



SONGA BULK

Annual report 2018

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# DIRECTORS' REPORT

## SONGA BULK

Songa Bulk ASA (the Company) was incorporated in August 2016. Songa Bulk ASA and its subsidiaries (The Group or Songa Bulk) was formed during fourth quarter the same year. The shares of the Company are traded on Oslo Axess, a platform on Oslo Stock Exchange.

## THE BUSINESS

Songa Bulk was founded primarily as an investment vehicle to take exposure to fluctuating asset values of dry bulk vessels. In 2018, Songa Bulk sold its entire fleet to Star Bulk Carriers Corp.

## TRANSACTION WITH STAR BULK CARRIERS CORP

On 14 May 2018, the Company entered into an agreement with Star Bulk Carriers Corp. (Star Bulk) to sell all its 15 vessels to Star Bulk against a consideration of 13 688 000 shares of Star Bulk (Consideration shares) and \$144.55 million in cash. In addition, Star Bulk acquired and cancelled the Company's outstanding warrant program for 37 000 shares of Star Bulk and \$450 000 in cash. The transaction was completed 6 July 2018.

### *Use of cash proceeds:*

The Company used the cash proceeds from the transaction to repay the bond loan. Outstanding bond loan on 6 July 2018 was \$138 million. The Company was, under the bond terms, obliged to pay the bondholders the mandatory prepayment price for early redemption which was 104% of nominal value, a total of \$143.52 million.

### *Distribution of consideration shares:*

The intention of the Company was to distribute all consideration shares to the shareholders of Songa Bulk. Distribution of shares to the Songa Bulk shareholders was conditional upon each shareholder having made representations and warranties to the Company and Star Bulk that such shareholder was, among other things, (i) an eligible shareholder, or (ii) an ineligible shareholder, through submitting a representation and warranties letter to the Company.

- On 5 June 2018, the General Meeting resolved to reduce the share capital of the Company by \$21.5 million.
- On 6 July 2018, the Board of Songa Bulk resolved to distribute an additional dividend of \$151 million.
- On 17 August 2018, the share capital reduction was carried out.
- On 3 October 2018, the General Meeting resolved to distribute an extraordinary dividend of \$10.5 million.

During 2018 a total of approximately \$13.64 million consideration shares were distributed to the shareholders in connection with the additional dividend, the share capital reduction and the extraordinary dividend. The remaining consideration shares were held at the Company's account on year end 2018 in anticipation of receipt of representation and warranties letter from shareholders that did not submit such letter prior to the communicated deadlines.

## OTHER DISTRIBUTIONS

- On 22 March 2018 the General Meeting resolved to distribute a cash dividend of \$0.10 per share, a total of \$3 586 000.
- On 19 December 2018 the General Meeting resolved to distribute a cash dividend of \$0.26 per share, a total of \$9 323 600.

## FINANCIALS

### *Discontinued operations*

At the beginning of 2018 the fleet consisted of 14 bulk carrier vessels. Vessel number 15 was delivered on 25 January 2018. Up to 6 July 2018, when all vessels were delivered to Star Bulk, the fleet operated on short to medium term time charter parties, either on fixed hire rates or on hire rates related to dry bulk indexes. Three vessels operated in a pool. Results from these operations, as well as gain from sale of the vessels and financial expenses in connection with the operations are classified as discontinued operations in 2018. The 2017 comparatives are classified accordingly.

### *Financial performance*

The Group reports a net profit of \$22.5 million for the year 2018, compared to a net profit of \$0.4 million in 2017. Net profit in 2018 comprise profit from discontinued operations of \$22.7 million and loss from continuing operations of \$0.2 million. The corresponding amounts for 2017 was profit from discontinued operations of \$0.6 million and loss from continuing operations of \$0.2 million.

Loss from continuing operations are the yearly general and administrative expenses required to operate a publicly listed company with limited activities.

Profit from discontinued operations in 2018 comprise operating profit of \$33.9 million and net financial expenses of \$11.1 million. Included in operating profit is gain from sale of vessels of \$24.4 million.

### *Financial position*

Through sale of vessels, repayment of the bond loan and distribution of consideration shares from the transaction, total assets of the Group were reduced from \$316.9 million per 31 December 2017 to \$11.2 million per 31 December 2018. Cash and cash equivalents were \$10.6 million on 31 December 2018.

Total equity was \$0.8 million as at 31 December 2018, down from \$174.2 million a year earlier through dividends and reduction of share capital.

The interest-bearing debt was repaid with cash proceeds from sale of vessels which contributed to the total decrease in liabilities from \$142.7 million on 31 December 2017 to \$10.4 million per 31 December 2018. Of the total liabilities at the end of 2018, \$9.7 million was dividends payable.

### *Cash flows*

The balance of cash and cash equivalents was reduced from \$41.0 million at year end 2017, to \$10.6 million as at 31 December 2018. Net cash flow from investment activities was \$113.8 million, being proceeds from sale of vessels of \$144.5 million net after proceeds used on purchase of one vessel in January. Negative cash flow from financing activities was \$147.1 million through repayment of the bond loan including call premium for early redemption and a cash dividend.

## HEALTH, SAFETY AND ENVIRONMENT (HSE)

The Company's objective in the period with active operations was to ensure safe and secure operations. The business operated in compliance with national and international requirements and regulations. There have been few work-related accidents to personnel on board in 2018. There have not been any pollution incidents related to the Company's vessels in 2018.

The work environment was considered good.

The Company focus continuously on being a workplace free from discriminate against any person on the basis of race, color, sex or sexual orientation, gender identity, religion, age, national or ethnic origin, political beliefs or disability in matters such as pay, promotion and recruitment. Songa Bulk offer equal opportunities for all. At year end 2018, the Group had no employees.

## CORPORATE GOVERNANCE

The Company focus continuously on having good corporate governance to support achievement of the Company's core objectives on behalf of its shareholders and to create a strong sustainable company. The Board of Directors believe that good corporate governance involves openness and a trustful cooperation between shareholders, the Board, executive management, employees, customers, suppliers, public authorities and society in general.

The Company endorses the NUES code. The NUES Code is based on a "comply or explain" principle, which entails that listed companies must comply with the NUES Code or explain why an alternative approach has been chosen. The Company complies with the NUES Code, with the following deviations:

- The Company has not appointed a nomination committee and does not expect to appoint a nomination committee. The Board works continuously to constructively engage with shareholders to ensure that the interests of the shareholder base are taken into account in regards by the board composition.
- The Company has not appointed a remuneration committee. The Board determines the remuneration and compensation scheme of the Group in accordance with applicable law.
- The Company has not established guiding principles for how the Board of Directors will act in the event of a take-over bid. However, should such event occur, the Board of Directors will act in accordance with the NUES code and applicable law.

### *Internal control*

The Company has implemented internal control and risk management systems appropriate to the size and nature of the Group's activities.

### *Corporate governance guidelines*

The Company's corporate governance guidelines, as adopted by the Board of Directors, can be found on the company website: <http://www.songabulk.no/corporate-governance>

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company has adopted a code of conduct for business, ethics and corporate social responsibility to facilitate that the Group shall enjoy an invaluable reputation for corporate trustworthiness around the world. The CSR approach is based on consistently conducting business with integrity and in compliance with the laws and regulations governing its activities.

Board members and employees of the Group must practice fair dealing, honesty and integrity in every aspect in dealing with other employees, business relations and customers, the public, the business community, shareholders, suppliers, competitors and government authorities. The Group's corporate values and commitment to act responsibly, ethically and trustworthy in all activities they do, whether it be towards colleagues, customers, suppliers, the society or the environment, shall be reflected, promoted and implemented in policies, decisions and actions.

## BOARD OF DIRECTORS

Name	Arne Blystad	Magnus Roth	Christine Rødsæther	Vibeke Gwendoline Fængsrud
Position:	Chairman	Board member	Board member	Board member
Born:	1955	1956	1964	1978
Nationality:	Norway	Sweden	Norway	Norway
Gender:	Male	Male	Female	Female
Member of board since:	September 2016	December 2016	May 2017	May 2017
Attendance board meetings in 2018:	13/13	13/13	13/13	13/13
Independent of executive management and significant business contacts:	No	Yes	Yes	Yes
Independent of largest shareholders:	No	No	Yes	Yes
Member of audit committee	Yes	No	No	Yes

*Presentation of the Board of Directors*Arne Blystad

Mr. Blystad is an independent investor and co-founder of the Company. The Blystad Group, which is 100% owned and controlled by Mr. Arne Blystad and his immediate family, has a long history in international shipping. His companies have historically been active in the sale and purchase market. In addition to shipping, the Group has investments in heavy-lift, a securities portfolio and real estate. Mr. Blystad resides in Oslo, Norway.

