Offshore Heavy Transport AS

Consolidated Financial Statements 2019

Address:
Offshore Heavy Transport AS
Haakon VIIs gt 1
0161 Oslo, Norway
Phone: +47 21 01 34 50
Fax: +47 22 83 21 51
Norwegian Enterprise no: 991 723 188
www.oht.no

OFFSHORE HEAVY TRANSPORT AS - BOARD OF DIRECTORS' REPORT 2019

Offshore Heavy Transport AS and its subsidiaries (the Group) provide heavy transport services mainly for the Oil & Gas and offshore industry, offshore renewables 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 with high utilization of the fleet.

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 second half of 2021.

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.

The Company has so far not experienced any significant negative effects due to the Covid 19 pandemic. No contracts have been cancelled and all vessels are operating according to plan. Precautions have been taken on board vessels, and crew changes and port calls have been more demanding. Any contamination on board a vessel could affect the ability to operate as planned. At the main office as all employees have been instructed to work from home since mid-March until further notice. Management is following the situation closely.

Financial results

The financial results for 2019 reflect the business activities of the Group.

At year-end 2019, the Group reported gross freight revenues of USD 61.1 million (USD 56.5 million in 2018) and operating (TC equivalent) revenues of USD 32.7 million (USD 25.6 million for 2018).

Net operating profit was USD -6.0 million (USD -13.1 million in 2018). The Group recorded net financial items of USD -1.8 million (USD 0.5 million in 2018). Net loss after tax amounted to USD -7.6 million (USD -13.0 million in 2018).

Net cash flow from operating activities was USD 12.8 million in 2019 (USD 6.8 million in 2018). Net cash flow used in investing activities amounted to USD -39.0 million (USD -26.4 million in 2018). Net cash flow used in financing activities amounted to USD 24.5 (USD nil in 2018). Thus, total net cash flow resulted in an ending cash balance of USD 9.5 million as at 31 December 2019.

The heavy transportation market

The market for semi-submersible heavy transportation is a niche market mainly providing services to the oil service, offshore renewables 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

- Offshore wind components
- Other cargoes, both floating and non-floating, including docks, dredging equipment, barges, cranes, prefabricated industrial modules and military equipment

The prices achievable for heavy transportation services have improved somewhat compared to the previous 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.

Fleet operation

Through-out 2019 all five vessels Eagle, Falcon, Osprey, Hawk and Albatross have been in operation and have carried out their transport assignments satisfactorily.

From beginning December 2018 until early 2020, all five vessels have been through their five-year special survey including dry-docking. While dry-docking each vessel has also installed exhaust gas scrubbers. The combined cost of these two programs has been USD 19.3 million.

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, 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.

Crew management is subcontracted to Songa Crew Management Ltd.

Financing and liquidity

The Group had cash and cash equivalents of USD 9.5 million at the end of 2019 (USD 11.1 million end 2018). Total assets were USD 219.5 million (USD 192.2 million end 2018). Shareholders equity amounted to USD 169.2 million (USD 176.9 million end 2018). Current liabilities were USD 48.9 million (USD 15.4 million end 2018). The interest bearing debt at year-end 2019 amounted USD 24.8 million, nil at year end 2018. The equity ratio was77 % at the end of 2019 (92.0 % end 2018).

Interest bearing debt is a revolving credit facility of USD 30 million with Skandinaviska Enskilda Banken (SEB). Maturity date is 31 December 2020.

The Alfa Lift project will be financed by 30% upfront payments and the remaining 70% through an intended sale leaseback contract with the leasing company of the yard. As per date 20 percentage points of the upfront payments have been processed.

The Board of Directors confirm that the going concern assumption has been assessed and confirms that the assumption is valid, see also above regarding Covid 19.

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 six minor incidents on board the vessels during 2019 where three of these lead to short sick leave.
Investigations have been performed, and corrective actions have been done to prevent recurrence.

There have been no oil spills in 2019.

To reduce emissions from the vessels and prepare for IMO 2020, exhaust gas scrubbers have been installed on all vessels during 2019.

The company is certified to ISO9001:2015 and ISO14001:2015.

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 1.7%.

