessels between 15,000-25,000 cbm) is commercially operated by own inhouse organisation. By the end of the 2021, Ultragas operated 7 Handysize vessels.

The activities of Ultragas produced a net profit of USD 6.6 million (2020: loss of USD 6.1 million) which was in line with the expectations set out last year. The improvement from last year was linked to an increase in freight rates along with a minor decrease in vessel hire.

Ultragas received a capital contribution of USD 5.5 million from its former parent company Ultranav Denmark ApS. Including this, the equity increased to USD 12.0 million at 31 December 2021.

Outlook

During 2021 our fleet safely, reliably and efficiently transported LPG, petrochemical and ammonia to our customers. 31% of this volume, being the largest portion by far, was exported from North America. We expect changes to some of our trade flows in the near term as a result of the Russian conflict in Ukraine. Ukraine is one of the largest exporters of ammonia with an annual volume of 2.5m metric tons representing approximately 15% of seaborne ammonia. With the Black Sea port of Yuzhny closed, international ammonia consumers will seek sourcing from other locations which likely will result in longer distances. On the other hand, LPG being loaded out of the Baltic Sea, is set to continue, subject to sanctions. We anticipate however the volumes to decline during 2022 in parallel with EU's target to reduce gas reliance by 2/3rds. Europe's demand for LPG remains in place and we expect sourcing to switch to Algeria and North America, being the closest exporting locations. Similarly, the global high cost of energy, with Brent above $100 per barrel, significantly improves the competitiveness of North American produced natural gas liquids and its derivatives, i.e., petrochemical gasses.

The rate environment for Handysize gas carriers remained steady during the period, as well as the smaller ethylene vessels. Larger fully refrigerated LPG carriers came off, however, with little to no effect on the Handysize assessment. The low orderbook in the Handysize and smaller gas carrier segments provides solid fundamentals for these types of vessels. It is expected that this strength will be maintained over the remainder of the year.

All in all, despite high uncertainties due to geopolitical reasons, we expect a positive development for Ultragas in 2022, especially after integrating with Navigator Gas.

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 standardise and improve processes continued during the year and our inhouse technical shipmanager, UltraShip, was able to maintain a stable safety and incident record during 2021.

We believe that our continued investments in UltraShip, our in-house technical ship manager and the continued investment in safety training of our organisation at sea and at shore, 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 optimisation systems and equipment impacting the environment. After merging with Navigator Gas, these efforts will continue as in the past.

Via UltraShip, investment continued in IT systems, training and real time data collection from a growing number of vessels leading to visible improvements in the vessels speed and consumption performance. Further, an increasing amount of quality data is being used actively in various commercial and operational optimisation decisions.

Corporate Governance

It is important for Ultragas 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. 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. The representation of women in the management team has not increased in 2021.

The Board of Directors comprise of three male members at the end of 2021. No female member was appointed to the Board of Directors in 2021, primarily caused by the female representation in the shipping industry in general, but we will continue to work towards reaching this ambition before the end in 2024. Our ambition is that a female member of the Board of Directors will be appointed within four years from 2020, which is by the end of 2024.

Data ethics

Ultragas has evaluated if it is relevant to prepare a policy for data ethics. Ultragas does only enter into business with B2B customers and therefore, to a limited extent, collects and processes data. Ultragas has not prepared a data ethics policy, but all information we receive related to customers, vendors and employees is treated in a responsible manner that secures that the data cannot be accessed by unauthorized person.

Corporate Social Responsibility

The following is CSR report constitutes the statutory statement of social responsibility, cf. section 99a of the Danish Financial Statements Act.

Business model

Ultragas offers marine transportation of liquefied petroleum and petrochemical gasses. UltraShip is the technical ship management company of Ultragas, supporting the entire Ultragas fleet of 18 vessels, including technical supervision and vessel crewing. As per 1st August 2021, Ultragas and UltraShip have merged their business activities and fleet with Navigator Gas.

Environment/climate

Risks: It is estimated that the shipping industry accounts for transporting 80% of global trade, while being responsible for 2.5% of the global GHG emissions. Hence, excess consumption of bunkers/energy will have a negative impact on climate/environment. Furthermore, incorrect handling of potential oil spill, waste disposals and potential ship recycling have a negative impact on environment.

