# Offshore Heavy Transport AS

# Consolidated Financial Statements 2018

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## OFFSHORE HEAVY TRANSPORT AS - BOARD OF DIRECTORS' REPORT 2018

Offshore Heavy Transport AS and its subsidiaries (the Group) provide heavy transport services mainly for the Oil & Gas and offshore industry, as well as heavy construction and other industries requiring transportation of outsize cargos. The Company's five semi-submersible heavy transport vessels are capable of transporting some of the largest and heaviest cargos possible to transport by sea in the world today. The Company's headquarter is in Oslo, Norway.

The Company's strategy is to create shareholder value by providing high quality service to its customers and focus on safe and efficient operations and high utilization of the fleet.

The share capital consists of 10 000 shares at a nominal value of NOK 20. 6 667 shares are owned by Songa Corp, a company in the Blystad Group, and 3 333 are owned by Lotus Marine AS.

**Financial results**

The financial results for 2018 reflect the business activities of the Group.

At year-end 2018, the Group reported gross freight revenues of USD 56.5 million (USD 78.7 million in 2017) and operating (TC equivalent) revenues of USD 25.6 million (USD 49.4 million for 2017).

Net operating profit was USD -13.1 million (USD 9.7 million in 2017). The Group recorded net financial items of USD 0.5 million (USD -0.1 million in 2017). Net profit after tax amounted to USD -13.0 million (USD 9.4 million in 2017).

Net cash flow from operating activities was USD 6.8 million in 2018 (USD 26.4 million in 2017). Net cash flow used in investing activities amounted to USD -26.4 million (USD -4.2 million in 2017). Net cash flow used in financing activities amounted to USD nil (USD nil in 2017). Thus, total net cash flow resulted in an ending cash balance of USD 11.1 million as at 31 December 2018.

**The heavy transportation market**

The market for semi-submersible heavy transportation is a niche market mainly providing services to the oil service and heavy construction industries and is characterized by few suppliers. The cargoes are typically extremely large and heavy, and in most cases high-value constructions. The cargo base served by heavy transport vessels include:

- Offshore drilling rigs (both jack-ups and semi-submersible rigs)
- Floating production units (excluding self-propelled FPSO/FSOs)
- Oil field equipment and modules
- Windmill components
- Other cargoes, both floating and non-floating, including docks, dredging equipment, barges, cranes, pre-fabricated industrial modules and military equipment

The prices achievable for heavy transportation services have improved somewhat compared to the last two years. The Company's investment in heavy transport shipping assets is based on an expectation of a long-term positive development in the demand for heavy transport services.

On 10 June 2018 the Group signed a contract for building a new vessel, project Alfa Lift, designed for offshore wind foundation installation. Delivery date is expected to be December 2020.

**Fleet operation**

Through-out 2018 all five vessels Eagle, Falcon, Osprey, Hawk and Albatross have been in operation and have carried out their transport assignments satisfactorily.

Every cargo operation is carefully planned by the Company's operation and engineering department. Each loading and discharge operation is supervised by experienced load masters onboard the vessel.

**Management agreements**

The commercial management activities including chartering, contracting, vessel operation and scheduling are carried out by the Group's in-house commercial department in OHT Management AS.

Technical management is contracted to Songa Shipmanagement Ltd for all five vessels. Songa Shipmanagement Ltd has long experience in technical supervision and operation of vessels.

**Financing and liquidity**

The Offshore Heavy Transport Group had cash and cash equivalents of USD 11.1 million at the end of 2018 (USD 30.8 million end 2017). Total assets were USD 192.2 million (USD 198.2 million end 2017). Shareholders equity amounted to USD 176.9 million (USD 189.4 million end 2017). Current liabilities were USD 15.4 million (USD 8.5 million end 2017). The Group did not have interest bearing debt at year-end 2018 nor at year end 2017. The equity ratio was 92.0% at the end of 2018 (95.5 % end 2017).

In March 2019 the Group signed an agreement with Skandinaviska Enskilda Banken (SEB) for a revolving credit facility of USD 30 million. Maturity date is 31 December 2020.

The Alfa Lift project will be financed by 30% upfront payments and the remaining 70% through a intended sale leaseback contract with the leasing company of the yard.

The Board of Directors confirm that the going concern assumption has been assessed and confirms that the assumption is valid.

**Health, safety and environment (HSE)**

The Company's objective is to ensure safe and secure operations. The business operates in compliance with national and international requirements and regulations. There have been four minor incidents on board the vessels during 2018 causing a total of 136 days of sick leave. One of the incidents leading to discharge and 130 days sick leave. Investigations are performed, and solutions being sought.

To reduce emissions from the vessels and prepare for IMO 2020, Management has decided to install exhaust gas scrubbers on all vessels. The first installation was completed in January 2019, the rest will be installed during 2019.

There has been a minor oil spill in 2018 from one of the cargos being loaded onto an OHT vessel. The spill was deemed a responsibility of the customer. This was immediately cleaned up by a local company.

The working environment and team spirit are considered good. Of the directly employed personnel in the Group (headquarter), total sick-leave during the year was 2.4%.

The Company aims to be a workplace free from discrimination on the basis of gender, race or religion on matters such as pay, promotion and recruitment, and aims to offer equal opportunities to men and women. As of 31 December 2018, the Group had 22 employees.

**Risk factors**

The Company is exposed to market risks, risks related to operation of the vessels, financial risks and strategic risks.

Market risks include risks associated with the demand and supply for the Company's services as well as political risks. An important factor when evaluating the market risk is the expectations for future oil and gas activity. A decline in oil prices will not necessarily have a detrimental effect on the number of available cargos in the world, but prices could be negatively affected.

The Company's operational risks include perils particular to marine operations, including loss of cargo, capsizing, grounding, collision and loss and damage to the vessels from harsh weather conditions. Such circumstances may result in severe damages to the vessels and/or damage to other property, the environment or people. In the course of its activities, the Company may become involved in legal proceedings and disputes. All of these factors could have a significant impact on the Company's financial position.

The risk of increased bunkers prices is normally secured in the freight agreements. If not, hedging contracts are employed.

The Company is exposed to financial risks such as interest rate changes and currency exchange rate fluctuations, as well as credit risk related to customers and other financial counterparties being unable to honor their obligations, or liquidity risk if the customer is unable to honor its obligations. Financial risk is also related to the financing of the new building project. The Company has had only floating interest rates on its interest bearing debt, and as such has been exposed to interest changes. As the functional currency in the subsidiaries is USD, the Company has some exposure to fluctuations in currency rates, however these are limited mainly to administrative expenses. The currency risk related to these administrative expenses are considered limited and has therefore not been hedged. The credit risk related to customers is reduced through the contract structure and the fact that the cargo is controlled by the Company until discharging.

**Parent Company accounts (reported in NOK)**

Offshore Heavy Transport AS is the holding Company in the Offshore Heavy Transport Group. The management and central administrative functions are performed by OHT Management AS.

Offshore Heavy Transport AS had Other operating revenues in 2018 amounting to NOK 0.0 million (NOK 1.0 million in 2017). Net operating result was NOK -9.0 million (NOK -5.1 million in 2017).

The net financial items amounted to NOK 42.6 million in 2018 (NOK 149.9 million in 2017).

NOK 34.0 million (2017: NOK 140.7 million) was dividend and group contribution from subsidiaries. NOK 4.0 million was net other financial expenses and NOK 4.6 million was net foreign exchange gain.

Net profit for 2018 was NOK 31.7 million, whereas there was a net profit of NOK 143.4 million in 2017.

As of 31 December 2018, total assets amounted to NOK 881.4 million (NOK 880.1 million in 2017).

Total equity at 31 December 2018 amounted to NOK 787.2 million (NOK 755.5 in 2017).

**Outlook**

The management is continuously working closely with all relevant players to market the Company's services to secure new freight contracts for the vessels. The early signs of an uptick in the Oil and Gas market that was observed late 2017 took until late 2018 until it had observable positive influence on the number of jack-up rig moves. The market for other types of cargos remained relatively stable. Towards the end of 2018 and into 2019, there were clear signs of increasing activity levels in several segments. Common to all markets is that price levels have come down quite significantly –since the peak years, and we await clarity whether the cautious increases observed lately are sustainable. The above adds up to continued challenging market conditions, with an imbalance between supply and demand. The Company will continue to take a cautious approach going forward, with focus on consolidation of current market positions.