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 2019, the Group had 24 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 nil in Other operating revenues in both 2019 and 2018. Net operating result was NOK -8.2 million (NOK -9.0 million in 2018).

The net financial items amounted to NOK 111.1 million in 2019 (NOK 42.6 million in 2018).
NOK 125.7 million (2018: NOK 34.0 million) was dividend and group contribution from subsidiaries.
NOK -14.0 million was net other financial expenses and NOK -0.6 million was net foreign exchange gain.

Net profit for 2019 was NOK 105.1 million, whereas there was a net profit of NOK 31.7 million in 2018.

As of 31 December 2019, total assets amounted to NOK 1 174.4 million (NOK 881.4 million in 2018).

Total equity at 31 December 2019 amounted to NOK 892.3 million (NOK 787.2 in 2018).

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.

Covid-19 has led to substantially lower oil prices. If this lasts, it will have a negative impact on number of rig moves and other activities. Otherwise, Management does not consider Covid-19 to have substantial impact on other markets such as renewables.

Oslo, 14 May 2020

The Board of Directors

Arne Blystad Chairman	Liang Lui Deputy Chairman	Peng Zhou Board member
Tom Erik Jebsen Board member / CFO	Marianne H. Blystad Board member	Torgeir E. Ramstad Managing director

Consolidated statement of comprehensive income

USD 1 000

	Note	2019	2018
Gross freight revenue		61 128	56 484
Voyage related expenses	4	28 449	30 874
Net operating TC income		**32 679**	**25 610**
Operating expenses vessels	4	16 452	17 095
Employee benefit expenses	4, 12, 18	4 670	4 046
Depreciation	9, 10	14 262	14 213
Administrative expenses	4, 10	3 330	3 320
Total operating expenses		**38 714**	**38 674**
Net operating profit/(loss)		**-6 034**	**-13 064**
Interest income		344	327
Interest expenses	14	-1 030	-170
Net foreign exchange gain / (loss)	5	-54	9
Other financial income/expenses		-1 084	336
Net financial income/(expenses)		**-1 824**	**502**
Net profit before tax		**-7 858**	**-12 561**
Taxes	13	**-230**	395
Net profit/(loss)		**-7 628**	**-12 957**
Other comprehensive income			
Remeasurements of post-employment benefit obligations	12	**-**	**-50**
Tax effect	13	**-**	**11**
Total comprehensive income/(loss		**-7 628**	**-12 996**
Earnings per share			
Basic earnings per share, USD 1 000 per share	17	-0.76	-1.30
Diluted earnings per share, USD 1 000 per share	17	-0.76	-1.30
Average number of shares	15	10 000	10 000

Consolidated statement of financial position

USD 1 000

	Note	2019	2018
ASSETS			
Non-current assets			
Deferred tax assets	13	1 242	985
Right-of-use-asset	10	1 920	-
Vessels	9	190 556	165 495
Office furniture and equipment	9	325	279
Available for sale financial investment		53	777
Total non-current assets		**194 096**	**167 536**
Current assets			
Bunkers inventory	3	**2 421**	**4 640**
Cost to fulfil contract	2	**1 417**	**520**
Trade receivables	7, 19	6 813	5 998
Other receivables	7, 19	5 344	2 435
Total receivables		**12 158**	**8 433**
Cash and cash equivalents	6, 19	**9 456**	**11 092**
Total current assets		**25 451**	**24 684**
TOTAL ASSETS		**219 547**	**192 220**

Consolidated statement of financial position

USD 1 000

	Note	2019	2018
EQUITY AND LIABILITIES			
Equity			
Share capital	15, 16	36	36
Share premium	16	1 779	1 779
Other reserves	16	-344	-344
Retained earnings		167 755	175 383
Total equity	**15, 16**	**169 226**	**176 854**
Liabilities			
Long-term lease liability	10	1 426	-
Total long-term liabilities		**1 426**	**-**
Short-term lease liability	10	554	-
Short-term interest-bearing debt	14, 19	24 831	-
Accounts payable	19	5 184	4 158
Taxes payable	13	62	123
Other current liabilities	8, 19	18 264	11 085
Total current liabilities		**48 896**	**15 366**
Total liabilities		**50 322**	**15 366**
TOTAL EQUITY AND LIABILITIES		**219 547**	**192 220**