Policies: Conscious care of the environment and climate starts by managing the immediate operational impacts. We strive towards minimising our environmental footprint.

Actions and results: In 2021 the Company have further invested in online monitoring, invested in optimisation software, and increased the number of shore based staff allocated to performance optimisation. Through real-time data collection we are able to monitor hull anti-fouling degradation, as well as main engine, auxiliary engines and boiler consumptions, ensuring cargo is being transported in the most efficient and environmentally friendly way by reducing total bunker consumption.

Outlook: We aim to continue improving vessel and voyage performance with modern technology and digitalisation, decarbonisation initiatives, and efficient voyage planning aiming towards a carbon-neutral fleet.

Human rights

Risks: Safety is one of our core values. An unsafe and unpleasant workplace leads to an unmotivated workforce not performing at their best. This may lead to incidents or accidents.

Crewing is mainly done out of the Philippines, which is why the Company is very much focused on the well-being of the local communities and families of our seafarers. Furthermore, the Company strongly believes that no staff or crew should be harassed in any way while working at the Company.

Policies: The Company is committed to maintaining a workplace free of harassment and discrimination for any reason, whilst assuring work/life balance and flexibility.

Since 2018, the Company has a verified whistle-blower system in place and encourages any stakeholders to file a report if they observe any violations of human rights. Generally, we encourage all employees to report observations or concerns through any channel they prefer.

Actions and results: In 2021, the number of reported cases was <5, and all cases were carefully and appropriately handled according to Company procedures. We have pledged to protect the anonymity of the reportee, if he/she so desire, should the observation lead to any further actions.

Again in 2021 and via our local office in Manila, the Company supported local schools in with IT equipment, promoting maritime educations by offering cadetships, and arranging collections and various relief efforts by donating supplies and sanitary items in connection with local hurricanes.

Outlook: We will continue to offer support to the local communities in the Philippines and we will continue our focus on maintaining a workplace free of harassment or discrimination for any reason.

Social & labour conditions

Risks: Unsafe working procedures may result in fatalities or injuries happening to crew on board Company vessels. A very significant risk during the pandemic are crew changes being subject to significant delays due to COVID-19.

Policies: Strict working policies are in place regarding working/resting hours, drugs/alcohol, harassment and welfare in order to ensure a healthy and motivated staff.

Actions and results: In the pursuit of establishing a best-in-class safety performance, the Company has launched a global safety development programme – the UltraSafe programme – based on the Safety I's and the Safety Delta. In 2021 the Company continued the Safety Leadership courses (for officers) and Safety Mind-set courses (for ratings).

The COVID-19 pandemic continues to have substantial impact on the operation of and for sea-based employees. Travel and logistics have been considerably more challenging with many ports essentially closed for crew changes. The Company has actively deviated vessels to complete crew changes in another port to keep overdue contracts to an absolute minimum and to ensure that crew members are not kept on board longer than strictly necessary.

In addition, the Company supported and covered arrangements and costs for vessels calling US ports, where vaccines were made available to vessels staff (1-shot vaccine). Consequently, 213 crew members on board Company vessels have received vaccinations in US ports during their contracts on board or on their way to/from assignment.

Outlook: We expect to have all crew members through the applicable safety courses by 2022. In 2022, we will launch a Company specific 'refresher' training course.

We aim to keep overdue crews to a minimum, but it is very much depending on the pandemic situation and local lockdowns and restrictions.

Anti-corruption

Risks: Facilitation payments and bribery interfere with global trades and encourage dishonesty and criminal actions. Accepting and offering bribes may lead to operational, reputational, legal and compliance-related disputes.

Policies: The Company has an Anti-Corruption Policy in place, and we work towards a maritime industry free of any kind of corruption, bribery and facilitation payments, thereby enabling fair trade. We promote accountability, transparency and ethical business behaviour in everything we do.

Actions and results: Crews are trained what to do in case they are met with requests of bribery and/or facilitation payments, and the shore-based staff is always ready to assist and support crew members if needed.

