Songa Container AS

Financial Report Q4 2019

CONTENTS

SONGA CONTAINER

Fourth Quarter 2019 Highlights, Events, Results and Fleet

FOURTH QUARTER 2019 HIGHLIGHTS

Songa Container AS' (the Issuer and its subsidiaries, hereinafter the "Company") net loss during Q4 2019 was $4.2 million. The Interim Financial Statements are presented in accordance with IFRS as of December 31, 2019.

Please find highlights for the fourth quarter as follows:

- EBITDA was $0.9 million in Q4 2019, compared to $0.2 million in Q3 2019.
- Total time charter equivalent earnings[1] were $9.6 million in Q4 2019, compared to $9.8 million in Q3 2019.
- Total Operating days[2] were 1 380 in Q4 2019. Total Trading days[3] were 1 006 days, implying a utilization of 72.91%. The utilization in Q3 2019 was 87.65%.
- Adjusted Time Charter Equivalent (TCE[4]) in Q4 2019 was $9 499 per day, compared to $8 104 per day in Q3 2019.
- Adjusted Operating expenses (OPEX[5]) in Q4 2019 were $5 754 per day, down from $6 072 per day in Q3 2019.

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[1] **Adjusted Time Charter Equivalent (TCE)** represents time charter revenue and pool revenue, adjusted for the Songa City AS controlled vessels, divided by the number of Trading days for the consolidated vessels during the reporting period.

[2] **Time charter equivalent revenue** is operating income and other operating income (-expenses).

[3] **Operating days** per day represents the number of ownership days of consolidated vessels during the reporting period.

[4] **Trading days** are ownership days minus days without revenue, including commercial, uninsured technical and dry dock related off-hire days.

[5] **Adjusted Operating Expenses per day (OPEX)** represents operating expenses divided by the number of ownership days of consolidated vessels during the reporting period, adjusted for the Songa City AS controlled vessels.

4th QUARTER 2019 RESULTS

in $ thousands			
Financial performance	**YTD Q4 2019**	**Q4 2019**	**Q3 2019**
Operating revenue	32 051	7 809	7 360
Operating expenses, incl. G&A and depr.	34 849	8 565	9 010
Operating profit (-loss)	**-2 798**	**-757**	**-1 650**
EBITDA	**3 811**	**866**	**220**
Net financial profit (-loss)	-14 980	-3 412	-2 696
Profit (-loss) for the period	**-17 778**	**-4 169**	**-4 346**
Financial position		**31.12.2019**	**31.12.2018**
Total assets		202 940	212 983
Cash and cash equivalents		30 906	54 376
Total equity		65 416	79 375
Cash flow statement	**YTD Q4 2019**	**Q4 2019**	**YTD Q3 2019***
Net cash flow from operating activities	3 559	3 415	144
Net cash flow used for investing activities	-20 845	-15 226	-5 619
Net cash flow from financing activities	-6 185	-2 275	-3 910
Net change in cash and cash equivalents	**-23 471**	**-14 085**	**-9 386**

*The presentation of Interest paid and received have been adjusted compared to the Financial Report Q3 2019 and are presented as cash flow from investment- and financial activities in this report.

Financial performance

The Company`s operating loss decreased by $0.9 million in Q4 2019 compared to the last quarter, from a loss of $ 1.7 million in Q3 2019 to a loss of $0.8 million in Q4 2019. EBITDA in Q4 2019 increased by $0.6 million, from a profit of $0.2 million in Q3 2019 to a profit of $0.9 million in Q4 2019.

Operating revenues increased from $7.4 million in Q3 2019 to $7.8 million in Q4 2019.

Operating expenses decreased from $9.0 million in Q3 2019 to $8.6 million in Q4 2019.

Net financial loss was $3.4 million in Q4 2019.

Financial position

The Company's total assets was $202.9 million at 31 December 2019, down from $213.0 million at 31 December 2018.

Non-current assets, which comprise of vessels delivered, scrubber investments and acquired loans, increased from $155.3 million at 31 December 2018 to $165.2 million at 31 December 2019. The change is mainly due to the development in the CAPEX program and due to the change in the measured fair value of the long-term loan. Please see note 2.7, 3 and 6 in the Financial Report for additional information.

Total equity was $65.4 million at 31 December 2019, down from $79.4 million at 31 December 2018, with non-controlling interest of $2.7 million at 31 December 2019. The change in equity is mainly due to the net loss for the year and the capital injection of in total $4.3.

The interest-bearing bond loan remaings unchanged per 31 December 2019 compared to 31 December 2018.

Cash flow

The Group generated a positive cash flow from operating activities with $3.4 million in Q4 2019.

Net cash flow from investment activities were negative with $ 15.2 million in Q4 and is mainly due to the CAPEX program.

Net cash flow from financing activities were negative with $2.3 in Q4 2019 and is maninly due to bond interest.