Magnus Roth

Mr. Roth studied engineering at Linköping University between 1975 and 1977. Between 1977 and 1981 he was educated in the Royal Swedish Navy and left as a Captain in 1981. He received a Diploma in Shipping from London School of Foreign trade in 1982. From 1982 to 1983 Mr. Roth was self-employed in Oberon Overseas AB in Stockholm, a company offering Supercargo service to shipping clients. In 1984 Mr. Roth joined the Volvo Groups food sector, Witte International AS where he started up their fish trading in Ålesund, Norway. In 1989, the management did an MBO and established Scandsea International AS/AB, which became one of the world's leading in fish trading. In 1997 Mr. Roth part-founded Ocean Trawlers, which became one of the leading vertically integrated seafood companies, which he departed from when selling his shares in April 2016. Mr. Roth resides in Switzerland.

Christine Rødsæther

Ms. Rødsæther is a partner with the law firm Simonsen Vogt Wiig AS with more than 25 years' experience assisting international financial institutions, funds, project brokers, shipowners, shipyards and equipment suppliers with transactional work, contract negotiation, financing and restructuring. She has held a number of board positions within the maritime sector. She is also a member of the advisory board to the Norwegian Ministry of Trade, Industry and Fisheries on maritime development and a member of the Marshall Islands' flag's Quality Council. She graduated from the University of Bergen in 1989, with a Master of Law in transnational business practice from University of the Pacific, California. Ms. Rødsæther resides in Bærum, Norway.

Vibeke Gwendoline Fængsrud

Ms. Fængsrud is the founder, owner and CEO of House of Math AS, Norway's largest private tutoring company within the natural sciences and economics. She is educated in mathematics, physics and pedagogy at the University of Oslo, where she now does a Master in Mathematics. Ms. Fængsrud has written 27 books and compendia on mathematics. In addition, Ms. Fængsrud has an Executive Bachelor of Management from BI Norwegian Business School, specializing in International Business, Leadership and Board Competence. She also serves on the Board of Maritime & Merchant Bank ASA. Ms. Fængsrud has her primary board experience from academia. Ms. Fængsrud resides in Oslo, Norway.

## GOING CONCERN

The consolidated financial statements of Songa Bulk ASA have been prepared on basis of the going concern assumption and according to the International Financial Reporting Standards (IFRS) as adopted by the European Union. The Board of Directors confirms that the assumption is valid.

## RISK FACTORS

After sale of all the Group's vessels and consequently repayment of bond loan, distribution of consideration shares and settlement of all balances related to the previous operations, the remaining risk factors for the Group are limited.

With limited assets available illiquidity may arise if any unexpected claim from third parties come to the Company's attention. Financial assets are considered sufficient to settle all current and future financial obligations.

Market risk related to the dry bulk market may influence the valuation of financial investments. The current macroeconomic situation is uncertain and there is a risk of negative developments.

## REMAINING ASSETS

On the date of this report the remaining assets in the Company consist of 9 252 shares of Star Bulk Carriers Corp, and a cash balance of \$0.7 million.

## ALLOCATION OF RESULTS

The parent company, Songa Bulk ASA, reports a net profit of \$19 878 000 in 2018. The Board proposes that Songa Bulk ASA allocates the net profit for the year to retained earnings.

## SUBSEQUENT EVENTS

On 4 January 2019 the Company distributed a cash dividend of \$0.26 per share to the shareholders, equalling a total distribution of \$9.3 million.

On 29 January 2019 a total of 23 820 shares of Star Bulk were distributed to the shareholders in connection with the dividend resolution on 6 July 2018, the share capital reduction resolved on 5 June 2018 and the extraordinary dividend resolved on 3 October 2018. These shares were distributed to shareholders that did not submit the representation and warranties letter within the initial deadline dates for distributions but have submitted such letter prior to 18 January 2019.

On 18 March 2019, 6 971 shares of Star Bulk were transferred to Star Bulk against a consideration of \$93 thousand. These were shares that were not delivered to shareholders of Songa Bulk through the distributions of consideration shares due to shareholders being ineligible to receive such shares, and consequently received the cash option.

On 18 March 2019, 6 607 shares of Star Bulk were transferred to Star Bulk against no consideration. These were shares that were not delivered to shareholders of Songa Bulk through the distributions of consideration shares due to shareholders not submitting the representation and warranties letter. Star Bulk has irrevocably assumed the obligation to deliver these shares to the relevant shareholders in Songa Bulk upon receipt of the representation and warranties letter.

## RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the set of financial statements for the period 1 January 2018 to 31 December 2018 have been prepared in accordance with applicable accounting standards, and give a true and fair view of the Group's assets, liabilities, financial position and profit as a whole.

We also confirm, to the best of our knowledge, that the annual report includes a fair review of important events that have occurred during the financial year and their impact on the set of financial statements, and a description of the main risks and uncertainties going forward.

Oslo 28 March 2019

The Board of Directors of Songa Bulk ASA



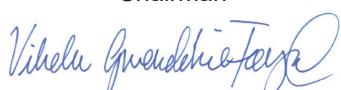
Arne Blystad  
Chairman



Magnus Roth  
Board member



Christine Rødsæther  
Board member



Vibeke Gwendoline Fængsrød  
Board member



Thomas Rønning  
CEO

# SONGA BULK GROUP

## CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated Statement of Comprehensive Income

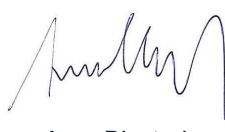
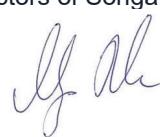
in \$ thousands	Note	2018	2017
General and administrative expenses		200	200
<b>Total operating expenses</b>		<b>200</b>	<b>200</b>
<b>Operating loss</b>		<b>-200</b>	<b>-200</b>
<b>Loss before taxes</b>		<b>-200</b>	<b>-200</b>
Tax expense	14	-	-
<b>Loss from continuing operations</b>		<b>-200</b>	<b>-200</b>
<b>Profit from discontinued operations</b>	13	<b>22 686</b>	<b>588</b>
<b>Net profit</b>		<b>22 486</b>	<b>388</b>
<b>Total comprehensive income</b>		<b>22 486</b>	<b>388</b>
<b>Basic and diluted earnings from discontinued operations – \$ per share</b>	15	<b>0.633</b>	<b>0.018</b>
<b>Total basic and diluted earnings – \$ per share</b>	15	<b>0.627</b>	<b>0.012</b>

## Consolidated Statement of Financial Position

in \$ thousands	Note	31 December 2018	31 December 2017
Vessels	4	-	266 770
Deposit vessels	4	-	3 055
<b>Total non-current assets</b>		-	<b>269 825</b>
Inventories		-	2 233
Trade receivables		-	1 312
Other receivables	5	70	2 501
Financial assets through profit or loss		548	-
Cash and cash equivalents	6	10 570	41 017
<b>Total current assets</b>		<b>11 187</b>	<b>47 063</b>
<b>TOTAL ASSETS</b>		<b>11 187</b>	<b>316 888</b>
Share capital	7	121	21 620
Share premium	7	-	153 619
Other paid-in capital		-	574
Accumulated profit (-deficit)		678	-1 648
<b>Total equity</b>		<b>799</b>	<b>174 165</b>
Interest-bearing debt	10	-	136 776
Financial liabilities at fair value through profit or loss		-	490
<b>Total non-current liabilities</b>		-	<b>137 266</b>
Trade payables		100	1 745
Income taxes payable	14	211	124
Dividends payable		9 702	-
Other current liabilities	11	375	3 588
<b>Total current liabilities</b>		<b>10 388</b>	<b>5 457</b>
<b>Total liabilities</b>		<b>10 388</b>	<b>142 723</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>11 187</b>	<b>316 888</b>