In 2021, all shore-based staff and key staff on board all vessels completed the e-training on bribery and facilitation payments offered by MACN.

Outlook: We continue to train on an on-going basis our crews and staff on how to act and navigate in situations where they meet with requests of bribery and/or facilitation payments.

Subsequent events

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

THE FLEET

VESSELS OPERATED BY ULTRAGAS

10 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: 17 vessels

PART OF A LARGE AND DIVERSIFIED SHIPPING GROUP

The Navigator Gas Group

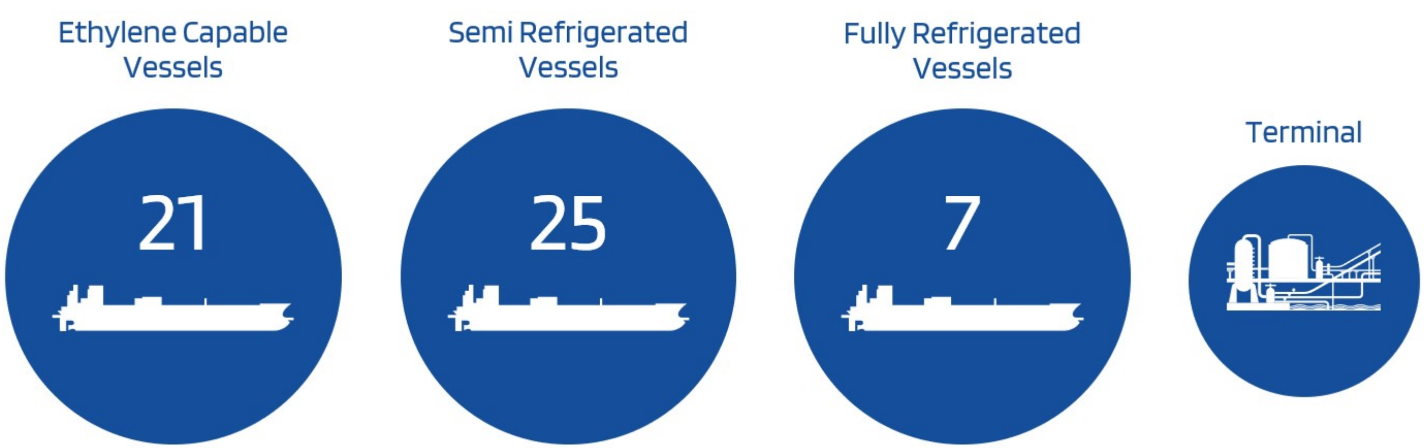
Ultragas is part of the Navigator Gas Group (“Navigator”). Navigator’s parent company is Navigator Holdings Ltd. which is publicly listed on the New York Stock Exchange, with ticker symbol “NYSE”. Navigator has offices in the U.S., U.K., Denmark, Poland and Philippines.

Navigator is the owner and operator of the world’s largest fleet of handy size liquefied gas carriers and a global leader in the seaborne transportation services of petrochemical gases, such as ethylene and ethane, liquefied petroleum gas and ammonia.

Navigator owns a 50% share, through a joint venture, in an ethylene export marine terminal at Morgan’s Point, Texas on the Houston Ship Channel, USA. Navigator’s fleet consists of 53 semi or fully refrigerated liquefied gas carriers, 21 of which are ethylene and ethane capable.

Navigator plays a vital role in the liquefied gas supply chain for energy companies, industrial consumers and commodity traders, with its sophisticated vessels providing an efficient and reliable ‘floating pipeline’ between the parties, connecting the world today, creating a sustainable tomorrow.