Oslo, 14 May 2020

The Board of Directors

Arne Blystad
Chairman

Liang Liu
Deputy Chairman

Peng Zhou
Board Member

Tom Erik Jebsen
Board member / CFO

Marianne H. Blystad
Board member

Torgeir E. Ramstad
Managing director

Consolidated cash flow statement

USD 1 000

	Note	2019	2018
Profit before tax		-7 859	-12 561
Taxes paid	13	-120	-56
Depreciation	9	13 879	14 213
Depreciation Right-of-use-assets	10	383	
Change in inventories		2 219	-841
Change in receivables		-815	-2 690
Change in payables		1 026	1 107
Effects of exchange rate changes		-4	3
Change in pension liability		-	-393
Change in other provisions		4 092	8 000
Net cash flow from operating activities		**12 803**	**6 782**
Investment in vessels and other assets	9	-38 987	-26 445
Net cash flow used in investing activities		**-38 987**	**-26 445**
Proceeds from short term borrowings		25 000	-
Repayment of leasing debt	10	-451	-
Net cashflow used in financing activities		**24 549**	**-**
Net change in cash and cash equivalents		**-1 635**	**-19 663**
Cash and cash equivalents at beginning of period		11 092	30 755
Cash and cash equivalents at end of period		**9 456**	**11 092**

Consolidated statement of changes in equity

USD 1 000

	Issued Capital	Share premium	Other reserves	Retained earnings	Total
Change of accounting principles				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**
Balance as at 1 January 2019	36	1 779	-344	175 383	176 854
Profit for the year				-7 628	-7 628
Equity per 31 December 2019	**36**	**1 779**	**-344**	**167 755**	**169 226**

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 2019, were approved by the board of directors on 14 May 2020.

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 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. 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.

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

Ship operating expenses 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 cost and subsequently measured at fair value.

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 if operational, otherwise as financial income/expense.

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.

Leases

The Group has adopted IFRS 16 Leases from 1 January 2019 using the simplified transition approach in accordance with IFRS 16.C5(b) and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

Offshore Heavy Transport AS' lease agreements relates to lease of office space. These lease agreements usually have a lease period of 5 years, while several of the leases have a longer time frame. Some of the leases have extension options and this has been taken into account.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. For leases which had previously been classified as operating leases under the principles of IAS 17 Leases, the lease liability upon adoption of IFRS 16 is measured as the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The Group's weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.84 %.

The associated right-of use assets were measured at an amount equal to the lease liability.
In applying IFRS 16 for the first time, the Group has used the following practical expedients as permitted by IFRS 16:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of operating leases of low value, and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made when applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The reclassifications and adjustments arising from the new leasing rules are recognized in the 1 January 2019 opening balance sheet. The net implementation effect is presented below.

USD 1 000	
Lease liability at 1 January 2019	2 107
Right-of-use-asset at 1 January 2019	2 017
Difference	-

The following table explains the reconciliation between the operating lease commitments as at 31 December 2018 ant the lease liabilities recognized as at 1 January 2019:

USD 1 000	
Operating lease commitments as at 31 December 2018	-
Lease liability recognised upon implementation of IFRS 16	-
Additions:	-
Material operating lease commitment as at 31 December 2018	-2 543
Undiscounted lease liability	-2 543
Effect of discounting lease commitment to net present value	437
Total lease liability as at 1. January 2019	**-2 107**
Of which are:	
Current lease liabilities*	-589
Non-current lease liabilities**	-1 518
Total lease liability as at 1 January 2019	**-2 107**

*Current lease liabilities are presented within "Lease liability ST portion".
**Non-current lease liabilities are presented within "Lease liability".

Right-of-use assets are presented within "Right-of-use-asset" and amounted to USD 2 107 as at 1 January 2019.

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.

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 or amendments to standards

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

IFRS 16 – Leases, for periods beginning on or after 1 January 2019.
IFRS 16 was issued in January 2016. It has resulted in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases was 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 recognized leases on the balance sheet, the details can be found in note 10.

There are no other new or amended standards adopted by the group or parent company from 1 January 2019 or later.