Oslo 28 March 2019

The Board of Directors of Songa Bulk ASA


Arne Blystad  
Chairman

Magnus Roth  
Board member

Christine Rødsæther  
Board member

Vibeke Gwendoline Fængsrød  
Board member

Thomas Rønning  
CEO

## Consolidated Statement of Changes in Equity

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	Share capital	Share premium	Other paid in capital	Retained earnings	Total equity
in \$ thousands					
Incorporation 24 August 2016	3	-	-	-	3
Share issuance	9 082	65 188	-	-	74 270
Share issuance costs	-	-1 432	-	-	-1 432
Warrants issued to employees	-	-	400	-	400
Net loss	-	-	-	-2 036	-2 036
<b>Balance 31 December 2016</b>	<b>9 085</b>	<b>63 756</b>	<b>400</b>	<b>-2 036</b>	<b>71 205</b>
Share issuance 31 January 2017	600	4 400	-	-	5 000
Share issuance 17 February 2017	11 935	88 311	-	-	100 246
Share issuance costs	-	-2 848	-	-	-2 848
Warrants issued to employees	-	-	174	-	174
Net profit	-	-	-	388	388
<b>Balance 31 December 2017</b>	<b>21 620</b>	<b>153 619</b>	<b>574</b>	<b>-1 648</b>	<b>174 165</b>
Dividend 22 March 2018	-	-3 586	-	-	-3 586
Dividend 6 July 2018		-150 033	-574	-393	-151 000
Share capital reduction 17 August 2018	-21 499	-	-	-	-21 499
Extraordinary dividend 3 October 2018	-	-	-	-10 446	-10 446
Extraordinary dividend 19 December 2018				-9 321	-9 321
Net profit YTD Q4 2018	-	-	-	22 486	22 486
<b>Equity 31 December 2018</b>	<b>121</b>	<b>-</b>	<b>-</b>	<b>678</b>	<b>799</b>

## Consolidated Statement of Cash Flows

in \$ thousands	Note	2018	2017
Profit before taxes		22 486	394
Gain from sale of vessels	4	-24 405	-1 968
Depreciation	4	4 654	5 450
Change in inventories		2 233	-2 207
Net change in trade receivables/payables		-333	-247
Employee benefit expenses in connection with issuance of warrants		-	174
Change in financial liabilities at fair value through profit or loss		-490	163
Net change in other current items		-1 255	1 454
<b>Net cash flow from operating activities from discontinued operations*</b>		<b>2 890</b>	<b>3 214</b>
Sale of vessels		144 550	13 615
Purchase of vessels	4	-28 355	-268 449
Paid deposit on vessels		-	-3 055
Dry docking paid	4	-2 426	-460
<b>Net cash flow from investment activities from discontinued operations</b>		<b>113 769</b>	<b>-258 349</b>
Proceeds from share issuance		-	105 244
Share issuance costs		-	-2 846
Proceeds from issuance of debt		-	137 625
Debt issuance costs		-	-1 559
Repayment of interest-bearing debt	10	-138 000	-
Call penalty by early redemption of bonds	10	-5 520	
Paid dividends		-3 586	-
<b>Net cash flow from financing activities from discontinued operations</b>		<b>-147 106</b>	<b>238 464</b>
<b>Net change in cash and cash equivalents</b>		<b>-30 447</b>	<b>-16 671</b>
Cash and bank deposits at beginning of period		41 017	57 688
<b>Cash and bank deposits at end of period</b>		<b>10 570</b>	<b>41 017</b>

\*Included in the net cash flow from operating activities from discontinued operations is \$200 thousand in operating expenses from continuing operations.

## NOTES – CONSOLIDATED FINANCIAL STATEMENTS

### Note 1 General

#### *Corporate information and history*

Songa Bulk ASA (the Company) is a public limited liability company incorporated and domiciled in Norway. The Company was incorporated 24 August 2016. The address of the main office is Haakon VIIIs gate 1, 0161 Oslo. The Norwegian Enterprise no. is 917 811 288.

Songa Bulk ASA and its subsidiaries (the Group) were up to 6 July 2018 engaged in transportation of bulk cargo. On 6 July 2018 all the Group's 15 dry bulk vessels were delivered to Star Bulk Carriers Corp in a transaction where Songa Bulk received consideration of USD 144.55 million in cash and 13 688 000 shares of Star Bulk.

The Company's shares are registered with Oslo Stock Exchange market place Oslo Axess under the ticker SBULK.

#### *Basis of preparation*

These consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. They comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and related notes for the Group.

The consolidated financial statements have been prepared on a historical cost basis except where otherwise mentioned in the notes. The consolidated financial statements are prepared under the going concern assumption, as it awaits new investment opportunities.

### Note 2 Accounting policies

#### *Discontinued operations*

During 2018, all of the main operations of the Group were disposed of and are presented as discontinued operations. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

#### *Use of estimates and judgements in preparation of the financial report*

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates

and assumptions that may affect assets, liabilities, revenues, expenses and information in notes to the financial statements. Estimates are management's best assessment based on latest available, reliable information. The effect of change in an accounting estimate is recognized in profit or loss in the period of the change.

#### *Basis of consolidation*

The consolidated financial statements comprise the financial statements of Songa Bulk ASA and all subsidiaries over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated.

#### *Functional and presentation currency*

The consolidated financial statements are presented in USD, which is also the functional currency for all entities within the Group.

#### *Transactions and balances in foreign currencies*

Transactions in foreign currencies are converted to the functional currency at the rate at the time of the transaction. Monetary items denominated in foreign currencies are converted into functional currency using the rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

#### *Balance sheet classification*

The group presents assets and liabilities in the statement of financial position based on the current/non-current classification.

***Vessels***

Vessels are measured at historical cost, less accumulated depreciation and impairment. For vessels purchased, cost includes expenditures directly attributable to the acquisition of the vessels. Depreciation is calculated on a straight-line basis over the useful life of the assets, taking residual values into consideration, and adjusted for impairment charges, if any.

Vessels and related equipment have expected useful lives of 2.5 - 25 years.

Ordinary repairs and maintenance are expensed as incurred.

***Impairment of vessels***

The vessels are reviewed for indication of impairment at each reporting date, and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized.

***Deposit vessels***

Deposits paid for future delivery of vessels, are presented as non-current assets at the actual deposit paid. The carrying amount includes any expenses that are directly attributable to entering into the agreement for future delivery of the vessel.

***Inventories***

Inventories, which comprise principally of bunker fuel, lube oil and stores are measured at the lower of cost and net realizable value. Cost is determined on a first-in, first-out (FIFO) basis.

***Trade receivables***

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables without a significant financing element are recognized at the transaction amount less an allowance for lifetime expected credit losses under the simplified method. The amount of the allowance is based on the age of unpaid amounts, information about the current financial strength of customers, and other relevant information.

***Financial instruments***

IFRS 9 replaces IAS 39 for the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The group adopted the simplified expected credit loss model for its trade receivables with only minor effects.

Shares in Star Bulk are valued at fair value with changes in fair value recognized through profit or loss. The shares that have been resolved distributed as dividend in the period, but not yet distributed, are presented according to IFRIC 17 with shares at fair value through profit or loss, and the accompanying dividend debt at fair value with changes recognized in equity.

No assets held by the group were subject to reclassifications in IFRS 9.

***Cash and cash equivalents***

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash. Cash and cash equivalents are recorded at their nominal values on the balance sheet.

***Interest-bearing debt***

Interest-bearing debt is initially recognized at its fair value less transaction costs. After initial recognition, interest-bearing debt is measured at amortized cost using the effective interest method.

***Trade and other payables***

Trade and other payables represent liabilities for goods and services provided to the group prior to the end of financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition and presented as current liabilities.

***Revenue recognition***

The group recognizes revenue when goods and services are transferred to the customers. Further details are proved for each of the group's activities as described below.

### *Operating revenue*

Voyage charter revenues are recognized using the percentage of completion method on a load-to-discharge basis. Cost related to fulfilment of the contract incurred prior to loading is capitalized as mobilization costs and amortized over the associated period for which revenue is recognized. Voyage expenses incurred as repositioning for non-committed freight contracts are expensed as incurred. Other revenue from services, such as demurrage, is recognized when earned and is included in freight revenue.

Freight revenues from time charters are accounted for as operating leases under IAS 17 and are recognized on a straight-line basis over the rental periods of such charters, as service is performed.

### *Other operating income*

Net income as a result of revenue sharing agreements is presented as other operating income.

### *Voyage and operating expenses*

Voyage expenses mainly consist of bunker fuel expenses in connection with purchase of the vessel and delivery to charterers. Ship operating expenses include crew costs, repairs and maintenance, insurance, lube oils, communication expenses and fees to technical managers. Operating expenses are recognized when incurred.

### *Share-based payments*

Share-based payment transactions through issuance of warrants to shareholders, that are also employed by the Group, are measured at fair value of the warrants at the issuance date as value of services received cannot be estimated reliably. Fair value is measured by Monte Carlo simulation. Share-based payments are recognized as an employee expense, at the time of issuance when there are no performance vesting conditions present, with a corresponding increase of equity.