Net change in cash and cash equivalents from 30 September 2019 to 31 December 2019 was negative with $14.1 million.

Cash and cash equivalents at the end of Q4 2019 were $30.9 million, down from $54.4 million at the end of Q4 2018.

THE FLEET

By the end of Q4 2019, the fleet consisted of 15 container vessels:

Vessel Name	TEU	DWT	Built	Yard	Gear
Anne Sibum	1 036	13 172	2007	SSW Schicau Seebeck, Germany	Gearless
Grete Sibum	1 036	13 172	2008	SSW Schicau Seebeck, Germany	Gearless
Stefan Sibum	1 036	13 172	2008	SSW Schicau Seebeck, Germany	Gearless
FS Ipanema	1 794	25 860	2009	Taizhou Kouan, China	Geared
Songa Bonn	1 970	28 632	2010	Hyundai Mipo, South Korea	Gearless
Songa Nuernberg	1 970	28 630	2010	Hyundai Mipo, South Korea	Gearless
Songa Iridium	2 015	27 247	2008	Zhejiang Shipyard, China	Geared
City of Beijing	2 564	34 333	2009	Xiamen Shipbuilding,China	Geared
City of Hongkong	2 564	34 295	2009	Xiamen Shipbuilding, China	Geared
City of Shanghai	2 564	34 269	2009	Xiamen Shipbuilding, China	Geared
Songa Antofagasta	2 851	35 534	2008	Zheijang Yangfan, China	Gearless
Nordic Stralsund	3 421	46 000	2014	Rongcheng Shenfei, China	Geared
Songa Haydn	3 534	41 989	2010	Shanghai & Chengxi, China	Gearless
Songa Calabria	4 256	50 353	2010	Jiangsu New Yanzijang, China	Gearless
Songa Toscana	4 957	62 272	2013	Jiangsu New Yanzijiang, China	Gearless

SCRUBBER CONTRACTS AND CAPEX PROGRAM IN Q4-19 AND Q1-20

Q4-19 was a busy quarter for the Company and the continuation of the CAPEX program. Several vessels were in the shipyard for scrubber retrofits during the quarter, and four vessels completed this job. All four vessels were successfully placed on time charter contracts with fuel profit sharing (“FPS”) scrubber clauses contributing to paying back the scrubber investments depending on the vessels’ consumption and relevant fuel spread, whilst at the same time incentivizing Charterers to charter our vessels in order to obtain fuel savings.

The Company is pleased to report that the charter market showed, and still shows, a strong interest in vessels equipped with scrubbers. All vessels with completed scrubber retrofits have been successfully charterered out on scrubber contracts. As per the date of this report, 7 vessels have completed their retrofit installations.

The Company is able to achieve attractive FPS-ratios on the vessels fixed with a floating fuel profit sharing structure. For vessels being concluded with fixed premiums, the added daily hire rate on top of the ordinary market rate also shows attractive return metrics.

During the fourth quarter, the challenging shipyard market continued unabated. The Company experienced significant delays at the shipyard as a result of the strained access to local labour and subcontractors following the number of vessels being equipped with scrubbers at the same time.

The situation at Chinese shipyards became materially worse in Q1-20 as a result of the Covid-19 virus tragically developing in China.

The shipyard being used by the Company in China for all the Far East positioned vessels was for all practical purposes closed down during the last week of January, and activity at the shipyard was reduced to a bare minimum after this. This closure happened only two weeks prior to the entry of another three vessels owned by the Company. As a result of this force-majeure situation, the Company had to postpone the entry of these three vessels to a future undetermined date and seek charter opportunities in the market to mitigate off-hire losses. The three vessels in question are postponed until further clarity of the situation allows for a specified date of re-entry. Similar situations and actions have later become widespread across shipping segments, re-supplying tonnage into a charter market which was anticipated to be deprived of vessels being offhire at shipyards for scrubber retrofits.

As a result of the force-majeure situation at the shipyard in China, one of our vessels, being only a couple of days away of retrofit completion, was unable to complete its installation prior to the cancellation date under its previously fixed scrubber contract. As a consequence of this delay, the contract was cancelled by the Charterers. However, the same Charterer instead fixed one of the Company's other completed scrubber fitted vessels (which was coming off a separate short term scrubber contract), at attractive returns for a period of 8-10 months with a fixed premium on top of the market rate.

On this vessel, the vessel's scrubber system was commissioned and completed in end of February 2020, and this vessel is now fixed to a new Charterer on an attractive FPS contract for a period of 12-18 months. This fixture was concluded in the same window whilst most of the large liner operators were busy redelivering vessels on a big scale as a result of the market uncertainty surrounding the consequences of the Covid-19 virus spread.

To the Company, this is another example of the benefit of installing scrubbers on the Company's fleet. The Company has now seen, on several occasions, that it is able to fix vessels on commercially attractive contracts prior to that of our competition. Over time, the Company believes the scrubber retrofitted fleet will ascertain higher utilization than non-scrubber fitted vessels.