Navigator Gas Assets



KEY FIGURES & RATIOS

KEY FIGURES (USD '000)	**2021**	**2020**	**2019**	**2018**	**2017**
INCOME STATEMENT					
Revenue	118.429	105.878	102.973	105.317	95.751
Gross profit (Net earnings from shipping activities)	12.140	-1.055	-8.358	-2.539	-17.036
Operating loss before depreciation, amortization, and impairment (EBITDA)	8.196	-4.849	-12.102	-5.699	-20.347
Financial items, net	-1.367	-1.174	-1.616	-1.422	-1.028
Profit/(loss) for the year	6.553	-6.111	-13.650	-7.173	-21.547
STATEMENT OF FINANCIAL POSITION					
Current assets	34.653	13.454	18.904	17.938	12.767
Total assets	36.140	15.092	20.437	19.288	14.218
Equity	11.988	119	204	355	3.815
Current liabilities	24.153	9.523	11.574	8.998	8.366
CASH FLOW					
Net cash flows from operating activities	-4.304	32	-11.319	-11.097	-14.977
Net cash flows from investing activities	-1.208	-912	-1.072	-1.354	-1.177
- Portion relating to investment in property, plant and equipment	-	-	-	-	*15*
Net cash flows from financing activities	15.189	2.333	11.941	11.583	14.965
Net cash flow	9.677	1.453	-450	-868	-1.189
FINANCIAL RATIOS					
Operating margin before depreciation, amortization, and impairment loss (EBITDA margin)	6,9	-4,6	-11,8	-5,4	-21,2
Solvency ratio	33,2	0,8	1,0	1,8	26,8
US$/DKK rate at year end	629,18	605,76	667,59	651,94	620,77
Average US$/DKK rate	656,12	653,43	667,03	631,74	659,53
Average number of employees on shore	10	11	12	11	9
Average number of crew on vessels	400	400	413	405	335

STATEMENT OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

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 2021.

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 2020 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2021.

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, 30 June 2022

EXECUTIVE MANAGEMENT

Michael Schröder
CEO

BOARD OF DIRECTORS

Niall Nolan
Chairman

Michael Schröder

John Reay

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of Ultragas ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021, and of the results of the Company’s operations and cash flows for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Ultragas ApS for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies (“financial statements”).

Basis for opinion

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

Statement on Management’s Review

Management is responsible for Management’s Review.

Our opinion on the financial statements does not cover 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 Management’s Review and, in doing so, consider whether 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 Management’s Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management’s Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management’s Review.

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 about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements 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 these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 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.

Hellerup, 30 June 2022

PricewaterhouseCoopers
Godkendt Revisionspartnerselskab
CVR no. 33 77 12 31

Bo Schou-Jacobsen
State Authorised Public Accountant
mne28703

Henrik Kyhnauv
State Authorised Public Accountant
mne40028

INCOME STATEMENT AND CASH FLOW STATEMENT

Income statement

Figures in USD '000	Note	2021	2020
Revenue		118.429	105.878
Voyage related expenses and operating costs of vessels		-60.830	-59.434
Bare-boat hire		-45.459	-47.499
Gross profit (Net earnings from shipping activities)		**12.140**	**-1.055**
Other external expenses		-1.984	-1.443
Staff costs	2	-1.960	-2.351
Operating profit/loss (EBIT)		**8.196**	**-4.849**
Share of result in subsidiaries and associates	3	-1.403	-883
Financial income	4	36	29
Financial expenses	5	-299	-320
Loss before tax		**6.530**	**-6.023**
Tax	6	23	-88
Net loss	7	**6.553**	**-6.111**

Cash flow statement

Figures in USD '000	Note	2021	2020
Profit/(loss) before tax		6.530	-6.023
Tax paid		31	29
Adjustment for non-cash operating items	14	1.639	1.141
Change in working capital	15	-12.505	4.885
Net cash flows from operating activities		**-4.305**	**32**
Investments in subsidiaries		-1.500	-1.200
Investment in associates		-40	0
Dividend received from associated companies		332	288
Net cash flows from investing activities		**-1.208**	**-912**
Free cash flow		**-5.513**	**-880**
Group contribution received		5.450	5.800
Loan repaid to former parent company		-5.450	-3.209
Loan from related companies		15.464	0
Interest paid		-275	-258
Net cash flows from financing activities		**15.189**	**2.333**
Net cash flow		**9.676**	**1.453**
Cash and cash equivalents at 1 January		1.626	173
Net change in cash and cash equivalents		9.676	1.453
Cash and cash equivalents at 31 December		**11.302**	**1.626**