Oslo, 26 April 2019

The Board of Directors

| | | |
|---|---|---|
| Arne Blystad<br>Chairman | Stewart Gordon Smith<br>Deputy Chairman | Peng Zhou<br>Board member |
| Tom Erik Jebsen<br>Board member / CFO | Marianne H. Blystad<br>Board member | Torgeir E. Ramstad<br>Managing director |

# Consolidated statement of comprehensive income

USD 1 000

| | Note | 2018 | 2017 |
|---|---|---|---|
| Gross freight revenue | | 56 484 | 78 688 |
| Voyage related expenses | 4 | 30 874 | 29 308 |
| **Net operating TC income** | | **25 610** | **49 380** |
| | | | |
| Operating expenses vessels | 4 | 17 095 | 18 013 |
| Employee benefit expenses | 4, 12, 18 | 4 046 | 4 767 |
| Depreciation | 9 | 14 213 | 13 937 |
| Administrative expenses | 4, 10 | 3 320 | 2 985 |
| **Total operating expenses** | | **38 674** | **39 702** |
| | | | |
| **Net operating profit/(loss)** | | **-13 064** | **9 678** |
| | | | |
| Interest income | | 327 | 153 |
| Interest expenses | 14 | -170 | -82 |
| Net foreign exchange gain / (loss) | 5 | 9 | -124 |
| Other financial income/expenses | | 336 | -56 |
| **Net financial income/(expenses)** | | **502** | **-109** |
| | | | |
| **Net profit before tax** | | **-12 561** | **9 569** |
| | | | |
| Taxes | 13 | 395 | 198 |
| | | | |
| **Net profit/(loss)** | | **-12 957** | **9 370** |
| | | | |
| **Other comprehensive income** | | | |
| Remeasurements of post-employment benefit obligations | 12 | -50 | -93 |
| Tax effect | 13 | 11 | 22 |
| | | | |
| **Total comprehensive income/(loss)** | | **-12 996** | **9 300** |
| | | | |
| **Earnings per share** | | | |
| Basic earnings per share, USD 1 000 per share | 17 | -1.30 | 0.93 |
| Diluted earnings per share, USD 1 000 per share | 17 | -1.30 | 0.93 |
| | | | |
| Average number of shares | 15 | 10 000 | 10 000 |

# Consolidated statement of financial position

USD 1 000

| | Note | 2018 | 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| **Deferred tax assets** | **13** | **985** | **1 282** |
| Vessels | 9 | 165 495 | 153 361 |
| Office furniture and equipment | 9 | 279 | 186 |
| Available for sale financial investment | | 777 | 750 |
| **Total tangible assets** | | **166 551** | **154 297** |
| **Total non-current assets** | | **167 536** | **155 579** |
| **Current assets** | | | |
| **Bunkers inventory** | 3 | **4 640** | **3 798** |
| **Cost to fulfil contract** | 2 | **520** | **-** |
| Trade receivables | 7, 19 | 5 998 | 3 308 |
| Other receivables | 7, 19 | 2 435 | 4 809 |
| **Total receivables** | | **8 433** | **8 117** |
| **Cash and cash equivalents** | 6, 19 | **11 092** | **30 755** |
| **Total current assets** | | **24 684** | **42 670** |
| **TOTAL ASSETS** | | **192 220** | **198 249** |

# Consolidated statement of financial position

USD 1 000

| | Note | 2018 | 2017 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 15, 16 | 36 | 36 |
| Share premium | 16 | 1 779 | 1 779 |
| Other reserves | 16 | -344 | -344 |
| Retained earnings | | 175 383 | 187 911 |
| **Total equity** | **15,16** | **176 854** | **189 382** |
| **Liabilities** | | | |
| Pension liabilities | 12 | - | 343 |
| **Total long-term liabilities** | | - | **343** |
| Accounts payable | 19 | 4 158 | 3 052 |
| Taxes payable | 13 | 123 | 53 |
| Other current liabilities | 8, 19 | 11 085 | 5 419 |
| **Total current liabilities** | | **15 366** | **8 524** |
| **Total liabilities** | | **15 366** | **8 867** |
| **TOTAL EQUITY AND LIABILITIES** | | **192 220** | **198 249** |

Oslo, 26 April 2019

The Board of Directors

| | | |
|---|---|---|
| Arne Blystad<br>Chairman | Stewart Gordon Smith<br>Deputy Chairman | Peng Zhou<br>Board Member |
| Tom Erik Jebsen<br>Board member / CFO | Marianne H. Blystad<br>Board member | Torgeir E. Ramstad<br>Managing director |

# Consolidated cash flow statement

USD 1 000

| | Note | 2018 | 2017 |
|---|---|---|---|
| Profit before tax | | -12 561 | 9 569 |
| Taxes paid | 13 | -56 | -111 |
| Depreciation | 9 | 14 213 | 13 937 |
| Change in inventories | | -841 | 1 343 |
| Change in receivables | | -2 690 | -397 |
| Change in payables | | 1 107 | 1 061 |
| Effects of exchange rate changes | | 3 | - |
| Change in pension liability | | -393 | -21 |
| Change in other provisions | | 8 000 | 1 053 |
| **Net cash flow from operating activities** | | **6 782** | **26 434** |
| Investment in vessels and other | 9 | -26 445 | -4 181 |
| **Net cash flow used in investing activities** | | **-26 445** | **-4 181** |
| **Net change in cash and cash equivalents** | | **-19 663** | **22 253** |
| Cash and cash equivalents at beginning of period | | 30 755 | 8 502 |
| Cash and cash equivalents at end of period | | **11 092** | **30 755** |

# Consolidated statement of changes in equity

USD 1 000

| | Issued capital | Share premium | Other reserves | Retained earnings | Total |
|---|---|---|---|---|---|
| Balance as at 1 January 2017 | 36 | 1 779 | -344 | 178 612 | 180 082 |
| Profit for the year | | | | 9 370 | 9 370 |
| Dividend paid | | | | | |
| Other comprehensive income: | | | | | |
| Re-measurements, see note 12 | | | | -93 | -93 |
| Tax effect | | | | 22 | 22 |
| **Equity per 31 December 2017** | 36 | 1 779 | -344 | 187 910 | 189 382 |
| Change of accounting prinsiple | | | | 469 | 469 |
| Balance as at 1 January 2018 | 36 | 1 779 | -344 | 188 379 | 189 850 |
| Profit for the year | | | | -12 957 | -12 957 |
| Other comprehensive income: | | | | | |
| Re-measurements, see note 12 | | | | -50 | -50 |
| Tax effect | | | | 11 | 11 |
| **Equity per 31 December 2018** | 36 | 1 779 | -344 | 175 383 | 176 854 |

# Notes

**Note 1 Corporate information**

Offshore Heavy Transport AS (formerly Offshore Heavy Transportation AS/Albatross Investering AS), is a limited liability company incorporated and domiciled in Norway. The Company was incorporated 20 September 2007. The address of the main office is Haakon VIIs gate 1, 0161 Oslo. The Norwegian Enterprise no is 991 723 188.

The consolidated financial statements for the year ended 31 December 2018, were approved by the board of directors on 26 April 2019.

The principal activity of Offshore Heavy Transport AS (the parent company) is investing in and operating heavy transport vessels through its subsidiaries.

**Note 2 Accounting policies**

**Basis of preparation**
The consolidated financial statements for Offshore Heavy Transport AS (the Company) and its subsidiaries for the financial year 2018 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments which have been measured at fair value.

The consolidated financial statements are presented in USD and all numbers are rounded to the nearest thousand, except where otherwise indicated.

**Basis of consolidation**
The consolidated financial statements comprise the financial statements of Offshore Heavy Transport AS and its subsidiaries (the “Group”).

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.
All inter-company transactions and balances are eliminated in the consolidated financial statements.

**Summary of significant accounting policies**
*Vessel revenue and expense recognition*
Operating revenues are recognized when persuasive evidence of an agreement exist, the service has been delivered, fees are fixed and determinable, collection is probable and when other significant obligations have been fulfilled.
Prepaid revenues not yet earned is reported as deferred revenue.

Revenues and expenses related to voyage charters as well as ship operating expenses, are recorded based on percentage of completion (the number of days the voyage lasted in the period). A voyage is defined as starting at loading, ending at discharging. Revenues are not allocated to ballast days. See also headline ‘New and amendments to standards’.