The Company and its CAPEX program has been set back by the increase in offhire experienced, predominantly coming from delays at the shipyards and increased waiting/positioning time needed prior to entering into the shipyard. This being said, the Company and its Board of Directors is determined to conclude its CAPEX program as long as they remain commercially and practically viable. The positive interest from the charter market remains supportive of this strategy.

REMAINING CAPEX PROGRAM

At the date of this report, the Company currently has one vessel being retrofitted at a shipyard in Poland. This vessel is expected to be completed with its CAPEX Program within Q1 2020.

As previously mentioned, the three vessels in Asia are for the time being postponed until the totality of the Covid-19 consequences allows for more detailed planning. One additional vessel will be retrofitted in China during Q1/Q2-20.

Subject to changes, 2 more vessels are to be retrofitted in Europe/Turkey during Q2-20.

Highly dependent on the situation in China and market conditions overall, the Company expects to be completed with its CAPEX program during Q3-20, possibly sliding into Q4-20.

The Company has previously stated that the commercial attractiveness of investing into scrubbers is predominantly determined by the overall adoption of the scrubber technology. As per previous quarterly reports, the Company continues to see favourable adoption rates supporting the comparative advantage to the selective few owners having decided to invest in scrubbers on its feeder fleet. Less than 10% of all feeder vessels are expected to be equipped with scrubbers. Songa Container is confident it will be able to offer all stakeholders a commercially strong, environmentally friendly, technically proven and high quality fleet of scrubber fitted vessels to its clients.

MARKET

Market, Outlook, Strategy and Forward-Looking Statements

CONTAINER MARKET IN Q4 2019

The container market as a whole, measured by the Howe Robinson Containership charter index, increased by 28% during 2019. That being said, and as alluded to in prior quarterly reports, the increase in charter rates has predominantly taken place on the larger vessels sizes (4,250TEU++). The larger vessel sizes appears to have caught up with the significant oversupply of tonnage seen during the last decade. An estimated 14% of the total fleet capacity was equipped with scrubbers at the start of 2020, with an estimated additional 10% pending to be scrubber retrofitted/scrubber delivered within the next year. 58% of the orderbook are newbuilding orders equipped with scrubbers. It is estimated that approximately 25% of the entire containership fleet will be scrubber-fitted by the end of 2020 (Clarksons).

In the feeder segment, at the start of 2020, only 1% of the fleet was estimated to be out of service for scrubber retrofit.

The total amount of tonnage being taken out of service to be fitted with scrubbers is estimated to have absorbed about 1.5% of the total fleet capacity throughout 2019. By the start of 2020, 3.3% of the total fleet capacity was out of service being fitted with scrubbers. Vessels being fitted with scrubbers was heavily weighted towards larger tonnage, and the average amount of offhire days at the shipyard (excluding commissioning, positioning and waiting-time) was close to 70 days. The same average offhire time spent on bulkers and tankers is ~40 days, indicating the complexity of installing scrubbers on containerships. These numbers, coupled with a steady growth in containerized trade, contributed to the positive uplift in charter hire rates seen during 2H 2019, but was less decisive on the feeder charter market developing flattish throughout the same period.

Towards the end of the fourth quarter, the positive momentum gained by the larger vessels throughout end of Q2 and Q3 started to slow, herein also affecting the pull that had trickled down into the smaller vessel sizes.

The second hand sales volumes was down about 8% y-o-y in 2019. Spreads between buyers and sellers increased throughout the year leading to reduced second hand activity despite significant increased charter rates in certain sizes. Feeder vessels experienced a lack of buying interest throughout the quarter creating an illiquid market.

With a weaker sentiment for feeders during 2019, the market incentivized older vessels to be scrapped. Demolition picked up with 58 vessels (1.000-3.000TEU) being sent for scrap, close to double that of 2018.

In 2018, about 0.26 mTEU/141 vessels of feeders (100-2.999TEU) was contracted. During 2019, less than half this amount was contracted, of which 60% of this was ordered in Q1-19. Overall, newbuild contracting was down 37% y-o-y in capacity across vessel sizes during 2019. 11% of all contracts placed during 2019 was within the 100-2.999TEU segment, whilst all other orders were in the +8.000TEU category.

