Songa Container AS

Financial Report Q2 2019

CONTENTS

SONGA CONTAINER

Second Quarter 2019 Highlights, Events, Results and Fleet

SECOND QUARTER 2019 HIGHLIGHTS

Songa Container AS' (the Issuer and its subsidiaries, hereinafter the "Company") net loss per Q2 2019 was $9.26 million. The Interim Financial Statements are presented in accordance with IFRS as of June 30, 2019, which causes the main change in the net financial result compared to Q1 2019 reporting. The change of reporting in accordance with IFRS compared to NGAAP causes no material change in the operating profit.

Please find highlights as follows:

- EBITDA was $0.5 million in Q2 2019, compared to $2.2 million in Q1 2019.
- Total time charter equivalent earnings[1] were $10.01 million in Q2 2019, compared to $11.4 million in Q1 2019.
- Total Operating days[2] were 1 365 in Q2 2019. Total Trading days[3] was 1 317 days, implying a utilization of 96.44%. The utilization in Q1 2019 was 91.65%.
- Adjusted Time Charter Equivalent (TCE[4]) in Q2 2019 was $7 605 per day, compared to $9 242 per day in Q1 2019.
- Adjusted Operating expenses (OPEX[5]) in Q2 2019 were $ 6 341 per day, whilst operating days in Q1 2019 were $5 829 per day.

SECOND QUARTER 2019 EVENTS

- During April 2019, the management of the vessel Songa Antofagasta and Songa Toscana was handed over to Hartmann.
- During April 2019, the management of the vessel Songa Calabria was handed over to Lauterjung/Sunship.
- 4 vessels fixed on scrubber related time charter contracts at attractive terms.

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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.

1ST HALF-YEAR 2019 RESULTS

in $ thousands			
Financial performance	**YTD Q2 2019**	**Q2 2019**	**Q1 2019**
Operating revenue	16 882	7 929	8 953
Operating expenses, incl. G&A and depr.	17 273	8 859	8 414
Operating profit (-loss)	**-391**	**-930**	**539**
EBITDA	**2 724**	**527**	**2 198**
Change in fair value long-term loan	-3 208		
Net financial result*	-8 872		
Net result	**-9 263**		
Financial position		**30.06.2019**	**31.12.2018**
Total assets		203 539	212 983
Cash and cash equivalents		47 338	54 376
Total equity		69 987	79 375
Cash flow statement	**YTD 2019**	**Q2 2019**	**Q1 2019**
Net cash flow from operating activities	- 3 270	-189	-3 081
Net cash flow used for investing activities	- 3 768	-2 311	-1 457
Net cash flow from financing activities	-	-	-
Net change in cash and cash equivalents	**- 7 038**	**-2 500**	**-4 538**

Financial performance

The Company reports a net loss of $9.26 million per Q2 2019. The Interim Financial Statements are presented in accordance with IFRS as of June 30, 2019, which causes the main change in the net financial result compared to Q1 2019 reporting. The change of reporting in accordance with IFRS compared to NGAAP causes no material change in the operating profit.

The Company`s operating profit decreased by $1.47 million in Q2 2019 compared to the last quarter, from a profit of $0.54 million in Q1 2019 to a loss of $0.93 million in Q2 2019. EBITDA in Q2 2019 decreased by $1.67 million, from a profit of $2.2 million in Q1 2019 to a profit of $0.53 million in Q2 2019.

Operating income decreased from $8.95 million in Q1 2019 to $7.93 million in Q2 2019. The development in the operating income mainly results from change in marked rate levels, positioning costs, accrued off-hire due to dry dock and commercial- and technical off-hire.

The operating expenses increased with $0.45 million in Q2 2019 compared to Q1 2019. The increase is mainly related to upgrading and change of management for three vessels.

Net financial loss was $8.87 million per Q2 2019. The change in net financial result compared to Q1 2019 reporting is due to change in accounting principle for the long-term loan towards three vessel owning companies. The long-term loan is measured at fair value through profit and loss. Please see note 2.7, 3 and 6 in the Financial Report for additional information.

Financial position

The Company's total assets was $203.54 million at 30 June 2019, down from $212.98 million at 31 December 2018. Non-current assets, which comprise of vessels delivered, scrubber investment and acquired loans, decreased from $155.33 million at 31 December 2018 to $151.56 million at 30 June 2019. The change is mainly due to the depreciation of the vessels, the scrubber investment and 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.