New and revised standards – not yet effective
New or amendments to standards issued and become effective in years beginning on or after 1 January 2020, assuming European Union adoption:

There are no 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	2019	2018
Voyage related expenses		
Port expenses	3 147	4 024
Bunker costs	20 104	22 494
Other voyage related expenses	5 198	4 356
Total	**28 449**	**30 874**
Vessel operating expenses		
Crewing expenses	9 099	9 731
Maintenance and stores	4 243	3 808
Insurance	830	699
Other operating expenses	2 281	2 856
Total	**16 452**	**17 095**
Employee benefit expenses		
Salaries (note 18)	3 264	2 967
Social security costs	491	556
Pension expenses (note 12)	351	-28
Other personnel expenses	564	550
Total	**4 670**	**4 046**
Number of staff	**24**	**22**
Administrative expenses		
Management fee (note 18)	519	524
Other fees	1 718	1 737
Travel expenses and membership fees	301	176
Other administrative expenses	792	883
Total	**3 330**	**3 320**
Audit fees (excluding VAT)		
Audit related fees	43	60
Other services	-	1
Total	**43**	**61**

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

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

USD 1 000	**2019**	**2018**
Foreign exchange gain	1 094	162
Foreign exchange loss	1 149	152
Net foreign gain/(loss)	**-54**	**9**

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	**2019**	**2018**
US Dollars	8 232	10 351
Norwegian kroner	1 297	542
Other currencies	-73	199
	9 456	**11 092**
Restricted cash		
Employee tax accounts	208	225
Total restricted cash	**208**	**225**

Interest income is earned at floating interest rates.

See also note 14 and 19 for further information.

Note 7 Total receivables

USD 1 000	**2019** Carrying amount	**2018** Carrying amount
Trade receivables	6 813	5 998
Other receivables	5 345	2 435
Total receivables	**12 158**	**8 433**

As of 31 December 2019, trade receivables of USD 0.4 million (2018: 2.2 million) were considered doubtful, thus provided for.

	2019	**2018**
Up to 3 months	6 806	5 939
3 to 6 months	-	-
More than 6 months	7	2 283

Trade receivables, receivables Group companies and other receivables are non-interest bearing. USD 4.0 million of outstanding trade receivables at 31 December 2019 has been paid in early 2020. The receivables are denominated in USD.

See also note 19.

Note 8 Other current liabilities

USD 1 000	2019	2018
Deferred revenue	8 805	5 338
Public Duties	361	381
Other current liabilities	9 099	5 366
Total	**18 264**	**11 085**

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 2018	**197 215**	**13 884**	**2 062**	**387**	**213 547**
Additions 2018	3 098	2 241	21 028	181	26 548
Government grant	-	-	-297		-930
Disposed	-	-	-	-43	-43
Cost at 31 December 2018	**200 312**	**16 125**	**22 987**	**525**	**239 950**
Additions 2019	9 823	5 994	23 274	151	39 242
Government grant			-255		-255
Cost at 31 December 2019	**210 136**	**22 119**	**46 005**	**676**	**278 936**
Acc. Depr. at 1 January 2018	**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**
Depreciation 2019	11 360	2 414	-	105	13 879
Acc. Depr. at 31 December 2019	**74 013**	**13 691**	**-**	**351**	**88 055**
Closing net book amount 2019	**136 122**	**8 428**	**46 005**	**325**	**190 881**

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

Heavy transport vessels	5 - 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 2019.

Note 10 Commitments and contingencies

The Group decided to dry dock the fleet as well as installing scrubbers on the fleet. The total costs are estimated to USD 19.3 million, USD 11.0 million to scrubbers incl. installation and USD 8.3 million to dry docking.
In addition, the subsidiary OHT Alfa Lift AS has entered into a shipbuilding contract. The company has committed to pay in total 30 % of the contract value upfront, of which 20% was paid as per 2019, the remaining 70% upon delivery in 2021. To finance the remaining 70 %, the company intend to enter into a sale leaseback contract with the leasing company of the yard.

USD 1 000

Commitments	2020	2021	Total
Dry docking of vessel (remaining payments)	1 070	-	1 070
Scrubber installation on the vessel (remaining payments)	1 969	-	1 969
Shipbuilding contract	20 574	132 900	153 474
Total	23 613	132 900	156 513

Moreover, the Group has lease contracts for offices that are recognized in the financial statements as per 31.12.2019. Annual lease cost for the office lease contracts is USD 0.8 million with a sublease to related parties of USD 0.2 million.