Voyage related expenses include expenses such as bunkers, port cost, canal and strait dues, cribbing, grillage and seafastening, commissions etc.

Ship operating expenses, which include manning of the vessels, repair and maintenance.

*Foreign currency*
The consolidated financial statements are presented in USD, which is also the functional currency for the companies in the Group.

Transactions in foreign currencies are recorded at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate at the financial position date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

*Inventories*
Inventories mainly consist of bunkers and are recognized at cost. The consumption of bunkers is recognized in accordance with the first-in-first-out principle (FIFO).

*Vessels and dry-docking*
Vessels are stated at historical cost, less accumulated depreciation and impairment losses, if any. The cost of the vessels comprises its purchase price and any costs directly attributable to bringing the asset to be capable of operating in the manner intended by management. In situations where it can be clearly demonstrated that expenditures have resulted in an increase in the future economic benefits, the expenditures are capitalized to the vessels. Ordinary repairs and maintenance costs are expensed during the financial period in which they occur.

Depreciation is calculated on a straight-line basis, taking residual values into consideration. Drydocking is depreciated on a straight-line basis over the period until next similar drydocking.

Costs related to major inspections/classification (dry-docking) are recognized as part of the carrying amount of the vessels if certain recognition criteria are satisfied. The recognition is made when the dry-docking has been performed and is depreciated based on estimated time to the next dry-docking. Any remaining carrying amount of the cost of the previous inspection is derecognized.

The residual values and useful lives of the assets are reviewed and adjusted prospectively, if appropriate, at each financial position date. Residual values are estimated based on the vessels LDT (Light Deadweight Ton) and steel prices. As no reliable forward prices exist, the steel price is estimated to the price as of year-end. If prices have changed materially from last reporting period, the change is reflected in the financial statements.

*Impairment of vessels*
The vessels are reviewed for indication of impairment at each reporting date, and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's net selling price and its value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets if possible, or else for the cash generating unit. Each vessel is considered to be one cash generating unit.

Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

*Borrowing costs*
Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Other borrowing costs are recognized as an expense when incurred.

*Financial instruments*
The Group classifies its financial instruments in the following categories; loans/receivables and other financial liabilities. The classification depends on the purpose for which the investments were made. Management determines the classification of its financial assets at initial recognition and re-evaluates the classification at each reporting date. The purchases and sales of financial assets are recognized on the trade date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are carried at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the loans and receivables are de-recognized or impaired, as well as through the amortization process.

*Financial position classification*
Current assets and short-term liabilities include items due less than one year from the balance sheet date, and items related to the operating cycle. The current portion of long-term debt is included as current liabilities. Financially motivated investments in shares are classified as current assets, while strategic investments are classified as non-current assets. Other assets are classified as non-current assets. Financial liabilities are presented as current if the liability is due to be settled within 12 months after the financial position date, whereas liabilities with the legal right to be settled more than 12 months after the financial position date are classified as non-current.

*Trade receivables and other receivables*
Current trade receivables and other receivables are recorded at their nominal value less provisions for bad or doubtful debt. The Group regularly reviews its accounts and estimates the amount of uncollectible receivables and establishes an allowance for uncollectible amounts.

*Trade payables and other payables*
Current trade payables and other payables are recognized initially at fair value and subsequently measured at cost.

*Cash, cash equivalents and cash flow statement*
Cash represents cash on hand and deposits with bank that is callable on demand.

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

The cash flow statement is prepared using the indirect method.

*Financial liabilities*
Interest-bearing debt is recognized at fair value when the Group becomes a party to the contractual provisions of the instrument, and subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on the settlement. Financial liabilities are derecognized from the financial position when the contractual obligation expires, is discharged or cancelled. Gains

and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest income/other financial income and interest/other financial expenses.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognizing of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

*Provisions*
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as financial expense.

*Share issuance*
Share issuance costs related to a share issuance transaction are recognized directly in equity after deduction of tax.

*Ordinary taxation*
The vessel owning companies are all under the Norwegian tonnage tax regime, whereas OHT Management AS and the parent company are subject to the ordinary Norwegian taxation regime. Current income taxes are measured at the amount expected to be paid to (due from) authorities, deferred tax assets/liabilities are calculated based on temporary differences at the reporting date. Deferred tax assets are recognized to the extent that it is probable that they can be utilized in the future. Dividends and capital gains are taxed according to the Norwegian exemption model. Tonnage taxes are classified as operating expenses.

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

*Contingent liabilities*
Contingent liabilities are defined as possible obligations that arise from past events whose existence depends on one or more future events not wholly within the control of the entity, or present obligations that are not recognized because it is not probable that they will lead to an outflow of resources.

Contingent liabilities are not recognized on the balance sheet unless arising from assuming assets and liabilities in a business combination. Significant contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefit is a remote one.

Contingent assets are not accounted for unless virtually certain.

*Derivative instruments*
Derivative instruments are implemented for the purpose of hedging operational and financial risks. The contracts are with highly rated and reputable financial institutions and commodities brokers, and do not meet criteria for hedge accounting.
Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument are recognized immediately in profit or loss and are included in voyage related expenses.

*Government grants*
Government grants are recognized in the accounts if it is reasonable assurance that conditions will be met and grant will be received. The grants are recorded on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grant is intended to compensate.

**Significant accounting judgments, estimates and assumptions**
*Estimates*
The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that may affect assets, liabilities, revenues, expenses and information in notes to the financial statement. Estimates are management's best assessment based on information available at the date the financial statements are authorized for issue. Actual results may differ from these estimates. Such changes will be recognized when new estimates can be determined with certainty.

*Depreciation and impairment of vessels*
Depreciation is based on management estimates of the future life of the vessels and residual values. Estimates may change due to changes in scrap value, technological development, competition and environmental and legal requirements. Management reviews the future useful life of the vessels periodically taking into consideration the above mentioned factors. In case of changes in estimated useful lives and/or residual values, the depreciation of the vessels is adjusted prospectively.

Management assesses whether there are any indicators of impairment for all vessels and new building assets if any at each reporting date. These assets are tested for impairment when there are indications that the carrying amounts may not be recoverable. Management applies significant judgment to identify impairment indicators if any. An impairment loss shall be recognized if the recoverable amount of non-financial assets is less than the carrying amount. The recoverable amount of these assets are assessed by reference to the higher of value in use, being the net present value of future cash flows expected to be generated by the asset, and fair value less costs to dispose. Management applies significant judgment to estimate the future cash flows including determination of a reasonable discount rate to discount the estimated future cash flow. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods.

*Revenue recognition*
The Group recognizes voyage revenues and voyage related expenses proportionally over the estimated length of each voyage, on a loading to discharge basis. Cost related to fulfilment of the contract incurred prior to loading is capitalized as mobilization costs and amortized over the associated period for which revenue is recognized. At the time of the prior voyage discharge, management generally knows the next load port and expected second discharge port, ensuring that the calculation of voyage revenues and costs over time can be estimated with a satisfactory degree of accuracy. See also headline 'New and amendments to standards'.

Demurrage revenue is recognized at the time demurrage services have been rendered if it is considered probable that the Group will receive payment.

*Segment information*
The Group has only one segment, being the operation of five heavy transport vessels. Further, the Group has not specified segment information on a geographical basis as the Group is of the opinion that such information is not relevant for the Group, given that the vessels trade world-wide.

**Events after financial position date**

New information regarding the Group's situation on the financial position date is taken into account in the financial statements. Events occurring after the financial position date, that do not affect the Group on the financial position date but will affect the Group's situation in the future, are disclosed if significant.

**New and amendments to standards**

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

*IFRS 15 – Revenue from contracts with customers*, for periods beginning on or after 1 January 2018.
The group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. Under the new standard, an entity recognizes revenue only when it satisfies a performance obligation by transferring a promised good or service (over time or at a point in time) to a customer. A good or service is considered to be transferred when the customer obtains control. Recognizing revenue upon a transfer of control is a different approach from the "risks and rewards" model in IAS 18. A performance obligation is satisfied over time if any one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits of the entity's performance as the entity performs.
- The entity's performance creates or enhances an asset (work-in-progress) that the customer controls as the asset is created or enhanced.