The total equity has decreased from $79.37 million at 31 December 2018 to $69.98 million at 30 June 2019, whilst the interest-bearing issued bond remains unchanged after the bond issued in December 2018.

Cash flow

Net cash flow from operating activities was negative with $0.19 million in Q2 2019, mainly due to change in market rate levels, positioning costs, accrued off-hire due to dry dock, commercial- and technical off-hire, upgrading and change of management related to three vessels and development in short-term receivables/payables. $2.3 million were used for investment activities in Q2 2019. Net change in cash and cash equivalents from 31 March 2019 to 30 June 2019 was negative with $2.5 million. Cash and cash equivalents at the end of Q2 2019 were $47.34 million.

THE FLEET

By the end of the second quarter 2019, the fleet consists of 15 container vessels:

Vessel Name	TEU	DWT	Built	Yard	Reefer plugs	Gear
Anne Sibum	1 036	13 172	2007	SSW Schicau Seebeck, Germany	250	Gearless
Grete Sibum	1 036	13 172	2008	SSW Schicau Seebeck, Germany	250	Gearless
Stefan Sibum	1 036	13 172	2008	SSW Schicau Seebeck, Germany	251	Gearless
FS Ipanema	1 794	25 860	2009	Taizhou Kouan, China	319	Geared
Songa Bonn	1 970	28 632	2010	Hyundai Mipo, South Korea	442	Gearless
Songa Nuernberg	1 970	28 630	2010	Hyundai Mipo, South Korea	442	Gearless
Songa Iridium	2 015	27 247	2008	Zhejiang Shipyard, China	506	Geared
City of Beijing	2 564	34 333	2009	Xiamen Shipbuilding,China	342	Geared
City of Hongkong	2 564	34 295	2009	Xiamen Shipbuilding, China	342	Geared
City of Shanghai	2 564	34 269	2009	Xiamen Shipbuilding, China	342	Geared
Songa Antofagasta	2 851	35 534	2008	Zheijang Yangfan, China	530	Gearless
Nordic Stralsund	3 421	46 000	2014	Rongcheng Shenfei, China	538	Geared
Songa Haydn	3 534	41 989	2010	Shanghai & Chengxi, China	595	Gearless
Songa Calabria	4 256	50 353	2010	Jiangsu New Yanzijang, China	698	Gearless
Songa Toscana	4 957	62 272	2013	Jiangsu New Yanzijiang, China	600	Gearless

SCRUBBER CONTRACTS AND CAPEX PROGRAM

Songa Container has, as one of very few feeder tonnage providers to the liner companies, worked closely with world leading liner operators to establish a fuel profit sharing (“FPS”) scrubber clause to be implemented in its time charter agreements. The FPS clause is based on the principle that actual fuel savings obtained are split between the charterers and the owners, where 80-90% of any savings made by the charterers on fuel expenses are paid back to Songa Container. As such, charterers are incentivized to charter the vessels owned by Songa Container by way of obtaining reduced fuel expenses for the vessels chartered compared to chartering in competing non-scrubber fitted vessels from the market. The alternative way of obtaining payback on the scrubber investment and utilization of the scrubber fitted fleet is to enter into fixed premium time charter contracts where a premium is added to the market TC rate to reflect the added benefit for charterers.

Songa Container is pleased to announce that they have recently concluded four (4) time charter contracts for scrubber fitted vessels. Three of the contracts have been concluded with a duration of between 1 and 3 years and done at market TC rates. The FPS ratio is between 80-90% of any actual fuel saving on the contracts already concluded. The contracts will commence upon completion of the scrubber installations.

The ability to achieve competitive terms on the FPS ratio is a factor dependent on scrubber penetration of the feeder fleet. Given the costly investment of retrofitting, coupled with the number of years with weak trading results and vessel value depreciation, many competitors do not have the capital easily accessible to retrofit scrubbers on feeder tonnage. We expect the scrubber penetration of the feeder fleet to remain low in the foreseeable future.

One of the world's largest container liner operators have embraced and committed to the FPS concept introduced by Songa Container, which to the Company is perceived to be a proof of concept and business strategy.