The Group implemented IFRS 16 1 January 2019. The implementation is further presented in note 2.

Amounts recognized in the balance sheet
USD 1 000

Right-of-use-assets	
Cost at 1 January 2019	**2 107**
Additions	196
Cost at 31 December 2019	**2 303**
Acc. Depr. at 1 January 2019	-
Depreciation	-383
Acc. Depr. at 31 December 2019	**-383**
Closing net book amount 2019	**1 920**
Lower of remaining lease term or economic life	5 years
Depreciation method	Linear

Lease liabilities	**31 December 2019**	**1 January 2019**
Current	-554	-589
Non-current	-1 426	-1 518
Total	- **1979**	**-2 107**

The leases do not have significant residual value guarantees. The leases do not contain restrictions on the Group’s financing or dividend policy.

Amounts recognised in the statements of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

USD 1 000	**2019**	**2018**
Depreciation charge of Right-of-use-assets	383	**-**
Interest expense	126	**0**
The total cash outflow for leases in 2019 was	450	

The Group's leasing activities and how they are accounted for:
Offshore Heavy Transport Groups agreements consists of building leases. Building leases usually have a lease period of 5 years, while several of the building leases have a longer time frame. Some of the buildings have extension options and this has been taken into account.

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 Alfa Lift AS	Norway	100 %	13.11.2017
OHT Management AS	Norway	100 %	11.09.2012
OHT Renewables UK Ltd	United Kingdom	100 %	18.12.2018

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. In 2018, the effect of this amounts to USD 305 thousand, and
remeasurements, net after tax USD -39 thousand, was booked to Equity through Other Comprehensive Income.

Note 13 Income tax

USD 1 000	2019	2018
Current income tax	27	86
Current income tax (taxes payable)*		
Deferred income tax		
Change in deferred tax	-269	266
Effect due to changed tax rate	12	32
Tax effect on re-measurements of pension obligations	-	11
Income tax expense/(income)	**-230**	**395**

*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:		
Profit/(loss) before tax	-7 238	-12 561
Tax at Norway's statutory income tax rate of 22% (23 %)	-1 592	-2 889
Non-deductible expenses or non-taxable items (**)	1 362	3 284
Income tax income/(expense)	**-230**	**395**

** Relates mainly to non-taxable income within the tonnage tax system.

Deferred income tax at 31 December relates to the following:	2019	2018
Deferred tax assets		
Fixed assets	-	-3
Tax losses carried forward	1 242	988
Deferred tax assets	**1 242**	**985**
Deferred tax, opening balance	984	1 282
Income Statement change	257	-298
Deferred tax, ending balance 22%	**1 242**	**984**

The subsidiaries OHT Eagle AS, OHT Falcon AS, OHT Osprey AS, OHT Hawk AS, OHT Albatross AS and OHT Alfa Lift 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 totalling USD 0.3 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

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 shares in the vessel-owing subsidiaries. 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%.

	2019		**2018**	
USD 1 000	Carrying amount	Fair value	Carrying amount	Fair value
Short term liabilities				
Short-term interest bearing debt	25 000	25 000	-	-
Total short term liabilities	**25 000**	**25 000**	**-**	**-**
Security				
Book value Shares in subsidiaries:				
OHT Eagle AS	6 990			
OHT Falcon AS	7 590			
OHT Hawk AS	5 858			
OHT Osprey AS	761			
OHT Albatross AS	29 659			
Total	**50 858**			
Maturity current borrowings				
Less than one year	25 000			

See also note 19.

Note 15 Shares and shareholders

	Number of shares	Ownership share
Shareholders as of 31 December 2019		
Songa Corp	6 667	66.67%
Lotus Marine AS	3 333	33.33%
Total number of shares	**10 000**	**100.00%**

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 2018	**10 000**	**36**	**1 779**
Ending balance 2019	**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 2019.