### *Taxes*

The vessel owning companies are subject to taxation under the Norwegian tonnage tax regime. Under the tonnage tax regime, profit from operations are exempt from taxes. Taxable profit is calculated on the basis of financial income after deduction of a portion of financial expenses. The portion is calculated as financial assets in percent of total assets. Tonnage tax is payable based on

the net tonnage of vessels. Tonnage tax is classified as an operating expense.

The parent company is subject for ordinary Norwegian taxation. Tax expense comprise tax payable and deferred tax expense. Tax payable is measured at the amount expected to be paid to authorities while deferred tax assets/liabilities are calculated based on temporary differences at the reporting date. Deferred tax assets are recognized to the extent that it is probable that they can be utilized in the future.

### *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### *Share issuance*

Share issuance costs related to a share issuance transaction are recognized directly in equity. If share issuance costs, for tax purposes, can be deducted from other taxable income in the same period as they are incurred, the costs are recognized net after tax.

### *Related parties*

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence.

#### *Events after financial position date*

New information regarding the Group's financial position as of the balance sheet date is taken into consideration in the financial statements. Events occurring after the financial position date, that do not affect the financial position as of the balance sheet date, but which will affect the financial position in the future, are disclosed if significant.

#### *New or amendments to standards*

The following new or amendments to standards and interpretations have been issued and become effective during the current period. These include:

- IFRS 15 – Revenue from contracts with customers, applied for 2018.
- IFRS 9 – Financial instruments, applied for 2018.
- Amendments to IFRS 2 – Share based payments.

The above standards did not have a material impact on the financial statements of the Group, beyond disclosures.

The following new standard has been issued and are effective for future periods:

IFRS 16 – Leases, for periods beginning on or after 1 January 2019.

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term (less than 12 months) and low-value leases.

Songa Bulk ASA has made a preliminary assessment showing no effects at implementation of the standard.

### Note 3 Segment information

Up to 6 July 2018, the group operated within one single segment, which was the shipping dry bulk segment. As from that date the group did not have active operations.

### Note 4 Vessels and deposit for dry bulk vessels

in \$ thousands	Dry bulk vessels	Dry-docking	Total vessels	Deposit vessels
Cost 1 January 2018	271 471	460	271 931	3 055
Additions 2018	28 355	2 426	30 781	-
Reclassification deposit to vessels	3 055	-	3 055	-3 055
Disposals 2018	-302 881	-2 886	-305 767	-
<b>Cost 31 December 2018</b>	-	-	-	-
Depreciation 1 January 2018	5 101	60	5 161	-
Depreciation 2018	4 615	39	4 654	-
Reversal depreciation sold vessels	-9 716	-99	-9 815	-
<b>Accumulated depreciation 31 December 2018</b>	-	-	-	-
<b>Carrying amount 31 December 2018</b>	-	-	-	-

The Group sold all its 15 vessels to Star Bulk Carriers Corp on 6 July 2018. Recognized gain from sale of the vessels were \$24.4 million.

in \$ thousands	Dry bulk vessels	Dry-docking	Total vessels	Deposit vessels
Cost 1 January 2017	11 145	-	11 145	3 855
Additions 2017	268 453	460	268 913	3 055
Reclassification deposit to vessels	3 855	-	3 855	-3 855
Disposals 2017	-11 982	-	-11 982	-
<b>Cost 31 December 2017</b>	<b>271 471</b>	<b>460</b>	<b>271 931</b>	<b>3 055</b>
Depreciation 1 January 2017	37	-	37	-
Depreciation 2017	5 390	60	5 450	-
Reversal depreciation sold vessels	-326	-	-326	-
<b>Accumulated depreciation 31 December 2017</b>	<b>5 101</b>	<b>60</b>	<b>5 161</b>	<b>-</b>
<b>Carrying amount 31 December 2017</b>	<b>266 370</b>	<b>400</b>	<b>266 770</b>	<b>3 055</b>

**Note 5 Other receivables**

in \$ thousands	31 December 2018	31 December 2017
VAT receivables	29	45
Prepaid expenses	2	716
Earned revenues	-	791
Other receivables	39	949
<b>Total other receivables</b>	<b>70</b>	<b>2 501</b>

**Note 6 Cash and cash equivalents**

in \$ thousands	31 December 2018	31 December 2017
Bank deposits denominated in USD	771	40 560
Bank deposits denominated in NOK	9 799	457
<b>Total cash and cash equivalents</b>	<b>10 570</b>	<b>41 017</b>

Of the bank deposits, \$20 thousand is related to restricted bank accounts for tax withholding purpose. At 31 December 2017 restricted cash was \$38 thousand.

**Note 7 Share capital and shareholders**

	Number of shares	Share capital, \$ thousands	Share premium, \$ thousands
<b>Balance at 1 January 2018</b>	<b>35 860 000</b>	<b>21 620</b>	<b>153 619</b>
Dividend 22 March 2018	-	-	-3 586
Dividend 6 July 2018	-	-	-150 033
Share capital reduction 17 August 2018	-	-21 499	-
<b>Balance at 31 December 2018</b>	<b>35 860 000</b>	<b>121</b>	<b>-</b>

	Number of shares	Share capital, \$ thousands	Share premium, \$ thousands
<b>Balance at 1 January 2017</b>	<b>14 860 000</b>	<b>9 085</b>	<b>63 756</b>
Private placement 31 January 2017	1 000 000	600	4 400
Private placement 17 February 2017	20 000 000	11 935	88 311
Share issuance costs	-	-	-2 848
<b>Balance at 31 December 2017</b>	<b>35 860 000</b>	<b>21 620</b>	<b>153 619</b>

Authorized share capital is NOK 1 000 000. All issued shares are fully paid at 31 December 2018.

*List of largest shareholders as of 31 December 2018:*

Shareholder	Shareholding	Shareholding in %
Canomaro Shipping AS	6 209 036	17.3%
Songa Investments AS	4 711 900	13.1%
SongaTrading Inc	4 519 126	12.6%
Evermore Global Value Fund	2 148 278	6.0%
Ringnes Holding AS	746 400	2.1%
Eika Balansert	745 614	2.1%
Eika Norge	733 700	2.0%
Regents of The University of Michigan	726 643	2.0%
Titan Opportunities Fund IC Sicav	702 200	2.0%
Dasa Invest AS	656 000	1.8%
Karsten Ellingsen AS	573 604	1.6%
Ola Rustad AS	555 000	1.5%
Sirius International Insurance Corp	465 797	1.3%
Jan Nikolai Pedersen	445 000	1.2%
Sverre Bragdø-Ellenes	400 000	1.1%
Investire Invest AS	400 000	1.1%
Solan Capital AS	366 800	1.0%
Clearstream Banking S.A.	302 182	0.8%
Tyns-Ring AS	300 000	0.8%
Borea Global Equities Spesialfond	240 073	0.7%
<b>Total 20 largest shareholders</b>	<b>25 947 353</b>	<b>72.4%</b>
Other shareholders	9 912 647	27.6%
<b>Total</b>	<b>35 860 000</b>	<b>100.0%</b>

*Shares and warrants owned by board members, board consultants and executives:*

Shareholder	Title	Shareholding	Shareholding in %	No of warrants
<i>Board members:</i>				
Arne Blystad	Chairman	9 317 120	25.98%	-
Magnus Roth	Board member	6 209 036	17.31%	-
Christine Rødsæther	Board member	3 124	0.01%	-
Vibeke Gwendoline Fængsrød	Board member	5 412	0.01%	-

## Note 8 Financial risk factors

After sale of all the Group's vessels and consequently repayment of bond loan, distribution of consideration shares and settlement of all balances related to the previous operations, the remaining risk factors for the Group are limited.

### Illiquidity risk exposure

With limited assets available illiquidity may arise if any unexpected claim from third parties come to the Company's attention. Financial assets are considered sufficient to settle all current and future financial obligations.

### Financial market risk

Market risk related to the dry bulk market may influence the valuation of financial investments. The current macroeconomic situation is uncertain and there is a risk of negative developments.

## Note 9 Financial instruments

Set out below is a comparison by category for carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements. The estimated fair value amounts of the financial instruments have been determined using appropriate market information and valuation techniques.