Songa Container will also be evaluating fixed premium structures for its future contracts on a case by case basis. Whether to favour either FPS or a fixed premium is dependent on many factors, such as the volatile view of the oil markets concerning the implied spread between Compliant and Non-Compliant fuel, potential payback period on the scrubber investment and charterers' preferences. The spread between MFO/MGO and HFO have only recently started to spread out to where the future curves have been trading for a long period of time, and the Company is excited about the prospects ahead taking all factors into account. The 4th scrubber contract entered into has an optional period post the scrubber installation with a fixed premium on top of the market time charter rate allowing for a rapid repayment of the scrubber investment.

Despite the fact that the global yard capacity to service the demand for scrubber installations is constrained, the Company's CAPEX program is generally progressing according to plan. The first vessel will begin its retrofit installation in September, with the remaining vessels starting on its installations in the months ahead. The company expects to be completed with the retrofits by end of Q1 2020.

The logistics of combining suitable quality shipyards to carry out the yard work on a schedule that fits with commercial operations, position and contract have proven somewhat more complicated than expected. As a result, the Company expects an increase in the previously presented CAPEX budget and an increase in the number of off-hire days required.

As previously communicated to the market, the scrubber contract for the vessel Songa Antofagasta was cancelled because of a divestment process that ultimately did not materialize in Q1 2019. Re-ordering a scrubber for the vessel at this time would have entailed a high premium to the initial contract price. The Company therefore (as permitted under the Bond Terms) decided not to retrofit the Songa Antofagasta with a scrubber. The USD 3.1 million initially budgeted for this vessel will serve as a buffer for expected and future potential increases in the CAPEX budget.

The increased number of required off hire days, in combination with market rates over the past 9 months, has resulted in a revision of the Company's expected liquidity buffer. The shareholders of the Company therefore intends to inject an additional cash contribution of USD 4,000,000, to ensure the Company maintains a comfortable liquidity position throughout the retrofitting program subject to the Bondholders acceptance of certain minor clarifications in the Bond Terms' definition of the CAPEX Program (to reflect the updated status of the Songa Antofagasta) and correct a drafting error in the definition of Initial Vessels (to exclude any vessels potentially divested through a Permitted Disposal). These suggested amendments require the consent from the Bondholders, which the Company is seeking approval for by way of having sent out a Summons to a Bondholders meeting.

MARKET

Market, Outlook, Strategy and Forward-Looking Statements

CONTAINER MARKET IN Q2 2019

The increase in container charter rates witnessed in Q1 continued into Q2, however at a steeper pace on the larger vessels than the smaller feeder tonnage. YTD, the Howe Robinson Container Index has increased 16% at the same time as average contract lengths have decreased throughout the quarter. It is assumed that the time out of service for vessels being equipped with scrubbers have contributed to the increased charter rates for the larger vessels. Recent consequences of this has been reversed cascading effect, i.e. smaller vessels obtaining contracts on trade which previously was thought to have evaporated for certain kinds of vessels such as baby-panamaxes.

Demolition slowed down during the second quarter compared to the first quarter, which is following the pace of the first half of 2018. The expected total amount of demolition is still expected to accumulate to more than double for the full year of 2018 as we move closer to year end. Based on the assumption that a large portion of the container fleet will become less profitable/competitive following new environmental regulations on areas such as ballast water management and sulphur caps (IMO2020), it is expected that the demolition numbers could pick up significantly in the years to come.

Fleet growth in general during Q2 was muted. During H1 2019, 0.5 million TEU of new tonnage was delivered. The previous trend of close to all new supply deliveries (80%) being vessels of more than 12,000+ TEU size continued during the quarter. The relative fleet size of feeders versus expected demand growth for global container and feeder trade growth is gradually becoming more and more attractive. For the full year of 2019, a total of 0.9 million TEU is expected delivered, down from close to 1.3 million TEU in 2018. The fleet growth in 2019 is expected to be the lowest annual fleet growth in around 15 years. A positive sign for a shipping market that has been significantly oversupplied in previous periods. Deliveries y-o-y is down 40%.

The feeder segment has year-to-date been at a standstill of about 4 million TEU, or 2,923 vessels (sub-3,000 TEU). According to Clarksons, fleet growth for the feeder segment alone is expected to remain limited in the short term, with a capacity growth of 0.3% in 2019 and 1.8% in 2020. The orderbook continues to shrink and is currently at a 15-year low.

The sale and purchase market remained somewhat subdued during the quarter for vessels of size 2,000-4,000 TEU with only 7 secondhand vessels being transacted.