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	2019	2018
Net profit/(loss) attributable to the shareholders	-7 628	-12 966
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	-0.76	-1.30
Diluted earnings per share	-0.76	-1.30

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	2018	221	1 664	-	-
Blystad Group	2019	210	1 841	-	9

Remuneration to the board of directors and company management

There has been no remuneration in 2019 to the Board members. The Chief Executive Officer has received remuneration of USD 409 thousand and other management USD 196 thousand in 2019.

At the end of 2019, the Group had 24 employees.

The Group had no outstanding loans or guarantees for the benefit of board members or management in 2019.

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 2019 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 2019 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 2019.

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.

	2019		2018	
USD 1 000	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	6 813	6 813	5 988	5 998
Other receivables	5 344	5 344	2 435	2 435
Cash and cash equivalents	9 456	9 456	11 092	11 092
Accounts payable	5 184	5 184	4 158	4 158
Other current liabilities	18 264	18 264	11 208	11 208
Floating rate borrowings (at amortized cost)	24 831	24 831	-	-

			2019		2018	
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	-

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, 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 were similarly designed and were valued at fair value through voyage related expenses in profit or loss.
Four contracts were settled in 2018. No contracts were effective during 2019. 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, however Management consider the risk for increase in prices as immaterial.

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	2019	2018
Sensitivity to change in USD/NOK			
Effect on operating costs, full year effect	0.10	100	134

For example a change from USD/NOK 8.90 to 8.80

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
The Group is by its loan facility with floating interest rate exposed to fluctuations in the interest rate. Any change in the interest rate will influence the interest cost of the group. No hedging instruments concerning interest rates were applied at the balance date.

Effects in 1 000 USD	Change in rate	2019	2018
Sensitivity to interest rate changes			
Effect on interest cost	1 %	250	-

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 fulfil all financial obligations.

Maturity analysis for financial liabilities recorded at the balance date:

2019

USD 1 000	0-1 Years	2 Years	3+ Years
Revolving loan facility	25 000		
Accounts payable	5 184	-	-
Related party liabilities	9	-	-

2018

USD 1 000	0-1 Years	2 Years	3+ Years
Accounts payable	4 158	-	-

Note 20 Events occurring after the reporting period

The Company has not experienced any significant negative effects from the Covid 19 pandemic so far. No contracts have been cancelled, and the vessels are operating as normal. The Management follows the situation very carefully.

Offshore Heavy Transport AS

Financial statements - parent company 2019

Address:
Offshore Heavy Transport AS
Haakon VIIs gt 1
0161 Oslo, Norway
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	2019	2018
OPERATING REVENUES			
OPERATING EXPENSES			
Administrative expenses	2	8 236	8 988
TOTAL OPERATING EXPENSES		**8 236**	**8 988**
NET OPERATING PROFIT/ (LOSS)		**-8 236**	**-8 988**
FINANCIAL INCOME / (EXPENSES)			
Group contribution from subsidiary		6 397	7 008
Dividend from subsidiaries		119 351	27 000
Other financial income	3,5	4 861	11 200
Other financial costs	3,5	-18 878	-7 176
Net foreign exchange gain / (loss)	3	-641	4 562
NET FINANCIAL INCOME / (EXPENSES)		**111 090**	**42 593**
NET PROFIT BEFORE TAX		**102 856**	**33 605**
Taxes	7	2 231	-1 868
NET PROFIT / (LOSS)		**105 087**	**31 737**
ALLOCATION OF NET PROFIT			
Transfer to other equity		105 087	31 737
TOTAL ALLOCATED NET PROFIT		**105 087**	**31 737**

Statement of financial position

NOK 1 000

	Note	2019	2018
ASSETS			
Fixed assets			
Intangible assets			
Deferred tax assets	7	9 797	7 566
Research and Development	7	29 852	19 635
Total intangible assets		**39 649**	**27 201**
Financial fixed assets			
Investments in other Group companies	6	678 414	612 813
Shares		-	6 356
Total Financial fixed assets		**678 414**	**619 169**
Total fixed assets		**718 063**	**646 370**
Current assets			
Receivables			
Receivables Group companies	5	429 128	223 590
Tax receivable	11	2 243	896
Other receivables		10 980	9 032
Total receivables		**442 351**	**233 519**
Cash and cash equivalents	**4**	**14 003**	**1 543**
Total current assets		**456 354**	**235 063**
TOTAL ASSETS		**1 174 418**	**881 432**