INDICATIVE TIME CHARTER RATES FOURTH QUARTER

Size	Gear	Beam	Oct 2019	Nov 2019	Dec 2019
700 TEU	N	All	5,000	5,000	5,000
1,100 TEU	Y	All	6,400	6,500	6,400
1,700 – 1,800 TEU	Y	All	8,400	8,400	8,200
2,400 – 2,600 TEU	Y	All	9,500	9,600	9,600
2,700 – 2,800 TEU	N	All	10,500	10,400	10,300
3,300 – 3,600 TEU	N	All	11,600	11,500	11,000
4,000 – 4,500 TEU	N	< 32.2 m	13,500	13,600	13,500

5,000 – 5,300 TEU	N	< 32.2 m	13,500	13,000	12,250
4,500 – 5,400 TEU	N	> 32.3 m	21,000	19,500	19,000
5,500 – 6,000 TEU	N	All	20,000	19,000	19,000
6,300 – 7,000 TEU	N	All	24,000	24,000	24,000
8,000 – 9,000 TEU	N	< 48 m	31,000	30,000	29,000

Source: Maersk Broker January 2020 report

AS PER FEBRUARY 2020

Size	Gear	Beam	Nov 2019	Dec 2019	Jan 2020
700 TEU	N	All	5,000	4,900	4,800
1,100 TEU	Y	All	6,500	6,400	6,300
1,700 – 1,800 TEU	Y	All	8,400	8,200	8,300
2,400 – 2,600 TEU	Y	All	9,600	9,600	9,500
2,700 – 2,800 TEU	N	All	10,400	10,300	10,000
3,300 – 3,600 TEU	N	All	11,500	11,000	10,000
4,000 – 4,500 TEU	N	< 32.2 m	13,600	13,500	13,300
5,000 – 5,300 TEU	N	< 32.2 m	13,000	12,250	13,500
4,500 – 5,400 TEU	N	> 32.3 m	19,500	19,000	19,500
5,500 – 6,000 TEU	N	All	19,000	19,000	19,500
6,300 – 7,000 TEU	N	All	24,000	24,000	24,000
8,000 – 9,000 TEU	N	< 48 m	30,000	29,000	30,000

Source: Maersk Broker February 2020 report

OUTLOOK AND STRATEGY

Songa Container is an investment vehicle established to invest in container vessels, with the strategy to acquire, own and operate small to midsize container vessels. The Company's chartering strategy remains unchanged with its fleet employed in a mix of revenue sharing pools and on direct TC contracts with durations depending on the prevailing market at any given time.

The Board of Songa Container is satisfied with the size of the fleet of the Company, and currently has no plans to increase the fleet further.

The Company remains firm in its belief that the strategy of installing scrubbers will enable the Company to provide the Liner Operators a fleet of commercially attractive vessels for their future business.

The overall box trade growth is expected to increase by 2.8 % in 2020 and 3.1% in terms of TEU-miles, according to Clarksons. The Regional demand growth (and with it the 'feeder' market) is expected to have a higher growth than the overall container market.

The supply side is expected to grow by 3% p.a. in the same period, however with significantly skewed growth towards the larger vessels. The overall orderbook remains at a historically low level (11%). The average age of the feeder fleet continues to increase with close to 20% of all vessels below 3,000 TEU being 20 years and older. During 2019, a year in which the average TC-rate for a 2 750TEU container ship increased by more than 20%, containership demolition increased by 50% compared to FY2018. Ships smaller than 3,000 TEU accounted for close to 60% of all demolition, a sign that the market is efficient of removing obsolete vessels from the trading space.

The feeder fleet grew by 1.4% during 2019. Average containership speeds have been reduced by some 25% since 2008. During 2019, y-o-y average speeds decreased by 2.1%, according to Clarksons.

In the longer term, Songa Container does not expect the current world economic outlook to represent a fundamental rebalancing of the demand/supply dynamics of the container market. Negative economic near term consequences following the Covid-19 virus spread has developed as a threat to above estimates and must be factored into the Company's risk assessment going forward. However, impacts such as reduced vessel speeds and ships out of service for retrofitting, coupled with a historically low orderbook and stronger demand growth in the feeder segments than the container market as whole, suggests a step-by-step recovery of the markets in which we operate.

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. The Company cannot give assurances that expectations regarding the outlook will be achieved or accomplished.

RISK FACTORS

Risk Factors and Responsibility Statement

MAIN RISK FACTORS

The Company is through its operations exposed to a variety of market, operational and financial risks. The risk factors below are a summary of the risk factors that might affect the Company. The order of appearance is not intended to indicate importance of likelihood of occurrence.