BALANCE SHEET

Assets

ASSETS			
Figures in USD '000	Note	2021	2020
Fixtures, fittings, and equipment	8	-	-
Tangible assets		**-**	**-**
Investment in associates	9	1.152	1.411
Investment in subsidiaries	10	244	134
Other financial assets		91	93
Financial assets, non-current		**1.487**	**1.638**
Non-current assets		**1.487**	**1.638**
Inventories		4.034	1.991
Trade and other receivables	11	17.532	8.602
Receivables from group enterprises		848	57
Prepayments		937	1.036
Income tax receivable		-	-
Derivative financial instruments		-	142
Cash and short-term deposits		11.302	1.626
Current assets		**34.653**	**13.454**
TOTAL ASSETS		**36.140**	**15.092**

Equity and liabilities

EQUITY AND LIABILITIES			
Figures in USD '000	Note	2021	2020
Share capital	12	37	37
Cash flow hedge reserves		-	142
Retained earnings		11.950	-60
Total equity		**11.987**	**119**
Intercompany loan		-	5.450
Non-current liabilities		**-**	**5.450**
Trade and other payables	13	8.594	9.436
Intercompany loan		15.464	0
Income tax payable		95	87
Current liabilities		**24.153**	**9.523**
Total liabilities		**24.153**	**14.973**
TOTAL EQUITY AND LIABILITIES		**36.140**	**15.092**

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Statement of changes in equity

Figures in USD '000	Share capital	Cash flow hedge	Retained earnings	Total
At 1 January 2021	**37**	**142**	**-60**	**119**
Group contribution	-	-	5.450	5.450
Foreign currency adjustments related to associates	-	-	7	7
Reserve for cash flow hedge	-	-142	-	-142
Profit /(Loss) for the year	-	-	6.553	6.553
At 31 December 2021	**37**	**-**	**11.950**	**11.987**

Figures in USD '000	Share capital	Cash flow hedge	Retained earnings	Total
At 1 January 2020	**37**	**0**	**167**	**204**
Group contribution	-	-	5.800	5.800
Foreign currency adjustments related to associates	-	-	84	84
Reserve for cash flow hedge	-	142	-	142
Profit /(Loss) for the year	-	-	-6.111	-6.111
At 31 December 2020	**37**	**142**	**-60**	**119**

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Note 1 – Accounting policies and significant accounting estimates

The annual report of Ultragas ApS for 2021 has been prepared in accordance with the provisions applying to reporting class large C enterprises under the Danish Financial Statements Act.

The Company does not prepare consolidated financial statements in accordance with §112 para 1 of the Danish Financial Statement Act, as the Company and its subsidiary are included in the consolidated financial statements of Navigator Holdings Ltd. Audit fee is disclosed in the consolidated financial statements cf. §96 para 3 of the Danish Financial Statements Act.

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 2021 the average USD/DKK rate of exchange for 2021 was 629.18 and the closing rate on 31 December 2021 was 656.12.

Remuneration to management is not disclosed cf. §98b para 3 of the Danish Financial Statements Act.

The accounting policies are consistent with those for last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the liability can be measured reliably.

On initial recognition assets and liabilities are measured at cost. Measurement of assets and liabilities after initial recognition is effected as described below for each item.

In recognition and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement when earned. Furthermore, costs incurred to achieve earnings for the year are recognised in the income statement including depreciation, amortization, impairment losses and provisions as well as reversal of entries as a result of changed accounting estimates, which were formerly recognised in the income statement.

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.

Receivable, 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.

INCOME STATEMENT

Revenue

The revenue reflects the income earned by vessels which are commercially operated by Ultragas' own in-house organization as well as earnings by vessels which are commercially operated by Unigas International ("Unigas").

For vessels on time charter, income is recognized upon delivery of the services in accordance with the charter parties concluded.

Earnings from vessels commercially operated by Unigas.

The aggregated gross earnings in Unigas have been adjusted for general expenses, insurance premiums, bad debt losses, financial charge, interest and foreign exchange variances.

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.

Voyage related expenses

Voyage related expenses include bareboat hire, bunker expenses, port expenses, towage, agency fee, survey, stevedoring, and cleaning as well as other expenses incidental to the commercial operation of the vessels and are recognized upon receipt of service in accordance with the agreements parties concluded with the suppliers.