In \$ thousands	31 December 2018		31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair Value
<i>Financial assets:</i>				
Trade receivables	-	-	1 312	1 312
Other receivables*	39	39	1 741	1 741
Financial assets through profit or loss	548	548	-	-
Cash and cash equivalents	10 570	10 570	41 017	41 017
<i>Financial liabilities:</i>				
Interest-bearing debt	-	-	138 000	138 000
Financial liabilities at fair value through profit or loss	-	-	490	490
Trade payables	100	100	1 745	1 745
Income taxes payable	211	211	124	124
Dividends payable	9 702	9 702	-	-
Other current liabilities	375	375	2 548	2 548

\*The difference between the balance sheet item other receivables and other receivables in the table above is prepaid expenses and VAT receivable which are not considered financial instruments.

### Fair value estimation

The different levels for fair value estimation have been defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable input for the asset or liability

Fair value equals carrying value for all financial instruments. Cash and cash equivalents and financial assets through profit or loss are valued at level 1.

*Categories of financial instruments*

In \$ thousand	At fair value							
	Cash, loans and receivables		through profit or loss		Liabilities at amortized cost		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<i>Financial assets:</i>								
Trade receivables	-	1 312	-	-	-	-	-	1 312
Other receivables	39	1 741	-	-	-	-	39	1 741
Financial assets at fair value through profit or loss	-	-	548	-	-	-	548	-
Cash and cash equivalents	10 570	41 017	-	-	-	-	10 570	41 017
<i>Financial liabilities:</i>								
Interest-bearing debt	-	-	-	-	-	138 000	-	138 000
Financial liabilities at fair value through profit or loss	-	-	490	-	-	-	-	490
Trade payables	-	-	-	-	100	1 745	100	1 745
Income taxes payable	-	-	-	-	211	124	211	124
Dividends payable	-	-	-	-	9 702	-	9 702	-
Other current liabilities	-	-	-	-	375	2 548	375	2 548

*Maturity of financial liabilities*

In \$ thousands	< 1 year	1-5 years	Total at 31 December 2018
Trade payables	100	-	100
Income taxes payable	211	-	211
Dividends payable	9 702	-	9 702
Other current liabilities	375	-	375
<b>Total financial liabilities</b>	<b>10 388</b>	-	<b>10 388</b>
In \$ thousands	< 1 year	1-5 years	Total at 31 December 2017
Interest-bearing debt	-	138 000	138 000
Financial liabilities at fair value through profit or loss	-	490	490
Trade payables	1 745	-	1 745
Income taxes payable	124	-	124
Other current liabilities	2 548	-	2 548
<b>Total financial liabilities</b>	<b>4 417</b>	<b>138 490</b>	<b>142 907</b>

## Note 10 Interest-bearing debt

On 14 May 2018, the Group entered into an agreement with Star Bulk Carriers Corp. (Star Bulk) to sell all its vessels to Star Bulk against a consideration of 13 688 000 shares of Star Bulk and \$144.55 million in cash. The transaction was closed 6 July 2018. The cash proceeds were used to repay the bond loan at 104% of nominal value.

in \$ thousands	31 December 2018	31 December 2017
Nominal value of issued bond	-	138 000
Debt issuance cost	-	-1 224
Interest-bearing debt secured by mortgage	-	136 776
Security under the bond terms:		
Vessels – book value	-	266 770

### *Net debt reconciliation:*

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

in \$ thousands	Liabilities from financing activities			Total
	Cash and cash equivalents	Interest-bearing debt due within one year	Interest-bearing debt due after one year	
Net debt at 1 January 2018	41 017	-	-136 776	-95 759
Repayment of debt	-	-	138 000	138 000
Changes in amortized cost	-	-	-1 224	-1 224
Net cash flow	-30 447	-	-	-30 447
<b>Net debt at 31 December 2018</b>	<b>10 570</b>	-	-	<b>10 570</b>

in \$ thousands	Liabilities from financing activities			Total
	Cash and cash equivalents	Interest-bearing debt due within one year	Interest-bearing debt due after one year	
Net debt at 1 January 2017	57 688	-	-	57 688
Net proceeds from issuance of debt	-	-	-136 066	-136 066
Changes in amortized cost	-	-	-710	-710
Net cash flow	-16 671	-	-	-16 671
<b>Net debt at 31 December 2017</b>	<b>41 017</b>	-	<b>-136 776</b>	<b>-95 759</b>

**Note 11 Other current liabilities**

in \$ thousands	31 December 2018	31 December 2017
Prepaid revenues	-	1 040
Accrued expenses	-	1 494
Public dues payable	105	70
Other liabilities	270	984
<b>Total other current liabilities</b>	<b>375</b>	<b>3 588</b>

**Note 12 Fees to auditors**

Fees to auditors for statutory audit services in 2018 was \$43 thousand. Fees to auditors for other services was \$16 thousand.

**Note 13 Discontinued operation**

As a result of the transaction with Star Bulk, where all vessels were sold, results from vessel operations, as well as gain from sale of the vessels, and operating and financial expenses in connection with the operations are classified as discontinued operations.

*Financial information relating to the discontinued operation:*

	2018	2017
Operating income	34 040	26 713
Gain from sale of vessels	24 405	1 968
Operating expenses	-24 511	-24 587
Operating profit	33 934	4 094
Net financial expenses	-11 148	-3 500
Profit before taxes	22 786	594
Tax expense	-100	-6
<b>Net profit of discontinued operation</b>	<b>22 686</b>	<b>588</b>

**Note 14 Income tax**

in \$ thousands	2018	2017
Tax expense related to continuing operations	-	-
Tax expense related to discontinued operations	100	6
<i>Basis for tax expense:</i>		
Basis for tax expense within the Norwegian tonnage tax legislation	435	24
Basis for tax expense within ordinary Norwegian tax legislation	-6 812	-7 558
<b>Basis for tax expense</b>	<b>-6 377</b>	<b>-7 534</b>
<i>Tax expense:</i>		
Tax payable	100	6
Change deferred tax	-1 499	-1738
Change deferred tax not recognized	1 499	1738
<b>Tax expense</b>	<b>100</b>	<b>6</b>

<i>Taxable income:</i>		
Basis for tax payable in tax expense	435	24
Basis for deferred tax in tax expense	-6 812	-7 558
Change in temporary differences	2 036	-2 036
Taxable income	-4 341	-9 570

<i>Tax payable in statement of financial position:</i>		
Tax payable in tax expense	100	6
Tonnage tax payable	111	118
Tax payable in statement of financial position	211	124

Deferred tax per 31 December	2018	2017
<i>Temporary differences:</i>		
Foreign exchange gain on long-term debt	-	272
Debt issuance costs	-	1 764
Total temporary differences	-	2 036
Tax loss carried forward	-14 137	-9 594
Non-deductible interest expenses carried forward	-233	-
Net temporary differences	-14 370	-7 558
<i>Deferred tax:</i>		
Nominal tax rate on deferred tax	22%	23%
Deferred tax (-asset)	-3 161	-1 738
Deferred tax asset not recognized	3 161	1 738
Deferred tax in statement of financial position	-	-

#### Note 15 Earnings per share

	2018	2017
Profit from discontinued operations – in \$ thousands	22 686	588
Net profit attributable to ordinary equity holders – in \$ thousands	22 486	388
Basic and diluted weighted average number of ordinary shares outstanding	35 860 000	33 202 466
<b>Basic and diluted earnings from discontinued operations, \$ per share</b>	<b>0.633</b>	<b>0.018</b>
<b>Total basic and diluted earnings - \$ per share</b>	<b>0.627</b>	<b>0.012</b>

## Note 16 Related party transactions

The Group has entered into a corporate service agreement with Arne Blystad AS for the rendering of administrative services, IT and office services and accounting and reporting services. In addition, the agreement covers hire of Chief Financial Officer. Arne Blystad AS is a company owned and controlled by the Chairman Arne Blystad and his immediate family. Total expenses under the agreement in 2018 was \$528 thousand. In 2017 the fee was \$502 thousand.

The Group has purchased technical management services from Songa Shipmanagement Ltd. for the rendering of technical services for the vessels Songa Maru, Songa Genesis, Songa Delmar, Songa Hadong, Songa Mountain, Songa Opus, Songa Devi, Songa Sky and Songa Claudine. Songa Shipmanagement Ltd. is a company owned and controlled by the Chairman Arne Blystad and his immediate family. Total expenses under the agreements in 2018 was \$713 thousand. In 2017 the fee was \$731 thousand.

## Note 17 Key management and Board of Directors compensation

### *Board of Directors' compensation:*

Directors' fees in 2018 were \$153 thousand.

### *Compensation and benefits of the key management:*

In \$ thousands	Salary	Pension	Other remuneration	Value of warrants issued	Total 2018
Herman Billung - CEO	259	11	1	-	271
Per Kristian Aamlid - COO	154	13	2	-	169
<b>Total</b>	<b>413</b>	<b>24</b>	<b>3</b>	-	<b>440</b>

Total cost for hire of CFO in 2018 was \$209 thousand.