- The demand for, and the pricing of the underlying assets depend, among other things, on the global economy and global trade growth, ordering of new vessels and scope of future scrapping. Future obtainable day rates may not be sufficient to cover operating expenses.
- All vessels carry pollutants. Accordingly, there will always be certain environmental risks and potential liabilities involved in the ownership of commercial shipping vessels. The Company's insurances and indemnities may not adequately cover all risks or expenses.
- The Company is a relatively newly formed entity with limited operating history upon which to evaluate the Company's likely performance.
- The Company's operations are subject to regulations and restrictions governing health and safety as well as environmental requirements, social impacts, and other laws and regulations. Changes in legal, governmental, tax and regulatory regimes within the relevant jurisdictions may have an adverse effect on the Company's business.
- The Company's success will materially depend upon the skill and expertise of key persons involved in the management of the Company.
- Political and economic policies may affect the Company's business and results of operations.
- The financial performance of the Company depends heavily on its counterparties' ability to perform their obligations under agreed charter parties.
- The Company may not have sufficient funds to make the required redemption of Bonds upon a Change of Control Event and the Bonds may be subject to optional redemption.
- Norwegian government issued a white paper in October 2015 describing a tax reform for the period 2016-2018 which includes the possible introduction of withholding tax on interest payments from Norway. Any changes in Norwegian law with respect to the possible introduction of withholding tax on interest (and possibly with retroactive effect), may result in the Bondholders receiving a lower coupon payment than originally agreed in the Bond Terms since the Company is under no obligation to make any gross up on interest in order to guarantee that the investors will receive the coupon payments in full (without any such deductions).
- The Songa City Vessels (as defined in the Bond Presentation/Bond Term Sheet) are not currently owned by the Company, but subject to contractual purchase options in favour of Songa City AS, and the transfer of legal title and ownership is dependent on the counterparty granting such purchase options' ability to comply with their obligations under the Option Agreements (as defined in the Bond Presentation/Bond Term Sheet).
- The Company will conduct a CAPEX program as described in the Bond Presentation/ Bond Term Sheet and this is subject to risk. All related items, including, but not limited to, cost, off-hire and positioning may deviate from the company's estimates.
- Fuel prices are volatile. Significant changes in future fuel prices may have material adverse effect on the Company's business.

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that this condensed set of financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and generally accepted accounting principles, and gives a true and fair view of the Company's assets, liabilities, financial position and profit as a whole.

We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during this quarter of 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 February 2020

The Board of Directors of Songa Container AS

Arne Blystad
Chairman

Magnus Leonard Roth
Director

Jon Christian Syvertsen
Director

Fredrik Platou
Director

Rowil Ponta
Director

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in $ thousands	Q4 2019	YTD Q4 2019	Q4 2018	YTD Q4 2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Time charter revenue	7 809	32 051	9 115	33 208
Total operating income	**7 809**	**32 051**	**9 115**	**33 208**
Ship operating expenses	5 723	24 083	5 665	19 232
General and administrative expenses	1 194	4 057	1 162	3 305
Tonnage tax	25	100	22	78
Depreciation	1 623	6 609	1 621	5 614
Total operating expenses	**8 565**	**34 849**	**8 470**	**28 228**
Operating profit (-loss)	**-757**	**-2 798**	**646**	**4 980**
Interest income	166	825	7	48
Interest expenses	-2 684	-11 153	-1 913	-4 490
Net income (-loss) on long-term loan measured at fair value	568	-2 666	1 509	6 302
Impairment loss other short-term receivables	-1 176	-1 176	0	0
Other financial income (-expenses)	-285	-810	-1 602	-1 721
Net financial profit (-loss)	**-3 412**	**-14 980**	**-1 999**	**139**
Profit (-loss) before taxes	**-4 169**	**-17 778**	**-1 354**	**5 119**
Taxes	0	0	1	5
Profit (-loss) for the period	**-4 169**	**-17 778**	**-1 355**	**5 114**
Other comprehensive income				
Items that are or may be reclassified to profit and loss				
Exchange differences	654	-432	-116	-535
Other comprehensive profit (-loss) for the period	**654**	**-432**	**-116**	**-535**
Total comprehensive profit (-loss) for the period	**-3 515**	**-18 210**	**-1 471**	**4 579**
Profit (-loss) is attributable to				
Equity holders of the parent company	-4 932	-18 302	-1 487	4 796
Non-controlling interests	763	524	132	318
Total comprehensive profit (-loss) is attributable to				
Equity holders of the parent company	-4 289	-18 698	-1 587	4 322
Non-controlling interests	775	488	116	257

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

in $ thousands	Note	31 December 2019	31 December 2018
		(Unaudited)	(Unaudited)
Vessels	5	104 682	110 298
Docking	5	3 650	4 315
Scrubber	5	12 972	0
Constructions in progress	5	12 121	3 518
Long-term loans	6	31 800	37 200
Total non-current assets		**165 224**	**155 330**
Inventories		1 474	842
Trade receivables		1 994	794
Other receivables		3 342	1 640
Cash and cash equivalents		30 906	54 376
Total current assets		**37 716**	**57 653**
TOTAL ASSETS		**202 940**	**212 983**
Share capital		7 725	7 325
Share premium		69 525	65 925
Reserves		-440	4 533
Uncovered losses		-14 089	-364
Non-controlling interests		2 695	1 957
Total equity		**65 416**	**79 375**
Bond loan		128 750	128 286
Total non-current liabilities		**128 750**	**128 286**
Trade payables		3 168	3 038
Tax payable		99	81
Other liabilities		5 507	2 204
Total current liabilities		**8 774**	**5 323**
Total liabilities		**137 524**	**133 609**
TOTAL EQUITY AND LIABILITIES		**202 940**	**212 983**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