Gross freight revenue is assessed to meet the criteria for revenue recognition over time as the customer simultaneously receives and consumes the benefits as the entity performs. The revenue recognition has been changed from a discharge-to-discharge basis to a load-to-discharge basis. Cost related to fulfilment of the contract incurred prior to loading is capitalized as mobilization costs and amortized over the associated period for which revenue is recognized. Voyage and operating expenses incurred as repositioning for non-committed freight contracts are expensed as incurred. Other revenue from services, such as demurrage, is recognized when earned and is included in freight revenue.

The group has adopted the new rules using a modified retrospective approach, recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application. The change in accounting policies resulted in the following implementation effect:

| USD 1 000 | |
|---|---|
| Gross revenue | -870 |
| Voyage expense | 964 |
| Ship opex | 374 |
| Other equity | -469 |

*IFRS 9 – Financial instruments*, for periods beginning on or after 1 January 2018.
IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The group has only one type of financial assets that are subject to IFRS 9's new expected credit loss model: Trade receivables for sale of services. The group adopted the simplified expected credit loss model for its trade receivables with only minor effects. No assets held by the group were subject to reclassifications in IFRS 9. The impact of the change in impairment on the group is immaterial and no adjustments have been reflected in retained earnings.

There are no other new or amended standards adopted by the group or parent company from 1 January 2018 or later.

**New and revised standards, not yet effective**

The following new or amendments to standards have been issued and become effective in years beginning on or after January 1, 2019, assuming European Union adoption. Other than IFRS 16, none of these standards are expected to give material effect on the Group's financial statements.

*IFRS 16, 'Leases'* was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term (less than 12 months) and low-value leases. The Group has a preliminary assessment of the impact of IFRS 16. The details can be found in note 10.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

## Note 3 Inventory of bunkers

The balance at 31 December consists of the vessels' inventory of bunkers and lube oil.

## Note 4 Specification of expenses

| USD 1 000 | 2018 | 2017 |
|---|---|---|
| **Voyage related expenses** | | |
| Port expenses | 4 024 | 5 025 |
| Bunker costs | 22 494 | 15 954 |
| Other voyage related expenses | 4 356 | 8 330 |
| **Total** | **30 874** | **29 308** |
| | | |
| **Vessel operating expenses** | | |
| Crewing expenses | 9 731 | 9 873 |
| Maintenance and stores | 3 808 | 4 070 |
| Spare parts and repairs | - | 666 |
| Insurance | 699 | 769 |
| Other operating expenses | 2 856 | 2 635 |
| **Total** | **17 095** | **18 013** |
| | | |
| **Employee benefit expenses** | | |
| Salaries (note 18) | 2 967 | 3 717 |
| Social security costs | 556 | 452 |
| Pension expenses (note 12) | -28 | 259 |
| Other personnel expenses | 550 | 340 |
| **Total** | **4 046** | **4 767** |
| | | |
| Number of staff | 22 | 19 |
| | | |
| **Administrative expenses** | | |
| Management fee (note 18) | 524 | 432 |
| Other fees | 1 737 | 1 254 |
| Travel expenses and membership fees | 176 | 149 |
| Other administrative expenses | 883 | 1 150 |
| **Total** | **3 320** | **2 985** |

| **Audit fees (excluding VAT)** | | |
|---|---|---|
| Audit related fees | 60 | 69 |
| Other services | 1 | - |
| **Total** | **61** | **69** |

Fees to the Group's auditors are included in administrative expenses.

**Note 5 Specification of net foreign exchange gain/(loss)**

| USD 1 000 | 2018 | 2017 |
|---|---|---|
| Foreign exchange gain | 161 | 451 |
| Foreign exchange loss | 152 | 575 |
| **Net foreign gain/(loss)** | **9** | **-124** |

**Note 6 Cash and cash equivalents**

The Group's cash and cash equivalents are denominated in the following currencies as of 31 December:

| USD 1 000 | 2018 | 2017 |
|---|---|---|
| US Dollars | 10 351 | 30 629 |
| Norwegian kroner | 542 | 688 |
| Other currencies | 199 | -562 |
| **Total cash and cash equivalents** | **11 092** | **30 755** |
| *Restricted cash* | | |
| Employee tax accounts | 225 | 229 |
| **Total restricted cash** | **225** | **229** |

Interest income is earned at floating interest rates.

See also note 14 and 19 for further information.

**Note 7 Total receivables**

| USD 1000 | 2018 | 2017 |
|---|---|---|
| | Carrying amount | Carrying amount |
| Trade receivables | 5 998 | 3 308 |
| Other receivables | 2 435 | 4 809 |
| | **8 433** | **8 117** |

As of 31 December 2018, trade receivables of USD 2.2 million (2017: 1.9 million) were considered doubtful, thus provided for.

| | 2018 | 2017 |
|---|---|---|
| Up to 3 months | 5 939 | 3 308 |
| 3 to 6 months | - | 67 |
| More than 6 months | 2 283 | 1 871 |

Trade receivables, receivables Group companies and other receivables are non-interest bearing. USD 4.9 million of outstanding trade receivables at 31 December 2018 has been paid in early 2019. The receivables are denominated in USD.
See also note 19.

## Note 8 Other current liabilities

| USD 1000 | 2018 | 2017 |
|---|---|---|
| Deferred revenue | 5 338 | 1 797 |
| Public Duties | 381 | 378 |
| Other current liabilities | 5 366 | 3 244 |
| **Total** | **11 085** | **5 419** |

Other current liabilities are non-interest bearing.

See also note 19.

## Note 9 Vessels and other fixed assets

| USD 1 000 | Heavy transport vessels | Docking | Vessel under construction and development asset | Other | Total |
|---|---|---|---|---|---|
| **Cost at 1 January 2017** | **196 044** | **13 309** | **528** | **234** | **210 115** |
| Additions 2017 | 1 804 | 575 | 1 830 | 152 | 4 361 |
| Government grant | -633 | | -297 | | -930 |
| **Cost at 31 December 2017** | **197 215** | **13 884** | **2 062** | **387** | **213 547** |
| | | | | | |
| Additions 2018 | 3 098 | 2 241 | 21 028 | 181 | 26 548 |
| Government grant | | | -103 | | -103 |
| Disposed | | | | -43 | -43 |
| **Cost at 31 December 2018** | **200 312** | **16 125** | **22 987** | **525** | **239 950** |
| | | | | | |
| **Acc. Depr. at 1 January 2017** | **38 944** | **6 970** | **-** | **150** | **46 063** |
| Depreciation 2017 | 11 767 | 2 119 | - | 51 | 13 937 |
| **Acc. Depr. at 31 December 2017** | **50 710** | **9 089** | **-** | **201** | **60 000** |
| | | | | | |
| Depreciation 2018 | 11 942 | 2 187 | - | 84 | 14 213 |
| Disposed | - | - | - | -38 | -38 |
| **Acc. Depr. at 31 December 2018** | **62 653** | **11 277** | | **246** | **74 176** |
| | | | | | |
| **Closing net book amount 2018** | **137 660** | **4 848** | **22 987** | **279** | **165 774** |

Assets are depreciated on a straight-line basis over their expected remaining useful lives as follows:

| | |
|---|---|
| Heavy transport vessels | 4 - 12 years |
| Office furniture | 5 years |
| Computer equipment | 3 years |

Certain components, such as costs recognized in connection with major classification/dry-docking and transportation equipment, have shorter useful lives.

| | |
|---|---|
| Dry-docking | 2.5 - 5 years |

Indicators of vessel impairment has been assessed. The Management has concluded no indicators found as per 31 December 2018.

**Note 10 Commitments and contingencies**

The Group has decided to dry dock the fleet as well as installing scrubbers on the fleet. The total costs are estimated to USD 16.4 million, USD 9.1 million to scrubbers incl. installation and USD 7.3 million to dry docking.
In addition, the subsidiary OHT Alfalift AS has entered into a shipbuilding contract. The company has committed to pay in total 30 % of the contract value upfront, of which 10% was paid in 2018, the remaining 70 % upon delivery in 2020. To finance the remaining 70 %, the company intend enter into a sale leaseback contract with the leasing company of the yard.

USD 1 000

| Commitments | 2019 | 2020 | Total |
|---|---|---|---|
| Dry docking of vessel | 6 550 | 750 | 7 300 |
| Scrubber installation on the vessel | 7 496 | 1 609 | 9 105 |
| Shipbuilding contract | 18 990 | 151 920 | 170 910 |
| Total | 33 038 | 154 281 | 187 315 |

Moreover, the Group has a lease contract for the head office that is not recognized in the financial statements as per 31.12.2018. Annual lease cost for the office lease contract is USD 0.5 million with a sublease to related parties of USD 0.2 million. The contract expires on 30 June 2019, but an option to extend by another 5 years beyond that date has been called upon.

