



SONGA BULK

Songa Bulk ASA  
Financial Report Q4 2018

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# SONGA BULK

## Fourth Quarter 2018 Highlights, Events and Results

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### FOURTH QUARTER 2018 FINANCIAL HIGHLIGHTS

- The Company reports a net loss of \$0.7 million in Q4 2018 compared to net profit of \$24.8 million in Q3 2018. The Company sold all its vessels in Q3 2018 with a recognized gain of \$24.4 million.

### FOURTH QUARTER 2018 EVENTS

- In an extraordinary general meeting held on 3 October 2018 the shareholders resolved to distribute an extraordinary dividend of \$10.4 million. On 17 October 2018 a total of 683 473 shares of Star Bulk were distributed to the shareholders. This number do not include the shares corresponding to a total of approximately \$145 thousand withheld to cover withholding tax. The distribution equals approximately \$10.2 million of the resolved dividend of \$10.4 million.
- On 24 October 2018 a total of 7 617 shares of Star Bulk were distributed to the shareholders in connection with the share capital reduction resolved on 5 June 2018. This distribution, together with the distributions on 29 August 2018 and 26 September 2018, equals approximately \$20.9 million of the resolved share capital reduction of \$21 million.
- In an extraordinary general meeting held on 19 December 2018 the shareholders resolved to pay a cash dividend of NOK 2.25 per share equalling a total distribution amount of approximately \$9.3 million.

### SUBSEQUENT EVENTS:

- On 4 January 2019 the Company distributed a cash dividend of NOK 2.25 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.

**FOURTH QUARTER 2018 RESULTS**

in \$ thousands	Q4 2018	Q3 2018
Financial performance		
Loss from continuing operations	-50	-50
Profit (-loss) from discontinued operations	-684	24 863
Net profit (-loss)	-734	24 813
Financial position	31 December 2018	30 September 2018
Total assets	11 187	22 904
Cash and cash equivalents	10 570	10 591
Total equity	799	21 300
Cash flow statement	Q4 2018	Q3 2018
Net cash flow from operating activities from discontinued operations	-22	-6 551
Net cash flow from investing activities from discontinued operations	-	144 550
Net cash flow from financing activities from discontinued operations	-	-143 520
Net change in cash and cash equivalents from discontinued operations	-22	-5 521

**Financial performance**

Net loss in Q4 2018 was \$0.7 million, compared to a profit of \$24.8 million in Q3 2018. Except for a small amount for general and administrative expenses, being the cost of owning and operating an empty company, all items are considered being results from discontinued operation and classified accordingly. The profit in Q3 2018 was mainly related to gain on sale of vessels.

**Financial position**

The Company's total assets amounted to \$11.2 million at 31 December 2018, down from \$22.9 million in last quarter due to distribution of an extraordinary dividend.

**Cash flow**

Cash and cash equivalents at the end of Q4 2018 were \$10.6 million, unchanged from the end of Q3 2018.

**REMAINING ASSETS**

On the date of this report the remaining assets in the Company consist of approximately 23 418 shares of Star Bulk Carriers Corp, and a cash balance of \$0.7 million. The Company has resolved to distribute approximately 8 200 of the remaining balance of Star Bulk shares to the shareholders of Songa Bulk ASA. These shares represent distribution to shareholders that did not submit the representation and warranties letter and will be transferred to Star Bulk Carriers Corp together with the accompanying dividend liability.

**FORWARD-LOOKING STATEMENTS**

Forward-looking statements presented in this report are based on various assumptions. The assumptions were reasonable when made, but are subject to uncertainties and contingencies that are difficult or impossible to predict. Songa Bulk ASA cannot give assurances that expectations regarding the outlook will be achieved or accomplished.

# RISK FACTORS

## Risk Factors

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### MAIN RISK FACTORS

The Company is through its ownership of shares in Star Bulk exposed to the dry bulk market.

# FINANCIAL INFORMATION

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

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in \$ thousands	Note	Q4 2018 (Unaudited)	Q4 2017 (Unaudited)	YTD Q4 2018 (Unaudited)	YTD Q4 2017 (Unaudited)
General and administrative expenses		50	50	200	200
<b>Total operating expenses</b>		<b>50</b>	<b>50</b>	<b>200</b>	<b>200</b>
<b>Operating loss</b>		<b>-50</b>	<b>-50</b>	<b>-200</b>	<b>-200</b>
 <b>Loss before taxes</b>		 <b>-50</b>	 <b>-50</b>	 <b>-200</b>	 <b>-200</b>
Tax expense		-	-	-	-
<b>Loss from continuing operations</b>	4	<b>-50</b>	<b>-50</b>	<b>-200</b>	<b>-200</b>
 <b>Profit (-loss) from discontinued operations</b>		 <b>-684</b>	 <b>3 093</b>	 <b>22 686</b>	 <b>588</b>
 <b>Net profit (-loss)</b>		 <b>-734</b>	 <b>3 043</b>	 <b>22 486</b>	 <b>388</b>
 <b>Total comprehensive income (-loss)</b>		 <b>-734</b>	 <b>3 043</b>	 <b>22 486</b>	 <b>388</b>
 <b>Basic and diluted earnings from discontinued operations – \$ per share</b>		 <b>-0.020</b>	 <b>0.085</b>	 <b>0.627</b>	 <b>-0.012</b>
 <b>Total basic and diluted earnings – \$ per share</b>		 <b>-0.020</b>	 <b>0.085</b>	 <b>0.627</b>	 <b>-0.012</b>