In \$ thousands	Salary	Pension	Other remuneration	Value of warrants issued	Total 2017
Herman Billung – CEO	362	20	3	142	527
Per Kristian Aamlid – COO	164	16	3	32	215
<b>Total</b>	<b>526</b>	<b>36</b>	<b>6</b>	<b>174</b>	<b>742</b>

Total cost for hire of CFO in 2017 was \$167 thousand.

## **Note 18 Subsequent events**

On 4 January 2019 the Company distributed a cash dividend of \$0.26 per share to the shareholders, equalling a total distribution of \$9.3 million.

On 29 January a total of 23 820 shares of Star Bulk were distributed to the shareholders in connection with the dividend resolution on 6 July 2018, the share capital reduction resolved on 5 June 2018 and the extraordinary dividend resolved on 3 October 2018. These shares were distributed to shareholders that did not submit the representation and warranties letter within the initial deadline dates for distributions but have submitted such letter prior to 18 January 2019.

On 18 March 2019, 6 971 shares of Star Bulk were transferred to Star Bulk against a consideration of \$93 thousand. These were shares that were not delivered to shareholders of Songa Bulk through the distributions of consideration shares due to shareholders being ineligible to receive such shares, and consequently received the cash option.

On 18 March 2019, 6 607 shares of Star Bulk were transferred to Star Bulk against no consideration. These were shares that were not delivered to shareholders of Songa Bulk through the distributions of consideration shares due to shareholders not submitting the representation and warranties letter. Star Bulk has irrevocably assumed the obligation to deliver these shares to the relevant shareholders in Songa Bulk upon receipt of the representation and warranties letter.

# SONGA BULK ASA

## FINANCIAL STATEMENTS

### Income Statement

in \$ thousands	Note	2018	2017
Operating revenue	3	1 858	2 490
Loss from sale of fixed assets		-150	-
<b>Total operating income</b>		<b>1 708</b>	<b>2 490</b>
Employee benefit expenses	4	987	1 022
Other operating expenses	5	988	1 338
<b>Total operating expenses</b>		<b>1 975</b>	<b>2 360</b>
<b>Operating profit (-loss)</b>		<b>-267</b>	<b>130</b>
Income from investments in subsidiaries		28 220	3 435
Interest income from group companies	10	130	996
Other financial income	6	4 549	2 287
Value adjustments financial instruments valued at fair value	14	-178	-
Interest expenses to group companies	10	-375	-26
Other interest expenses		-4 862	-3 652
Other financial expenses	7	-7 339	-353
<b>Net financial income</b>		<b>20 145</b>	<b>2 687</b>
<b>Profit before taxes</b>		<b>19 878</b>	<b>2 817</b>
Tax expense	8	-	-
<b>Net profit</b>		<b>19 878</b>	<b>2 817</b>

**Balance sheet – Assets**

in \$ thousands	Note	31 December 2018	31 December 2017
Investments in subsidiaries	9,13	3 875	205 376
Other receivables		-	3 055
<b>Total financial non-current assets</b>		<b>3 875</b>	<b>208 431</b>
<b>Total non-current assets</b>		<b>3 875</b>	<b>208 431</b>
Accounts receivable		-	2 490
Receivables from group companies	10	20	77 505
Other receivables	11	58	59
<b>Total receivables</b>		<b>78</b>	<b>80 054</b>
Market based shares	14	548	-
<b>Total investments</b>		<b>548</b>	-
<b>Cash and cash equivalents</b>	<b>12</b>	<b>10 480</b>	<b>28 160</b>
<b>Total current assets</b>		<b>11 106</b>	<b>108 214</b>
<b>TOTAL ASSETS</b>		<b>14 981</b>	<b>316 645</b>

## Balance sheet – Equity and Liabilities

in \$ thousands	Note	31 December 2018	31 December 2017
Share capital	16	121	21 620
Share premium	16	-	153 619
Other paid-in equity		-	574
<b>Total paid-in equity</b>		<b>121</b>	<b>175 813</b>
Other equity		643	924
<b>Total retained earnings</b>		<b>643</b>	<b>924</b>
<b>Total equity</b>	<b>15</b>	<b>764</b>	<b>176 738</b>
Interest-bearing debt	13	-	136 231
Other non-current liabilities		-	490
<b>Total non-current liabilities</b>		<b>-</b>	<b>136 721</b>
Liabilities to group companies	10	3 974	2 405
Accounts payable		100	123
Taxes payable	8	171	-
Public duties payable		105	70
Dividends payable		9 702	
Other current liabilities		165	587
<b>Total current liabilities</b>		<b>14 217</b>	<b>3 186</b>
<b>Total liabilities</b>		<b>14 217</b>	<b>139 907</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>14 981</b>	<b>316 645</b>

Oslo 28 March 2019

Board of Directors of Songa Bulk ASA

Arne Blystad  
ChairmanMagnus Roth  
Board memberChristine Rødsæther  
Board memberVibeke Gwendoline Fængsrud  
Board memberThomas Rønninge  
CEO

**Cash Flow Statement**

in \$ thousands	2018	2017
Profit before taxes	19 878	2 817
Taxes paid	-	-393
Dividends recognized as income with no cash effect	-28 220	-3 435
Net change in trade receivables/payables	2 467	-2 654
Employee benefit expenses in connection with issuance of warrants	-	174
Financial expenses (-income) related to warrants to shareholder	-490	163
Value adjustments financial instruments valued at fair value	178	-
Items classified as financing activities	5 520	-
Change in other short-term assets and liabilities	-6 218	696
<b>Net cash flow from operating activities</b>	<b>-6 885</b>	<b>-2 632</b>
Investments in subsidiaries and other shares	-27 700	-275 772
Paid deposit on vessel	-	-3 055
Received dividends from subsidiaries	22 101	11 890
Net proceeds received for subsidiaries' sale of vessels	141 910	-
<b>Net cash flow used in investing activities</b>	<b>136 311</b>	<b>-266 937</b>
Proceeds from share issuance	-	105 248
Share issuance costs	-	-2 848
Proceeds from debt issuance (-repayment)	-138 000	137 625
Call penalty on early redemption of bond loan	-5 520	-
Debt issuance costs	-	-1 559
Proceeds from short-term borrowing	-	2 336
Paid dividends	-3 586	-
<b>Net cash flow from financing activities</b>	<b>-147 106</b>	<b>240 802</b>
<b>Net change in cash and bank deposits</b>	<b>-17 680</b>	<b>-28 767</b>
Cash and bank deposits at beginning of period	28 160	56 927
<b>Cash and bank deposits at end of period</b>	<b>10 480</b>	<b>28 160</b>

## NOTES – FINANCIAL STATEMENTS

### Note 1 General information

Songa Bulk ASA is the parent company in the Songa Bulk Group. Songa Bulk ASA is incorporated in Norway and has its head office in Oslo. The consolidated financial statements can be obtained from Songa Bulk ASA, Haakon VIIIs gate 1, 0161 Oslo, Norway.

### Note 2 Accounting principles

#### Basic principles

The accounts are prepared in accordance with the 1998 Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway (NGAAP).

The financial statements are prepared on a historical cost basis under the going concern assumption.

#### Classification and valuation of balance sheet items

Assets intended for long-term ownership or use are classified as non-current assets. Other assets are classified as current assets. Receivables payable within one year are classified as current assets. Analogous criteria are applied when classifying liabilities.

Non-current assets are valued at cost, but are written down to their fair value if a reduction in value is expected to not be of a temporary nature.

Current assets are valued at the lower of cost or net realizable value. Current liabilities are recorded in the balance sheet at the nominal amount at the time the debt is established.

#### Currency

The financial statements are presented in USD which is also the functional and accounting currency of the company.

Foreign currency transactions are translated at the exchange rate on the date of the transaction. Monetary items in a foreign currency are translated at the exchange rate on the balance sheet date.

#### Investments in subsidiaries

Investments in subsidiaries are accounted for using the cost method. Investments are written down to their fair value if a reduction in value is expected to not be of a temporary nature.

#### Receivables

Receivables are booked at nominal amount less any expected loss.

#### Market based shares

Market based shares held by the Company are valued at the market price on the balance sheet date. Market based shares that are resolved distributed to shareholders, but not yet distributed on the balance sheet date, are valued at the market price on the date of decision for distribution.

#### Cash and cash equivalents

Cash and cash equivalents consist of bank deposits. They are accounted at their nominal value.