*IFRS 16, 'Leases'* was issued in January 2016, see note 2. As of 1 January 2019, the Group has only the lease contracts mentioned above. Consequently, the Group will not make use of any scope exemptions.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. As of 1 January 2019, the lease liability will be measured at the present value of remaining lease payments, discounted using the incremental borrowing rate at such date. The right-of-use asset will be measured at an amount equal to the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

**The preliminary effect on the balance sheet as at 1 January 2019 is presented below**

| USD 1 000 | |
|---|---|
| Lease liability at 1 January 2019 | - 2.259 |
| Right-of-use asset at 1 January 2019* | 2.259 |
| Difference between lease liability and right-of-use asset per 1 January 2019 | 0 |

**Right-of-use asset for the lease liability property. Net right-of-use will be reduced for sublease.*

| Net implementation effects of lease and sublease: | |
|---|---|
| Estimated improvement of EBITDA | 296 |
| Annual depreciation expenses of leased asset will increase approximately | 231 |
| Annual net interest expense will increase approximately | 127 |
| Cash flow statement reclass operational to financial | 296 |

**Expected future impact on the income and cash flow statement**

The group expects that net profit after tax will decrease by approximately USD 62 thousand for 2019 as a result of adopting the new rules. EBITDA is expected to increase by approximately USD 296 thousand, as the operating lease payments were previously included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase, and financing cash flows decrease by approximately USD 295 thousand as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

## Note 11 Investments in subsidiaries

The consolidated financial statements include the financial statements of Offshore Heavy Transport AS and its subsidiaries listed in the table below:

| Subsidiary | Country of incorporation | Ownership share | Consolidated in the Group financial statements from |
|---|---|---|---|
| OHT Eagle AS | Norway | 100 % | 11.09.2012 |
| OHT Falcon AS | Norway | 100 % | 11.09.2012 |
| OHT Osprey AS | Norway | 100 % | 11.09.2012 |
| OHT Hawk AS | Norway | 100 % | 11.09.2012 |
| OHT Albatross AS | Norway | 100 % | 09.04.2013 |
| OHT Alfalift AS | Norway | 100 % | 13.11.2017 |
| OHT Management AS | Norway | 100 % | 11.09.2012 |

The Norwegian subsidiaries have their main office in Oslo, Norway.

## Note 12 Pension cost, funding and obligations

The subsidiary OHT Management AS has set up a defined contribution scheme with a life insurance company to provide pension benefits for its employees. The defined benefit scheme was phased out in 2018 and employees under this scheme were transferred to the contribution scheme. The effect of this amounts USD 305 thousand. Remeasurements, net after tax USD -39 thousand (-71 in 2017), was booked to Equity through Other Comprehensive Income.

As pensions have no material effect on the Financial Statement for the Group, further disclosures are not provided.

## Note 13 Income tax

| USD 1 000 | 2018 | 2017 |
|---|---|---|
| **Current income tax** | | |
| Current income tax (taxes payable)* | 86 | 9 |
| **Deferred income tax** | | |
| Change in deferred tax | 266 | 117 |
| Effect due to changed tax rate from 25% to 24% to 23% | 32 | 50 |
| Tax effect on re-measurements of pension obligations | 11 | 22 |
| **Income tax expense/(income)** | **395** | **198** |

* The difference to tax payable in the Consolidated statement of financial position is related to tonnage taxes, which is classified as operating expenses and not included in income tax expense.

| **Reconciliation of total income tax expense during the year to the income tax expense at the statutory income tax rate applicable in Norway:** | **2018** | **2017** |
|---|---|---|
| Profit/(loss) before tax | **-12 561** | **9 569** |
| Tax at Norway's statutory income tax rate of 23% (24 %) | -2 889 | 2 392 |
| Non-deductible expenses or non-taxable items (1) | 3 284 | -2 590 |
| **Income tax income/(expense)** | **395** | **-198** |

(1) Relates mainly to non-taxable income within the tonnage tax system.

Deferred income tax at 31 December relates to the following:

| | | |
|---|---|---|
| **Deferred tax assets** | | |
| Pensions | - | 3 |
| Fixed assets | -3 | 79 |
| Tax losses carried forward | 988 | 1 200 |
| **Deferred tax assets** | **985** | **1 282** |

| | | |
|---|---|---|
| Deferred tax, opening balance | 1 282 | 1 449 |
| Income statement change | -298 | -167 |
| **Deferred tax, ending balance 23% (24%)** | **985** | **1 282** |

The subsidiaries OHT Eagle AS, OHT Falcon AS, OHT Osprey AS, OHT Hawk AS, OHT Albatross AS and OHT Alfalift AS are organized under the Norwegian tonnage tax regime. The entering into the Norwegian tonnage tax regime did not result in tax for the Group. Dividend from the subsidiaries will be exempt from tax under the tax exemption regulations.

The tonnage taxed companies have tax losses carried forward totaling USD 0.4 million. Deferred tax has not been recognized in these companies. For the other Group companies, deferred tax is recorded in the balance sheet.

Most of the deferred tax assets relating to losses carried forward is expected to be reversed in the near future.

Taxes payable in the balance sheet consists of tonnage tax and tax on financial income from shipping activities.

## Note 14 Interest-bearing debt

The Group had no interest bearing debt as per 31 December 2018.

See also note 10 and 20

## Note 15 Shares and shareholders

| **Shareholders as of 31 December 2018** | Number of shares | Ownership share |
|---|---|---|
| Songa Corp | 6 667 | 66,67 % |
| Lotus Marine AS | 3 333 | 33,33 % |
| **Total number of shares** | **10 000** | **100 %** |

See note 16 and 17.

**Note 16 Share capital and premium**

| USD 1 000, unless otherwise specified | Number of shares | Share capital | Share premium |
|---|---|---|---|
| **Ending balance 2017** | **10 000** | **36** | **1 779** |
| **Ending balance 2018** | **10 000** | **36** | **1 779** |

The share capital consists of 10 000 shares at a nominal value of NOK 20,-.

All issued shares are of equal rights. Offshore Heavy Transport AS is incorporated in Norway and the share capital is denominated in NOK.

There are no registered authorizations for issuing new share capital per 31 December 2018.

See also Consolidated statement  of changes in equity.

**Note 17 Earnings per share**

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

There are no dilutive instruments outstanding for the periods presented.

| USD 1 000, unless otherwise indicated | 2018 | 2017 |
|---|---|---|
| Net profit/(loss) attributable to the shareholders | -12 966 | 9 300 |
| Weighted average number of ordinary shares outstanding | 10 000 | 10 000 |
| Weighted average number of shares outstanding, diluted | 10 000 | 10 000 |
| Basic earnings per share | -1.30 | 0.93 |
| Diluted earnings per share | -1.30 | 0.93 |

**Note 18 Related parties**

In the normal course of its business, the Group enters into transactions with related parties. Technical management for the vessels is provided by Songa Shipmanagement Ltd, a company in the Blystad group. The Group's main office is located in the Blystad group offices, and certain administrative/management services have been supplied from the Blystad group. All transactions with related parties have been made on an arm's length basis and are settled on a regular basis. Transactions with related parties are specified below:

| USD 1 000, unless otherwise indicated | Year | Sales to related parties | Purchases from related parties | Amounts owed by related parties | Amounts owed to related parties |
|---|---|---|---|---|---|
| Blystad Group | 2017 | 214 | 1 498 | - | 10 |
| Blystad Group | 2018 | 221 | 1 664 | - | - |

**Remuneration to the board of directors and company management**
There has been no remuneration in 2018 to the Board members. The Chief Executive Officer has received remuneration of USD 502 thousand and other management USD 205 thousand in 2018.

At the end of 2018, the Group had 22 employees.

The Group had no outstanding loans or guarantees for the benefit of board members or management in 2018.

The compensation structure for Offshore Heavy Transport AS is designed to contribute to value creation for the shareholders. The board determines the compensation system. For Group management, the compensation system comprised in 2018 of salary, bonus and a pension and insurance scheme.