INDICATIVE MARKET TIME CHARTER RATES

SECOND QUARTER

Size	Gear	Beam	Apr 2019	May 2019	Jun 2019
700 TEU	N	All	5,000	5,000	5,000
1,100 TEU	Y	All	6,500	6,350	6,350
1,700 – 1,800 TEU	Y	All	8,000	8,000	8,200
2,400 – 2,600 TEU	Y	All	9,500	9,000	9,000
2,700 – 2,800 TEU	N	All	9,000	9,000	9,000
3,300 – 3,600 TEU	N	All	8,500	8,500	8,500
4,000 – 4,500 TEU	N	< 32.2 m	8,750	9,500	9,500
5,000 – 5,300 TEU	N	< 32.2 m	8,500	9,000	9,750
4,500 – 5,400 TEU	N	> 32.3 m	15,000	15,000	15,500
5,500 – 6,000 TEU	N	All	14,500	15,500	16,000
6,300 – 7,000 TEU	N	All	17,500	18,500	19,500
8,000 – 9,000 TEU	N	< 48 m	24,000	26,000	26,000

Source: Maersk Broker July 2019 report

AS PER AUGUST 2019

Size	Gear	Beam	May 2019	June 2019	Jul 2019
700 TEU	N	All	5,000	5,000	5,000
1,100 TEU	Y	All	6,350	6,350	6,350
1,700 – 1,800 TEU	Y	All	8,000	8,200	8,500
2,400 – 2,600 TEU	Y	All	9,000	9,000	9,500
2,700 – 2,800 TEU	N	All	9,000	9,000	9,000
3,300 – 3,600 TEU	N	All	8,500	9,200	8,500
4,000 – 4,500 TEU	N	< 32.2 m	9,500	9,500	11,500
5,000 – 5,300 TEU	N	< 32.2 m	9,000	9,750	12,000
4,500 – 5,400 TEU	N	> 32.3 m	15,000	15,500	16,000
5,500 – 6,000 TEU	N	All	15,500	16,000	16,500
6,300 – 7,000 TEU	N	All	18,500	19,500	22,000
8,000 – 9,000 TEU	N	< 48 m	26,000	26,000	30,000

Source: Maersk Broker August 2019 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 Company currently has 4 vessels employed on bilateral contracts with liner operators whereas the remaining 11 vessels are employed in revenue sharing pools.

The second quarter continued to be a quarter of preparation for the CAPEX program. As outlined above, the Company has also been active in developing and executing scrubber contracts with charterers. With the 3 firm and 1 optional contracts already entered into, the scrubber fixtures to date is a positive sign that the market has an appetite for the strategy laid out by the Company. 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 a technically proven, environmentally beneficial, commercially attractive and risk mitigating fleet of container vessels to the Liner Operators for their future business development.

As to the environmental benefits of exhaust gas cleaning systems ("EGCS"), the Clean Shipping Alliance 2020 recently sent out a press release referring to a study published in June 2019 by Norway's SINTEF, one of Europe's largest independent research organisations, Chief Scientist Dr Elizabeth Lindstad concluded that from well-to-wake the continued use of HSFO or HFO (heavy fuel oil) with an EGCS is the most environmentally beneficial means of meeting global Greenhouse gas (GHG) emissions targets. Mr. Ian Adams, executive director of CSA2020, was furthermore quoted stating that "with reduced particulates in exhaust emissions of 75% or more, the combination of dramatically reduced SOx and particulates makes a big difference in improved air quality and lower health risks". Songa Container is proud to be one of few feeder tonnage providers contributing to reduced pollution by way of using EGCS on its vessels.

The container market continues to be negatively influenced by the uncertainties caused by the trade war between US and China. The box trade growth is expected to increase by 2.7% in 2019 and 3.3% in 2020 in terms of TEU-miles, according to Clarksons. With this growth in mind, the cautiousness of the market appears more to reflect a reduced willingness to assume risk for future growth, more so than actual reduction in trade growth. Demand growth forecasts have been revised down in parallel to negatively revised world economic growth on a medium to long term basis. However, on the supply side of the equation, a more balanced market vs demand growth continues to be more likely scenario. The orderbook is at a historically low level (11%) as shipowners are refraining from ordering new tonnage. The average age of the feeder fleet continues to increase, and with it supporting long term positive fundamentals for this much needed asset class in the liner operators business strategy.