#### Bond loans

Bond loans are initially recognized at its fair value less transaction costs. After initial recognition, transaction costs are amortized on a straight-line basis up to maturity.

#### Non-current liabilities

Non-current liabilities comprise of warrants issued to shareholders, other than shareholders that are also employed by the group, under a warrant agreement. Warrants are booked at the higher of cost and fair value.

#### Revenue recognition

Revenue is recognized when it is earned, which is when the service is performed. The revenue is recognized at the value of the consideration at the time of the transaction.

**Costs**

Costs are normally reported in the same period as the corresponding revenue. If costs are not corresponding directly to any revenue, allocation is determined on the basis of assessment criteria.

**Share-based payments**

Share-based payment transactions through issuance of warrants to shareholders, that are also employed by the Company, are measured at fair value of the warrants the issuance date as value of services received cannot be estimated reliably. Share-based payments are recognized as an employee expense, with a corresponding increase of equity.

**Taxes**

The tax expense consists of tax payable and any changes in deferred tax. Tax is charged to the income statement except where it relates to items that are recognized directly in equity.

Deferred tax is calculated on any temporary differences between tax values and accounting values using the relevant tax rate. Deferred tax assets and deferred tax liabilities are presented net. Deferred tax assets are recorded in the balance sheet whenever it is probable that it can be utilized.

**Share issuance costs**

Share issuance costs related to a share issuance transaction are recognized directly in equity. If share issuance costs, for tax purposes, can be deducted from other taxable income in the same period as they are incurred, the costs are recognized net after tax.

**Cash flow statement**

The cash flow statement is prepared using the indirect method.

**Related party transactions**

Transactions with related parties are carried out at market terms. Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence.

**Subsequent events**

New information regarding the Company's financial position as of the balance sheet date is taken into consideration in the financial statements. Events occurring after the financial position date, that do not affect the financial position as of the balance sheet date, but which will affect the financial position in the future, are disclosed if significant.

**Note 3 Revenue**

Revenue consists of Management fee revenues through the rendering of commercial management services to subsidiaries.

**Note 4 Employee benefit expenses**

in \$ thousands	2018	2017
Salary and salary related expenses	761	687
Value of issued warrants to employees	-	174
Social security tax	181	104
Pension cost	42	42
Other remuneration	3	15
<b>Total employee benefit expenses</b>	<b>987</b>	<b>1 022</b>

No employees were employed by the Company at year end 2018.

*Board of Directors' compensation:*

Directors' fees in 2018 were \$153 thousand.

*Compensation and benefits of the key management:*

In \$ thousands	Salary	Pension	Other remuneration	Value of warrants issued	Total 2018
Herman Billung - CEO	259	11	1	-	271
Per Kristian Aamlid - COO	154	13	2	-	169
<b>Total</b>	<b>413</b>	<b>24</b>	<b>3</b>	<b>-</b>	<b>440</b>

Total cost for hire of CFO in 2018 was \$209 thousand.

In \$ thousands	Salary	Pension	Other remuneration	Value of warrants issued	Total 2017
Herman Billung - CEO	362	20	3	142	527
Per Kristian Aamlid - COO	164	16	3	32	215
<b>Total</b>	<b>526</b>	<b>36</b>	<b>6</b>	<b>174</b>	<b>742</b>

Total cost for hire of CFO in 2017 was \$167 thousand.

**Note 5 Other operating expenses**

in \$ thousands	2018	2017
Fees to auditors, lawyers and other professional fees	212	522
Fees for corporate services	528	502
Other operating expenses	248	314
<b>Total other operating expenses</b>	<b>988</b>	<b>1 338</b>

Fee to auditors:

in \$ thousands	2018	2017
Fee for statutory audit	12	16
Fee for attestation services	3	4
Fee for other services	13	51
<b>Total fees to auditors</b>	<b>28</b>	<b>71</b>

**Note 6 Other financial income**

in \$ thousands	2018	2017
Interest income	124	492
Foreign exchange gain	3 935	1 795
Other financial income	490	-
<b>Total other financial income</b>	<b>4 549</b>	<b>2 287</b>

**Note 7 Other financial expenses**

in \$ thousands	2018	2017
Value change of financial liability in connection with warrants issued to shareholder	-	163
Amortized debt issuance costs	1 817	189
Call penalty by early redemption of bond loan	5 520	-
Other financial expenses	2	1
<b>Total other financial income</b>	<b>7 339</b>	<b>353</b>

**Note 8 Tax expense**

in \$ thousands	2018	2017
<i>Basis for tax expense and tax payable:</i>		
Profit before taxes	19 878	2 817
Effects of foreign exchange gains and losses on current items	-474	-4 972
Dividends and other items under the tax exemption method	-28 138	-2 891
Received Group contribution	1 835	-
Non-deductible interest expenses	232	-
Other permanent differences between accounting and tax	-338	343
Share issuance costs directly in equity – recognized gross before tax	-	-2 848
<b>Basis for tax expense</b>	<b>-7 005</b>	<b>-7 551</b>
<i>Tax expense:</i>		
Tax payable	-	-
Change deferred tax	-1 541	-1 737
Change deferred tax not recognized	1 541	1 737
<b>Tax expense</b>	<b>-</b>	<b>-</b>
<i>Taxable income:</i>		
Basis for tax payable in tax expense	-	-
Basis for deferred tax in tax expense	-7 005	-7 551
Change in temporary differences	1 923	-2 036
<b>Taxable income</b>	<b>-5 082</b>	<b>-9 587</b>
<i>Reconciliation of tax expense for the year:</i>		
Profit before taxes	19 878	2 817
Tax expense calculated on the relevant tax rate (23%/24%)	4 572	676
<b>Tax expense</b>	<b>-</b>	<b>-</b>
<b>Difference</b>	<b>-4 572</b>	<b>-676</b>
<i>Difference comprise of:</i>		
Tax effect of foreign exchange gains and losses on current items	-109	- 1 193
Tax effect of dividends and other items under the tax exemption method	-6 472	-694
Tax effect of received group contribution	422	-
Tax effect of non-deductible interest expenses	53	-
Tax effect of other permanent differences	-77	82
Tax effect of share issuance costs directly in equity – recognized gross before tax	-	-684
Tax effect of deferred tax asset not recognized	1 541	1 738
Effect of changes in tax rate	70	75
<b>Total difference</b>	<b>-4 572</b>	<b>-676</b>
<i>Tax payable in statement of financial position:</i>		
Tax payable from subsidiaries liquidated in 2018	171	-
<b>Tax payable in statement of financial position</b>	<b>171</b>	<b>-</b>

Deferred tax per 31 December	2018	2017
<i>Temporary differences:</i>		
Foreign exchange gain on long-term debt	-	272
Debt issuance costs	-	1 764
Total temporary differences	-	2 036
Tax loss carried forward	-14 137	-9 587
Non-deductible interest expenses carry forward	-232	
Net temporary differences	-14 369	-7 551
<i>Deferred tax:</i>		
Nominal tax rate on deferred tax	22%	23%
Deferred tax (-asset)	-3 161	-1 737
Deferred tax asset not recognized	3 161	1 737
Deferred tax in statement of financial position	-	-

#### Note 9 Investments in subsidiaries

Subsidiary	Business office	Shareholding/voting rights
Songa Marlin AS	Oslo	100%
Songa Devi AS	Oslo	100%
Songa Hirose AS	Oslo	100%
Songa Sky AS	Oslo	100%
Songa Claudine AS	Oslo	100%

#### Note 10 Receivables and liabilities to group companies

In \$ thousands	2018	2017	2018	2017
	Receivables		Liabilities	
Songa Hirose AS	-	392	500	-
Songa Marlin AS	20	211	-	2 385
Songa Claudine	-	32	332	-
Songa Glory AS	-	-	-	20
Songa Devi AS	-	-	1 692	-
Songa Sky AS	-	-	1 450	-
Group Contribution	-	544	-	-
Dividends	-	76 326	-	-
<b>Total</b>	<b>20</b>	<b>77 505</b>	<b>3 974</b>	<b>2 405</b>

Receivables and liabilities can be denominated in both USD and NOK. Balances are subject to calculation of quarterly interests of 3 Months LIBOR/NIBOR + a margin set on arms lengths basis. The receivables are subject to assessment of repayment or other settlements at any time.