**Shares and stock options controlled by board members and Group management**
Songa Corp, owning 66.67% of the shares at 31 December 2018 is under the control of the Chairman of the Board, Mr. Arne Blystad and Board member Mrs. Marianne H. Blystad. No shares or share options are owned by key management at 31 December 2018.

## Note 19 Financial instruments and risk management

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

| | 2018 | | 2017 | |
|---|---|---|---|---|
| USD 1 000 | Carrying amount | Fair value | Carrying amount | Fair value |
| Trade receivables | 5 998 | 5 998 | 3 308 | 3 308 |
| Other receivables, incl group | 2 435 | 2 435 | 4 809 | 4 809 |
| Cash and cash equivalents | 11 092 | 11 092 | 30 755 | 30 755 |
| Accounts payable | 4 158 | 4 158 | 3 052 | 3 052 |
| Other current liabilities, incl group | 11 208 | 11 208 | 5 472 | 5 472 |

| | | | 2018 | | 2017 | |
|---|---|---|---|---|---|---|
| Hedging object | Hedging instrument | Hedge included in P&L | P&L effect | Fair value | P&L effect | Fair value |
| Bunker cost | Commodity swap | Voyage related expenses | 336 | - | 104 | 75 |

**Financial risk**
The Offshore Heavy Transport Group owns and operates heavy transport vessels for transport operations mainly for the Oil & Gas and offshore sector. The activity is international and exposed to financial market risks such as fluctuations in currency exchange rates, interest rates, the oil price (including bunkers) and other market risks that may influence the value of assets, liabilities and cash flows.

To reduce and manage these risks, management periodically assesses the Group's financial market risk in general, as well as evaluating hedging strategies for specific exposures as they arise. The primary strategy used for reducing the financial market risks is the use of derivatives, where appropriate.

**Operational risk**
Derivative instruments are only implemented for the purpose of hedging operational risks. The Group does not trade or use instruments with the objective of earning financial gains from bunkers price, interest rate or exchange rate fluctuations alone. The Group only employs conventional derivative instruments in contracts with highly rated and

reputable financial institutions and commodities brokers. During 2018 and 2017, the OHT Group entered into contracts for procurement of fixed quantities of bunkers at a price fixed in advance, with cash settlement at due date. The contracts are similarly designed and are valued at fair value through voyage related expenses in profit or loss. Four contracts have been settled in 2018. The contracts do not meet criteria for hedge accounting.

Normally, freight agreements with customers would involve a clause concerning bunkers compensation (to reduce risk for increase in prices). A few recent agreements do not involve this clause, and to reduce risk for increase in prices the Group has entered into hedging contracts.

**Currency risk exposure**
The assets of the Group and the debt financing are denominated in USD and so are operating revenues. The exposure to currency risk of consolidated accounts in USD is related to the part of the operating and administrative expenses denominated in other currencies than USD.

Changes in the value of the USD relative to the currencies of the operating and administrative costs will expose the Group to currency risk. To manage the currency risk, the management reviews whether to enter into forward contracts for USD/NOK or USD/EUR or using other financial instruments to hedge this risk.

| Effects in 1 000 USD | Change in USD/NOK | 2018 | 2017 |
|---|---|---|---|
| Sensitivity to change in USD/NOK | | | |
| Effect on operating costs, full year effect | 0.10 | 134 | 82 |

For example a change from USD/NOK 8.70 to 8.60

The balance sheet items denominated in other currencies than USD are considered insignificant. No forward contracts or other derivative contracts were in effect at the balance date.

**Exposure to fluctuations in the interest rate**
As at 31 December 2018 the Group has no external debt, thus not exposed to interest rate risk.

**Credit risk exposure**
The Group is exposed to credit risk in the case that receivables from customers are not paid or in the case that contract parties to derivative contracts default their commitment. The customers are in general large companies with good credit rating. For new customers, a credit evaluation is performed. Furthermore, the freight contracts contain a payment clause ensuring pre-payment of a significant part of the contract value. Ageing analysis of past due balances is presented in note 7. Provision for doubtful accounts has been made at year-end.

**Liquidity risk exposure**
Liquidity risk may arise if a company is not able to pay its financial obligations at due date. The Group applies cash flow forecasting to ensure that the activities are adequately financed at all times. It is our view that the cash flow from operations and from planned financing activities is sufficient to fulfill all financial obligations.

See also note 20.

Maturity analysis for financial liabilities recorded at the balance date:

| 2018<br>USD 1 000 | 0-1 Years | 2 Years | 3+ Years |
|---|---|---|---|
| Accounts payable | 4 158 | - | - |
| Related party liabilities | - | - | - |

| 2017<br>USD 1 000 | 0-1 Years | 2 Years | 3+ Years |
|---|---|---|---|
| Accounts payable | 3 052 | - | - |
| Related party liabilities | 10 | - | - |

## Note 20 Events occurring after the reporting period

At 18 March 2019 the Group entered into an agreement with Skandinaviska Enskilda Banken (SEB) for a revolving credit facility of USD 30 million. Maturity date is 31 December 2020. Offshore Heavy Transport AS is, together with its subsidiaries, jointly and severally liable for the loan. As security for the facility the Group has pledged vessels, customer balances and cash reserves. The loan has floating interest at Libor +3,75%.

The loan agreement includes customary financial covenants as follows:
Minimum consolidated liquidity shall at all times be the higher of (i)USD 5 000 000 and (ii)USD 1 000 000 per collateral vessel, a minimum value clause which means the aggregated Fair Market Value of the collateral vessels shall at all times be at least equal to 200% of the outstanding amount under the Credit Facility, the working capital shall at all times be greater than USD 0 and a minimum equity ratio shall at all times be at least 40.00%.

# Offshore Heavy Transport AS

# Financial statements - parent company 2018

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Phone: +47 21 01 34 50
Fax: +47 22 83 21 51
Norwegian Enterprise no: 991 723 188
www.oht.no

# Statement of income

NOK 1 000

| | Note | 2018 | 2017 |
|---|---|---|---|
| Other operating income | 1 | - | 1 005 |
| **Operating revenues** | | **-** | **1 005** |
| | | | |
| Administrative expenses | 2 | 8 988 | 6 058 |
| **Total operating expenses** | | **8 988** | **6 058** |
| | | | |
| **Net operating profit/(loss)** | | **-8 988** | **-5 054** |
| | | | |
| Group contribution from subsidiary | | 7 008 | 695 |
| Dividend from subsidiaries | 5 | 27 000 | 140 000 |
| Other financial income | 3, 5 | 11 200 | 4 420 |
| Other financial costs | 3, 5 | -7 176 | -7 988 |
| Net foreign exchange gain / (loss) | 3 | 4 562 | 12 804 |
| **Net financial income/(expenses)** | | **42 593** | **149 931** |
| | | | |
| **Net profit before tax** | | **33 605** | **144 877** |
| | | | |
| Taxes | 7 | 1 868 | 1 429 |
| | | | |
| **Net profit/(loss)** | | **31 737** | **143 448** |
| | | | |
| **Allocation of net profit** | | | |
| Transfer to/from other equity | | 31 737 | 143 448 |
| **Total allocated net profit** | | **31 737** | **143 448** |

# Statement of financial position

NOK 1 000

| | Note | 2018 | 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Deferred tax assets | 7 | 7 566 | 9 434 |
| **Total deferred tax assets** | | **7 566** | **9 434** |
| Development Asset | 11 | 19 635 | 15 551 |
| **Total intangible assets** | | **19 635** | **15 551** |
| Investments in other Group companies | 6 | 612 813 | 281 002 |
| Available for sale financial investment | | 6 356 | 6 356 |
| **Total Financial assets** | | **619 169** | **287 358** |
| **Total non-current assets** | | **646 370** | **312 344** |
| **Current assets** | | | |
| Receivables Group companies | 5 | 223 590 | 564 073 |
| Taxes receivable | 11 | 896 | 2 435 |
| Other receivables | | 9 032 | 662 |
| **Total receivables** | | **233 519** | **567 170** |
| **Derivative instruments** | **14** | **-** | **625** |
| **Cash and cash equivalents** | **4** | **1 543** | **0** |
| **Total current assets** | | **235 063** | **567 796** |
| **TOTAL ASSETS** | | **881 432** | **880 139** |