in $ thousands	31 December 2019	31 December 2018
	(Unaudited)	(Unaudited)
Profit before taxes	-17 778	5 119
Income taxes paid	-82	-110
Change in fair value of long-term loans	4 577	-5 007
Impairment loss short-term	1 176	0
Gain on non-current assets	0	15
Depreciation	6 609	5 614
Net interest expenses	10 328	4 442
Net change in inventories, trade receivables/payables	-1 701	2 055
Net change in other current items	430	-2 065
Net cash flow from operating activities	**3 559**	**10 062**
Investment in vessels and constructions in progress	-21 902	-34 233
Payments for long-term loan at fair value	0	-31 500
Repayments of long-term loan at fair value	379	271
Interest received long-term loan	2 355	1 148
Fees long-term receivables loan	0	-564
Payment short-term loan	-1 676	0
Net cash flow used in investment activities	**-20 845**	**-64 878**
Proceeds from borrowings	0	172 959
Repayment of borrowings	0	-87 728
Fees borrowings	0	-1 293
Interest paid	-11 236	-3 951
Interest received, not. Included interest long term loan	802	48
Proceeds from issues of shares	4 250	14 000
Agio items	0	-13
Incorporation costs	-1	-1
Dividends paid to non-controlling interests		-743
Net cash flow from financing activities	**-6 185**	**93 279**
Net change in cash and cash equivalents	**-23 471**	**38 462**
Cash and bank deposits at beginning of period	54 376	15 914
Cash and bank deposits at end of period	**30 906**	**54 376**

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

in $ thousands	Share capital	Share premium	Translation reserve	Fair value reserve	Retained earnings	Non-controlling interest	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Equity 1 January 2018	**5 925**	**53 320**			**-147**	**2442**	**61 540**
Incorporation expenses		5			-6		-1
Share issuance	1 400	12 600					14 000
Dividends						-743	-743
Profit for the period				5 007	-211	318	5 114
Other comprehensive income			-475			-60	-535
Equity 31 December 2018	**7 325**	**65 925**	**-475**	**5 007**	**-364**	**1 957**	**79 375**
Equity 1 January 2019	**7 325**	**65 925**	**-475**	**5 007**	**-364**	**1 957**	**79 375**
Share issuance	400	3 600				250	**4 250**
Profit for the period				-4 577	-13 725	524	**-17 778**
Other comprehensive income			-395			-36	**-431**
Equity 31 December 2019	**7 725**	**69 525**	**-870**	**429**	**-14 089**	**2 695**	**65 416**

NOTES

Note 1 General

Corporate information and history

Songa Container AS (the Company) is a public limited company incorporated and domiciled in Norway. The Company was incorporated on 17 October 2016. The address of the main office is Haakon VIIs gate 1, 0161 Oslo. The Norwegian Enterprise no. is 918 003 762.

Songa Container AS and its subsidiaries (the Group) owns and operates container feeder vessels.

On 6th. June 2019 the Company's bond were registered with Oslo Stock Exchange under the ticker ISIN NO0010837248.

Basis for preparation

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

The annual financial statements for the year ended 31 December 2018 have been prepared in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting principles in Norway (NGAAP). The condensed consolidated interim financial reporting for the 4rd quarter 2019 have been prepared in accordance with IFRS, as adopted by the EU. The reconciliations of equity, cash flows and total comprehensive income presented in accordance with NGAAP to amounts presented in accordance with IFRS are included in note 3.

The consolidated interim financial statements have been prepared on a historical basis except for financial assets at fair value through profit or loss. The consolidated interim financial statements are prepared under the going concern assumption.

Note 2 Accounting policies

Note 2.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of Songa Container AS 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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

Note 2.2 Functional and presentation currency

The consolidated financial statements are presented in USD, which also is the functional currency for the Company as well as for all other entities in the Group, except for one.

Foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognised in profit or loss and presented within finance income or finance cost.

The assets and liabilities of foreign operations are translated into USD at the exchange rate at the reporting date. The income and expenses of foreign operations are translated into USD at the exchange rates at the dates of the transactions. These translation differences are recognised in OCI and accumulated in the translation reserve within equity, except to the extent that the translation difference in allocated to non-controlling interests. When adopting IFRS for the first time, the Group choose, according to IFRS 1, that the cumulative translation differences of all foreign operations are deemed to be zero at the date of transition to IFRS (1 January 2018).

Note 2.3 Income

Revenues are generated for time charter (TC) agreements. The TC contracts contains both a lease component that is in the scope of IFRS 16 and a service component that is in the scope of IFRS 15.

The TC contract gives the charterer the right to control the use of an identified vessel for a period in exchange for consideration. The lease contracts are for less than a year and are classified as operational leases. Income is recognised in profit and loss on a straight-line basis over the lease period.

The service component cover crew costs and other operating costs for the vessel and is recognised as income in profit and loss on a straight-line basis over the contract period.

Both the lease and service component are recognized together as time charter revenue in statement of profit and loss.