So far in Q3, the historical trend of "cascading" seems to have taken a pause. One has seen baby panamaxes (4250 teu) stepping into tradelanes and contracts many assumed had become extinct for this type of tonnage. The idle fleet for this tonnage has retracted significantly. With close to 70% of all large container vessels being equipped with EGCS, time “out of service” appears to yield a positive momentum for these previously acclaimed obsolete vessels. If the price differential between Compliant and Non-Compliant fuel plays out the way consensus expects, the market should expect increased slow steaming and demolition of older tonnage. However, the carpet of uncertainty being laid out by the world leaders on trade is likely to prolong the previously expected fundamental rebalancing of the container market. The Company remains optimistic about the foreseeable future within the markets it operates whilst navigating through the complexity of potential consequences following the outcome of the ongoing trade war.

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, 29 August 2019

The Board of Directors of Songa Container AS

Arne Blystad	Magnus Leonard Roth
Chairman	Director
Jon Christian Syvertsen	Fredrik Platou
Director	Director
Rowil Ponta	
Director	

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in $ thousands	Q2 2019	1st half-year 2019	Q2 2018	1st half-year 2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Time charter revenue	7 929	16 882	8 173	14 613
Total operating income	**7 929**	**16 882**	**8 173**	**14 613**
Ship operating expenses	6 487	12 232	4 623	8 878
General and administrative expenses	891	1 876	532	1 186
Tonnage tax	25	50	18	36
Depreciation	1 457	3 115	1 082	2 607
Total operating expenses	**8 859**	**17 273**	**6 256**	**12 707**
Operating profit (-loss)	**-930**	**-391**	**1 916**	**1 906**
Interest income	425	494	13	35
Interest expenses	-2 720	-5 686	-787	-1 386
Net income/(loss) on long-term loan measured at fair value	-1 640	-3 208	5 140	5 140
Other financial income (-expenses)	-373	-472	-129	-145
Net financial income	**- 4 308**	**-8 872**	**4 237**	**3 643**
Profit before taxes	**-5 238**	**-9 263**	**6 153**	**5 550**
Taxes	0	0	1	2
Profit for the period	**-5 238**	**-9 263**	**6 152**	**5 547**
Other comprehensive income				
Items that are or may be reclassified to profit and loss				
Exchange differences	**334**	**-125**	**-90**	**-316**
Other comprehensive income for the period	**334**	**-125**	**-90**	**-316**
Total comprehensive income for the period	**-4 904**	**-9 388**	**6 062**	**5 231**
Profit is attributable to				
Equity holders of the parent company	**-5 185**	**-9 238**	**6 018**	**5 425**
Non-controlling interests	**-53**	**-25**	**134**	**122**
Total comprehensive income is attributable to				
Equity holders of the parent company	**-4 868**	**-9 361**	**5 937**	**5 143**
Non-controlling interests	**-36**	**-27**	**125**	**88**

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

in $ thousands	Note	30 June 2019	30 December 2018
		(Unaudited)	(Unaudited)
Vessels	5	107 714	110 298
Docking	5	4 328	4 315
Constructions in progress	5	7 120	3 518
Long-term loans	6	32 400	37 200
Total non-current assets		**151 562**	**155 330**
Inventories		940	842
Trade receivables		619	794
Other receivables		3 080	1 640
Cash and cash equivalents		47 338	54 376
Total current assets		**51 977**	**57 653**
TOTAL ASSETS		**203 539**	**212 983**
Share capital		7 325	7 325
Share premium		65 925	65 925
Reserves		187	4 533
Uncovered losses		-5 379	-364
Non-controlling interests		1 930	1 957
Total equity		**69 987**	**79 375**
Bond loan		128 460	128 286
Mortgage loan		0	0
Total non-current liabilities		**128 460**	**128 286**
Trade payables		2 586	3 038
Tax payable		60	81
Other liabilities		2 445	2 204
Total current liabilities		**5 091**	**5 323**
Total liabilities		**133 552**	**133 609**
TOTAL EQUITY AND LIABILITIES		**203 539**	**212 983**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