# Statement of financial position

NOK 1000

| | Note | 2018 | 2017 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 8 | 200 | 200 |
| Share premium | 9 | 8 903 | 8 903 |
| Retained earnings | 9 | 778 130 | 746 393 |
| **Total equity** | **8, 9** | **787 232** | **755 496** |
| **Liabilities** | | | |
| Accounts payable | | 1 988 | 5 236 |
| Liabilities to Group companies | 12 | 91 978 | 117 941 |
| Other current liabilities | | 234 | 1 466 |
| **Total current liabilities** | | **94 200** | **124 644** |
| **Total liabilities** | | **94 200** | **124 644** |
| **TOTAL EQUITY AND LIABILITIES** | | **881 432** | **880 139** |

Oslo, 26 April 2019

The Board of Directors

Arne Blystad
Chairman

Stewart Gordon Smith
Deputy Chairman

Peng Zhou
Board member

Tom Erik Jebsen
Board member / CFO

Marianne H. Blystad
Board member

Torgeir E. Ramstad
Managing director

# Cash flow statement

| NOK 1000 | 2018 | 2017 |
|---|---|---|
| Profit/(loss) before tax | 33 605 | 144 877 |
| Change in receivables and prepayments | -6 706 | - |
| Change in payables and accruals | -3 248 | 4 827 |
| Change in other provisions | -18 023 | -131 137 |
| **Net cash flow from operating activities** | **5 628** | **18 567** |
| Investments in financial asset | - | -6 416 |
| Investments in other assets | -4 083 | -15 551 |
| **Net cash flow used in investing activities** | **-4 083** | **-21 967** |
| **Net cash flow used in financing activities** | **-** | **-** |
| **Net change in cash and cash equivalents** | **1 543** | **-3 400** |
| Cash and cash equivalents at beginning of period | 0 | 3 400 |
| **Cash and cash equivalents at end of period** | **1 543** | **0** |

# Notes

**Note 1 Accounting principles for the financial statements for Offshore Heavy Transport AS – parent accounts.**

**General**
The financial reports are disclosed in accordance with the Norwegian Accounting Act and Norwegian general accepted accounting principles.

**Currency**
The parent company accounts are reported in Norwegian kroner (NOK) which is also the Functional currency for the parent company.

**Estimates**
Management has used estimates and assumptions that may have effect on revenues, costs and the valuation of assets and liabilities in the reporting of the annual financial statements.

**Measurement of revenues and costs**
Revenues are recognised as they are earned. Costs are recognised in the same reporting period as the corresponding revenues.

**Classification and evaluation of balance sheet items**
Current assets and short-term liabilities consist of items due for payment within a year after recognition. Other items are recognised as long-term assets or liabilities.

Current assets are valued at the lowest of acquisition value or fair value. Short-term liabilities are recorded at the nominal value at the time of recognition.

Non-current assets are valued to the value at the time of acquisition less accumulated depreciation. Long-term loans are valued at nominal value at the time of recognition.

**Taxes**
The income tax in the statement of income consists of taxes payable and changes in deferred taxes. Deferred tax and deferred tax benefit is calculated based on temporary differences between tax bases of assets and liabilities and their carrying amount for financial reporting purposes and is based on nominal values. Net deferred tax benefit is recorded in the statement of financial position only in the event that it is probable that it can be utilised in the foreseeable future.

Taxes payable and deferred taxes are recorded directly in equity in the event that the tax items are related to equity transactions.

**Shares in subsidiaries**
Investment in shares in subsidiaries is accounted for using the cost-method in the statutory accounts. An impairment loss is recognised if the fair value is lower than book value and this is viewed as non-temporary. The impairment loss is reversed to the degree that the fair value improves, and that the improvement is not assumed to be of a short-term nature.

**Currency**
Monetary items in foreign currency are recorded at year-end exchange rates, 8.6885 in 2018 and 8.205 in 2017. Realised currency exchange gains or losses are recorded at the time of payment.

**Cash, cash-equivalents and cash flow statement**
Cash and cash-equivalents include cash, bank deposits and other short-term deposits that are repayable on demand.

**Derivative instruments**
Derivative instruments are implemented for the purpose of hedging operational and financial risks. The contracts are with highly rated and reputable financial institutions and commodities brokers, and do not meet criteria for hedge accounting.

Changes in fair value of the company's derivative instruments are recognized immediately in profit or loss and are included in other income or other expenses

**Development Asset**
Development assets are capitalized if it is probable that future economic benefits will flow to the entity, and if the cost can be measured reliably.

**Government grants**
Government grants are recognized in the accounts if it is reasonable assurance that conditions will be met, and grant will be received. The grant is recorded on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grant is intended to compensate.

The cash flow statement is prepared using the indirect method.

## Note 2 Specification of sales, general and administration expenses

NOK 1 000

| **Administrative expenses** | **2018** | **2017** |
|---|---|---|
| Salaries to Directors | - | 1 119 |
| Administration cost | 8 950 | 4 920 |
| Other operating costs | 38 | 19 |
| **Total administrative expenses** | **8 988** | **6 058** |

The company had no employees in 2018, thus no occupational pension scheme pursuant to the occupational pension law.

| **Auditor's fees excluding VAT 1)** | **2018** | **2017** |
|---|---|---|
| Audit fees | 214 | 252 |
| Audit related fees | 10 | - |
| **Total** | **224** | **252** |

1) Fees to the auditor are included in administration costs

## Note 3 Specification of financial items

NOK 1 000

| **Other financial income** | **2018** | **2017** |
|---|---|---|
| Interest income from Group companies | 6 875 | 3 793 |
| Interest income others | 1 531 | 627 |
| Other financial income | 2 794 | - |
| **Other financial income** | **11 200** | **4 420** |

| **Other financial costs** | **2018** | **2017** |
|---|---|---|
| Interest cost to Group companies | -5 818 | -6 829 |
| Interest cost on loans | -1 304 | -644 |
| Other financial costs | -55 | -515 |
| **Total financial costs** | **-7 176** | **-7 988** |

| **Foreign exchange gain/(loss)** | **2018** | **2017** |
|---|---|---|
| Foreign exchange gain/(loss) re. Loans | - | 30 |
| Foreign exchange gain/(loss) re. intercompany loans/receivables | 3 275 | 13 010 |
| Other foreign exchange gain/(loss) | 1 287 | -235 |
| **Total foreign exchange gain/(loss)** | **4 562** | **12 804** |

## Note 4 Cash and cash equivalents

NOK 1000
The Company's cash and cash equivalents are denominated in the following currencies as of 31 December 2018:

| | **2018** | **2017** |
|---|---|---|
| US Dollars | 1 143 | 1 082 |
| Norwegian kroner | 424 | -529 |
| EUR | -24 | -1 311 |
| **Total cash and cash equivalents** | **1 543** | **-758** |

Offshore Heavy Transport AS is party to the corporate group account agreement with the bank, thus being the formal owner of the net deposit of the account system at any point in time. The parent company and group net deposit in the group account system consists of the total deposits less the total overdraft of the participants. The net deposit balance of the group account system is at 31 December 2018 NOK 63 343.

The 2017 negative balance of NOK 758 was reported as Other current liabilities.

The Cash and cash equivalents disclosed above and in the statement of cash flow, include NOK 0 (2018) and NOK 456 (2017) which are restricted to tax withholdings.

## Note 5 Receivables with due date no later than one year

| NOK 1000 | **2018** | **2017** |
|---|---|---|
| Dividend from subsidiaries, accrued | 68 008 | 390 695 |
| Intercompany short-term loans | 155 582 | 173 379 |
| **Total** | **223 590** | **564 073** |

Interest bearing loan versus group companies carry interest at 2.92 % for NOK and 5.23 % for USD per annum.
Repayment takes place according to agreement.
See also note 12.

## Note 6 Investments in subsidiaries

NOK 1000
Investments in shares in subsidiaries are valued by the cost method.

| Subsidiary | **Country of incorporation** | **Established** | **Ownership interest** | **Share capital** | **Net book value** |
|---|---|---|---|---|---|
| OHT Eagle AS | Norway | 2005 | 100 % | 200 | 15 627 |
| OHT Falcon AS | Norway | 2005 | 100 % | 200 | 21 026 |
| OHT Osprey AS | Norway | 2007 | 100 % | 11 110 | 114 |
| OHT Hawk AS | Norway | 2007 | 100 % | 200 | 14 330 |
| OHT Albatross AS | Norway | 2015 | 100 % | 500 | 414 413 |
| OHT Alfalift AS | Norway | 2017 | 100% | 60 | 141 536 |
| OHT Management AS | Norway | 2005 | 100 % | 111 | 5 767 |

| | |
|---|---|
| | 612 813 |

The subsidiaries have their main office in Oslo, Norway.