**Note 11 Other receivables**

in \$ thousands	2018	2017
VAT receivable	29	45
Prepaid expenses	2	14
Other receivables	27	-
<b>Total other current receivables</b>	<b>58</b>	<b>59</b>

**Note 12 Cash and cash equivalents**

in \$ thousands	2018	2017
Bank deposits denominated in USD	685	27 732
Bank deposits denominated in NOK	9 795	428
<b>Total cash and cash equivalents</b>	<b>10 480</b>	<b>28 160</b>

Restricted cash related to employee taxes at 31 December 2018 was USD \$20 thousand. At 31 December 2017 restricted cash was \$38 thousand.

**Note 13 Interest-bearing debt**

On 14 May 2018, the Company entered into an agreement with Star Bulk Carriers Corp. (Star Bulk) to sell all its vessels to Star Bulk against a consideration of 13 688 000 shares of Star Bulk and \$144.55 million in cash. The transaction was closed 6 July 2018. The cash proceeds were used to repay the bond loan at 104% of nominal value.

in \$ thousands	31 December 2018	31 December 2017
Nominal value of issued bond	-	138 000
Debt issuance cost	-	-1 769
<b>Interest-bearing debt</b>	<b>-</b>	<b>136 231</b>

*Book value of pledged assets under the bond agreement:*

	31 December 2018	31 December 2017
Shares in subsidiaries	-	205 376
Group loans	-	77 505
<b>Total</b>	<b>-</b>	<b>282 881</b>

**Note 14 Market based shares**

In \$ thousands	31 December 2018	31 December 2017
Value at cost	630	-
Fair value	548	-

Recognized value adjustments on market based shares valued at fair value was -\$178 in 2018.

**Note 15 Equity**

in \$ thousands	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Balance at 1 January 2018	21 620	153 619	574	924	176 738
Dividend 22 March 2018	-	-3 586	-	-	-3 586
Dividend 6 July 2018	-	-150 033	-574	-393	-151 000
Share capital reduction 17 August 2018	-21 499	-	-	-	-21 499
Extraordinary dividend 3 October 2018	-	-	-	-10 446	-10 446
Extraordinary dividend 19 December 2018	-	-	-	-9 321	-9 321
Net profit 2018	-	-	-	19 878	19 878
<b>Balance at 31 December 2018</b>	<b>121</b>	<b>-</b>	<b>-</b>	<b>643</b>	<b>764</b>

**Note 16 Share capital and shareholders**

	Number of shares	Share capital (USD)	Share premium (USD)
Balance at 1 January 2018	35 860 000	21 620	153 619
Dividend 22 March 2018	-	-	-3 586
Dividend 6 July 2018	-	-	-150 033
Share capital reduction 17 August 2018	-	-21 499	-
<b>Balance at 31 December 2018</b>	<b>35 860 000</b>	<b>121</b>	<b>-</b>

Authorized share capital is NOK 1 000 000. All issued shares are fully paid at 31 December 2018.

*List of largest shareholders as of 31 December 2018:*

Shareholder	Shareholding	Shareholding in %
Canomaro Shipping AS	6 209 036	17.3%
Songa Investments AS	4 711 900	13.1%
Songa Trading Inc	4 519 126	12.6%
Evermore Global Value Fund	2 148 278	6.0%
Ringnes Holding AS	746 400	2.1%
Eika Balansert	745 614	2.1%
Eika Norge	733 700	2.0%
Regents of The University of Michigan	726 643	2.0%
Titan Opportunities Fund IC Sicav	702 200	2.0%
Dasa Invest AS	656 000	1.8%
Karsten Ellingsen AS	573 604	1.6%
Ola Rustad AS	555 000	1.5%
Sirius International Insurance Corp	465 797	1.3%
Jan Nikolai Pedersen	445 000	1.2%
Sverre Bragdø-Ellenes	400 000	1.1%
Investire Invest AS	400 000	1.1%
Solan Capital AS	366 800	1.0%
Clearstream Banking S.A.	302 182	0.8%
Tyns-Ring AS	300 000	0.8%
Borea Global Equities Spesialfond	240 073	0.7%
<b>Total 20 largest shareholders</b>	<b>25 947 353</b>	<b>72.4%</b>
Other shareholders	9 912 647	27.6%
<b>Total</b>	<b>35 860 000</b>	<b>100.0 %</b>

*Shares and warrants owned by board members and executives:*

Shareholder	Title	Shareholding	Shareholding in %	No of warrants
<i>Board members:</i>				
Arne Blystad	Chairman	9 317 120	25.98%	-
Magnus Roth	Board member	6 209 036	17.31%	-
Christine Rødsæther	Board member	3 124	0.01%	-
Vibeke Gwendoline Fængsrød	Board member	5 412	0.01%	-

## **Note 17 Financial risk factors**

After sale of all the Group's vessels and consequently repayment of bond loan, distribution of consideration shares and settlement of all balances related to the previous operations, the remaining risk factors for the Group are limited.

### **Illiquidity risk exposure**

With limited assets available illiquidity may arise if any unexpected claim from third parties come to the Company's attention. Financial assets are considered sufficient to settle all current and future financial obligations.

### **Financial market risk**

Market risk related to the dry bulk market may influence the valuation of financial investments. The current macroeconomic situation is uncertain and there is a risk of negative developments.

## **Note 18 Related party transactions**

All related party transactions are carried out at marked terms.

The Company entered into a corporate service agreement with Arne Blystad AS for the rendering of administrative services, IT and office services and accounting and reporting services. In addition, the agreement covers hire of Chief Financial Officer. Arne Blystad AS is a company owned and controlled by the Chairman Arne Blystad and his immediate family. Total expenses under the agreement in 2018 was \$528 thousand. In 2017 the fee was \$502 thousand.

## **Note 19 Subsequent events**

On 4 January 2019 the Company distributed a cash dividend of \$0.26 per share to the shareholders, equalling a total distribution of \$9.3 million.

On 29 January a total of 23 820 shares of Star Bulk were distributed to the shareholders in connection with the dividend resolution on 6 July 2018, the share capital reduction resolved on 5 June 2018 and the extraordinary dividend resolved on 3 October 2018. These shares were distributed to shareholders that did not submit the representation and warranties letter within the initial deadline dates for distributions but have submitted such letter prior to 18 January 2019.

On 18 March 2019, 6 971 shares of Star Bulk were transferred to Star Bulk against a consideration of \$93 thousand. These were shares that were not delivered to shareholders of Songa Bulk through the distributions of consideration shares due to shareholders being ineligible to receive such shares, and consequently received the cash option.

On 18 March 2019, 6 607 shares of Star Bulk were transferred to Star Bulk against no consideration. These were shares that were not delivered to shareholders of Songa Bulk through the distributions of consideration shares due to shareholders not submitting the representation and warranties letter. Star Bulk has irrevocably assumed the obligation to deliver these shares to the relevant shareholders in Songa Bulk upon receipt of the representation and warranties letter.

To the General Meeting of Songa Bulk ASA

### **Independent auditor's report**

#### *Report on the Audit of the Financial Statements*

##### *Opinion*

We have audited the financial statements of Songa Bulk ASA, which comprise:

- The financial statements of the parent company Songa Bulk ASA (the Company), which comprise the balance sheet as at 31 December 2018, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Songa Bulk ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

##### *Basis for Opinion*

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards 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 and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

There are changes in our audit focus since the Group sold all its vessels in July 2018. Impairment assessment for vessels is therefore not applicable. In 2018, we have focused on the sale transaction and presentation of discontinued operations.

**Key Audit Matter**
**How our audit addressed the Key Audit Matter**
*Discontinued operations*

We refer to note 4 and note 13 where the sale of vessels and the accounting for Discontinued operations is presented.

On 14 May 2018, the Group entered into an agreement to sell all its vessels to Star Bulk Carriers Corp. (Star Bulk). The consideration to the Group was 13 688 000 shares in Star Bulk (Consideration shares) and USD 144.55 million in cash. The transaction was completed on 6 July 2018.

As part of this transaction, the Group recognized a gain from sale of vessels of USD 24.4 million. Subsequent to the sale of the vessels to Star Bulk, the shipping dry bulk operation has been reported as discontinued operations.

We have focused on the transaction due to the size of the transaction and the impact on the financial statements.

*Other information*

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information 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 other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Board of Directors and the Managing Director for the Financial Statements*

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, 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 and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment 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. We 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 or the Group'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 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 and the Group'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 and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### *Report on Other Legal and Regulatory Requirements*

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#### *Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

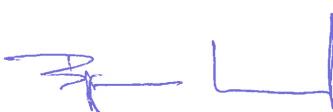
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#### *Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 28 March 2019

**PricewaterhouseCoopers AS**



Bjørn Lund

State Authorised Public Accountant