Statement of financial position

NOK 1000

	Note	2019	2018
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	8	200	200
Share premium	9	8 903	8 903
Other reserves	9	-	-
Retained earnings	9	883 217	778 130
Total equity	**8,9**	**892 319**	**787 232**
Liabilities			
Current liabilities			
Short-term interest-bearing debt	10, 12	218 069	-
Accounts payable		536	1 988
Liabilities to Group companies	11	63 200	91 978
Other current liabilities	4	294	234
Total current liabilities		**64 030**	**94 200**
Total liabilities		**282 099**	**94 200**
TOTAL EQUITY AND LIABILITIES		**1 174 418**	**881 432**

Oslo, 14 May 2020

The Board of Directors

Arne Blystad
Chairman

Liang Liu
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	2019	2018
Profit/(loss) before tax	102 856	33 605
Change in receivables and prepayments	6 720	-6 706
Change in payables and accruals	-1 452	-3 248
Currency effects	-	-
Change in other provisions	-294 340	-18 023
Net cash flow from operating activities	**-186 217**	**5 628**
Investments in financial fixed assets	0	0
Investments in other assets	-12 460	-4 083
Net cash flow used in investing activities	**-12 460**	**-4 083**
Proceeds from short term borrowings	211 137	0
Net cash flow used in financing activities	**211 137**	**0**
Net change in cash and cash equivalents	**12 460**	**1 543**
Cash and cash equivalents at beginning of period	1 543	0
Cash and cash equivalents at end of period	**14 003**	**1 543**

Notes

<u>Note 1 Accounting principles for the financial statements for Offshore Heavy Transport AS – parent accounts.</u>

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, 8.7803 in 2019 and 8.6885 in 2018. 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	2019	2018
Salaries to Directors	-	-
Administration cost	8 149	8 950
Other operating costs	87	38
Total administrative expenses	**8 236**	**8 988**

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

Auditor's fees excluding VAT 1)	2019	2018
Audit fees	146	217
Audit related fees	-	10
Total	**146**	**224**

1) Fees to the auditor are included in administration costs

Note 3 Specification of financial items

NOK 1 000

Other financial income	2019	2018
Interest income from Group companies	2 719	6 875
Interest income others	2 143	1 531
Other financial income	-	2 794
Other financial income	**4 861**	**11 200**

Other financial costs	2019	2018
Interest cost to Group companies	-1 550	-5 818
Interest cost on loans	-8 015	-1 304
Other financial costs	-9 313	-55
Total financial costs	**-18 878**	**-7 176**

Foreign exchange gain/(loss)	**2019**	**2018**
Foreign exchange gain/(loss) re. intercompany loans/receivables	-205	3 275
Other foreign exchange gain/(loss)	-436	1 287
Total foreign exchange gain/(loss)	**-641**	**4 562**

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 2019:

	2019	**2018**
US Dollars	1 860	1 143
Norwegian kroner	12 425	424
EUR	-281	-24
Total cash and cash equivalents	**14 003**	**1 543**

Offshore Heavy Transport AS is party to the corporate group account agreements with banks, 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 2019 NOK 80 550 277 compared to NOK 63 343 113 in 2018.

The Cash and cash equivalents disclosed above and in the statement of cash flow, include no restricted cash.

Note 5 Receivables with due date no later than one year

NOK 1000	**2019**	**2018**
Dividend from subsidiaries, accrued	351 397	68 008
Intercompany short-term loans	77 331	155 582
Total	**429 128**	**223 590**

Interest bearing loan versus group companies carry interest at 3,54 % for NOK and 4,43 % 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	51 873
OHT Falcon AS	Norway	2005	100%	200	54 239
OHT Osprey AS	Norway	2007	100%	11 110	6 450
OHT Hawk AS	Norway	2007	100%	200	42 666
OHT Albatross AS	Norway	2015	100%	500	216 123
OHT Alfa Lift AS	Norway	2017	100%	60	301 397
OHT Management AS	Norway	2005	100%	111	5 767
OHT Renewables UK Ltd	UK	2018	100%	0	0
					678 414

The subsidiaries have their main office in Oslo, Norway.