## CONDENSED STATEMENT OF FINANCIAL POSITION

in \$ thousands	Note	31 December 2018 (Unaudited)	31 December 2017 (Audited)
Vessels		-	266 770
Deposit vessels		-	3 055
<b>Total non-current assets</b>	<b>2</b>	<b>-</b>	<b>269 825</b>
Inventories		-	2 233
Trade receivables		-	1 312
Other receivables		70	2 501
Financial assets through profit or loss		548	-
Cash and cash equivalents		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		121	21 620
Share premium		-	153 619
Other paid-in capital		-	574
Accumulated profit (-deficit)		678	-1 648
<b>Total equity</b>	<b>3</b>	<b>799</b>	<b>174 165</b>
Interest-bearing debt		-	136 776
Financial liabilities at fair value through profit or loss		-	490
<b>Total non-current liabilities</b>		<b>-</b>	<b>137 266</b>
Trade payables		100	1 745
Income taxes payable		211	124
Dividends payable		9 702	-
Other liabilities		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>

## CONDENSED STATEMENT OF CHANGES IN EQUITY

in \$ thousands	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Incorporation	3	-	-	-	3
Share issuance 4 November 2016	9 082	65 188	-	-	74 270
Share issuance costs	-	-1 432	-	-	-1 432
Warrants issued to employees	-	-	400	-	400
Net loss 2016	-	-	-	-2 036	-2 036
<b>Equity 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 2017	-	-	-	388	388
<b>Equity 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>

## CONDENSED STATEMENT OF CASH FLOWS

in \$ thousands	YTD Q4 2018	YTD Q4 2017
	(Unaudited)	(Audited)
Profit before taxes	22 486	394
Gain from sale of vessels	-24 405	-1 968
Depreciation	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	-28 355	-268 449
Paid deposit on vessels	-	-3 055
Dry docking paid	-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	-143 520	-
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

## Note 1 Accounting policies

These interim financial statements are prepared in accordance with IAS 34 Interim Financial Reporting.

The condensed consolidated interim financial reporting should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with IFRS, as adopted by the EU.

## New accounting policies since annual financial statements

### *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.

### *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.

### *Financial instruments*

IFRS 9 replaces the provisions of IAS 39 that relate to 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 valued according to IFRIC 17 with shares valued at fair value recognized 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.

## New or amendments to standards

The following new or amendments to standards and interpretations have been issued and become effective in years beginning on or after 1 January 2019, assuming European Union adoption: IFRS 16 – Leases.

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 material effects at implementation of the standard.

**Note 2 Non-current assets**

in \$ thousands	YTD Q4 2018	2017
<b>Closing balance previous period total non-current assets</b>	<b>269 825</b>	<b>14 963</b>
Purchase price vessels delivered in the period and other additions	31 410	272 370
Paid deposits previous periods on vessels delivered in the period	-3 055	-3 855
Paid deposits on vessels for delivery in future periods	-	3 055
Book value of vessels sold in the period	-	-11 655
Dry-docking and other additions in the period	2 426	397
Depreciation in the period	-4 654	-5 450
Carrying value of vessels sold	-295 952	-
<b>Closing balance total non-current assets</b>	<b>-</b>	<b>269 825</b>

**Note 3 Share capital and shareholders**

As at 31 December 2018, the Company's share capital consists of 35 860 000 shares, each at a nominal value of NOK 0.02789. All issued shares are fully paid.

In the annual general meeting of the Company held on 5 June 2018, the shareholders resolved to reduce the share capital of the company by NOK 178 300 000 (approximately \$21 million), from NOK 179 300 000 to NOK 1 000 000. The share capital reduction was registered with the Norwegian Register of Business Enterprises on 21 August 2018.

**Note 4 Discontinued operation**

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 on 6 July 2018 and all vessels were delivered to Star Bulk.

*Financial information relating to the discontinued operation:*

	YTD Q4 2018	YTD Q4 2017
Operating income	34 040	26 713
Gain from sale of vessels	24 405	1 968
Operating expenses	24 511	24 587
Operating profit (-loss)	33 934	4 094
Net financial income (-expenses)	-11 148	-3 500
Profit (-loss) before taxes	22 786	594
Tax expense	100	6
<b>Net profit (-loss) of discontinued operation</b>	<b>22 686</b>	<b>588</b>

## Note 5 Financial instruments

Set out below is a comparison by category for carrying amounts and fair values of all of the Company'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 USD	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*	68	68	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
Other current liabilities	375	375	2 665	2 665

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

### 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.

## Note 6 Related party transactions

The Company has purchased corporate services from Arne Blystad AS under the corporate service agreement as mentioned in the annual report for 2017.

The Company has purchased technical management services from Songa Shipmanagement Ltd for the vessels Songa Maru, Songa Genesis, Songa Delmar, Songa Hadong, Songa Opus, Songa Devi, Songa Mountain, Songa Sky and Songa Claudine under the technical management agreement as mentioned in the annual report for 2017.

### **Note 7 Subsequent events**

On 4 January 2019 the Company distributed a cash dividend of NOK 2.25 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.