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, office expenses and depreciation. Administrative expenses are presented in the Income Statement as “Staff costs” and “Other external expenses”, respectively.

Financial income and expenses

Financial income and expenses comprise interest income and expense as well as exchange rate differences from transactions denominated in foreign currencies.

Tax on profit/loss for the year

The Company's current tax consists of tax payable according to the regulations of the Danish Tonnage Tax Act for shipping activities and according to general tax regulations for net financial income. The Company only has activities taxed under the Danish Tonnage Tax Scheme. Based on the planned use of vessels and activities, the Danish tonnage tax regime does not result in a deferred tax liability. Hence, no deferred tax liability is recognised in the balance sheet. If a liability should arise, it would only related to minor temporary differences on non-current assets.

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 prices 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 capitalized 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 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.

Inventory
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.

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.

Equity – cash flow hedge reserve
Cash flow hedges, which are regarded as hedging instruments, are measured at fair value and changes in fair value is recognised directly in equity. The change in fair value is disclosed as a separate item under equity.

Corporation tax and deferred tax
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 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 on loans, 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 on loans, acquisition and disposal of treasury shares and payment of dividends to shareholders.

Note 2 – Staff costs

Staff costs, onshore employees:
The staff cost to onshore employees are recognized under staff costs in the income statement.

Figures in USD '000	2021	2020
Fixed salaries	-1,806	-2,144
Pensions - defined contribution plan	-112	-139
Other staff expenses	-42	-68
Staff costs, onshore employees	**- 1,960**	**- 2,351**
Average number of employees (FTEs)	10	11

Staff costs, crew on vessels:
Staff costs to crew on vessels are a direct cost related to the operating costs of vessels, Therefore, the staff costs to crew are recognized in Voyage related expenses and operating costs of vessels in the income statement.

Figures in USD '000	2021	2020
Crew salaries	-24,042	-22.514
Staff costs, crew on vessels	-24,042	-22.514
Average numbers of crew on vessels (FTEs)	400	400

Note 3 – Shares of result in subsidiaries and associates

Figures in USD '000	2021	2020
Share of result in subsidiaries	-1.390	-1.218
Share of result in associates	27	335
Write-off of loan to associates	-40	0
Share of result in subsidiaries and associates	**-1.403**	**-883**

Note 4 – Financial income

Figures in USD '000	2021	2020
Foreign exchange income /(expense)	36	29
Financial income	**36**	**29**

Note 5 – Financial expenses

Figures in USD '000	2021	2020
Interest income /(expense)	-2	-1
Interests to group enterprises	-284	-311
Other financial items, net	-13	-8
Financial expenses	**-299**	**-320**

Note 6 – Tax

Figures in USD '000	2021	2020
Current tax on profit for the year	-51	-87
Tax on profit for the year	**-51**	**-87**
Adjustments related to previous years - current tax	74	-1
Tax in the income statement	**23**	**-88**

Note 7 – Allocation of result

Figures in USD '000	2021	2020
Proposed profit/loss appropriation:		
Transferred to retained earnings	6.553	-6.111
	6.553	**-6.111**

Note 8 – Fixtures, fittings and equipment

Figures in USD '000	2021	2020
Cost at 1 January	102	102
Cost at 31 December	**102**	**102**
Depreciations at 1 January, accumulated	-102	-102
Depreciations at 31 December, accumulated	**-102**	**-102**
Carrying amount at 31 December	**-**	**-**

Note 9 – Investments in associates

Figures in USD '000	2021	2020
Cost at 1 January	392	392
Additions for the year	40	0
Cost at 31 December	**432**	**392**
Value adjustment at 1 January	1,019	888
Exchange rate adjustment	6	84
Dividends received	-332	-288
Share of the results for the year	27	335
Value adjustment at 31 December	**720**	**1,019**
Carrying amount at 31 December	**1,152**	**1,411**

Investments in associates comprise the following:

Dan-Unity CO2 A/S, Copenhagen, owner’s share 50%
Unigas International B.V., Rotterdam, owner’s share 33%
UltraShip Crewing Philippines Inc., Manilla, owner’s share 25%
UltraShip Services Philippines Inc, Manilla, owner’s share 40%