Note 7 Taxes

NOK 1000

	2019	2018
Taxes payable		
Taxes related to group contribution	-	-
Deferred taxes		
Related to temporary differences	-2 231	1 868
Total taxes	-2 231	1 868

Reconciliation of tax expenses		
Net income before tax	102 856	33 605
Tax based on nominal tax rate 22% (23%)	22 628	7 729
Permanent differences	-24 859	-6 210
Effect of change tax rate from 23% to 22%	0	349
Net change in temporary differences	2 231	-1 868
Deferred tax benefit related to loss carry forward	-2 231	1 868
Total taxes	**-2 231**	**1 868**

Specification of deferred taxes		
Deferred tax asset		
Net loss carry forward	-44 533	-34 392
Basis of Deferred tax asset	**-44 533**	**-34 392**
Deferred tax asset	9 797	7 566

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 Alfa Lift 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 2019	**Number of shares**	**Ownership shares**
Songa corp	6 667	66.67%
Lotus Marine AS	3 333	33.33%
Total number of shares	**10 000**	**100.00%**

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 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	787 233
Net profit/(loss) 2019					105 087	105 087
Ending balance 2019	10 000	200	8 903	-	883 217	892 319

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 Short term interest bearing debt

NOK 1 000

	2019	2018
Short-term interest-bearing debt	218 068 648	-

On the 31st March 2019 the company entered into an agreement with Skandinaviska Enskilda Banken AB for revolving overdraft facility of USD 30 million.

Offshore Heavy Transport AS is, together with its subsidiaries, jointly and severally liable for the loan. The book value of the loan was USD 25 million as per 31 December 2019.

The company has used the value of its shares in the vessel-owing subsidiaries as security for the total loan facility.

One of the conditions of the loan agreement is that the companies together should have the minimum liquidity of USD 5 million. This condition was fulfilled at the 31st December 2019.

Note 11 Development Asset

NOK 1 000	Development asset
Cost at 1 January 2019	**19 635**
Additions 2019	12 460
Government grant	- 2 243
Cost at 31 December 2019	**29 852**

During 2019, 2018 and 2017 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 12 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:

	Year	Sales to related parties	Purchases from related parties	Receivable from related parties	Debt to related parties
OHT Management AS	2018	-	8 121	25 591	27 059
OHT Management AS	2019	-	7 622	31 233	23 143
OHT Albatross AS	2018	-	-	2 175	2 616
OHT Albatross AS	2019	-	-	6 588	20 660
OHT Osprey AS	2018	-	-	60 307	20 054
OHT Osprey AS	2019	-	-	20 573	3
OHT Eagle AS	2018	-	-	64 408	-
OHT Eagle AS	2019	-	-	11 169	-
OHT Falcon AS	2018	-	-	34 402	-
OHT Falcon AS	2019	-	-	3 611	-
OHT Hawk AS	2018	-	-	-	41 323
OHT Hawk AS	2019	-	-	-	19 394
OHT Alfa Lift AS	2018	-	-	36 707	925
OHT Alfa Lift AS	2019	-	-	10 955	-

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.

pwc

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, which comprise:

- The financial statements of the parent company Offshore Heavy Transport AS (the Company), which comprise the statement of financial position as at 31 December 2019, 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 consolidated financial statements of the group, which comprise the consolidated statement of financial position as at 31 December 2019, the 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 Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the group as at 31 December 2019, 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.

Other information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger pwc

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's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 14 May 2020
PricewaterhouseCoopers AS

Bjørn Lund
State Authorised Public Accountant
(This document is signed electronically)

Securely signed with Brevio

Revisjonsberetning OHT morselskap og gruppen

Signers:

Name	*Method*	*Date*
Lund, Bjørn	BANKID_MOBILE	2020-05-14 15:23

12 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 2019.

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

Interest rate risk
The Company is by its loan facility with floating interest rate, and by its intercompany loans exposed to fluctuations in the interest rate. Any change in the interest rate will influence the interest cost of the Company. No hedging instruments concerning interest rates were applied at the balance date.

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.

13 Events occurring after the reporting period

The Company has not experienced any significant negative effects from the Covid 19 pandemic so far. No contracts have been cancelled, and the vessels are operating as normal. The Management follows the situation very carefully.