## Note 7 Taxes

NOK 1000

| | 2018 | 2017 |
|---|---|---|
| *Taxes payable* | | |
| Taxes related to group contribution | - | - |
| *Deferred taxes* | | |
| Related to temporary differences | 1 868 | 1 429 |
| **Total taxes** | 1 868 | 1 429 |

| | | |
|---|---|---|
| **Reconciliation of tax expenses** | | |
| Net income before tax | 33 605 | 144 877 |
| Tax based on nominal tax rate 23% (24%) | 7 729 | 34 771 |
| Permanent differences | -6 210 | -33 752 |
| Effect of change tax rate from 23% to 22% | 349 | 410 |
| Net change in temporary differences | -1 868 | -1 429 |
| Deferred tax benefit related to loss carry forward | 1 868 | 1 429 |
| **Total taxes** | **1 868** | **1 429** |

| | | |
|---|---|---|
| **Specification of deferred taxes** | | |
| *Deferred tax asset* | | |
| Net loss carry forward | -34 392 | -41 019 |
| **Basis of Deferred tax asset** | **-34 392** | **-41 019** |
| **Deferred tax asset (23%/24%)** | **7 566** | **9 434** |

The company is the parent company of the Offshore Heavy Transport Group. The subsidiaries OHT Eagle AS, OHT Falcon AS, OHT Osprey AS, OHT Hawk AS, OHT Albatross AS and OHT Alfalift AS are organized within the Norwegian tonnage tax regime. Dividends from the subsidiaries will be exempt from tax within the exemption model.

## Note 8 Shares and shareholders

| Shareholders as of 31 December 2018 | Number of shares | Ownership share |
|---|---|---|
| Songa Corp | 6 667 | 66,67 % |
| Lotus Marine AS | 3 333 | 33,33 % |
| **Total number of shares** | **10 000** | **100 %** |

The share capital consists of 10 000 shares at nominal value NOK 20.-, and of equal rights. Offshore Heavy Transport AS is incorporated in Norway and the share capital is denominated in NOK.

## Note 9 Issued capital and reserves

NOK 1000

| | Number of shares | Share capital | Paid-in premium | Other paid-in equity | Net earnings | Total |
|---|---|---|---|---|---|---|
| **Ending balance 2016** | **10 000** | **200** | **8 903** | **-** | **602 945** | **612 048** |
| | | | | | | |
| Net profit/(loss) 2017 | | | | | 143 448 | 143 448 |
| Dividend distributed | | | | | | |
| Group contribution distributed | | | | | | |
| **Ending balance 2017** | **10 000** | **200** | **8 903** | **-** | **746 392** | **755 496** |
| | | | | | | |
| Net profit/(loss) 2018 | | | | | 31 737 | 31 737 |
| **Ending balance 2018** | **10 000** | **200** | **8 903** | **-** | **778 129** | **787 232** |

Offshore Heavy Transport AS and its subsidiaries are consolidated in the financial statements of Songa Holding AS, enterprise no 988 909 109, Haakon VII's gate 1, 0161 Oslo.

## Note 10 Development Asset

| NOK 1 000 | Development asset |
|---|---|
| **Cost at 1 January 2018** | **15 551** |
| Additions 2018 | 4 980 |
| Government grant | -896 |
| **Cost at 31 December 2018** | **19 635** |

During 2017 and 2018 the Company has conducted research and development for new and improved methods for heavy transport services. The project has qualified for Government grant in the form of tax relief, under certain conditions that will be met. The estimated useful life for the project will be approximately 20 years.

## Note 11 Related parties

The Group's main office is located with the Blystad group, and certain administrative services have been supplied from the Blystad group.

Funds have been transferred internally in the Group during the year; the Parent company has borrowed funds from some subsidiaries with good liquidity and lent to other subsidiaries in need of funds. All transactions with related parties have been made on an arm's length basis and are settled on a regular basis.

Transactions with related parties are specified below:

| NOK 1000 | Year | Sales to related parties | Purchases from related parties | Amounts owed by related parties | Amounts owed to related parties |
|---|---|---|---|---|---|
| OHT Management AS | 2017 | | 4 432 | 19 892 | 12 033 |
| OHT Management AS | 2018 | | 8 121 | 25 591 | 27 059 |
| OHT Albatross AS | 2017 | | | 251 917 | 21 549 |
| OHT Albatross AS | 2018 | | | 2 175 | 2 616 |
| OHT Osprey AS | 2017 | | | 32 808 | 3 441 |
| OHT Osprey AS | 2018 | | | 60 307 | 20 054 |
| OHT Eagle AS | 2017 | | | 44 063 | - |
| OHT Eagle AS | 2018 | | | 64 408 | - |
| OHT Falcon AS | 2017 | | | 38 039 | - |
| OHT Falcon AS | 2018 | | | | |
| | | | | 177 | 80 918 |
| OHT Hawk AS | 2017 | | | 355 | |
| OHT Hawk AS | 2018 | | | | |
| OHT Alfalift | 2018 | | | 36 707 | 925 |

See also note 5.

Entity with significant influence over the Group:

The main shareholder of the company (66.67%), Songa Corp, is a company in the Blystad group. Songa Corp is under the control of the Chairman of the Board, Arne Blystad and Board member Marianne H. Blystad.

## 12 Financial Instruments

The Company employs conventional derivative instruments to manage risk. At 31 December 2018 the company had no such contracts, whereas at 31 December 2017 two bunker hedging contracts were signed. Fair value of the contracts were NOK 625 373.

## 13 Financial Market Risk

**General**
The Company is exposed to financial market risk through its business activity. The activity is international and exposed to financial market risks such as fluctuations in currency exchange rates, interest rates, the oil price and other market risks that may influence the value of assets, liabilities and cash flows.

**Currency risk**
The main activity of the Company is investment in subsidiaries owning and operating heavy transport vessels for transport operations mainly for the oil & gas and offshore sectors. The underlying revenues and main part of the operating costs in the subsidiaries are denominated in USD. A part of the administrative costs in the Company is denominated in NOK. Management regularly reviews whether to hedge the currency exchange risk.

There were no forward contracts or other derivative contracts in effect at 31 December 2018.

Specific currency risk is related to the Company's internal loans from the subsidiaries denominated in USD.

**Interest rate risk**
The Company's debts at the balance sheet date were internal loans to Group companies. The interest rates of these loans were not hedged at 31 December 2018.

**Credit risk**
The Company is exposed to credit risk in the case that contract parties to derivative contracts defaults their commitment. The Company only employs conventional derivative instruments in contracts with highly rated and reputable financial institutions and commodities brokers.

## 14 Events occurring after the reporting period

On 18 March 2019 the Group entered into an agreement with Skandinaviska Enskilda Banken (SEB) for a revolving credit facility of USD 30 million. Maturity date is 31 December 2020. Offshore Heavy Transport AS is, together with its subsidiaries, jointly and severally liable for the loan. As security for the facility the Group has pledged vessels, customer balances and cash reserves. The loan has floating interest at Libor +3,75%.

The loan agreement includes customary financial covenants as follows:
Minimum consolidated liquidity shall at all times be the higher of (i) USD 5 000 000 and (ii) USD 1 000 000 per collateral vessel, a minimum value clause which means the aggregated Fair Market Value of the collateral vessels shall at all times be at least equal to 200% of the outstanding amount under the Credit Facility, the working capital shall at all times be greater than USD 0 and a minimum equity ratio shall at all times be at least 40.00%.

To the General Meeting of Offshore Heavy Transport AS

# *Independent Auditor's Report*

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

### *Opinion*

We have audited the financial statements of Offshore Heavy Transport AS. The financial statements comprise:

- The financial statements of the parent company, which comprise the statement of financial position as at 31 December 2018, and the statement of income and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the consolidated statement of financial position as at 31 December 2018, and consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

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

### *Basis for Opinion*

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

pwc

## *Other information*

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the parent company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## *Report on Other Legal and Regulatory Requirements*

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

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

### *Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial*

*Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 26 April 2019
**PricewaterhouseCoopers AS**

Bjørn Lund
State Authorised Public Accountant