Note 2.4 Vessels

Vessels are measured at cost, less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the useful life of the asset, taking residual values into consideration, and adjusted for impairment charges, if any.

If significant parts of a vessel have different useful lives, then they are accounted for as separate items (major components) of vessels.

Any gain or loss on disposal is recognised in profit and loss.

Vessels and related equipment aquired have expected useful lives of 3-15 years. Future depreciations are based on depreciation schedules including residual values. Expected useful lives, and residual values, are reviewed at each reporting date and adjusted if appropriate. Residual values for the vessels are based on steel price time lightweight tonnage.

Ordinary repairs and maintenance expenses are charged to profit and loss when incurred.

Costs related to major inspections/classification (docking) are recognised as a separate item and depreciated based on estimated time to next inspection, normally 5-7 years.

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. Whenever the carrying amount of a vessel exceeds its recoverable amount, an impairment loss is recognised. The recoverable amount is the highest of the vessels fair value less cost of disposal and its value in use.

Note 2.5 Inventories

Inventories, which comprise principally of bunker fuel, luboil and stores, are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle.

Note 2.6 Cash and cash equivalents

For presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 2.7 Financial assets

Financial assets are measured at fair value at initial recognition.

The Group classify financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss based on both:

(a) the entity's business model for managing the financial assets and

(b) the contractual cash flow characteristics of the financial asset.

When assessing the business model, the information considered includes:

-the stated policies and objectives for the portfolio and the operation of those policies in practice. ‘

-how the performance of the portfolio is evaluated and reported to the Group’s management

-the risks that affect the performance of the business model and how those risks are managed

-the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument and this includes,

-contingent events that would change the amount or timing of cash flows

-terms that may adjust the contractual coupon rate

-prepayment and extension features, and

-terms that limit the Group’s claim to cash flows from specified assets

Accounts receivables

Accounts receivables are measured at fair value upon initial recognition. The Groups accounts receivables are kept in a business model where the purpose is to collect contractual cash flows. Consequently, accounts receivables are subsequently measured at amortized cost less provision for expected lifetime losses.

Long term loans

The Group has acquired three mortgage loans from Commerzbank Aktiengesellshcaft April 30, 2018 where three container vessels are pledged as security. The loans are not considered to meet the criteria to be measured at amortized cost or fair value through other comprehensive income. The loans are therefore subsequently measured at fair value through profit and loss. Net gain and losses, including any interest income, are recognised in profit and loss. Transaction costs are recognised in profit and loss when incurred.

Note 2.8 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 presented as an operating expense.

The parent company and Songa Sibum AS are subject to ordinary Norwegian taxation.

Income tax expense comprises taxes payable and deferred tax and is recognised in profit and loss. Tax payable is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Note 2.9 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. First year installment on long term debt are presented as current liabilities.

Note 2.10 Accounts payable

Accounts payable are measured at fair value upon initial recognition. Subsequently, accounts payable are measured at amortized cost.

Note 2.11 Equity

Ordinary shares are classified as equity.

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.

Note 2.12 Dividends

Dividend payments are recognised as a liability in the Groups financial statements from the date when the dividend is approved by the general meeting.

Note 2.13 Classification of items in the statement of financial position

Current assets and short-term liabilities include items due less than one year from the reporting date, as well as items due more one year from the reporting date, that are related to the reporting cycle.

Liabilities with maturity less than one year from the reporting date are presented as current liabilities. All other debt is presented as long-term debt. First year installment on long term debt are presented as current liabilities.

Note 3 Transition to IFRS

At the date of transition to IFRS, 1.1.2018, there were no adjustments to equity.

Reconciliation of equity reported in accordance with NGAAP to equity in accordance with IFRS:

in $ thousands	31.12.2018
Equity according to NGAAP	**74 367**
Fair value of long-term loans	5 007
Equity according to IFRS	**79 375**

Reconciliation of profit reported in accordance with NGAAP to total comprehensive income in accordance with IFRS:

in $ thousands	2018	Q4 2018
Profit according to NGAAP	**115**	**-2 346**
Items reclassified to other operating expenses	**-9**	**-9**
Exchange differences	-535	-116
Fair value of long-term loans	5 007	1 000
Total comprehensive income according to IFRS	**4 577**	**-1 471**

In the consolidated statement of cash flows are interest received and interest paid presented separately in net cash flow from operating activities. This is the only adjustment to the statement of cash flows that where presented in accordance with NGAAP.

Note 4 Segment information

The Group operates within one single segment, which is the shipping container segment.

Note 5 Vessels and docking

in $ thousands	YTD 2019
Opening balance vessel and docking 1.1.2019	**114 613**
Additions in the period	13 662
Exchange differences	-363
Depreciation in the period	-6 609
Closing balance vessel, docking and scrubber	**121 304**

On 22 October 2018 the Group entered into purchase agreements for scrubber installations on all 15 vessels in the fleet. On 17 January 2019 the Group the scrubber contract for installation of the Songa Antofagasta was cancelled due to a potential sale of the vessel. The scrubber installations for four vessels have been finalized in 2019 and the remaining installations are due to take place within first half year of 2020. Prepayments are classified as project under construction as non-current assets.