Note 10 – Investments in subsidiaries

Figures in USD '000	2021	2020
Cost at 1 January	12.396	11.196
Capital contributions	1.500	1.200
Cost at 31 December	**13.896**	**12.396**
Value adjustment at 1 January	-12.262	-11.044
Share of the results for the year	-1.390	-1.218
Value adjustment at 31 December	**-13.652**	**-12.262**
Carrying amount at 31 December	244	134

Investments in subsidiaries comprise the following:

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

Note 11 – Trade and other receivables

Figures in USD '000	2021	2020
Trade receivables	17.532	8.186
Insurance claims	0	416
Total	**17.532**	**8.602**

Note 12 – Share capital

The share capital comprises 21,000 shares of DKK 10 each (translated at USD 37 thousand). All shares rank equally.

Note 13 – Trade and other payables

Figures in USD '000	2021	2020
Payables to related companies	1.531	1.262
Accruals and prepayments received from customers	1.658	2.162
Trade payables	5.067	5.426
Other payables	338	586
Total	**8.594**	**9.436**

Note 14 – Adjustment for non-cash operating items (cash flow)

Figures in USD '000	2021	2020
Share of gain/loss in subsidiaries and associates	1,403	883
Interest expenses, reclassified to cash flow from financing activities	275	258
Other non-cash operating items	-39	-
Total adjustment for non-cash operating items	**1,639**	**1,141**

Note 15 – Changes in working capital (cash flow)

Figures in USD '000	2021	2020
Changes in receivables and prepayments	-9,620	6,493
Changes in inventories	-2,043	530
Changes in liabilities	-842	-2,138
Total change in working capital	**-12,505**	**4,885**

Note 16 – Contractual obligations

All vessels in the Ultragas fleet are bareboat chartered from group companies in the Navigator Group. The table below shows the contractual lease obligations for those vessels:

Figures in USD '000	2021	2020
Vessel related lease obligations		
Within one year	38,858	39,885
Between 1 - 5 years	126,241	135,800
More than 5 years	28,399	55,958
Office lease obligations		
Within one year	201	-
Between 1 - 5 years	759	-
Total	**214,458**	**231,643**

Note 17 – Related party disclosures

In accordance with section 98 c(7) of the Danish Financial Statements Act, the Company has not disclosed any related party transactions as they were conducted on an arm's length basis,

Group relation:
Ultragas ApS is fully owned by:

Navigator Holdings Ltd., The Verde, 10 Bressenden Place, SW1E5DH London, United Kingdom.

The ultimate holding company of Ultragas ApS is Navigator Holdings Ltd., The Verde, 10 Bressenden Place, SW1E5DH London, United Kingdom. The consolidated financial statements of Navigator Holdings Ltd. is available at the Company's address.

Note 18 – Contingent liabilities

The Company is jointly taxed with UltraShip ApS and, until August 2021, also with other companies in the Ultranav Denmark ApS Group which it was part of until 31 July 2021. 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 joint taxation of income or withholding taxes on dividends, etc. could lead to Company's liability constituting a larger amount.

Ultragas ApS and UltraShip ApS are also jointly liable for the joint registration of VAT.

The Company has confirmed to provide financial support to the subsidiary UltraShip ApS until 1 January 2023.

Note 19 – Derivative financial instruments

During the year, the Company have used hedging instruments to mitigate the currency risk arising from future transactions in foreign currencies.

The reporting currency is USD and most of the Company's revenues and expenses are too denominated in USD. The majority of the Company's administrative expenses are, however, denominated in DKK.

At 31 December 2021, the fair value of forward exchange contracts was NIL (2020: USD 0.1 million).

Note 20 – Disclosure of events after the balance sheet date

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

Definition of Key figures

$$\text{Operating margin before depreciation, amortization, and impairment loss (EBITDA margin)} = \frac{\text{Operating loss before depreciation, amortization, and impairment (EBITDA) x 100}}{\text{Revenue}}$$

$$\text{Solvency ratio} = \frac{\text{Equity at year-end x 100}}{\text{Total assets}}$$

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