in $ thousands	30.06.2019	30.06.2018
	(Unaudited)	(Unaudited)
Profit before taxes	-9 263	5 550
Income taxes paid	-71	0
Net interest	5 005	1 352
Interest paid	-5 708	-1 449
Interest received	1 708	31
Change in fair value of long-term loans	4 223	-4 824
Gain on non-current assets	0	0
Depreciation	3 115	2 607
Net change in inventories, trade receivables/payables	-375	548
Net change in other current items	-1 905	30
Currency items	0	34
Net cash flow from operating activities	**-3 270**	**3 878**
Investment in vessels and constructions in progress	-4 147	-7 702
Payments for long-term receivables at fair value	0	-32 188
Repayments of long-term receivables at fair value	379	0
Net cash flow used in investment activities	**-3 768**	**-39 990**
Proceeds from borrowings	0	19 808
Repayment of borrowings	0	-2 319
Proceeds from issues of shares	0	14 000
Agio items	0	-344
Incorporation costs	0	-1
Dividends paid to non-controlling interests	0	-745
Net cash flow from financing activities	**0**	**30 400**
Net change in cash and cash equivalents	**-7 038**	**-5 612**
Cash and bank deposits at beginning of period	54 376	15 914
Cash and bank deposits at end of period	**47 338**	**10 302**

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**	**0**	**0**	**-147**	**2 442**	**61 540**
Incorporation expenses		5					5
Share issuance	1 400	12 600					14 000
Dividends						-745	-745
Profit for the period				4 824	601	122	5 547
Other comprehensive income			-282			-35	-376
Equity 30 June 2018	**7 325**	**65 925**	**-282**	**4 824**	**454**	**1 785**	**80 031**
Equity 1 January 2019	**7 325**	**65 925**	**-474**	**5 007**	**-364**	**1 957**	**79 375**
Share issuance							
Profit for the period				-4 223	-5 014	-25	-9 262
Other comprehensive income			-123			-2	-125
Equity 30 June 2019	**7 325**	**65 925**	**-598**	**785**	**-5 379**	**1 930**	**69 987**

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 1st half-year 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	30.06.2018
Equity according to NGAAP	**74 367**	**75 206**
Fair value of long-term loans	5 007	4 824
Equity according to IFRS	**79 375**	**80 031**

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

in $ thousands	2018	Q2 2018	1st half 2018
Profit according to NGAAP	**115**	**1 328**	**723**
Exchange differences	-535	-90	-317
Fair value of long-term loans	5 007	4 824	4 824
Total comprehensive income according to IFRS	**4 588**	**6 062**	**5 231**

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	1st half 2019
Opening balance vessel and docking 1.1.2019	**114 613**
Additions in the period	652
Exchange differences	-107
Depreciation in the period	-3 115
Closing balance vessel and docking	**112 042**

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 are due to take place within the course for 2019 and first quarter 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 June 30, 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:

	1st half year	
in $ thousands	2019	2018
Opening balance 1.1.	37 200	0
Purchases	0	31 500
Fair value adjustment	-4 800	5 700
Closing balance 30.06/31.12	32 400	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 todays 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)	1st half 2019	Q2 2019	Q1 2019	1st half 2018	Q2 2018
Operating profit	-391	-930	539	1 906	1 916
Depreciation and amortization	3 115	1 457	1 659	2 607	1 082
EBITDA	**2 724**	**527**	**2 198**	**4 513**	**2 998**

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)	1st half 2019	Q2 2019	Q1 2019	1st half 2018	Q2 2018
Adjusted time charter revenue					
Time charter revenue	16 882	7 929	8 953	14 613	8 173
Adjustment for time charter revenue Songa City controlled vessels	4 566	2 083	2 482	1 775	1 775
Time charter equivalents earnings	**21 448**	**10 012**	**11 436**	**16 388**	**9 948**

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)	1st half 2019	Q2 2019	Q1 2019	1st half 2018	Q2 2018
Adjusted time charter revenue					
Operating days	2 715	1 365	1 350	1 970	1 093
Days without revenue, including commercial, uninsured technical and dry dock related off-hire days	161	49	113	59	35
Trading days	2 554	1 317	1 237	1 911	1 059
Adjusted TCE per day	**8.40**	**7.61**	**9.24**	**8.57**	**9.40**

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)	1st half 2019	Q2 2019	Q1 2019	1st half 2018	Q2 2018
Adjusted OPEX					
Operating expenses	12 232	6 486	5 746	8 878	4 623
Technical management fee (admin.cost)	955	526	428	690	425
Adjustment for operating expenses incl.technical management fee Songa City controlled vessels	3 339	1 643	1 696	906	906
OPEX total	16 526	8 656	7 870	10 474	5 954
Operating days	2 715	1 365	1 350	1 970	1 093
OPEX per day	**6.09**	**6.34**	**5.83**	**5.32**	**5.45**