Note 6 Financial instruments

The Group acquired three mortgage loans with face value at 54.75 MUSD from Commerzbank Aktiengesellshcaft April 30, 2018. Face value at December 31, 2019 is MUSD 54.1. The long-term loans are measured at fair value over profit and loss. The following table shows a reconciliation from the opening balance to the closing balance for these loans measured at fair value in level 3:

in $ thousands	31.12.19	31.12.18
Opening balance 1.1.	37 200	0
Purchases	0	31 500
Fair value adjustment	-5 400	5 700
Closing balance 31.12	31 800	37 200

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 values of long-term loans in level 3 are based on the average of valuations from two independent shipbrokers for three vessels pledged as security for the loans. The fair value of the pledged vessels are considered to be the best estimate of the fair value of the loans. Broker's estimates assume the vessels are without charter contracts, immediately available for sale in the market and that a willing seller and a willing buyer exists. The value is calculated by discounting future cash flows to present value at the reporting date. Due to reduced liquidity in the market for vessels, there is an increased uncertainty about the estimated ship values in today's market.

Note 7 Subsequent events

There are no events after the interim period that have not been reflected in the financial statements for the interim period.

Note 8 Alternative performance measures

In order to measure financial performance and position, the Group makes use of the Alternative Performance Measures (APMs) described below. The APMs are non-IFRS measures which provide supplemental information to the IFRS financial measures.

EBITDA

Earnings before interest, tax, depreciation and amortization (EBITDA) is derived directly from the statement of profit and loss by adding back to profit/(loss) depreciation and amortization.

EBITDA (in thousands of USD)	YTD 2019	Q4 2019	Q3 2019	YTD 2018	Q4 2018
Operating profit	-2 798	-757	-1 650	4 980	646
Depreciation and amortization	6 609	1 623	1 870	5 614	1 621
EBITDA	**3 811**	**866**	**220**	**10 594**	**2 267**

Time charter equivalents earnings

Adjusted Time charter earnings represents time charter revenue and pool revenue, and other operating income (-expenses) for the consolidated vessels during the reporting period. Pool revenue for the Songa City AS controlled vessels is added. The company uses time charter equivalent earnings as an indication of the profitability of charters. Time charter equivalent earnings is used as the numerator when calculating TCE per day.

TCE earnings (in thousands of USD)	YTD 2019	Q4 2019	Q3 2019	YTD 2018	Q4 2018
Adjusted time charter revenue					
Time charter revenue	32 051	7 809	7 360	33 208	9 115
Adjustment for time charter revenue Songa City controlled vessels	8 758	1 747	2 446	7 206	2 634
Time charter equivalents earnings	**40 809**	**9 556**	**9 806**	**40 414**	**11 749**

Time Charter Equivalent per day (TCE)

Time charter equivalent (TCE) per day is calculated by dividing net time charter revenue, adjusted for the Songa City AS controlled vessels, by the number of trading days for the consolidated vessels during the reporting period. Trading days are operating days (ownership days during the reporting period) minus days without revenue, including commercial, uninsured technical and dry dock related off-hire days. TCE is a common shipping industry measure of performance on a per day basis. The company uses TCE per day as it enables comparison of financial performance between periods regardless of changes in the mix of charter types.

TCE (in thousands of USD)	YTD 2019	Q4 2019	Q3 2019	YTD 2018	Q4 2018
Adjusted time charter revenue					
Operating days	5 475	1 380	1 380	4 614	1 380
Days without revenue, including commercial, uninsured technical and dry dock related off-hire days	705	374	170	182	116
Trading days	4 770	1 006	1 210	4 432	1 264
Adjusted TCE per day	**8.56**	**9.50**	**8.10**	**9.12**	**9.30**

Operating expenses per day (OPEX)

Operating expenses per day represents operating expenses incl. technical management fees divided by the number of ownership days. OPEX incl. technical management fees for the Songa City AS controlled vessels are added. The company uses OPEX per day as it enables comparison of financial performance between periods.

OPEX per day (in thousands of USD)	YTD 2019	Q4 2019	Q3 2019	YTD 2018	Q4 2018
Adjusted OPEX					
Operating expenses	24 083	5 723	6 127	19 232	5 665
Technical management fee (admin.cost)	1 843	454	434	1 497	441
Adjustment for operating expenses incl.technical management fee Songa City controlled vessels	6 779	1 763	1 818	4 056	1 524
OPEX total	32 705	7 940	8 379	24 785	7 630
Operating days	5 475	1 380	1 380	4 614	1 380
OPEX per day	**5.97**	**5.75**	**6.07**	**5.37**	**5.53**